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SUGGESTED FRAMEWORK FOR PROPOSED ORE 80-49

1. US demand for natural rubber largely determines prices received by producers.

a. US demands normally account for about 50 percent of the natural product.

b. No other country or combination of countries (including the UK and the USSR) could correct the balance if the US demand should fall off by more than _____ percent.

2. Future US demand for natural rubber must be to a large extent determined by US consumption of domestic synthetic rubber.

a. US plants are required by law to produce _____ tons which must be consumed by US industry.

b. In addition, preferences for synthetic rubber have resulted in larger consumption than was required.

c. Development of new processes -- notably that of "cold" rubber -- will, will not; will probably / choose one or an equivalent / mean a slight; great; considerable; vast / choose one or an equivalent / increase in the demand for the synthetic product.

d. The irreducible US demand for natural rubber is about _____ tons.

(1) Its use in products such as _____, _____, _____, etc., is still necessary despite the development of synthetic; the resultant demand is for approximately _____ tons.

(2) The US stockpile will require _____ tons. (This, however, is an artificially induced requirement and might be changed.)

e. It should be noted, however, that increased demand for rubber in general and natural rubber in particular, resulting from developments such as _____, _____, _____, etc., might relieve the pressure brought about by the present natural-synthetic competition /.

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*3. A drop in world rubber prices below about _____¢ per pound would bring about economic distress in Southeast Asia (but particularly in Malaya whose economy is almost entirely dependent on rubber and would cut down dollar exchange received from Malaya by the sterling bloc.

a. Present rubber prices, though satisfactory and tending to improve, are still close to the minimum required; hence it would take very little to tip the balance.

(1) The postwar demand for rubber, unobtainable during the war, has been sufficient to sustain a price at about the 1939 level.

(2) The twin dangers of increased production, particularly in Indonesia; and the competition of US synthetic make the maintenance of prices questionable.

(3) An economic recession in the US might also bring about a fall in prices.

b. With the fall of prices, rubber planters (particularly estate owners) would fail.

c. Widespread unemployment and general instability would follow.

d. Malaya would be unable to furnish the dollars now extremely important to the sterling bloc.

4. Such economic distress could be; might be; would certainly be; [choose one or equivalent] the means through which the Malayan Communists would come to power.

a. Insurgent Communists have already created an extremely difficult problem for the British to control.

b. The success of Communism in China and its progress in French Indochina have given impetus to the Malayan Communist movement.

* Contentions 3 and 4 are argued in terms of Malaya alone. There would be no difficulty, however, in introducing Indonesia as well as the minor rubber producers into the same framework.

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- c. Even without Communist encouragement there would be great unrest, difficult for the British to handle.
- d. Economic conditions would be such as to furnish precisely what the Malayan Communists need to assure a victory.

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1. SEA dependence on rubber
2. US development of synthetic
- 3.

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