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CENTRAL INTELLIGENCE AGENCY

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SOURCE Newspapers as indicated.

COMMUNISTS CONTINUE TO SEIZE SHIPS;
CMSC SHIP DEFECTS IN SINGAPORE

NEED LARGE SHIPS FOR HAINAN INVASION -- Kung-shang Jih-pao, 25 Jan 50

Macao, 24 January -- The Communist Military Forces in Kwangtung Province have stepped up the seizure of ships in the Chu Chiang area in preparation for the invasion of Hainan. Heretofore they have been seizing ships and river boats of all types and sizes; but having realized that the smaller boats are unsuitable for crossing the channel to Hainan, they are now looking only for ships having a loading capacity in excess of 100 tons. They are, however, having difficulty in securing ships with complete crews; consequently, the drafting of seamen and engineering personnel from other ships continues. On the other hand, the shipping companies of the Chu Chiang area, having discovered that the military are not interested in small vessels, are gradually resuming business.

7,000-TON CMSC SHIP RAISES COMMUNIST FLAG -- Wen-hui Fao, 29 Jan 50

The Hong Kong office of the China Merchants Steam Navigation Company reported that on 24 January 1950 the crew of the 7,000-ton steamship Hai-hsuan, in Singapore, pledged their allegiance to the Chinese Communists and raised the Communist flag. The ship is now waiting to be taken over by the People's government.

DISCONTINUES WAR-RISK INSURANCE -- Hsin-sheng Wan-pao, 23 Jan 50

Hong Kong -- The Taikoo Shipping Company (Butterfield and Swire) recently received from London a telegram stating that effective at 1200 hours, 26 January 1950, a war-risk insurance on all ships operating on the China coast would be canceled, and thereafter no more such insurance will be issued.

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As soon as this development became known, ship owners, brokers, and charterers took a serious view of the matter, believing it would prove to have a sinister effect on all China coastal shipping. It would probably make ship owners and officers more fearful of the risks involved in running the Nationalist naval blockade, and would thus result in stagnation just at a time when the resumption of shipping was on the upsurge.

Consequently, the Taikoo Shipping Company and a number of other large shipping companies, including Moller and Company, held a conference on the problem, the outcome of which was the dispatch to London of a telegram requesting reversal of the decision concerning the termination of war-risk insurance. It was considered that London's action might have been based on a misunderstanding of the actual conditions in China waters, where, apart from Shanghai, there was really very little risk. It was also conjectured that the action may have been taken independently by the Taikoo Company's London office and not by the British Association of Marine Insurance Companies, since up to 22 January 1950, the Hong Kong offices of other British insurance companies have received no communications concerning this matter from their London offices.

The action may not have much influence on shipping of other nationalities or on shipping which is insured in companies other than the Taikoo Company. Nevertheless, if and when the Taikoo action goes into effect, it is bound to have a psychological effect, and probably will cause a rise in insurance rates.

NO NORMAL WATER, RAIL SERVICE BEFORE MARCH -- Hsin-sheng Wan-pao, 23 Jan 50

Hong Kong -- Although many people no doubt expected rapid resumption of rail and water traffic between Hong Kong and Kuang-chou to follow the British decision to recognize the Chinese People's government, it is not likely that normal operations can be resumed before the end of February. The main reason for this is that the Communist government as yet has made no substantive decisions in the matter, and diplomatic relations still are not on a proper basis. Other reasons are the Nationalist naval blockade with the danger of bombing, prevalence of piracy, and the difficulty of giving effective protection to British shipping in the mouth of the Chu Chiang.

When the Taikoo Shipping Company (Butterfield and Swire) suspended service to Kuang-chou in October 1949, they began temporary service to Macao in its stead. Now they have prepared three large river steamers, and are procuring landing hulks from Australia, with a view to maintaining regular service on the Hong Kong -- Kuang-chou and Hong Kong -- Macao runs.

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