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CENTRAL INTELLIGENCE AGENCY

27

26 June 1950

INTELLIGENCE MEMORANDUM NO. 299

SUBJECT: Non-Soviet Sources of Aviation Gas and Lubricants in Communist China

Problem: To determine whether the Chinese Communists have received or are now receiving significant supplies of aviation gas and lubricants from non-Soviet sources.

A. Conclusions.

1. There is no evidence that the Chinese Communists have received or are now receiving significant supplies of aviation gas or other petroleum products on the US "1-A" export control list from US sources.

2. The only verified instance of the receipt of "1-A" petroleum products by the Chinese Communists from non-Soviet sources other than the US is a shipment of 3,500 drums (approximately 500 metric tons) of aviation gas which was assigned by CNAC Hong Kong to CNAC Tientsin and shipped from Hong Kong on 8 April 1950 on the Panamanian-registered ship EASTERN TRADER.

3. The 7,500 metric tons of aviation gas stored within Communist China by the three major foreign oil companies, Caltex (US), Standard Vacuum (US) and Shell (British), have remained unseized by the Communists since December 1949. In addition to these stocks, the Communists probably possess 1-2000 tons acquired in 1949 from the Nationalist Air Force.

B. Discussion.

1. Non-Soviet Shipments of "1-A" POL Products through Hong Kong.

Despite a large number of reports and rumors to the effect that the Chinese Communists have been receiving significant quantities of aviation gas or other POL items on the US "1-A" list through Hong Kong from non-Soviet sources, there has been only one verified shipment. On 8 April 1950 the EASTERN TRADER, of Panamanian registry, sailed from Hong Kong to Tientsin with the following items of cargo as recorded on the export manifests:

Note: This Intelligence Memorandum is in process of coordination with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

1/ State Department Despatching Hong Kong No. 438, May 11, 1950.

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3,449 drums aviation gasoline, point of origin Abadan;
 50 drums gasoline, point of origin Bahrein;
 50 drums light diesel oil, point of origin Bahrein;
 50 drums RPM aviation oil 860, point of origin, USA.

These petroleum products were involved in the Hong Kong legal proceedings concerning the disposition of CNAC assets and the shipment does not necessarily reflect on the adequacy of Hong Kong export controls since it represented the transfer of a company's assets rather than an export transaction.

All other reports which US representatives have investigated have been proved doubtful or false.^{2/}

2. Non-Soviet Shipments of "1-A" POL Products from Other Areas.

Reports that the Chinese Communists have received shipments of aviation gas from non-Soviet sources via Macao have been investigated by the US Consulate General in Hong Kong but have not been substantiated.

Although Chinese Communist efforts to obtain aviation gas from the Philippines, Indonesia, and Singapore have been reported, such attempts have apparently been unfruitful. Rumors of direct or indirect shipments to China from Mexico have been unconfirmed and are probably false.

3. Kerosene Shipments to China.

Although kerosene is on the "1-B" export control list, it is worth noting that kerosene rather than aviation gas is the fuel for jet aircraft. China's normal civilian requirements for kerosene are so large and so flexible, however, that end-use determination of kerosene shipments would be virtually impossible.

4. Non-Soviet Stocks of Aviation Gas in China.

Stocks of aviation gas in major foreign oil installation in China have remained virtually intact since the end of 1949 as indicated in the following table:^{2/}

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(In Barrels of 42 American Gallons)

<u>Company</u>	<u>On Hand Dec 49</u>	<u>Sales</u>	<u>On Hand 31 Mar 50</u>
Caltex (US)	3572	309	3,263
SVOC (US)	13,770	—	13,736
Shell (Br)	48,732	—	48,732
Total	<u>66,074</u>	<u>309</u>	<u>65,731</u>



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It is believed that, as of the end of April at least, the Chinese Communists have not obtained significant quantities of aviation gas from the stocks of US and British companies in China. If the Communists are faced with heavy requirements, however, they will have no difficulty in acquiring the aviation gas stocks of the foreign companies by purchase or requisition.



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