Our View

Will Oil and Gas Follow Natural Rubber's Path?

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British, Dutch, and French producers dominated the world natural rubber industry in the 1920s just as the "Seven Sisters" dominated the international oil industry before the 1973 Arab oil embargo. The British operating plantations in the Far East were the principal suppliers of rubber, along with the Dutch in the East Indies and the French in Indochina. These producers exported most of their production to the United States.

In the mid-1920s, "British producers succeeded in inducing the British Colonial authorities to support a scheme whereby rubber exports would be regulated in order to bring about an increase in the price of rubber."[1] Herbert Hoover, then US Secretary of Commerce, objected to British control over a commodity of which the United States was the largest consumer. In response, he proposed a scheme to produce synthetic rubber.

Such schemes failed until World War II when the Japanese seized British, Dutch, and French rubber assets in the Far East, cutting off the US supply and seriously hampering its war effort: "At the beginning of 1942, the United States held in stock some 530,000 long tons—roughly an eighteen-month supply for US mobilization, but a far cry from the roughly 800,000 long tons which the Allies would need annually."[2] At the time, rubber constituted the largest commodity import by value. Before the war, the plantations in British Malaya, the Dutch East Indies, British India, and French Indochina accounted for 96% of global supply of natural rubber. Synthetic rubber was still an afterthought. Four US firms produced it but with limited capacity. In addition, synthetic rubber cost more than natural rubber and was lower quality.

US Supply of Natural and Synthetic Rubber, 1940 to 1945 (Thousand Long Tons)

	Natural	Synthetic
1940	818	
1941	1029	
1942	282	25
1943	55	235
1944	108	764
1945	136	822

Source: Wendt, "Control of Rubber in World War II," *Southern Economic Journal* 13, No. 2 (January 1947), pp. 203-227.

Prompted by the wartime shortage of natural rubber, the United States began building plants to produce synthetic rubber. The effort was a disaster that makes current Department of Defense operations look well organized. Nevertheless, by the end of World War II, the US had built 51 plants, and the country's synthetic rubber production was six times the supply of natural rubber (see the table here). In addition, the cost of producing synthetic rubber had fallen to that of natural rubber.

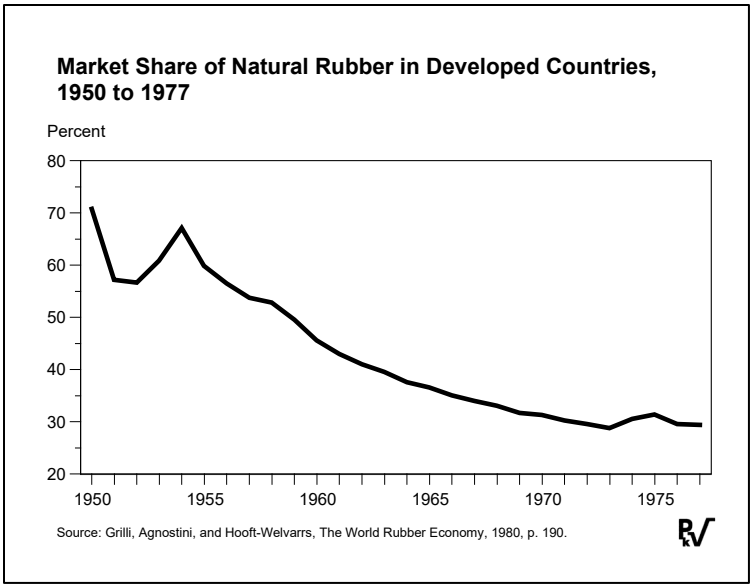
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[1] Silvano A. Wueschner, "Herbert Hoover, Great Britain, and the Rubber Crisis, 1923-1926," Essays in Economic History Volume XVIII (2000), *The Journal of the Economics and Business Historical Society* [https://tinyurl.com/3jwkv43h].

[2] Brady Helwig and Ben Noon, "The US Synthetic Rubber Program: An Industrial Policy Triumph during World War II," *American Affairs* (February 2025) [https://tinyurl.com/33y3fv6k].

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Following the war, synthetic rubber consumption in developed nations was two to three times that of natural rubber. The figure here shows the decline in the natural rubber market share from 1950 to 1977. In 2024, natural rubber's share remained at about one-third of the market.



World War II ended natural rubber's market dominance. Naturally grown rubber would likely have a much larger market share today had the Japanese not forced the Allies to invest heavily in developing synthetic rubber.

The oil and natural gas industry may face a similar threat today should the US and Israel carry out the attacks threatened by Donald Trump and Benjamin Netanyahu:

> Trump officials have told Arab Gulf states to be prepared for a short, intense campaign after the midterm elections, *The Wall Street Journal* has reported. Vance has also engaged one of Iran's most powerful hard-liners in an effort to revive peace negotiators, the Journal reported.
>
> "We may do another little Epic Fury," Trump said at a rally last week, referring to the heavy US and Israeli bombing campaign in the spring. "Or they'll agree."[3]

The renewed bombing might succeed in ending Iran's ability to disrupt the global energy market. However, as the *Journal* writers added, "Iran has threatened publicly and in private diplomatic communications to attack a broad array of US and Gulf country targets in the region in response to any US strike."

Senior officials from the major Middle East oil-exporting countries have taken this warning seriously, with some traveling to meet with Iran's president in pursuit of a compromise:

> Senior officials from Saudi Arabia, Pakistan and Turkey met Iranian President Masoud Pezeshkian on Monday to step up efforts to prevent a new round of hostilities in the US-Israeli war with Iran. The talks in Tehran are part of a flurry of diplomacy to push for an interim deal, amid fears that a new round of the war could erupt after next week's midterm elections in the US. The meeting is the first between the members of the so-called Mecca mutual defense agreement as a group with Iran.[4]

However, these officials find themselves in the same position as the owners of British, French, and Dutch rubber plantations in 1942. The latter had no vote. Japan shut their market. Eighty-five years later, the United States and Israel may do the same for Middle Eastern oil and natural gas.

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[3] Michael R. Gordon, Lara Seligman, and Shelby Holliday, "Top Military Admiral Briefs Trump on Iran Options," *The Wall Street Journal*, October 29, 2026 [https://tinyurl.com/69hh4w7u].

[4] Najmeh Bozorgmehr and Andrew England, "Iran hosts regional powers for talks to prevent fresh escalation," *Financial Times*, October 26, 2026 [https://tinyurl.com/ywa3ufba].

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Consumers who rely on Middle Eastern oil and gas supplies also have no vote, particularly those in Asia. Should the war with Iran heat up, they, like US producers of tires and other rubber goods in 1942, could face substantial supply losses for an extended time. This possibility should concern the oil industry because crude accounts for only around one third of the energy used by consumers in Asia, China, and India. The table below shows energy volumes used by major Asian countries, their share of total Asian consumption, and the share of oil and gas in their overall energy consumption.

The data make clear that oil and natural gas could repeat the natural rubber experience in the event of a prolonged supply disruption.

Energy Consumption of Selected Asian Countries by Fuel Source in 2025 (Exajoules)

	Oil	Natural Gas	Coal	Hydro	Renewable	Nuclear	Share of Asia-Pacific Use (%)	Oil and Gas Share of Total (%)
Australia	2.23	1.39	1.46	0.05	0.39		2.0	65.6
Bangladesh	0.52	0.99	0.42		0.01		0.7	77.8
China	33.02	15.91	92.24	5.01	9.89	5.3	57.1	30.3
Hong Kong	0.65	0.19	0.11		0.01		0.3	87.5
India	10.89	2.4	23.07	0.64	1.51	0.6	13.8	34.0
Indonesia	3.15	1.74	5.15	0.11	1.23		4.0	43.0
Japan	6.61	3.25	4.36	0.27	1.07	1.0	5.9	59.5
Malaysia	1.81	1.66	1.1	0.12	0.11		1.7	72.3
New Zealand	0.32	0.1	0.04	0.09	0.39		0.3	44.7
Pakistan	0.83	1.23	0.48	0.14	0.15	0.3	1.1	65.8
Philippines	0.98	0.14	0.93	0.05	0.44		0.9	44.1
Singapore	3.18	0.48	0.01		0.02		1.3	99.2
S. Korea	5.57	2.27	2.86	0.01	0.4	2.0	4.6	59.8
Sri Lanka	0.25		0.05	0.03	0.02		0.1	71.4
Taiwan	1.64	1.13	1.28	0.02	0.13		1.5	66.0
Thailand	2.32		0.59	0.03	0.36		1.2	70.3
Vietnam	1.32	0.21	2.57	0.37	0.19		1.6	32.8
Other Asia-Pacific	1.34	0.36	1.34	0.4	0.03		1.2	49.0
Total Asia-Pacific	76.65	35.14	138.08	7.35	16.33	9.2		39.5

Source: Energy Institute, *Statistical Review of World Energy 2026*.

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