

SPEECH BY YAB TUN ABDUL RAZAK
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ON THE OCCASION OF THE OFFICIAL OPENING OF THE
CONFERENCE OF NATURAL RUBBER PRODUCING COUNTRIES
IN KUALA LUMPUR ON 2ND OCTOBER 1967

Mr. Chairman, Hon'ble Minister, Your Excellencies, Distinguished Delegates, Ladies and Gentlemen:

It is an honour and pleasure for me to welcome on behalf of the Government and the people of Malaysia the distinguished delegates to this Conference and to extend to you our most cordial greetings.

We, the Malaysian Government, deem it a great honour that you have so heartedly and spontaneously responded to our invitation to hold a conference of the natural rubber producing countries in spite of the short notice given.

We, in Malaysia, attach the greatest significance to this Conference and the fact that you are here today shows that you also share our sense of purposes and sense of urgency.

The nations which are represented at this Conference together produce 90 per cent of the world's natural rubber and although we would have liked our far away fellow producer nations in Africa and South America to be with us today, but because of distance and the time, it had not been possible for them to do so. We are, however, confident that this conference here can speak loudly and clearly on behalf of all the natural rubber producing countries of the world. In this connection, I would like to extend a special welcome to the observer from Liberia who has come from a long way.

Ladies and Gentlemen,

We have been under the shadow of a cloud of depression. The price of natural rubber has dipped to its lowest level in the last 19 years, and rubber producers, big and small, are beginning to be afflicted by gloom and despondency.

Therefore, it was decided to convene this Conference so that producing countries could consult each other and evolve effective measures to deal promptly with the problem that faces us. We hope that as a result of our deliberations in the next three days, we will be able to reach agreement on the problems of production and price which are in the forefront of our thought today.

Gentlemen,

On the results of this meeting are placed the hopes and aspirations of the several millions of our people whose life and existence are so dependent on a flourishing natural rubber industry.

In fact, the eyes and ears of the world are focussed on our Conference, for we, the natural rubber producing countries of the world, are coming to grips with a problem which is at the very heart of the struggle by the vast body of under-privileged mankind for a better and fuller life.

By taking counsel together to find an effective answer to the problem of falling rubber prices, we are making it clear to the world that producers of primary commodities can no longer sit back without taking positive and effective steps to solve the instability of the price of this main product.

The fortune of Malaysia, like those of your countries, are bound up with natural rubber.

Rubber is the mainstay of our economy and the vicissitudes of its producers are inescapably reflected in the economic and social well-being of our country.

We, in Malaysia, just as in the other natural rubber producing countries which are represented here today, are confronted with the need to achieve an adequate rate of growth in our economies to meet the needs of an expanding population and the rising expectations of our people.

Our resources are limited and like you we depend substantially on the earnings of our primary export commodities to finance a steady and sustained programme of economic development, and for this reason alone, if not for others, a fair and stable price for natural rubber is of the utmost importance.

We, in Malaysia, have through ups and downs over many years displayed every confidence in the future of a well-nurtured natural rubber industry.

As early as 1953, we embarked on a gigantic replanting programme to ensure that natural rubber could be viably produced at a price competitive with that of any synthetic producer.

We have been spending large sums of money on research and development to enable our product to meet the technological challenges which the Synthetic Rubber Industry has posed and is expected to pose.

Our scientists are tearing down the barriers which separate agricultural practice from industrial technology to ensure that the rubber tree can continue to match and, if necessary, outmatch the chemical engineering plant as a production unit.

These efforts are tangible manifestations of our determination to sustain this great industry, whatever the challenge may be.

But, despite all this, there are forces at work in the world at large which are nullifying the fruits of our labours, and are undermining their purpose.

A fall in the average price of rubber of Malayan 42 cents in the last six years (1961-1966) has meant to us a loss of \$5,400 million in foreign exchange earnings, which is equivalent to a fall of 57 per cent in our estimated **GNP** (Gross National Product) and 150 per cent in our estimated gross export earnings for 1967.

I have no doubt that corresponding losses in export earnings must have had similar adverse and depressive effects on the economies of your countries.

We, in Malaysia, have long accepted that the natural rubber industry would have to reckon with a secular downward decline in prices from earlier, higher levels, and we have made preparations to meet this.

However, in recent months the decline has been strongly accentuated by pressures which are not consonant with the world rubber situation and which have allowed sentiment and manipulation to figure too largely in the market price.

Now if we look at the long-term supply and demand position of natural

rubber in relation to the consumption trend for all rubber, there is every reason for us to have confidence in the future of the natural rubber.

And when the present dangerously lowering trend of price of Natural Rubber was brought about, one is forced to surmise that it stems from a number of short-term factors which have come together in close succession.

Among these short-term factors are the general economic recession in the major consuming countries of Western Europe and North America, strikes at several of the major rubber manufacturing firms in the U.S.A., stockpile releases, and certainly not least, the dumping of cut-piece synthetic rubber whenever this could be practised. Also, there has been a certain amount of market manipulations to depress the price.

The concerted effect of such unfavourable factors brought about a fall in the price of R.S.S. No. 1 from an average of 60 cents in January of this year to 57 cents in June, but the further fall of some 7 to 8 cents since June could only be explained if poor sentiment and lack of confidence had gained the upper hand.

That this was so, has been clearly demonstrated by the Malaysian Government's recent operation in the rubber market since, by only modest action, the price of R.S.S. No. 1 was raised from 47 cents to 53 cents in a matter of days.

The Malaysian Government's action has reactivated the market and restored much-needed confidence, and in doing so, has proved the point that the big price drop to 47 cents was essentially a temporary feature caused by 'bearish' sentiments magnifying the effect of a number of special short-term factors.

We, in Malaysia, by Government intervention, have provided the rubber market with a "shot in the arm" - have injected a serum, giving it slight vigour and activities.

Nevertheless, such reinvigoration, important though it is, is not enough for full restoration of health without further positive sustenance.

What is important **now** is to generate the closest co-operation among the world's natural rubber producing nations, so that concerted measures can bring about a more lasting recovery in the price structure.

As suppliers of a large volume of important strategic raw material in worldwide use, there is every reason for natural rubber producers to work together towards achieving a fair and equitable price for their product.

In fact, at the Ministerial meeting of E C A F E, developing countries on UNCTAD recently concluded in Bangkok, it was enunciated and accepted by all participants that formulating a pricing policy which secures the highest possible real earnings for developing countries from the export of their primary commodities has become a key objective in assisting developing countries.

This, then, is the compelling case for our meeting here today, and we, in Malaysia, look to our fellow producers assembled at this Conference to provide us with wise counsel and sincere co-operation to resolve our common problems.

Whilst I have touched on the need for quick measures to alleviate the immediate effects of unduly low natural rubber prices, which in the absence of corrective action could well have serious long-term consequences, there are deeper, more fundamental problems which call for long-term measures in order bring a **greater degree of stability** into world trading, and to the **mutual**

advantage of natural rubber and synthetic rubber producing countries, a **stabilisation of price** for all of us in the world rubber industry at a reasonable level.

I refer to the prevailing world wide surplus production capacity for synthetic rubber and the market pressure from ever-growing stocks.

Fiercely competitive and unhealthy trading practices have become prevalent - as is now publicly acknowledged by synthetic rubber producers themselves - with "dumping" at cut prices taking place on a substantial scale, notably in the European Common Market countries, where domestic producers have at least been forced to make official protest.

The heavy discounts, now common-place, are not only eroding the normal price levels of synthetic rubber, but are bringing down the natural rubber price as an inevitable sequence.

We, in Malaysia, believe that if synthetic rubber producers were given a choice between a rat race in the world's rubber markets with its attendant price cutting and other unsavoury practices and a planned price policy related to world supply and demand, there is no doubt what their choice would be.

All we require is fair competition on this basis.

We aim for a price level for natural rubber which is rationally **equated** with that for comparable synthetic rubber and not one depressed and distorted by market encroachment through "dumping" and kindred practices.

We seek a **policy which will restrain trading rivalries** within an immensely powerful industry from spilling over and swamping the multitude of the very much smaller and much more vulnerable producers of natural rubber and thereby undermining the economic progress of those countries.

We ask more than that the code of reasoned self-discipline for the common good which distinguishes civilisation from barbarism in social life be carried over to trading relationships between nations.

We in Malaysia believe that effective measures based on these principles can be devised and realised if mutual trust, understanding and goodwill between the natural rubber producing and the synthetic rubber producing countries can be better established.

We, therefore call on the synthetic rubber producers, under the aegis **of** their Governments, to join with natural rubber producers to plan production with due regard to demand.

In doing this, let me state plainly that we do not approach the subject with a motive of being anti-synthetic.

Natural rubber and synthetic rubber, like many other competitive entities, have to coexist and it is just good sense that they do so to mutual advantage.

The true answer to falling rubber prices lies in an embrasive International Commodity Agreement.

This calls for dual action, by both the natural rubber producing nations and by the synthetic rubber producing and consuming nations.

Genuine international economic co-operation is becoming a sheer necessity if basic trading problems of this kind are to be solved, national progress in the populous, lesser-developed countries to be maintained, and world peace and

security preserved.

And, finally, Gentlemen, may I once again repeat my thanks and the gratitude on behalf of the Malaysian people for your presence at this Conference.

I sincerely hope that by this conference and by taking counsel together, those of us who are so deeply concerned with the production of rubber and with finding market at a reasonable level will be able to find solutions to the all important but complex problem. We are making these efforts not with the object of making a profit but merely to make life bearable and pleasant for our people who are so dependent for their existence on Rubber.

I hope that your discussions and deliberations in a spirit of goodwill and of 'give and take' on the points that are at issue in the true interest, will bring forward some concrete suggestions and plan of action for the future so that we not only stabilise the price of rubber, but also stabilise and strengthen the economy of our respective countries.

I wish your deliberation every success and I have great pleasure now, in declaring this Conference open.