

~~CONFIDENTIAL~~
CENTRAL INTELLIGENCE AGENCY

17 February 1949

INTELLIGENCE MEMORANDUM NO. 134

SUBJECT: Soviet Rubber Purchases in Indonesia

1. The rubber situation in Indonesia.

Most of the rubber plantations of Indonesia are located on the islands of Sumatra, Borneo and Java. Before the Dutch "Police Action" of December 1948, approximately 25 percent of the total rubber production in Indonesia came from territories under the control of the Republican Government, but since that time most of the rubber-producing areas previously under Republican control have been taken by the Dutch. It is pertinent to note, however, that the Dutch maintain firm control in the urban areas of Java and Sumatra only and that continuing Republican sabotage may effectively deny them the production of these areas.

2. Soviet rubber purchases in Southeast Asia.

In July 1948 a one-year trade agreement was signed between the Netherlands and the USSR which permitted the export to the Soviet Union of 18,000 tons of natural rubber. It is estimated that 5,500 tons had been shipped during 1948.

By far the greatest proportion (almost 90 percent) of the 130,000 tons of natural rubber purchased by the USSR in 1948 originated in Malaya, and were the result of an agreement between the USSR and the UK which became effective in December 1947. Siam shipped approximately 10,000 tons to the USSR during 1948.

3. Smuggling from Southeast Asia to the USSR.

Some natural rubber may be smuggled to the USSR from Malaya, Siam, and possibly Indonesia. Despite the Dutch blockade, approximately 140,000 tons are estimated to have been exported from the Indonesian Republic during 1948. This is crude, unprocessed rubber, most of which is sent to Singapore for processing. Some of it, together with unlicensed shipments from Dutch-controlled areas, is smuggled out of Malaya by local dealers anxious to avoid export taxes and exchange regulations. It is probable that some of it eventually reaches the USSR. An unconfirmed report states that the

Document No.
No Change in Class. <input type="checkbox"/>
<input type="checkbox"/> Declassified
Class. Changed To: <input type="checkbox"/> <input type="checkbox"/>
Auth: NR 70-2
Date: _____ By: _____

~~CONFIDENTIAL~~

~~SECRET~~

Document No.	001
No Change in Class.	<input type="checkbox"/>
<input type="checkbox"/> Declassified	
Class. Changed To:	TS S (C)
Auth:	HR 70-2
Date:	9 Sept 78
By:	023

~~CONFIDENTIAL~~

~~SECRET~~

USSR employs small foreign vessels to carry rubber to obscure islands within a 500-mile radius of Singapore, and to remote points along the China coast, for transshipment to larger vessels bound for the USSR. There is no evidence, however, that rubber stockpiles are being built up in Republican-controlled areas of Indonesia for direct shipment to the USSR.

4. The relationship of [REDACTED] to rubber stockpiling in Indonesia.

25X9A5

25X9A5

25X9A5

[REDACTED]

There is no doubt that the American-Indonesian Corporation is engaged in rubber stockpiling in Indonesia.

Prior to the December 1948 "Police Action," the Indonesian Republic was attempting to export as much as possible of the raw materials in areas under its control. It is quite likely that raw materials, including rubber from the Indonesian Republic, have found their way into Soviet hands, just as raw materials from all other areas of Southeast Asia may have been smuggled to the USSR. There is no evidence, however, that either the Republic of Indonesia or the American-Indonesian Corporation has entered into open or covert economic relations with the USSR, or that any smuggling activities from Republican areas to the USSR or to Soviet agents has been sponsored by either the Republic or the American-Indonesian Corporation.

- 2 -

~~CONFIDENTIAL~~

~~SECRET~~