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FOREIGN SERVICE DESPATCH

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FROM : AMCONGEN SINGAPORE

TO : THE DEPARTMENT OF STATE, WASHINGTON AUG 10 1952

REF : "CERP" 4-4-52, Sec. C(3) BUREAU OF FAR EASTERN  
AFFAIRS

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SUBJECT: Appraisal of Economic Relations with the Soviet Bloc, Jan - June, 1952.

August 8, 1952

SUMMARY 1

During the first five months of 1952 (June figures are not yet available), total foreign trade (gross imports plus gross exports) between Malaya and the Soviet bloc, excluding China, amounted to approximately M\$61 million dollars, a decline of approximately 47% from the M\$116 million of trade conducted during the same period of 1951. Total imports from the Soviet bloc amounted to M\$3.9 million, a decline of 39% from the M\$6.4 million imported through May, 1951, while exports to the Soviet bloc declined by 48% from M\$109 million through May, 1951, to M\$57 million for the same period in 1952.

Total trade with China declined from M\$155 million through May, 1951, to M\$56 million for the same period in 1952, a decline of 63%. Exports to China dropped from M\$99 million through May, 1951, to zero in 1952.

During the second quarter of 1952 the number of Soviet and satellite vessels passing through Singapore showed a marked increase over the first quarter of the year, as did the number of other vessels travelling to and from Communist China.

Smuggling and other illicit exportation of strategic items, primarily to China, continued, though the Singapore Government is attempting to increase the efficiency of control over such movements.

Recorded family remittances to China from residents in Malaya declined, both during the second quarter of the year and from the monthly average recorded during 1951.

Action Assigned to PBA

Action Taken Noted

1. US\$1.00 equals approximately M\$3.00  
M\$1.00 equals approximately US\$0.33

Date of Action 8/25/52  
Action Office Symbol SF-PSA  
Name of Officer P. J. [Signature]  
Direction to DC/R 1952

RJMcGuire  
REPORTER

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From \_\_\_\_\_

1

FOREIGN TRADEChina

Recorded exports to China during the first five months of 1952 were zero, compared with exports of M\$99.4 million for the same period in 1951. It should be noted that exports to China for the entire year of 1951 totalled only slightly over M\$100,000 more than the figure for the first five months of that year. This sharp decline in exports reflects the restrictions placed upon all exports to China by the Malayan governments in July, 1951 (Singapore despatch No. 46, July 19, 1951). There is no doubt, however, that clandestine exports from Malaya are reaching China in undetermined quantities. Indications are that the total of such exports is not large, though the commodity composition is significant (see section on Smuggling).

Imports from China increased slightly through May, 1952, to M\$56.5 million from M\$54.5 million during the same period in 1951. Although imports by value from China remained virtually constant, certain significant changes have taken place in the commodity composition of such imports. While imports of grains and flour through May, 1952, are very nearly double such imports during the same period in 1951, imports of "cutlery, hardware, implements and instruments" (motion picture films), "earthenware, glass, and abrasives" (crockery and glass bottles), and "cotton yarn manufactures" (cotton piece goods and threads), all showed significant declines. (The foregoing classifications are those used by the Registrar of Statistics, Singapore.)

Satellite Countries

Imports from Czechoslovakia, Hungary and Poland, the only satellite countries exporting to Malaya in 1951 and 1952, declined by 39% from M\$6.4 million during the first five months of 1951 to M\$3.9 million during the same period in 1952. Principal declines were registered in "Iron and Steel and Manufactures thereof", from Czechoslovakia and Poland, "Vehicles" (primarily automobiles) from Czechoslovakia, and "Cotton Yarn and Manufactures" from Poland and Czechoslovakia.

Total exports to Bulgaria, Czechoslovakia, Hungary, Poland and Roumania declined by 30% for the periods under review, from M\$46.5 million through May, 1951, to M\$32.8 million for the same period in 1952. The largest decline occurred in exports to Poland, from M\$27 million through May, 1951, to M\$11 million for the same period in 1952. This decline represented primarily a decrease in exports of tin (blocks, ingots, bars, or slabs) from M\$9.8

1. Commodity and country details of trade with the Soviet bloc are transmitted to the Department monthly, by means of the publication "External Trade of Malaya", under CERP heading Section B6, (a) and (b).

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million in the first five months of 1951 to M\$5.1 million in the same period of 1952; and dry ribbed smoked sheet rubber from M\$16.6 million in 1951 to M\$2.4 million in 1952. However, for the same period, exports of "rubber, thick remilled (blanket) crepe" rose from M\$.25 million to M\$2.0 million, and exports of "thin latex crepe rubber" and "rubber latex" totalling M\$496,000 were recorded in 1952 as compared with no exports of these grades in the first five months of 1951.

A similar shift in the commodity composition of exports to the other satellite countries was noted. Exports to Czechoslovakia decreased slightly during the first five months of 1952 compared with the same period of 1951, but exports of rubber increased from M\$9.8 million to M\$17.5 million, while exports of tin decreased from M\$8 million to zero for the periods under review. Exports to Hungary increased from M\$104,000 through May, 1951, consisting wholly of tin, to M\$298,000 for the same period of 1952, consisting wholly of rubber. Exports to Poland declined from M\$27 million as of May 31, 1951, to M\$11 million for the first five months of 1952, representing sharp decreases in exports of both rubber and tin. Exports to Roumania increased from M\$335,000 to M\$3.6 million, representing increases in exports of rubber from M\$335,000 in 1951 to M\$1.9 million in 1952, and tin, from zero in 1951 to M\$1.6 million in 1952. Exports to Bulgaria, which were zero for the first five months of 1951, amounted to M\$366,000 of rubber through May, 1952.

#### USSR

Exports to the USSR through May, 1951, amounted to M\$63 million, and consisted wholly of rubber; through the same period in 1952, exports, again consisting wholly of rubber, declined to M\$24 million. Imports from the Soviet Union, through May, 1951, totalled M\$39,000, and consisted of canned fish and motion pictures; whereas during the same period in 1952, imports from the USSR totalled M\$10,000 and consisted of asbestos, fish products, cameras, and a very small amount of vermifuge.

#### Hong Kong and Formosa<sup>1</sup>

During the first five months of 1952, imports from Hong Kong, totalling M\$45.6 million, showed a decline of approximately M\$14 million from the same period in 1951. The decline in trade was general in all commodity classifications, with "Manufactures of Other Textile Materials", (Artificial fabrics, linen, etc.) showing the largest drop.

However, exports to Hong Kong declined drastically from M\$176.6

1. Formosa is included in compliance with paragraph 2 of Economic Reporting Circular No. 34, March 28, 1952.

million for the first five months of 1951 to M\$16.1 million for the first five months of 1952. The decline was most acute in exports of rubber and manufactured articles; cotton yarn and manufactures; oils, fats and resins (primarily petroleum products); and vehicles. The decline in export trade to Hong Kong can be attributed to the imposition of controls, both by the Malayan governments, and by the Hong Kong government on the movements of strategic materials, and the concurrent loss of Hong Kong's position as an entrepot to China for such items.

Imports from Formosa increased from M\$7.8 million through May, 1951 to M\$25.9 million through the same period in 1952, representing almost entirely a heavy increase in imports of sugar from the country. Exports to Formosa during the periods under discussion increased by approximately M\$1.6 million, representing primarily increased shipments of rubber.

#### Clandestine Trade

There is no evidence of the existence of an organized procurement agency for the purpose of obtaining restricted items for clandestine shipments either to China or Soviet bloc countries in Malaya. Constant and continuing efforts are made, however, to export strategic commodities to China. (There is a heavy smuggling trade between Malaya and Indonesia, but such trade is considered to be outside the scope of this report.) Such illicit exportation takes, as far as can be determined, four forms.

First, though not necessarily the most important, is the practice of false declaration of destination by ships. There are large numbers of small motor vessels and sailing junks plying from Singapore to Indonesia or North Borneo. There are many reports of such vessels declaring for one of the aforementioned destinations, but as soon as they clear British waters, making for Hainan. Cargos believed to have been transported in this manner include carbon black and auto spare parts. The extent of this trade has not been determined, but it is not believed to be heavy.

The second, and least effective, method of smuggling is that of false customs declaration, which includes concealment. The Singapore Customs Service has found, among other things, carbon black destined for Hong Kong (and presumably transhipment to China) labelled as "melon seed dye" and "carbonpaper", and auto parts concealed in and declared as packages of soap, or concealed in furniture frames. (Singapore despatches Nos. 402, January 3, 1952; 568, March 14, 1952; 519, February 29, 1952). It is doubtful if many large shipments of such items are able to evade the Malayan customs control. However, small quantities of small items, such as certain auto parts, are probably smuggled by Asian seamen or passengers concealing them on their persons and carrying them to Hong Kong. There are a large number of small boarding houses in Singapore catering to Asian seamen, and it is believed that the boarding house keepers procure auto parts, etc., and give them to lodgers with instructions as to delivery in Hong Kong.

The third method of exporting goods to prohibited destinations is that of exporting the goods, under a legitimate export license, to some destination where export controls are perhaps not as effective as in Malaya, and transhipping from there to China. As an example, a shipment of lubricating oil was consigned to Bangkok, where it was off-loaded into lighters outside the harbor area, and subsequently picked up by another ship and carried to China. (Singapore despatch No. 372, December 18, 1951.) However, control over the movement of auto parts between Malaya and Thailand has been tightened by the installation of an import certificate, delivery verification system over the export of such items from Malaya to Thailand. (Singapore despatch No. 901, June 23, 1952.)

A fourth method of exporting commodities to undesirable destinations that has recently come to the attention of the Consulate General is the practice of sending items, primarily anti-biotics and sulpha drugs to Hong Kong via parcel post (Hong Kong despatch to Department No. 11, July 7, 1952). As these commodities enter Hong Kong without covering Essential Supplies Certificates, they may be freely exported from there to Communist China, although exports by parcel post from Singapore are supposed to be covered by export licenses issued by the Controller of Exports. However, the inspection of postal shipments has not been sufficiently thorough to stop this traffic. This matter is under discussion between the Consulate General and the Singapore government at the present time, and the results of these discussions will be reported to the Department in a separate communication.

Although it is not possible to make any determination as to Communist China's possible requirements solely on the basis of information obtainable in Singapore, it may be significant that the following items appear to be, on the basis of customs seizures, those which most frequently enter in to smuggling channels: automobile spare parts, especially small items such as spark plugs, valve cores, piston rings, and timing chains; pharmaceuticals, especially anti-biotics and sulpha drugs; carbon black; photographic supplies and equipment; and certain chemicals.

Although on the basis of intelligence reports it is apparent that there is a demand for petroleum products in Communist China, attempts to smuggle such products from Singapore to China have not been widespread, probably because of the physical difficulties involved in the concealment of quantities large enough to be of commercial importance. It is believed that petroleum products may reach China through excess bunkering and diversion of bunkers.

Although the Singapore customs service is understaffed and not experienced in export control, the Singapore government is making continuing efforts to improve the control of smuggling and to expand the customs service.

#### Outlook

There is no reason to expect a change in the foregoing patterns of trade, either as to amounts or commodity composition in the near future.

Exports to China and the Soviet bloc are rigidly controlled, and there have been no attempts on the part of the Soviet bloc to expand their export trade to Malaya. Although there have been rumblings of discontent among some rubber traders (principally Chinese) over the policy of not selling rubber to China, as a result of the presently depressed price of rubber and discontent with the rubber buying policy of the United States, such feelings have not developed to significant proportions, and it does not appear likely, in the absence of further precipitous declines in rubber prices, that they will do so. There is evidence that a substantial quantity of rubber is stolen by Malayan Communist guerillas from rubber estates, and sold to obtain funds to support their operations, but the rubber so stolen is sold on the Singapore market, and it is not believed that any of it is ultimately diverted to other than commercial channels.

Smuggling attempts can be expected to continue, but their effectiveness should decrease as loopholes in Malayan export controls are tightened and customs control becomes more efficient.

#### EXPORT CONTROLS

All exports, except those in transit through Singapore on a through bill of lading, are subject to license by the Controller of Imports and Exports. All postal shipments exceeding M\$50 in value are also subject to export license, and certain specified items (including anti-biotics) are subject to specific restrictions (Singapore despatch No. 397, Jan. 2, 1952). Specific regulations concerning the export of goods to China were issued on July 10, 1951, in compliance with the United Nations embargo on shipments to China. A recent change specifically affecting the Soviet bloc was the prohibition imposed on February 23, 1952, on the importation of motor cars from the Soviet bloc. This prohibition applied only to vehicles from Czechoslovakia, which have been exclusively SKODA automobiles. However, this restriction was amended in July, 1952, to permit the import of automobiles from Czechoslovakia up to the value of such imports during 1951. Although as explained in Singapore despatch No. 53, July 16, 1952, the Singapore Controller of Imports and Exports was not clear as to the reason for lifting of this prohibition, it was his belief that the order to do so (which came from London) was prompted by the existence of a trade agreement between Czechoslovakia and the United Kingdom which allowed the importation of Czechoslovakian automobiles.

#### REMITTANCES TO CHINA

During June, 1952, recorded remittances to China from residents of Malaya totalled M\$1.78 million, compared with a monthly average during the first six months of 1952 of M\$2.3 million and a monthly average during 1951 of nearly M\$3 million. Recorded remittances during the first six months of 1952 are estimated at M\$13.8 million. The decline in remittances to China can be attributed primarily to the fall in income in Malaya as a result of

the recent declines in the price of rubber; and possibly secondarily to a decision on the part of Malayan Chinese to reject Communist China's demands for foreign currency. Although no determination has been made as to the amounts remitted through clandestine channels, it is possible that the amounts so remitted have been approximately equal to recorded remittances.

The establishment of two Chinese Communist government "investment corporations", in Hong Kong, which have been soliciting funds from leading Chinese merchants in Malaya, has been reported by the Malayan Chinese press. However, the Consulate General has as yet no information on the extent of any remittances which may have been made to these corporations (ConGen despatch No. 713, April 29, 1952).

#### SHIPPING

During the first three months of 1952 a total of fourteen Russian vessels and 33 Russian fishing trawlers, as well as four Polish vessels are recorded as having called at Singapore. In addition, one Greek vessel believed to be en route to the Communist China passed through Singapore. During the second three months of 1952, twenty-five Russian vessels, plus two Russian tugs and one floating crane under tow, as well as five Polish vessels and one Czechoslovakian vessel called at Singapore. In addition, two Greek vessels, two Italian vessels, two Finnish vessels and two Pakistan vessels with records of having engaged in trade with Communist China passed through Singapore. The above figures for both quarters refer to calls made at Singapore, and include more than one visit by some of the vessels concerned. The figures reflect only those vessels which have come to the attention of the Assistant Naval Attaché and the Consulate General, and should not be considered as an exact tabulation of Soviet and satellite shipping or of vessels destined to or coming from Communist China. Although a portion of the increased number of visits occurring in the second quarter of the year may be due to improved collection of information, there has been, in fact, an increase in the frequency of visits of such vessels to this port. No reason has been established for the increase in the number of ships calling at Singapore, though it is probable that the increase represents primarily a seasonal fluctuation.

#### CONCLUSION

As this despatch represents the first quarterly despatch on the appraisal of economic relations with the Soviet bloc under the terms of the Comprehensive Economic Reporting Program of April 4, 1952, Section C(3), an attempt has been made to give an over-all picture of Malaya's economic relations with the Soviet bloc rather than confining the discussion solely to the second quarter of 1952. Future reports of this nature, however, will be quarterly analyses reporting significant changes in Malayan relations with the Soviet bloc and attempting to place such changes in their proper perspective.

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ACTION REQUESTED. It is requested that the Department pass copies of this report to London, Hong Kong, Bangkok and Taipeh.

For the Consul General:

*Joseph H. Rogatnick*

Joseph H. Rogatnick  
American Consul

cc: AmCon Kuala Lumpur  
AmCon Penang

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RUBBER EXPORTS, ALL GRADES INCLUDING LATEX, CONCENTRATED

LATEX, REVERTEX TO SELECTED COUNTRIES

	<u>Jan- Mar 1952</u>	<u>Apr - June 1952</u>
Hong Kong	510 LT	366 LT
Bulgaria	Nil	150
Czechoslovakia	3,423	4,169
Hungary	110	225
Poland	680	2,399
Roumania	Nil	1,047
USSR	5,475	5,575
China	Nil	Nil
Formosa	1,016	223

TIN EXPORTS

Poland	450 LT	250 LT
Roumania	Nil	200

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