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# The Sino-Malaysian Rubber Trade, 1950-80: A Global History

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## Abstract

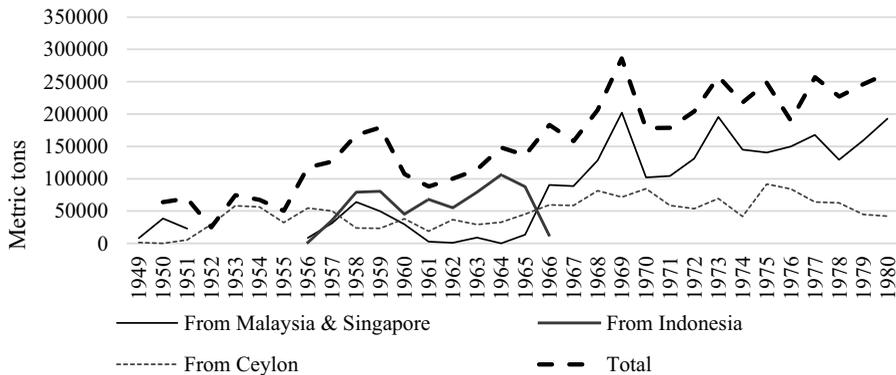
This article examines the evolution of the Sino-Malaysian rubber trade between 1950 and 1980 from a global perspective. In the 1950s, this trade was one part of a triangular rubber trade extending from Southeast Asia through China to the European socialist countries who were the real buyers of much of the Malayan rubber exported to China. While China stopped its rubber re-exports to the Soviet Union in 1961, the Sino-Malaysian rubber trade continued to evolve under the shadow of global events, especially Malaysia's economic tensions with industrialized Western countries and China's military confrontations with its enemies. The engagement of so many global players in this trade brought more pressures, challenges, and opportunities for Malaysia and China as they bargained with each other, consequently contributing to the sharp fluctuation of trade during this period.

**Keywords:** China; Malaysia; natural rubber; trade

In the era of the Cold War, as John Wong has noted, natural rubber (hereafter rubber or NR), a raw material with strategic importance for any modern economy, was the only item that the People's Republic of China (hereafter PRC or China) wanted in large quantities from Malaysia (Federation of Malaya before 1963). Malay(si)a depended heavily on rubber production and exports to sustain its economy and had a long history of trade deficits with China. Meanwhile, it was important for China, whose industrialization continuously demanded large quantities of rubber (Graph 1) but whose production of rubber and synthetic rubber (SR) remained limited, to maintain and increase their importation of rubber.<sup>1</sup> Not surprisingly, in 1956 and again in 1971, when both Beijing and Kuala Lumpur wanted to improve their bilateral relations, the first significant initiative was the dispatching of critical rubber trade missions from Malaysia to China, which received warm welcomes from Beijing. But curiously, for many years, this trade fluctuated sharply, meanwhile receiving no special encouragement from either government.<sup>2</sup>

<sup>1</sup>Rubber production accounted for approximately 10% of Malaysian GDP in the mid-1970s, and rubber exports yielded between 20% (in 1975) and 25% (in 1976) of its total export earnings: Martin Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', *Modern Asian Studies* 15, no. 1 (1981): 84. Even up to the early 1980s, rubber made up about 90% of Malaysia's exports to China: John Wong, *The Political Economy of China's Changing Relations with Southeast Asia* (New York: St. Martin's Press, 1984), 109. At the end of the 1970s, China's domestic production of rubber and SR was still very small, only about 25,000 tons and 60,000 tons per year respectively, so its rubber consumption relied on importation: Enzo R. Grilli, Barbara Bennett Agostini, and Maria J.'t Hooft-Welvaars, *The World Rubber Economy: Structure, Changes and Prospects* (Washington, DC: World Bank, 1978), 21n9.

<sup>2</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 65-114.



**Graph 1.** China's Natural Rubber Imports, 1949-80.

Sources: All data are from John Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 210-11.

To date, related studies of this significant trade have been limited in number and to unilateral and bilateral perspectives, ignoring the larger international context. Most economic historians have neglected this trade altogether, given its marginal share of the global rubber trade and Malaysia's total rubber exports.<sup>3</sup> Only John Wong has traced the evolution of this trade from the perspective of both governments and tried to explain why it both fluctuated and continued. During this period Kuala Lumpur and Beijing diverged politically and differed ideologically, but neither deliberately stopped this trade. According to Wong, historical and economic factors – such as the long history of bilateral trade between the countries, the presence of millions of overseas Chinese in Malaysia, China's continuous need for rubber, and Malaysia's long-lasting trade deficits with China – all resulted in an economic pragmatism shared by both sides which sufficed to sustain the trade. Nevertheless, Wong did not substantiate his analysis with primary sources.<sup>4</sup>

Diplomatic historians have been more concerned about why Kuala Lumpur sent two rubber trade missions to Beijing in 1956 and 1971. Most emphasized that these visits functioned as feelers sent out from new leadership in Kuala Lumpur to test China's willingness to pursue a path to improving bilateral relations, but usually just concentrated on the roles of local Chinese merchants in these visits.<sup>5</sup> Only Abdul Baginda, using declassified documents, analyzed how the Malaysian government made its decision in 1971. According to Baginda, Prime Minister Tengku Razak decided on the 1971 visit not just because of his resolution to reform Malaysia's Cold War foreign policy towards China, but also from his strong desire after the 1969 race riot to transform

<sup>3</sup>Colin Barlow, *The Natural Rubber Industry: Its Development, Technology, and Economy in Malaysia* (Kuala Lumpur: Oxford University Press, 1978); Grilli et al., *The World Rubber Economy*; Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', 93-5.

<sup>4</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 65-114.

<sup>5</sup>Chandran Jeshurun, *Malaysia: Fifty Years of Diplomacy, 1957-2007* (Kuala Lumpur: The Other Press, 2007), 91-3; Johan Saravanamuttu, *Malaysia's Foreign Policy, the First Fifty Years: Alignment, Neutralism, and Islamism* (Singapore: Institute of Southeast Asian Studies, 2010), 57-8. Some studies revealed the important roles of Malaysian Chinese in the success of these two visits, but uncritically adopted existing explanations from diplomatic historians about Kuala Lumpur's and Beijing's motives and aims for these visits: Hu Lu, *Xinma Huaren De Zhongguoguan Zhi Yanjiu (A Research on Singapore-Malaysian Chinese' View on China)* (Singapore: Singapore University of Social Science, 2014); Tan Chee Seng, 'Ma Zhong Jianjiao Qian Malai Xiya Huaren Zai Shehui Wenhua Hudong Zhong De Juese (The Role of Malaysian Chinese in Social and Cultural Interactions Before the Establishment of Malaysia-China Diplomatic Relations)', *Nanyang Wenti Yanjiu (Southeast Asian Affairs)* 155 (2013): 41-52; Erbeimi Wu, 'Zhongguo Yu Xinma Maoyi Guanxi Yanjiu: 1945-65 (A Study on Trade Relations between China and Singapore-Malay(sia), 1945-65)' (PhD diss., East China Normal University, Shanghai, 2018), 121-40.

Malaysia's domestic ethnic power balance.<sup>6</sup> Baginda concluded that this trade visit improved bilateral diplomatic relations, even though differences on important issues such as how to deal with the Malayan Communist Party (MCP) remained.<sup>7</sup>

Though different in focus, existing studies primarily depict and analyze this trade from unilateral and bilateral viewpoints, only occasionally discussing the roles of global events, such as the connections between the UN's embargo against China during the Korean War and the fluctuation of this trade in the early 1950s, or between the Sino-American rapprochement and the visit of a Malaysian trade mission to Beijing in 1971. However, some studies revealed that in the 1950s this trade was consistently and greatly influenced by the Sino-Soviet and Malaya-US rubber trades, which suggests more attention should be paid to global perspectives.<sup>8</sup> Based on accessible primary sources in Malaysia, China, Russia, the United States, and elsewhere, this article seeks to establish a new narrative about how Beijing and Kuala Lumpur dealt with this trade during the period from 1950 to 1980, with a focus on how global pressures and opportunities consistently shaped their policies and this trade.<sup>9</sup> It will show that the politics of the Cold War, including the occasional direct intervention of the United States and the Soviet Union in the trade, affected the often significant fluctuations in trade at least as much, if not more than, traditional economic factors such as price and competition. Even the availability of alternative sources was also affected by the politics involved. It will cover the trade chronologically according to the three phases which it underwent, corresponding roughly to the three decades.

### The formation of the Soviet-Sino-Malayan triangle rubber trade, 1950-58

In 1950, just one year after its establishment, the PRC suddenly increased its annual rubber imports from the Malay Peninsula to eight times what it had been between 1946 and 1949 - from approximately 8,000 to 70,000 tons.<sup>10</sup> This sudden move was deliberate on the part of Beijing, but not a calculated effort to prepare for the Korean War as John Wong has assumed.<sup>11</sup> Beijing did it

<sup>6</sup>The 1969 race riot, mainly between Malays and Chinese, broke out on 13 May 1969 in Kuala Lumpur. It took place as a result of the 1969 Malaysian national election in which the ruling coalition the Alliance Party led by the Malay party UMNO received serious challenges from opposing parties, especially two Chinese parties. After this riot, the new Tun Abdul Razak government implemented the New Economic Policy to favour Malays by breaking the monopoly of the Chinese community in rubber trade and other businesses through deep state intervention in economic life.

<sup>7</sup>Abdul Razak Baginda, *China-Malaysia Relations and Foreign Policy* (London: Routledge, 2016), 84-134. A similar view is advanced in a biography about Lee In Tung, a leading Malaysian rubber dealer and a close friend of Razak. It notes that Razak followed Lee's suggestion of normalizing the Sino-Malaysian relationship to win full support from the Malaysian Chinese: Zhaorong Peng, *Cong Kuli Dao Juzi: Li Yintong de Chuanqi Rensheng (From Coolie to Tycoon: The Legendary Lee In Tong)* (Beijing: Zhongyang Bianyi Chubanshe, 1997), 175-8.

<sup>8</sup>Yu Yao and Youxin Guo, '1953-56 Nian Meiguo de Xiangjiao Zhengce yu Guonei Zhengzhi (The US Natural Rubber Policy and Its Domestic Political Process: 1953-56)', *Shijie Lishi (World History)* 187 (2007): 60-8; Yu Yao, '20 Shiji 50 Niandai chu de Zhongguo Xiangjiao Maoyi (Sino-Russian Rubber Trade in the Early 1950s)', *Shixue Yuekan (Journal of Historical Science)* 360 (2010): 68-72. Studies of the Soviet-Malaysian rubber trade seldom mention its connections with the Sino-Malaysian rubber trade: K. S. Nathan, 'Malaysia and the Soviet Union', *Asian Survey* 27, no. 10 (1987): 1059-73; Leszek Buszynski, *Soviet Foreign Policy and Southeast Asia* (London: Routledge, 2013), 269-77; Geoffrey Jukes, *The Soviet Union in Asia* (Sydney: Angus and Robertson, 1973), 146-7, 281.

<sup>9</sup>Since this article covers the Cold War period, all related sources show ideological and political biases that were more obvious on the Chinese side. Due to China's radical communist ideology and its generally unfriendly relationship with Malay(sia) in the 1950s and 1960s, Chinese sources produced in these two decades often attached less political importance to China's rubber trade with Malay(sia) than with Sri Lanka and Indonesia (in the 1950s), and often blamed Kuala Lumpur's reluctance to improve this trade resulting from and proof of the latter's pro-Western inclinations.

<sup>10</sup>Chinese official statistics offer two different amounts concerning China's rubber imports in 1950: 64,000 tons and 71,563 tons: Zhongguo Shehui Kexue Yuan (China Academy of Social Science) and Zhongyang Dang'an Guan (Central Archives of Chinese Communist Party) eds, *1949-1952 Zhonghua Renmin Gongheguo Jingji Dangan Ziliao Xuanbian: Duiwai Maoyi Juan (Selections of People's Republic of China's Economic Documents and Sources: Foreign Trade during 1949-1952)* [hereafter *1949-1952 ZRGJZDXDMJ*] (Beijing: Jingji Guanli Chubanshe, 1994), 1031, 1035.

<sup>11</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 110.

actually as a middle-man for Moscow, who was the real buyer of most of the rubber imported by China.

China's sudden increased importation of rubber began towards the end of 1950 as a direct result of an urgent telegram from Soviet leader Joseph Stalin to Chinese leader Mao Zedong on 21 November 1950, by which time the People's Volunteer Army of China had already entered the Korean War. Stalin wanted China to buy 50,000 tons of top-grade rubber for the Soviet Union as soon as possible from Southeast Asia where China had strong economic ties, since the Soviets could no longer obtain rubber from their traditional markets in London following the outbreak of the Korean War.<sup>12</sup> This demand did not surprise Mao. In Mao's first visit to Moscow during the winter of 1949-50, Stalin had already requested a rubber supply from China.<sup>13</sup>

In 1950, importing enough natural rubber was a crucial issue for Moscow. From the end of the Second World War, the Soviet's rubber needs had dramatically increased due to Moscow's placing the automobile, aviation, and aerospace industries at the top of its economic development plans; the emergence of the Cold War and the onset of the Korean War only served to heighten this need.<sup>14</sup> Since 1947, the Soviet Union also had to supply rubber to its satellites in Eastern Europe, given its demands of the latter to minimize their imports from Western countries. However, as Stalin admitted in another telegram to Mao on 24 November 1950, the Soviet's sodium butadiene could not be used for the industrial production of tyres and other rubber products without a mixture with top-grade rubber at a ratio of 100/30.<sup>15</sup> In 1948, the Soviets managed to import 120,000 tons of rubber through direct purchases in Southeast Asia and two trade agreements with the UK and the Netherlands in late 1947 and early 1948 respectively. But these deals could not last.<sup>16</sup> Though they had ordered top-grade Malayan rubber in Singapore, what the Soviets finally received in Odessa was the lowest-grade rubber, which resulted in a loss of US\$3 million by the Soviet Union.<sup>17</sup> Meanwhile, the Soviet's large-scale purchase alarmed the United States. Starting in early 1949, Washington blocked an attempt by Moscow to buy all of the top-grade Sri Lankan rubber and established the multilateral trade control organization Consultative Group (CG)/Coordinating Committee (COCOM) that forced the reluctant UK and Netherlands to cut their rubber exports to socialist countries.<sup>18</sup> Consequently, the Soviet Union only imported 51,300 tons of rubber between 1 July 1949 and 1 July 1950, of which it had to transfer 5,300 tons to its satellites.<sup>19</sup>

<sup>12</sup>Zhonggong Zhongyang Wenxian Yanjiushi and Zhongyang Dang'an Guan eds., *Jianguo Yilai Zhou Enlai Wengao (Zhou Enlai's Manuscripts Since the Establishment of the PRC)* [hereafter JYZEW], Vol. 3 (Beijing: Zhongyang Wenxian Chubanshe, 2008), 534-5.

<sup>13</sup>The Record of the Talk between Stalin and Mao Zedong, 16 December 1949, АПРФ, ф.45, оп.1, д.329, л.9-17, in Shen Zhihua ed., *E'luosi Jiemi Dang'an Xuanbian: Zhongsu Guanxi (Selection of Declassified Russia Archives: Sino-Soviet Relations)* [hereafter EJD] (Shanghai: Dongfang Chuban Zhongxin, 2015), 2: 178.

<sup>14</sup>Institute of Economics, the Academy of Science of Soviet Union, translated by Sheng Zeng'an et al., *Восстановление народного хозяйства СССР; Создание экономики развитого социализма, 1946-начало 1960-х годов (Economic History of the Soviet Union's Socialism, Vol. 6, From 1946 to Early 1960s)* (Beijing: Dongfang chubanshe, 1986), 76-9, 112-16, 176, 449-55, 554.

<sup>15</sup>JYZEW, 3: 559. On the analysis of the poor quality of the Soviet's sodium butadiene, see Colin Barlow, Sisira Jayasuriya and C. Suan Tan, *The World Rubber Industry* (London: Routledge, 1994), 65-79.

<sup>16</sup>Office of Research and Estimates (ORE), Central Intelligence Agency, ORE 6-49: Rubber Supply Situation in the USSR, 3 March 1949, *United States Declassified Documents Online*, CK2349381380, link.gale.com/apps/doc/CK2349381380/USDD?u=ecnu&sid=bookmark-USDD&xid=6f16dd92&pg=5, accessed 3 Aug. 2023; Report from Anastas Mikoyan to Stalin, 14 November 1950, Russian State Archive of Socio-Political History (RGASPI), ф.84, оп.1, д.66, л.129-37.

<sup>17</sup>'Russia claims rubber swindle', and 'Malaya-Soviet rubber trade at stake', *Sunday Tribune* (Singapore), 31 October and 28 November 1948.

<sup>18</sup>*Foreign Relations of the United States* [hereafter FRUS], 1948, 4: 58-82, 574-5, 579, 581; FRUS, 1948, Vol. 5: 81-3. Extensive description about the formation of the CG/COM, see Philip J. Funigiello, *American-Soviet Trade in the Cold War* (Chapel Hill: The University of North Carolina Press, 1988); Michael Mastanduno, *Economic Containment: CoCom and the Politics of East-West Trade* (Ithaca: Cornell University Press, 1992); Ian Jackson, *The Economic Cold War: America, Britain and East-West Trade, 1948-63* (Basingstoke: Palgrave, 2001).

<sup>19</sup>Report from Anastas Mikoyan to Stalin, 7 November 1950, RGASPI, ф.84, оп.1, д.66, л.78-83.

Although China's economic leader Chen Yun disapproved of Stalin's expensive plan, and many Chinese soldiers were fighting in Korean battlefields without adequate rubber footwear, Mao and China's Premier Zhou Enlai insisted that 'the spirit of internationalism' was more important. Besides immediately transferring China's 8,000-ton rubber stockpile to the Soviet Union in exchange for sterling, newspapers, and cloth, Mao and Zhou generously promised to purchase 70,000 tons of top-grade rubber for the Soviet Union.<sup>20</sup> Then, with full governmental support in terms of transportation, customs clearance, credit, and so on, the leading state-owned importers such as Huarun (China Resources, in Hong Kong) and Nam Kwong (in Macau), alongside many small private and joint private-state companies, engaged in a 'rush purchase' (qianggou) of rubber by all means possible, including numerous illicit ones.<sup>21</sup>

This rush purchase succeeded with the help from many overseas elements. Besides British and overseas Chinese companies receiving orders from Chinese companies and shipping rubber to China by using British, Polish, and Panamanian vessels,<sup>22</sup> many businessmen in Hong Kong and Macau even smuggled rubber to the mainland with the acquiescence of local authorities.<sup>23</sup> The British and Portuguese colonial authorities established a licensing system of strategic exports to China in the mid-1950, but they tolerated those unlicensed deals not just because of corruption. The British and Portuguese feared that their intervention would hurt the local economy and induce revenge from China.<sup>24</sup> Consequently, China's rubber imports jumped from 10,000 tons in the first ten months of 1950 to reach 69,000 tons by the end of the year, almost all from the Malay Peninsula. In 1951, China still obtained 40,000 tons of Malayan rubber from Hong Kong in the first five months, which accounted for 57.65% of its total natural rubber imports in 1951, and nearly 10,000 tons from Macau in the second half of 1951.<sup>25</sup>

Most of this rubber that China obtained in 1950 and early 1951 went to the Soviet Union. Chinese sources recorded that in 1950 China re-exported 80,000 tons out of the 120,000 tons of rubber it imported to the Soviet Union, and that in 1951 the rubber export comprised 15.14% of China's total export value to the Soviet Union.<sup>26</sup> Soviet official statistics show that between 1951 and 1953 it gained

<sup>20</sup>JYZEW, 3: 534-5, 537, 559.

<sup>21</sup>During the PRC's Socialist Reformation (1953-56), all private and joint private-state importers and exporters were merged into related state-owned commercial agencies and companies. After that, Huarun monopolized China's imports and exports of important commodities with Hong Kong, Macau, and Southeast Asia: Wu Xuexian, *Hongse Huarun (Red China Resources)* (Beijing: Zhonghua shuju, 2010), 178-240; Shen Jueren et al., *Dangdai Zhongguo Duiwai Maoyi, (Foreign Trade of Contemporary China)*, vol. 1 (Beijing: Dangdai zhongguo chubanshe, 1992), 63, 477-9. For extensive descriptions of China's counter-measures against embargos during the Korean War, see Shu Guang Zhang, *Economic Cold War: America's Embargo Against China and the Sino-Soviet Alliance, 1949-1963* (Stanford: Stanford University Press, 2001), chap. 4; Dong Zhikai, *Yingdui Jinyun: Xin Zhongguo Lishi Yimu (Being Confronted with Blockade and Embargo: An Episode in the History of New China)* (Beijing: Shehui kexue wenxian chubanshe, 2014), chap. 7-9.

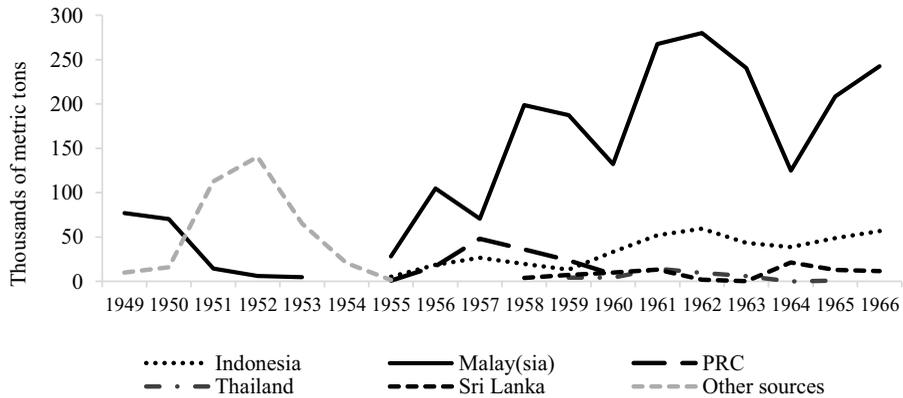
<sup>22</sup>Memorandum of the Talk between Roshchin and Chen Yun, 17 July 1951, in Shen Zhihua ed., *EJDX*, 3: 363; Margaret K. Gnoinska, 'Chipobrok – Continuity in Times of Change: Sino-Polish Relations during the Cold War, 1949-1969', in *Europe and China in the Cold War: Exchanges Beyond the Bloc Logic and the Sino-Soviet Split*, ed. Janick M. Schaufelbuehl, et al. (Leiden: Brill, 2019), 192-211.

<sup>23</sup>For the best record about rubber smuggling by overseas Chinese to mainland China during the Korean War, see Li Min, *Huannan Zhijiao: Kangmei Yuanchao Huo Yingdong Lishi Jiemi (A True Friendship: The History of Fok Ying-tung in the Korean War)* (Beijing: Zhongguo shehui kexue chubanshe, 2003). For other descriptions, see Deng Guangyin, *Wo de Fuqin Deng Wenzhao (My Father Deng Wenzhao)* (Beijing: Zhongguo wenshi chubanshe, 1996), 77-81; Peng, *Cong Kuli dao Juzi*, 44. Philip Thai found in the early years of the PRC many companies, including state-owned enterprises, were involved in coastal smuggling in order to get necessary materials for production whenever the official resource distribution channels could not satisfy their needs. But Thai focused on how the central and local governments suppressed this smuggling, rather than how they encouraged smuggling to circumnavigate the international embargo in the unique period of the Korean War: Philip Thai, *China's War on Smuggling: Law, Economic Life, and the Making of the Modern State, 1842-1965* (New York: Columbia University Press, 2018), chap. 7. On a useful case study of state-supported illicit trade, see Pierre-Yves Donze, 'The Advantage of Being Swiss: Nestlé and Political Risk in Asia During the Early Cold War, 1945-1970', *Business History Review* 94, no. 2 (2020): 373-97.

<sup>24</sup>Zhang, *Economic Cold War*, 35-9.

<sup>25</sup>1949-1952 ZRGJDXDMJ, 577, 603, 605-6, 754.

<sup>26</sup>Editing Group of Mianhuai Chen Yun, *Mianhuai Chen Yun (In Memory of Chen Yun)* (Beijing: Zhongyang Wenxian Chubanshe, 2000), 429-30; 1949-1952 ZRGJDXDMJ, 506.



**Graph 2.** Soviet Union Imports of Natural Rubber, 1949-66.

Data Source: М-во внешней торговли СССР (The Ministry of Foreign Trade of the Soviet Union), *Внешняя торговля СССР 1918-1966 г.: Статистический сборник (1918-66 Soviet Foreign Trade: Statistical Compilation)* (Moscow: International Relations, 1967), 152-153.

most of its imported rubber from unknown sources, which we now know means from China (Graph 2). As of that period, China established a grand triangular rubber trade from Southeast Asia to the Soviet Union via China, in which Malaya played a key role, even though it seemed unaware of this fact, at least initially.<sup>27</sup>

This grand triangular rubber trade consolidated the Sino-Soviet alliance. On 26 May 1951, Stalin informed Mao that as compensation for China's rubber exports to Russia, he would deliver new MiG-15 fighters to China without any further charge and consider as gifts the MiG-9 fighters China had bought and that proved outdated in air battles of the Korean War.<sup>28</sup> China's loyal performance in rubber supply alleviated Stalin's deep suspicions towards Mao and his China that had persisted even after Beijing and Moscow had become allies in early 1950.<sup>29</sup>

In spite of everything, the Sino-Malayan rubber trade was hard to maintain from mid-1951 onwards given the counter-pressures coming from the United States (Graph 1). Washington led the passing of the UN General Assembly Resolution No. 500 (on 14 May) calling for an international embargo against China, and forced its allies to install a China Committee within CG/COCOM to tighten trade with China, all of which aimed to prohibit exports of rubber and other strategic goods to China. More importantly, the US Congress passed the Mutual Defense Assistance Control Act (August 1951) that commanded the executive branch to terminate

<sup>27</sup>When the joint Singapore-Malayan trade mission visited China in 1956, some members still tried to get confirmation of this rubber re-exportation from Chinese officials: The Visiting Agenda for Singapore-Malayan Industrial and Commercial Mission, 17 September 1956, Acc. No. 401206800-X0043-Y-000084-001, Tianjin Municipal Archives. Until 1956 Washington and London still believed that China got much of its rubber from the Soviet Union. *FRUS, 1952-1954*, 1: Part 2, 944, 1111; *FRUS, 1955-1957*, 10: 305.

<sup>28</sup>Shen ed., *EJDX*, 3: 292.

<sup>29</sup>It was generally agreed that serious differences existed between Beijing and Moscow before mid-1950, but that the Korean War brought about a substantial improvement of Sino-Soviet relations. See Lowell Dittmer, *Sino-Soviet Normalization and Its International Implications, 1945-1990* (Seattle: University of Washington Press, 1992); Sergei N. Goncharov, John Lewis, Litai Xue, *Uncertain Partners* (Stanford: Stanford University Press, 1993); Odd Arne Westad ed., *The Rise and Fall of the Sino-Soviet Alliance, 1945-1963* (Stanford: Stanford University Press, 1998); Dieter Heinzig, *The Soviet Union and Communist China, 1945-1950: The Arduous Road to the Alliance* (New York: M.E.Sharpe, Inc., 1998); Lorenz M. Lüthi, *The Sino-Soviet Split: Cold War in the Communist World* (Princeton and Oxford, Princeton University Press, 2008), 31-5; Shen Zhihua and Xia Yafeng, *Mao and the Sino-Soviet Partnership, 1945-1959: A New History* (Lanham: Lexington Books, 2015).

American economic aid to any country which disobeyed the UN resolution.<sup>30</sup> Under this pressure, Indonesia, the largest rubber producer in the early 1950s, abided by the UN's resolution from mid-May 1951 onwards.<sup>31</sup> The United Kingdom also took action to cut off rubber exports to China. At the end of May, the British Navy intercepted the British freight *Nancy Moller* which was shipping 3,750 tons of Malayan rubber to Guangzhou. Singapore authorities confiscated 750 tons of rubber loaded in the Panamanian freight ship *Norbay* also bound for China, and the Singapore police arrested local businessmen and Huarun's representatives involved into these two cases.<sup>32</sup> Sri Lanka lost American aid in October, as it was found to have permitted the shipment of 5,800 tons of rubber to China by a Polish vessel *Mickiewicz*.<sup>33</sup>

Malaya and other rubber producers only got temporary compensation. Preventive purchases of all stocked rubber in Southeast Asia by the United States and its allies led to a sharp increase in the international rubber price on the London market from \$1.28 per kilogram in March 1950 to \$5.41 in February 1951.<sup>34</sup> However, Kuala Lumpur quickly found out that the prospect of Malaya's rubber exports to the United States was extremely limited. Besides the American government's decision to maintain a large domestic SR industry for fear of a possible rubber shortage,<sup>35</sup> a rumour emerged in late 1951 that Americans were searching for an alternative rubber supply in Latin America,<sup>36</sup> and from the beginning of 1952 American rubber consumers showed a strong inclination to use more styrene-butadiene rubber (SBR), a major SR that could substitute for rubber in many uses, with the excuse of the unstable quality of Malayan rubber.<sup>37</sup>

China was still hungrily searching for rubber for its big brother in 1952. Since April 1951, Britain, the Soviet's major rubber supplier, had reduced its rubber supply to Russia to only 7,000 tons monthly, which just met the latter's essential civilian needs.<sup>38</sup> And since the end of 1950, the Soviets were short of hard currency to buy rubber.<sup>39</sup> So, in early September 1952 when Zhou Enlai in Moscow requested the Soviets' assistance in China's First-Five Year Plan, Stalin asked to continue the rubber supply by China. Zhou briefly hesitated due to the international rubber embargo, but Stalin's promise of extensive economic assistance coupled with the threat of decreasing truck exports to China proved irresistible. On 15 May 1953, as Moscow formally agreed to help China build ninety-one large-size industrial plants, Beijing also promised to transfer 90,000 tons of rubber and other commodities in the next five years.<sup>40</sup> Though China was somewhat reluctant at the outset, China's rubber re-exports to the Soviet Union pushed forward Sino-Soviet economic cooperation and consolidated the alliance.

<sup>30</sup>For a detailed discussion of how the United States forced its allies, especially the United Kingdom, to implement an embargo against China during the Korean War, see Zhang, *Economic Cold War*, 30-49.

<sup>31</sup>'Indonesia To Abide By UN Embargo', *Singapore Standard*, 18 May 1951.

<sup>32</sup>For details of these two incidents, see reports in May by *The Straits Times*, *Singapore Standard*, and *Nanyang Siang Pau*; Wu, *Hongse Huarun*, 193-9.

<sup>33</sup>FRUS, 1952-54, 11: Part 2, 1499-1500, 2042-9, 2063-7

<sup>34</sup>The Business Research Department of The B. F. Goodrich Company, Akron, Ohio, Trends and Prospects in the Automotive, Rubber, and Allied Industries 1950-1960, February 1952, Acc. No. 1957/0670711, Document 1, Arkib Negara Malaysia (The Malaysia National Archives, [hereafter ANM]).

<sup>35</sup>Grilli, et al., *The World Rubber Economy*, 24-5.

<sup>36</sup>A Letter from the Rubber Research Institute of Malaya to the Member for Economic Affairs of The Treasury: Natural Rubber Production in Latin America, 5 December 1951, Acc. No. 1957/0670549, Document 3, ANM.

<sup>37</sup>The President's Materials Policy Commission's Report Called: Resources for Freedom, June 1952, Acc. No. 1957/0670711, Document 2, ANM. It was reported that about 41.6% of Malayan rubber imported by the US in 1951 was unqualified, see Charles F. Phillips, Jr. 'The Competitive Potential of Synthetic Rubber', *Land Economics* 36, no. 4 (1960): 328-30. US consumption of rubber was stable in 1951 (454,015 tons) and 1952 (453,102 tons), but its consumption of SR increased from 758,897 tons to 805,234 tons: 'World Rubber Stocks', *The Singapore Standard*, 10 August 1953.

<sup>38</sup>'Rubber for Russia is now being rationed', *Singapore Standard*, 7 June 1951. The United States still wanted Britain to further reduce this export. See FRUS, 1951, 1: 1076, 1151-2, 1085, 1089, 1183-5, 1217; FRUS, 1952-1954, 1: Part 2, 853, 916-17.

<sup>39</sup>A Report from Minister of Foreign Trade Mikhail Menshikov to Stalin, 16 December 1950, RGASPI, ф.84, оп.1, д.67, л. 221-22.

<sup>40</sup>Yao, '20 Shiji 50 Niandai chu de Zhonggu Xiangjiao Maoyi', 68-72.

At the end of 1952, China found an opportunity to prove how generous it could be to recover rubber trade with Southeast Asia. In December, Beijing signed a five-year barter agreement with Colombo, according to which China promised to ship 270,000 tons of high-grade rice annually to Sri Lanka in exchange for 50,000 tons of rubber, which meant China was buying rubber from Sri Lanka at 20% above the average price in Western markets.<sup>41</sup> This deal was very attractive to Sri Lanka which was facing a looming national famine, as no Western buyers wanted its comparatively low-quality rubber thus depriving Colombo of the financial means to import much-needed rice. Kuala Lumpur enviously found that even though Washington immediately suspended its economic aid to Sri Lanka,<sup>42</sup> Colombo earned enough revenue from this deal and financed a 60,000-acre rubber-tree replantation plan from 1953 onwards that would make Sri Lanka's rubber more competitive against Malayan rubber in the world market.<sup>43</sup>

In contrast, the United States further frustrated Malaya and other rubber producers who maintained a rubber embargo against China under American pressure.<sup>44</sup> As they worried about the serious rubber surplus and the quick drop in the international price of rubber in 1953 and 1954, almost to the level from before the Korean War, the United States, as the biggest SR producer and rubber consumer, proved ruthless and selfish. Washington refused to alleviate competition from its SR or to participate in establishing an international price stabilization scheme for rubber, which had repeatedly been suggested by Malaya and its neighbors since 1953.<sup>45</sup> Britain did initiate a replantation scheme of high-yield rubber trees in the Malay Peninsula in 1953, but it primarily served large estates owned by British corporations and mostly ignored the small rubber farms held by Malay peasants.<sup>46</sup>

In contrast, China maintained large-quantity rubber imports from Sri Lanka to meet the increasing needs of its allies. During China's First Five-Year Plan (1953-57), China expanded its rubber supply to Czechoslovakia, Hungary, Bulgaria, and North Korea, which lacked hard currencies to purchase rubber by themselves.<sup>47</sup> In total over these five years, China imported 436,000 tons of rubber from Southeast Asia, but re-exported 190,000 tons to other socialist states.<sup>48</sup>

Ironically, it was the United States which first retreated on the issue of the rubber embargo against China. Between 1953 and 1955, when Washington found that Burma and Indonesia had exported some rubber to China, it only warned Jakarta and Rangoon against further rubber shipments without imposing any harsh punishment.<sup>49</sup> In early 1956, Washington took no preventive actions against

<sup>41</sup>Sri Lanka requested emergency economic aid from the US and UK but did not receive positive reactions: Yu Yao, 'Shixi Zhongguo yu Sililanka Guanxi de Fazhan (An Analysis on the Development of Sino-Sri Lanka Relations)', *Dongnanya Yanjiu (Southeast Asian Studies)* 187 (2007): 39-44. Chinese sources said Sri Lanka made a profit of approximately 43 million dollars in its rubber trade with China between 1953 and 1957: Chengxi Cai, 'Dami Huan Xiangjiao: 20 Shiji 50 Niandai de Zhongxi Maoyi (Rice for Rubber: Sino-Ceylonese Trade in the 1950s)', *Dangdai Zhongguoshi Yanjiu (Contemporary China History Studies)* 15, no. 3 (2008): 68-73.

<sup>42</sup>FRUS, 1952-1954, 11: Part 2, 1547-52, 1558, 1563-7, 1588.

<sup>43</sup>Rubber Replanting Ceylon Scheme, 3 September and 24 October 1953, Acc. No. 1957/0670830, Document 1, 11A, and 12, ANM.

<sup>44</sup>Fearing US reprisals, Indonesia refused to give licenses to several rubber orders received by some Indonesian companies from Huarun in 1952: 1949-1952 ZRGJDXDMJ, 580. Burman had to cancel its small amount of rubber exports to China as Washington found a ship of 1,500 tons of rubber from Rangoon to China in March 1953 and threatened to withdraw its aid: FRUS, 1952-1954, 12: Part 2, 84.

<sup>45</sup>The Dwight Eisenhower Administration produced NSC 5417 series documents in to discuss these issues, see Yao and Guo, '1953-56 Nian Meiguo de Xiangjiao Zhengce yu Guonei Zhengzhi', 60-8.

<sup>46</sup>Barlow, *The Natural Rubber Industry*, 81; F. Benham, 'The Commonwealth Economy in Southeast Asia,' *International Affairs* 36, no. 2 (1960): 206-7.

<sup>47</sup>Shen et al., *Dangdai Zhongguo Duiwai Maoyi*, 1: 275-88; Shen Zihua ed., *EJDX*, 7: 326-7.

<sup>48</sup>1958-1965 *Zhonghua Renmin Gongheguo Jingji Dang'an Ziliao Xuanbian: Duiwai Maoyi Juan (Selections of People's Republic of China's Economic Documents and Sources: Foreign Trade during 1958-1965)* [hereafter 1958-1965 ZRGJDXDMJ] (Beijing: Zhongguo Caizheng Jingji Chubanshe, 2011), 63-4.

<sup>49</sup>Washington kept a low profile regarding Indonesia's rubber export to China using the Polish vessel *Pluski* in 1954, see Soo Chun Lu. "'Trade with the Devil': Rubber, Cold War Embargo, and Us-Indonesian Relations, 1951-1956", *Diplomacy &*

attempts by Thailand and Indonesia to export rubber to China.<sup>50</sup> It even resumed its economic assistance to Colombo in March, with the condition that the latter's rubber exports to China would not exceed 50,000 tons annually.<sup>51</sup> At this point, Washington had no reason to continue to refuse strong demands from Britain and its colonies to abandon the rubber embargo against China. On 27 April, Washington informed London that it would acquiesce to London's liberal use of the exception procedure of the China Committee for rubber trade with China.<sup>52</sup>

Malaya could not wait anymore. With permission from London, Kuala Lumpur and Singapore declared on 4 June that they were abandoning the rubber embargo against China. Then a so-called 'private' joint Malaya-Singapore trade mission visited China between August and October with the support of both of their governments. This visit immediately brought a recovery of Malayan rubber exports to China, going from almost zero in 1955 to 8,707 tons in 1956, then 31,367 tons in 1957 and 64,036 tons in 1958 (Graph 1).<sup>53</sup> Although Malaya had lost its dominant position in China's rubber imports to Sri Lanka and Indonesia, these new exports were significant in helping offset two blows to Malaya's rubber economy. First, soon after gaining independence on 31 August 1957, the new Federation of Malaya faced a large-scale withdrawal of UK rubber corporations from approximately 300 advanced rubber estates with 230,000 acres. Second, world rubber prices continued their decline, under pressure from increased SR production in Western countries.<sup>54</sup> To expand its rubber exports to China, Kuala Lumpur declared no limit on rubber exports to China on 4 July 1957, which meant in practice that American political influence and interference in this rubber trade had completely ceased.<sup>55</sup> As a result, China's rubber imports from the Malay Peninsula grew to nearly 65,000 tons in 1958, the highest level since 1952 (Graph 1).

### The stalemate of the Sino-Malay(si)an rubber trade, 1958-68

By October 1958, however, the Sino-Malaysian rubber trade had lost its momentum, and neither side took action to improve this trade until 1969. Unilateral and bilateral events contributed to this stalemate, including the so-called 1958-59 'trade war' between the two nations, China's severe economic crisis in the early 1960s brought on by Mao's utopian Great Leap Forward (1958-1960), and a general worsening of bilateral relations in all fields during this period.<sup>56</sup> But the roles of many global and regional elements cannot be ignored.

In early 1958 when Beijing commenced its Second Five-Year Plan (1958-62), it included one million tons of rubber importation from Southeast Asia, of which 410,000 tons would be re-exported to its socialist allies. However, some Chinese top officials quickly complained that this re-exportation programme drew too heavily on China's foreign exchange reserves, which had become more restricted as the Great Leap Forward had led to a sharp increase in the importation of expensive industrial equipment and materials for China itself.<sup>57</sup> Furthermore, as the Sino-Soviet relationship deteriorated quickly in general during these years, Chinese officials decided to free

*Statecraft* 19 (2008): 42-68. Washington tried hard not to invoke the Mutual Defense Assistance Control Act against Burma in 1953 and 1955 when it found Rangoon permitted 1,500 and 3,000 tons of rubber shipments to China respectively. See *FRUS*, 1952-1954, 12: Part 2, 84; *FRUS*, 1955-1957, 22: 20-4.

<sup>50</sup>*FRUS*, 1955-1957, 22: 272, 878; *FRUS*, 1955-1957, 10: 306-307; 1958-1965 ZRGJDXDMJ, 534.

<sup>51</sup>*FRUS*, 1955-1957, 8: 266-7, 269.

<sup>52</sup>*FRUS*, 1955-1957, 10: 356. For the quarrel between the Americans and the British on the termination of the rubber embargo against China, see Zhang, *Economic Cold War*, chap. 7.

<sup>53</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 70-1.

<sup>54</sup>Phillips, 'The Competitive Potential of Synthetic Rubber', 322-32; Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', 95.

<sup>55</sup>*Renmin Ribao (People's Daily)*, 6 July 1957.

<sup>56</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 72-4.

<sup>57</sup>1958-1965 ZRGJDXDMJ, 63-6, 87-91, 105-6, 111, 113-14, 297-9. For example, at the end of 1958, China reduced its 1959 plan for rubber exports to Czechoslovakia. See Jan Adamec, "'Our Friendship is Longer than the River Yangtze and Higher than the Tatra Mountains': Sino-Czechoslovak Trade in the 1950s", in *Europe and China in the Cold War*, 186.

themselves from this burden.<sup>58</sup> At the end of 1959, Beijing first cut 10,000 tons of rubber from the planned 1960 re-export plan, then the Chinese delegation in negotiations in early 1960 firmly insisted on only supplying 125,000 tons of rubber to the Soviets for the years 1961-65, even though the Soviet delegation wanted 175,000 tons, again threatening to cut off its industrial equipment supply and technical support to China's chemical industry.<sup>59</sup> When the Soviet Union suddenly withdrew all its specialists from China in July 1960 (which became a key symbol of the Sino-Soviet split), and Beijing had exhausted most of its foreign exchange reserves to buy food, China all but stopped this rubber re-exportation, delivering only 7,900 tons of rubber to the Soviet Union in 1961 (Graph 2).<sup>60</sup>

The end of the great triangular rubber trade between Southeast Asia, China, and Eastern Europe in 1961 had a profound influence on the Sino-Malaysian rubber trade. Because China no longer had to act as a middleman for the USSR and its own need for rubber had declined due to the economic crisis of 1959-1962, it could import what it required from its old friend Sri Lanka and new ideological partner Indonesia, rather than from Malaya.<sup>61</sup> Consequently, China's rubber imports from Malaya dropped sharply from 29,507 tons in 1960 to 2,633 tons in 1961 and 766 tons in 1962 (Graph 1). This sharp reduction led Malaya and Singapore to increase their rubber sales directly to the Soviet Union and Eastern European countries, with which they had no major or direct disputes (Graph 2). The Sino-Malayan rubber trade had lost the importance it once had for both sides.

But Malaya still needed to expand its rubber exports due to economic competition from the rubber stockpile and synthetic rubber industry in the West, even though both sides cooperated closely in other fields such as security, politics, and economic aid.<sup>62</sup> From October 1959 to July 1961, the US General Service Administration (hereafter USGSA) dumped 110,117 long tons of low-priced rubber stockpile into the market, until strong objections from Malaya and other rubber producers caused them to stop.<sup>63</sup> Furthermore, from 1960 onwards, Western chemical giants expanded their outputs of Butyl Rubber (IIR) and started large-scale production of two new general-purpose SR – polybutadiene (BR) and synthetic polyisoprene (IR) – all of which could substitute rubber in many ways (Graph 3).<sup>64</sup> These helped the world's production of SR to surpass

<sup>58</sup>For the collapse of Sino-Soviet economic cooperation between 1956 and 1969, see Zhang, *Economic Cold War*, chap. 8; Tao Chen and Jan Zofka, 'The Economy of the Sino-Soviet Alliance', *Jahrbuch für Wirtschaftsgeschichte* 63, no. 2 (2022): 575-610. For how irreconcilable bilateral divergences on all fields emerged from 1956 and accelerated at the end of 1950s, see Lüthi, *The Sino-Soviet Split*, chap. 2-5; Danhui Li and Yafeng Xia, *Mao and the Sino-Soviet Split, 1959-1973: A New History* (Lanham: Lexington Books, 2018), chap. 1-3.

<sup>59</sup>1958-1965 ZRGJDXDMJ, 111, 124, 298-9, 334-5. Chinese sources suggested the Soviet's insistence on the China's rubber supply resulted from the Soviets' tight reserve of hard currencies. During 1953-57 China annually transferred 0.125-billion-rubles worth of hard currency to the Soviet Union to meet latter's needs. A joint report from the Planning Committee and the Ministry of Foreign Trade of PRC in 1959 said that since 1958 China stopped this transfer, so it is favorable for China to supply rubber to the Soviet Union as an alternative for helping the big brother: 1958-1965 ZRGJDXDMJ, 299.

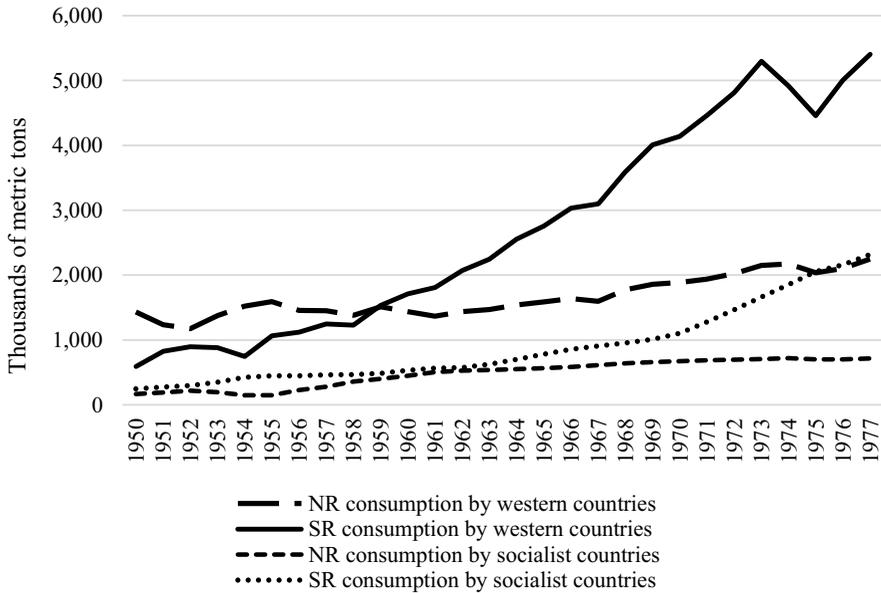
<sup>60</sup>Beijing also nearly stopped all its rubber re-exportation to those Eastern European countries which held negative positions towards China in the Sino-Soviet split: 1958-1965 ZRGJDXDMJ, 344.

<sup>61</sup>For Beijing's decision to decrease its rubber imports between 1959 and 1962, see 1958-1965 ZRGJDXDMJ, 84, 117, 127, 137, 140, 154, 171. China's rubber imports increased from 168,000 tons in 1958 to 200,000 tons in 1959, then quickly dropped to 134,000 tons in 1960 and 10,000 tons in 1961 and 1962.

<sup>62</sup>Saravanamuttu, *Malaysia's Foreign Policy, the First Fifty Years*, chap. 3; Pamela Sodhy, *The US-Malaysian Nexus: Themes in Superpower-Small State Relations* (Kuala Lumpur: The Institute of Strategic and International Studies Malaysia, 1991), chap. 5; Hari Singh, 'Malaysia and the Cold War', *Diplomacy & Statecraft* 6, no. 2 (1995): 512-35.

<sup>63</sup>Pejabat Duta Besar, Persekutuan Tanah Melayu di-Washington, to the Political & Information Division, Ministry of External Affairs, Federation of Malaya, 12 July 1961, Acc. No. 1991/0025187, Document 89, ANM.

<sup>64</sup>News of the Rubber Industry in the United States, June-July-August 1960, Acc. No. 1957/0670893, ANM. Natural and all synthetic rubbers can be categorized into 'special rubbers' and 'general-purpose rubbers' according to their end-use. 'Special rubbers' are those SR qualifies for particular usage like fire or oil resistance that are hard to be substituted by NR or other SR. They account for about 30% of the total world consumption of all kinds of rubbers in 1970s. NR, SBR, BR, and IR are 'general



Graph 3. NR and SR Consumption by Western and Socialist Countries, 1950-77.  
 Data Source: Grilli et al., *The World Rubber Economy*, 190-1.

rubber and depressed world rubber prices by almost 50% in the 1960s (Graphs 4 and 5).<sup>65</sup> Malaya only maintained its rubber revenue in this decade by doubling its production and exportation, at a time when its total exports, trade balances, and GNP all showed a decline in the early 1960s.<sup>66</sup>

The heavy loss in Western and Chinese markets forced Kuala Lumpur to explore trade with communist states and sheds new light on why Malaya sought to improve all kinds of relationships with European socialist countries after 1962, while still maintaining close relations with the West.<sup>67</sup> On 18 October 1962, the Ministry of Commerce and Industry of Malaya (hereafter MCI) declared that an official rubber mission might visit Eastern Europe to persuade those countries to buy more Malayan rubber. The local *Malay Mail* reported that the MCI also wanted to send an official rubber mission to Beijing, which excited Malayan rubber dealers who instantly expressed their desire to join the mission. This news annoyed the Malayan Ministry of External Affairs (hereafter MEA) who strenuously warned the MCI to withdraw this statement. The MEA warned that such a visit would violate Kuala Lumpur’s strict non-recognition policy of the PRC because any visit by an official trade mission would make recognition almost inevitable according to international law.<sup>68</sup> After the MCI clarified that its declaration was misread by the *Malay Mail*, the MEA confirmed to all overseas posts that Kuala Lumpur did not intend to change its diplomatic policy towards the PRC.<sup>69</sup>

purpose-rubbers’ which make up the remaining 70%. These general-purpose rubbers can be substituted for one another in the production of common rubber products, and thus their shares in consumption were determined by their quality and price: Barlow, *The Natural Rubber Industry*, 406-7.

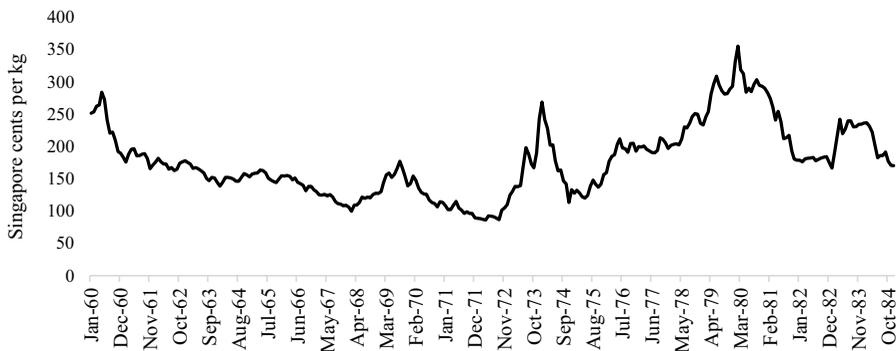
<sup>65</sup>Barlow, *The Natural Rubber Industry*, 92.

<sup>66</sup>Rudner, ‘Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy’, 94.

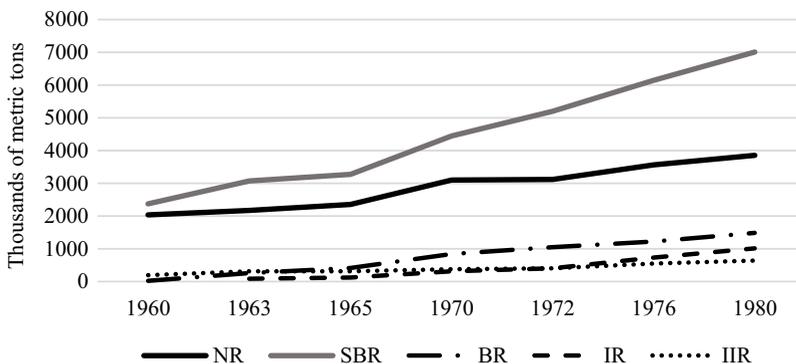
<sup>67</sup>Singh and Saravanamuttu offer different explanations of why this change occurred, but neither explores the possible role of the rubber trade in this change: Saravanamuttu, *Malaysia’s Foreign Policy, the First Fifty Years*, 102-6; Hari Singh, ‘Malaysia and the Cold War’, 521-9.

<sup>68</sup>Minute by the Permanent Secretary, Ministry of External Affairs to Secretary for Commerce and Industry, 18 October 1962, Acc. No. 1991/0030418, Document 9, ANM.

<sup>69</sup>Sending of Rubber Trade Missions Vis-à-vis Recognition of Communist China, Acc. No. 1991/0030418, Document 12, ANM; ‘Malaya Considers Rubber Approach to Reds’, *The Strait Times*, 19 October 1962.



**Graph 4.** Prices of Ribbed Smoked Sheet No. 1 in Bales, 1960-84, FOB Singapore.  
 Data source: United Nations Conferences on Trade and Development, ‘Commodity Price Bulletin, Free market commodity prices, monthly, Jan. 1960 – Dec. 2017 (Discontinued)’, <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=28768>, accessed on 2 August 2023.



**Graph 5.** World Production Capacities of NR and Major SR, 1960-80.  
 Data source: Barlow, *The World Rubber Industry*, 32, 76-7, and Grilli et al., *The World Rubber Economy*, 80, 84-5, 184-5.

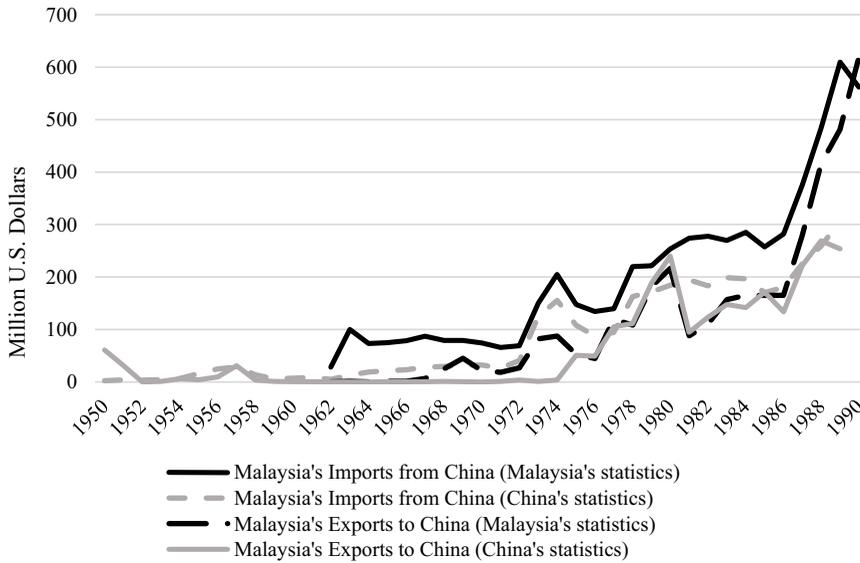
In 1963, China suddenly increased its imports to more than 110,000 tons of rubber from all sources and 9,060 tons specifically from the Malay Peninsula, a sharp contrast to its imports in 1962 of 100,000 and 766 tons respectively (see Graph 1). This change can be explained by both military and economic considerations: from mid-1962, Beijing had initiated a large-scale stockpile programme for rubber and other strategic materials as a response to threats from the Taiwan Strait, Indochina, and India.<sup>70</sup> Moreover, to increase foreign exchange reserves that were almost exhausted by the economic crisis of the previous three years, Beijing adopted a new trade strategy of converting imported rubber and other raw materials into more profitable products for export.<sup>71</sup>

However, neither Kuala Lumpur nor Beijing were ready to improve the bilateral rubber trade in 1963. Strongly opposed to the merger of Malaya, Singapore, Sarawak, and Sabah in September of 1963 into the nation of Malaysia, Indonesia’s Sukarno imposed a ‘konfrontasi’ against Malaysia that included calling for rubber orders from all socialist states to be filled by Indonesia.<sup>72</sup> As China

<sup>70</sup>For Beijing’s threat perceptions in 1962 and harsh reactions in the Taiwan Strait, Himalayas and Indochina, see Allen Whiting, *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor: The University of Michigan Press, 1975); M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China’s Territorial Disputes* (Princeton: Princeton University Press, 2008).

<sup>71</sup>1958-1965 ZRGJDXDMJ, 145-63.

<sup>72</sup>Saravanamuttu, ‘Malaysia-Russia Relations: Reviving Up a Distant Relationship’, 186.



**Graph 6.** Statistics of Sino-Malaysian Trade, 1950-90.

Data Sources: Malaysia's statistics came from UN Comtrade, SITC Rev. 1. China's statistics cited from Zhonghua Renmin Gongheguo Duiwai Jingji Maoyi Bu (China's Foreign Economic Trade Ministry), *Duiwai Maoyi Tongji Ziliao Huibian: 1950-1989* (Collections of Foreign Trade Statistic Sources: 1950-1989) (Beijing: Zhonghua Renmin Gongheguo Duiwai Jingji Maoyi Bu, 1990), 52. Data covering 1950-57 included Singapore's imports from and exports to China.

stood firmly with its ideological ally Indonesia in this confrontation, it is not surprising to see that Malaysia's rubber exports to China dropped to only 114 tons in 1964 (Graph 1). Singapore, who wanted to cover the severe economic losses incurred from this confrontation, proposed Kuala Lumpur on 3 March 1964 for a trade mission to China. But Malaysia's MEA denied this suggestion on 31 March by emphasizing that this kind of visit would expose Singapore businessmen to China's communist propaganda and influence.<sup>73</sup> Malaysian officials also watched Singapore businessmen closely to prevent any private visits to China.<sup>74</sup>

Singapore's declaration of independence from Malaysia on 9 August 1965 removed Kuala Lumpur's caution towards its rubber trade with China. With its newfound freedom, Singapore announced on 21 August that it would develop trade relations with all countries, including China which soon recognized Singapore's independence.<sup>75</sup> As a reaction to Singapore's competition, Malaysia's Secretary of MCI Lim Swee Aun declared that Kuala Lumpur would now welcome any request from Malaysian commercial unions to visit China. Lim justified this policy change by arguing that exporting more rubber to China complied with Malaysia's 'open door' trade policy and would contribute to reducing Malaysia's trade deficits with China (Graph 6). However, Malaysian traders were hesitant. For example, the Associated Chinese Chambers of Commerce in Malaysia publicly stated that its members feared being labelled as communists and preferred to wait for further clarification from the government.<sup>76</sup>

<sup>73</sup>Rhasia to Setiausaha Tetap, Kementerian Luar Negeri (Secret to Permanent Secretary of Ministry of Foreign Affairs), 31 March 1964, Acc. No. 1991/0030418, Document 16, ANM.

<sup>74</sup>To Setia Usaha Tetap, Kementerian Luar Negeri, Kuala Lumpur, 2 June 1964, Acc. No. 1991/0030418, Document 17, ANM.

<sup>75</sup>'We Are Most Interested in China Trade: Rajaratnam', *The Strait Times*, 21 August 1965. For Singapore's quick moves to improve its relationship with PRC just after the split, see Philip Hsiaopeng Liu, 'Love the Tree, Love the Branch: Beijing's Friendship with Lee Kuan Yew, 1954-1965', *China Quarterly* 242 (2019): 1-23.

<sup>76</sup>Dr. Lim: 'We Are Ready to Approve Trade with China', *The Strait Times*, 27 August 1965; 'Singapore Won't Bar Mission to China to Boost Rubber', *The Malay Mail*, 28 August 1965.

However, only one month later Kuala Lumpur found no need to change its cautious position. When the pro-western General Suharto came to power in Indonesia after the 30 September Movement, and reversed Sukarno's pro-socialist diplomacy, Indonesia quickly reduced its rubber exports to socialist countries.<sup>77</sup> This change forced the Soviet Union, Eastern Europe, and China to re-establish their rubber trade with Malaysia.<sup>78</sup> Particularly China, fearing a possible war with a United States which was escalating its intervention in Vietnam, wanted to build up a stockpile as a safeguard, and therefore stepped up its rubber imports from Malaysia from 114 tons in 1964 to 90,000 tons in 1966, though most of it was coming indirectly through Singapore.<sup>79</sup> Kuala Lumpur welcomed China's move, for it eased pressure put on the Malaysian rubber industry by the US. In March 1966, the USGSA started another large-scale rubber stockpile recycling scheme and only stopped in 1967 after Malaysia agreed to give substantial support to the US's military operations in Vietnam.<sup>80</sup>

In 1967 Kuala Lumpur kept a cautious but flexible position towards its rubber trade with China, as illustrated by its conduct on a direct rubber purchase between Huarun and a local company in the Malaysian port town of Butterworth. This local company reported to Kuala Lumpur that Huarun wanted to purchase 70,000 tons of rubber directly, which had seldom happened before. Even though Huarun accepted the condition that this deal could only be done through a Singapore firm, Kuala Lumpur first permitted this local company to ship 2,000 tons directly from Butterworth to China, and then in July even allowed a Chinese cargo vessel to enter Port Klang to load more rubber.<sup>81</sup> Beijing's efforts to develop a direct rubber trade with Malaysia might have been a deliberate punishment against Hong Kong, which relied heavily on entrepot trade between Malaysia and China. In May and June, the Hong Kong authority suppressed a radical riot supported by Beijing.<sup>82</sup>

In 1968, China's direct rubber imports from Malaysia reached US\$72.88 million, more than three times that of 1967 (only US\$19.66 million).<sup>83</sup> Kuala Lumpur took no action to interfere with this trade, for Malaysia was suffering from a sharp drop in rubber prices in the first half of that year and a severe foreign debt increase across the whole year.<sup>84</sup> But this increase was not sufficient for Kuala Lumpur to take the initiative in promoting this trade and improving Sino-Malaysian relations. Meanwhile, in that same year Malaysia established diplomatic relationships with the Soviet Union as the latter became the largest buyer of Malaysian rubber.<sup>85</sup>

<sup>77</sup>Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, 95. On the night of 30 September 1965, a group of Indonesian military personnel with strong connections to Sukarno and the Indonesian Communist Party (Partai Komunis Indonesia, PKI) initiated a military coup against the pro-western senior generals of the Indonesian Army. This coup, later called the 30 September Movement, was quickly defeated by Suharto who then purged the PKI and took powers from Sukarno.

<sup>78</sup>A Malaysian rubber mission visited Moscow in September 1965 and left with a promise from the Soviets to increase its rubber imports from Malaysia: Saravanamuttu, 'Malaysia-Russia Relations: Reviving Up a Distant Relationship', 186.

<sup>79</sup>1958-1965 ZRGJZDXDMJ, 171.

<sup>80</sup>Singh, 'Malaysia and the Cold War', 525-6; Barlow, *The Natural Rubber Industry*, 94; Jeshurun, *Malaysia*, 92-3.

<sup>81</sup>Letter to Comptroller-General of Customs, Customs & Excise, Malaysia, 7 July 1967, Urgent and Confidential, Acc. No. 2004/0022108, Document 49, ANM; *The Straits Times*, 11 July 1967; Minute from Headquarters of the Royal Malaysia Police to Setia Usaha, Kementerian Hal Ehwal Dalam Negeri, 7 February 1968, Acc. No. 1991/0030418, Document 22, ANM.

<sup>82</sup>Li Xiannian Zhuan Bianxie Zu (Editing Group of Biography of Li Xiannian), *Li Xiannian Nianpu (Chronicle of Li Xiannian, hereafter LXN)*, Vol. 4: 1964-1965 (Beijing: Zhongyang Wenxian Chubanshe, 2011), 578; Guangdong Sheng Wai Mao Ju (Bureau of Foreign Trade of Guangdong Province): Zhuanfa Huarun Gongsi 'Jin Yibu Kaizhan Xinma Maoyi Jianyi' (A Transfer of Huarun's Suggestions of Further Developing Trades with Singapore and Malaysia), 20 October 1968, Acc. No. 324-2-94-93~100, Guangdong Provincial Archives of PRC.

<sup>83</sup>Trade Appraisal: Malaysia's Trade with the PRC, 1972, Acc. No. 1991/0030418, Document 49, ANM.

<sup>84</sup>Tan Sri Lim Swee Aun, *Rubber and The Malaysian Economy: Implication of Declining Prices* (Athens, OH: Ohio University Centre for International Studies, Southeast Asia Programme, 1969), 4-12.

<sup>85</sup>Saravanamuttu, 'Malaysia-Russia Relations: Reviving up a Distant Relationship', 186.

## The transformation of the Sino-Malaysian rubber trade, 1969-80

In 1969, China's purchase of rubber from Malaysia, Singapore, and Sri Lanka reached its all-time peak (Graph 1). In July, it became the largest buyer of Malaysian rubber by ordering 120,000 tons of rubber worth US\$190 million. Beijing made such a purchase for two reasons: firstly, Chinese officials sought to increase China's rubber stockpile in case the armed conflict with the Soviet Union over the Zhenbaodao Island would escalate; and secondly, China hoped it would help avoid financial losses caused by a possible devaluation of major Western currencies which had become obvious since April.<sup>86</sup> China's large-scale imports, together with the halt of the USGSA's rubber stockpile dump, pushed Malaysian rubber prices to their highest point since 1961.<sup>87</sup>

The new Razak Administration, which came to power in Malaysia after a destructive race riot that took place in Kuala Lumpur on 19 May 1969, was pleased with China's rubber orders. Illustrative of the warming economic relations between the two countries was the visit by American scholar Alexander Eckstein to Kuala Lumpur, hosted by Pusat Pengajian Pembangunan Malaysia (Malaysian Centre for Development Studies, an official institute located in Kuala Lumpur). Eckstein, a Professor at the University of Michigan specializing in the Chinese economy, was perhaps the leading figure in America who advocated the normalization of the Sino-American relationship for economic reasons. Eckstein's lecture, entitled 'Communist China's Economic Growth and Foreign Trade with Special Reference to Malaysia', was attended by many senior Malaysian diplomats.<sup>88</sup>

In the first seven months of 1970, China disappeared from rubber markets, causing substantial anxiety among Malaysian rubber dealers who were already worried because of ominous events in the West. During these months, USGSA released 7,000 tons of rubber every month into the American market and only stopped in August under sharp critiques from major rubber producers. This hit Malaysian Standard Rubber (MSR) prices, dropping from 70.5 cents per pound in January to below 50 cents per pound in September, even though the Razak Administration threatened several times to intervene in the market for price stabilization.<sup>89</sup> Then a large-scale General Motors strike from 14 September to 23 November joined by nearly 500,000 American workers cut US rubber demand. In early November, the Far Eastern Freight Conference, which monopolized the shipping of commodities from Southeast Asia to the US and Europe, decided on a freight fee increase.<sup>90</sup>

As early as September of 1970, some Malaysian politicians openly suggested that now was the time to send a trade mission to persuade China to buy more rubber from Malaysia.<sup>91</sup> Many Malaysian business leaders agreed. On 21 December, the Sarawak Associated Chinese Chambers of Commerce requested the Sarawak State government to approve a trade mission led by its organization to China, effectively arguing that this visit would help the exportation of Sarawak rubber to China and lessen its trade deficits with China.<sup>92</sup> This request was so popular in Sarawak

<sup>86</sup>LXN, 4: 578, 584-5.

<sup>87</sup>Barlow, *The Natural Rubber Industry*, 92-4.

<sup>88</sup>Letter from Pengarah, Pusat Pengajian Pembangunan Malaysia, 28 hb Julai, 1969, and Letter from Setia Usaha Tetap, Kementerian Luar Negeri, 14 August 1969, Acc. No. 1991/0030418, Document 23 and 24, ANM. As for Eckstein's basic ideas, see Alexander Eckstein, *Communist China's Economic Growth and Foreign Trade: Implications for US Policy* (New York: McGraw-Hill Book Company, 1966).

<sup>89</sup>USGSA initially decided to dump 169,000 tons rubber into the American market: 'Gan attacks GSA release tactics', *The Strait Times*, 19 May 1970; 'Govt bid to stop rubber price drop', *The Strait Times*, 11 September 1970; 'The sharp drop', *The Strait Times*, 11 September 1970; 'Rising output one of 4 main factors behind price drop', *The Strait Times*, 23 March 1971.

<sup>90</sup>Freight Hike: Rubber Men Meet', 'Freight row: Rubber Men to Fight', and 'Rubber Firms to Shipping Lines: Scrap Freight Rises', *The Strait Times*, 6, 22, and 29 November 1970.

<sup>91</sup>Send an all-party mission to China call by Gerakan', *The Strait Times*, 15 October 1970; 'Malaysia may seek closer ties with China, says HK', *Singapore Herald*, 24 September 1970.

<sup>92</sup>Sarawak's imports from China were approximately 38.6 million Ringgit in 1969 and 20.2 million Ringgit in the first half of 1970, but its exports to China were almost zero: Trade Mission to China, by Sarawak Associated Chinese Chambers of Commerce, 21 December 1970, Acc. No. 1991/0030419, Document 1, ANM.

that after some hesitation the Sarawak State Government submitted it on 15 March 1971 to Kuala Lumpur for a final decision.<sup>93</sup> Rubber producers from western Malaysia echoed the Sarawak proposal since they were concerned that after importing 101,859 tons of rubber from Malaysia and Singapore in 1970, China in the first three months of 1971 had only bought US\$3 million worth of rubber.<sup>94</sup>

On 27 March 1971, Prime Minister Razak himself announced that his government would allow a private trade mission to visit China, believing that this visit would serve Malaysia's national interests.<sup>95</sup> Razak was so confident about this visit partly because in early 1971 several trade missions from Western European countries and Japan had already successfully visited China and received many orders. More importantly, China had already shown its goodwill to Malaysia a year earlier through a series of instances of private 'people diplomacy' where, through secret channels, Kuala Lumpur and Beijing had begun planning such a visit.<sup>96</sup> By 2 April, the Malayan Rubber Fund Board, the government organization that sponsored the production and exports of Malaysian rubber, had mailed technical literature about MSR to China through its agents in Hong Kong, obviously in preparation for the visit.<sup>97</sup>

The support from the Prime Minister excited Malaysian rubber dealers,<sup>98</sup> but the MFA feared moving too fast, even though the MIC and Ministry of Internal Affairs all supported the mission.<sup>99</sup> In an undated memo, Malaysian diplomats listed the risks of such a visit: it might harm domestic security because China still openly supported the rebels of the MCP, and other members of the Association of the Southeast Asian Nations (ASEAN) might suspect the neutralism that the Razak Administration was trying hard to promote.<sup>100</sup> To ease the MFA's fears, Razak announced on 25 April that although a trade mission would leave for China soon, this mission was purely a 'private' one.<sup>101</sup>

Led by Tengku Razaleigh, the head of state-owned trading corporation PERNAS who acted as a private envoy of Razak, this 'private' trade mission first arrived in Guangzhou on 8 May to attend the Canton Trade Fair.<sup>102</sup> In Beijing on the night of 15 May 1971, Razaleigh had a pleasant meeting with Zhou Enlai. Both sides reached a consensus on crucial issues like the dual citizenship of Malaysian Chinese and Malaysia's idea of neutralizing Southeast Asia, avoiding all the time the problem of the MCP.<sup>103</sup> After this meeting, this mission got what they wanted most: Chinese officials promised to purchase 150,000–200,000 tons of rubber annually directly from the Malayan Rubber Fund Board.<sup>104</sup>

<sup>93</sup>The Office of the Chief Minister, Huching, Sarawak, to the Secretary-General, Ministry of Commerce and Industry, KL, 2 February 1971, Acc. No. 1991/0030419, Document 2, ANM; 'Request to Visit China by Trade Mission Organized by the Sarawak United Chinese Chambers of Commerce Already Submitted to Ministry of Commerce & Industry Awaiting Approval by the Authorities', *Nanyang Siang Pau* (Malaysian Edition), 8 April 1971.

<sup>94</sup>'Increase Trade with China, Move by Rubber Dealers', *The Strait Times*, 27 March 1971.

<sup>95</sup>Razak Yes for Private Trade Team to Peking', *Singapore Herald*, 27 March 1971.

<sup>96</sup>'Increase Trade with China', Move by Rubber Dealers', *The Strait Times*, 27 March 1971; Record of Conversation between YAB Tun Abdul Razak and Kiichi Aichi, Foreign Minister of Japan, 4 May 1971, Acc. No. 1991/0030419, Document 8, ANM.

<sup>97</sup>'Malaysian Links with China on Rubber', *The Strait Times*, 2 April 1971.

<sup>98</sup>*Singapore Shin Ming Daily News* (Malaysian Edition), 7 April 1971.

<sup>99</sup>Ketua Setiausaha, Kementerian Hal Ehwal Dalam Negeri, Jalan Dato' Onn, Kuala Lumpur, 15 March 1971, and Ketua Setia Usaha, Kementerian Perdagangan dan Perusahaan, Rumah Persekutuan, Kuala Lumpur, 3 April 1971, Acc. No. 1991/0030421, Document 1 and 2, ANM.

<sup>100</sup>Unofficial Trade Mission to Communist China, by Wismaputra, undated, 1971, Acc. No. 1991/0030419, Document 4, ANM.

<sup>101</sup>*Nanyang Siang Pau* (Malaysian Edition), 28 April 1971.

<sup>102</sup>Razaleigh had a close relationship with Razak; see Baginda, *China-Malaysia Relations and Foreign Policy*, 103–4. PERNAS was established on 29 November 1969 as a tool to improve Malay's shares in Malaysian economy: R. S. Milne, 'The Politics of Malaysia's New Economic Policy', *Pacific Affairs* 49, no. 2 (1976): 235–62.

<sup>103</sup>Unofficial Visit of Malaysian Trade Mission to China, by Zaibedah BTE. HJ. Ahmad, b.p. Ketua Setia Usaha, Kementerian Luar Negeri, 10 July 1971, Acc. No. 1991/0030420, Document 2, ANM.

<sup>104</sup>Baginda, *China-Malaysia Relations and Foreign Policy*, 94.

Although gratified by the success of the mission, Razak still cautiously sought to control how it was perceived in domestic circles. Immediately following this visit, Kuala Lumpur commanded all overseas diplomats to clarify to host countries that the mission was only for trade, and that Malaysia had no intention of establishing a formal relationship with China.<sup>105</sup> Furthermore, the MIA warned all members of this trade mission to keep low profiles and persuaded the local press to not report their experiences in China.<sup>106</sup> As a sharp contrast, in 1970 and 1971 Malaysia warmly welcomed trade missions from Bulgaria, the Soviet Union, Czechoslovakia, and Hungary, and signed many official agreements to enhance trade and other relations.<sup>107</sup>

Several months later, the Razak Administration took more active steps to develop the rubber trade with China, more as a hedge to economic pressures from the West than as a reaction to the changing Sino-American relations caused by Henry Kissinger's secret visit to Beijing in July. The ailing economic performance of the Western world, a prolonged strike by dockworkers in the United States, and especially the recovery of the USGSA's rubber stockpile releasing scheme in July 1971, all caused the price of Malaysia's RSS 1 to drop from 104 cents per kilo in July of 1971 to 85 cents in December, 'a distressing 32-year low' for the period since the end of the Second World War, as described by the local press.<sup>108</sup> A deal for the purchase of 40,000 tons of rubber signed by an official Chinese trade mission in Kuala Lumpur in August only temporarily stabilized prices.<sup>109</sup> To persuade the Chinese to buy more rubber, in December 1971 Malaysia sent a technical rubber mission to China to introduce the advantages of Malaysian rubber over SR or NR produced in other countries.<sup>110</sup>

In 1972, Malaysia realized that it had to count more on China and other communist countries in the rubber trade. USGSA continued to manipulate rubber prices by only reducing the release of US rubber stockpiles from 6,000 to 3,000 tons per month. The Razak administration sought to influence prices by directly buying lower-grade rubber for its stockpiles, but this intervention was unsuccessful, and Malaysian rubber prices remained low in the early months of 1972.<sup>111</sup> Only after China and European socialist countries all expressed their intentions to buy more Malaysian rubber, did Malaysian rubber prices become more stable.<sup>112</sup>

But other challenges still confronted Malaysia in 1972. When Razak and his deputies visited Moscow in October, Soviet officials threatened to reduce rubber orders if Malaysia did not buy more Soviet products.<sup>113</sup> Malaysia also faced stiff competition from cheap Japanese SR on the world market. In 1972, Japan became the third largest SR producer in the world, just behind the United States and the U.S.S.R., and the second largest SR exporter whose sales in the world market sharply increased from about 1,000 tons in 1960 to 193,000 tons in 1970 and 234,000 tons in 1980.<sup>114</sup> In response, an angry Razak mobilized all ASEAN members, many of which

<sup>105</sup>Out Telegram from Wismaputra KL to All Missions Overseas, 20 May 1971, Acc. No. 1991/0030420, Document 3, ANM; A. Minit to Y.A.B Perdana Menteri: Our Attitude toward China in the wake of the Visit of the Unofficial Trade Delegation, 26 May 1971, Acc. No. 1991/0030420, Document 18, ANM.

<sup>106</sup>Ketua Setia Usaha, Kementerian Hal Ehwal Dalam Negeri, Kuala Lumpur (Tan Sri Sheikh Abdullah b. S. A. Bakar), Rahsia, 24 May 1971, Acc. No. 1991/0030421, Document 12, ANM.

<sup>107</sup>See Acc. No. 1992/0007300, Document 1, 12 and 13A, and 1988/0016019, Document 3, ANM.

<sup>108</sup>'Rubber Takes A Plunge', 'Rubber Price Dips', and 'Rubber Trade Hit by Ailing World Economies', *The Strait Times*, 10 December 1971, 21 January and 14 April 1972.

<sup>109</sup>'Peking Deal Raises Rubber Price', *The Strait Times*, 31 August 1971.

<sup>110</sup>'A Rubber Mission to China at End of Month' and 'Rubber Takes A Plunge', *The Strait Times*, 4 November and 10 December, 1971.

<sup>111</sup>'Malaysia Cautiously Happy at US Rubber Gesture' and 'Big Govt Rubber Buying Steadies Price', *The Strait Times*, 4 November, 1971, and 8 March, 1972.

<sup>112</sup>'Rubber Recovers' and 'Reds to Buy Up Malaysia Rubber Stockpile?' *The Strait Times*, 3 March and 20 April 1972.

<sup>113</sup>Talk Between Mr. Patolichev, N.S., Minister of Foreign Trade, USSR, and Tengku Razaleigh Hamzah, Chairman PERNAS, 3 October 1972, Acc. No. 2004/0022108, Document 57A, ANM.

<sup>114</sup>Barlow et al., *The World Rubber Industry*, 313-14.

were rubber producers, for a boycott against Japan in early 1973.<sup>115</sup> To address these concerns, Malaysian business leaders raised strong voices for Razak himself or an all-party delegation to visit Beijing as soon as possible.<sup>116</sup>

Responding to pressures from within and without Malaysia, the Razak Administration in October had collected information about China's trade with those countries that had already established diplomatic relations with China, and then sent the first official trade mission to China between 11 and 19 November.<sup>117</sup> Led by Razak's economic adviser Tun Raja Mohar, the mission met with Zhou Enlai in Beijing on 19 November. Among all topics concerning both sides, in trade Mohar cared most was whether China could import more rubber.<sup>118</sup>

Fortunately for Malaysia, the world oil crisis in 1973 increased the cost of SR production and pushed rubber prices upward. This helped give Kuala Lumpur enough time to reflect upon how to approach normalizing relations with China in a way that best served Malaysia's economy. In May and early June of 1973, the MIC and PERNAS proposed two economic guidelines for the MFA to follow. To prevent further deterioration of Malaysia's deficit in bilateral trade, the MIC and PERNAS all stressed that Kuala Lumpur must try its best to persuade Beijing to buy more rubber from Malaysia without brokering by Hong Kong and Singapore.<sup>119</sup>

With these considerations in mind, Razak visited Beijing in the spring of 1974 and normalized Sino-Malaysian relations. Following normalization, Malaysian diplomats stationed in Beijing watched closely for any opportunity to expand rubber exports to China. In a report dated 16 October 1974, the Malaysian embassy suggested some long-term bilateral commercial arrangements with Beijing to promote China's direct imports of rubber and other raw materials. This report excited the MFA. In October and November, the MFA twice commanded the Beijing Embassy to collect and study all texts of similar agreements that China had signed with other countries, as preparation for negotiations with Beijing.<sup>120</sup>

Kuala Lumpur's eagerness for an economic agreement with China was understandable, as competition from SR caused RSS 1 prices to drop by about fifty percent in 1974 (Graph 4). Meanwhile, the cost of living in Malaysia increased quickly, and small Malay rubber farms began to fail. In November, the first Malay peasant protest since the independence of Malaya broke out, and tens of thousands of poor Malay rubber farmers flooded into Kuala Lumpur to show their anger. Terrified Malay elites considered means to pacify the farmers, including expanding rubber exports.<sup>121</sup> But as Beijing openly celebrated the anniversary of the MCP on 30 April 1975, the annoyed Razak Government took no initiative to increase its rubber exports to China.

It was not until 1978 that the Hussein Onn Administration, which had come to power in 1976, tried once again to promote rubber trade with China when post-Mao China seemed headed toward industrialization and abandoned its radicalism. Having faced weak rubber prices since 1975 and a decrease in its rubber exports to the Soviet Union (Graph 7), which was quickly expanding its SR production, Malaysian officials again turned to China seeking a rubber market.<sup>122</sup> The president of

<sup>115</sup>Japanese Over-Production, Research, and Dumping of Synthetic Rubber, 23 December 1972, Acc. No. 2004-0022736, Document 1 and 1A, ANM. See also Suetō Sudo, *Evolution of ASEAN-Japan Relations* (Singapore: Institute of Southeast Asian Studies, 2005), 7-9.

<sup>116</sup>'To China only for a purpose' and 'Tun urged: Visit Peking', *The Strait Times*, 14 December 1971 and 13 March 1972; 'UNF plan for an all-party friendly mission to China', *New Nation*, 16 March, 1972.

<sup>117</sup>A Letter from Office of the Commissioner for Malaysia in Hong Kong to Timbalan Ketua Setiausaha II, Kementerian Luar Negeri, 18 October, 1972, and A Letter from Encik Philip Khoo, Kementerian Perdagangan & Perindustrian, Wisma Damansara, 27 October, 1972, Acc. No. 1991/0030418, Document 30 and 31, ANM.

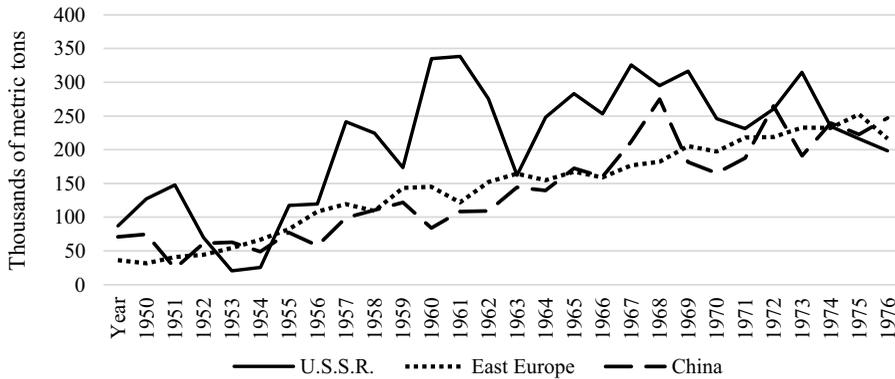
<sup>118</sup>ZEN, Vol. 3, 563-4; 'Malaysia's China Team Is Back', and 'Razak: China Ties only if ASEAN Says Yes', *The Strait Times*, 25 November and 5 December 1972; 'Malaysia's Road to China Take Shape', *New Nation*, 23 November 1972.

<sup>119</sup>See Acc. No. 1991/0030418, Document 46, 53 and 55, ANM.

<sup>120</sup>See Acc. No. 1991/0030418, Document 56-59, ANM.

<sup>121</sup>Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', 98-101; Richard Stubbs, 'Malaysia's Rubber Smallholding Industry: Crisis and the Search for Stability', *Pacific Affairs* 56, no. 1 (1983): 88-90.

<sup>122</sup>Rubber Position in U.S.S.R, undated (about late 1979), Acc. No. 2004/0022714, Document 11, ANM.



**Graph 7.** Natural Rubber Imports by U.S.S.R., East Europe and China 1950-76.  
Data Source: Grilli et al., *The World Rubber Economy*, 188.

the Malaysia Chamber of Commerce and Senator Kamarul Ariffin, and the Minister of Foreign Affairs Tengku Ahmad Rithauddeen visited Beijing in July and August, each seeking a larger share of Malaysian rubber and other materials in China's imports.<sup>123</sup>

However, it was China that made the fundamental breakthrough at the end of 1978. In November, China's new leader Deng Xiaoping suddenly visited Thailand, Malaysia, and Singapore. Besides collecting support for China's possible war against the Socialist Republic of Vietnam, Deng made this trip also to develop trade to serve his plan of 'Reform and Opening-up'. In his meeting with Deng, Prime Minister Onn raised the issue of a possible increase in rubber imports by China, and Deng acknowledged that China wanted more rubber and other goods from Malaysia to assist in its industrialization.<sup>124</sup> After Deng's return to Beijing, China immediately ordered more rubber and palm oil from Malaysia.<sup>125</sup> In March 1979, China's Minister of Foreign Trade Li Qiang visited Kuala Lumpur. In his negotiations with Malaysia's Vice Prime Minister Mahathir on the issue of bilateral trade, Li reassured Mahathir that China would increase its direct imports of rubber and other materials from Malaysia, and even suggested a bilateral trade agreement that had been desired by the MIC and PERNAS since 1973. The Chinese also showed interest in buying Malaysian rubber processing machines and palm refinery equipment.<sup>126</sup> In May, Onn visited Beijing, followed by the Malaysian Vice Minister of MIC, Datuk Lew Sip Hon in June. In these meetings, Chinese officials confirmed that China's imports of rubber and palm oil from Malaysia would not decrease, and the portion of direct importation would increase.<sup>127</sup> China kept its word, and its increased rubber imports from Malaysia in 1979 and 1980 contributed to the improved trade imbalance of Malaysia with China (Graphs 6 and 7). After 1980, the Sino-Malaysian rubber trade entered a stable pattern, albeit with periodic fluctuations. By 2008, China had become the largest buyer of Malaysian rubber.

<sup>123</sup>*New Strait Times*, 8 September 1977; *New Sunday Times*, 16 July 1978; *Sinchew Daily*, 18 August 1978; *New Strait Times*, 12 and 14 September 1978.

<sup>124</sup>*Reuters*, 8 November 1978; *Sinchew Daily*, 11 November 1978; *Nanyang Siang Pau*, 13 November 1978. China's official statistics about its imports from Malaysia included those brokered by Singapore and Hong Kong. But Malaysia only counts its direct exports to China. According to Malaysian statistics, in 1979 the ratio between its indirect and direct exports was about 40: 60: *Nanyang Siang Pau*, 19 June 1979.

<sup>125</sup>*The Sunday Mail*, 12 November 1978; *New Sunday Times*, 12 November 1978; *New Strait Times*, 12 December, 1978.

<sup>126</sup>*Reuters*, 13 and 15 March 1979; *Nanyang Siang Pau*, 16 and 17 March, 1979; *New Strait Times*, 15 March 1979; *New Strait Times*, 19 March 1979.

<sup>127</sup>*Nanyang Siang Pau*, 6 May, 19 June, and 11 October, 1979.

## Conclusion

Drawing upon sources from the many different countries involved so as to have multiple perspectives, this article reveals that the Sino-Malaysian rubber trade between 1950 and 1980 had a global dimension which has remained unexplored in existing studies. In its first ten years, this trade was part of the triangular rubber trade with China representing a bridge between Southeast Asian and European socialist countries. In the following twenty years, this rubber trade continually evolved under the shadows of other powers who significantly shaped the nature and direction of trade. The global dimension of this trade sheds new light on why this trade fluctuated so frequently and sharply. China and Malaysia's relations with the major international players were so complicated and changing that Beijing and Kuala Lumpur were frequently forced to review their positions amid the evolving international climate, to recalculate new risks and opportunities, and to readjust their policies towards the rubber trade, sometimes radically. The Asian rubber trade in the last half of the twentieth century had been inherently unstable because of the rise of SR production and the vagaries in unilateral and bilateral economic relations of producers and consumers, but with the arrival of the Cold War and the subsequent intrusion of major world-power politics into the equation rendered the Sino-Malaysian rubber trade particularly unstable. It is clear that the most significant factor determining whether and how much rubber was traded between the Malay Peninsula and China was international Cold War politics, and that across these three decades the politics of everyone involved changed often, in such a way as to make the trade amounts vary hugely. No bilateral studies can explain the scope and nature of the shifts in this rubber trade in the way that this multi-lateral study has shown, and that both China and Mala(sia) were forced, greatly to their economic disadvantage at times, to sacrifice economic to political interests.

This global view also provides a deeper understanding of how China and Malaysia conducted this trade throughout these thirty years. In the early 1950s, China and Malaysia each constructed their rubber trade relations to satisfy the needs of their most powerful Cold War allies, but they often realized their economic sacrifices were not worth it. In the 1960s and 1970s, Malaysia and China each acted with a pragmatic attachment to their interests, rather than their political inclinations. However, their pragmatism was not just created by historic or economic ties as John Wong has assumed. More often the Sino-Malaysian rubber trade only functioned for both sides as a counterbalance to the negative pressures imposed by other countries. In short, during these thirty years, China and Malaysia often maintained this trade more because of negative global factors than positive bilateral ones.

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