

INFORMATION REPORT

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COUNTRY Thailand/Philippines/Burma

CONFIDENTIAL

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SUBJECT Illegal Rice Deals

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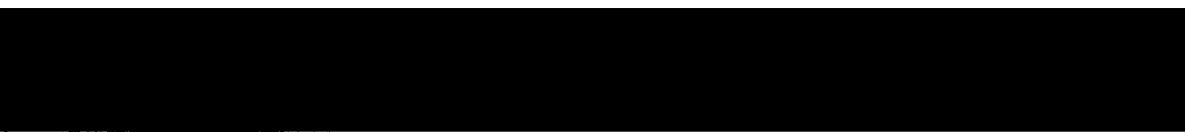
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SUPPLEMENT TO REPORT NO.

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SOURCE

1. After the war the International Emergency Food Commission (IEFC) was established to ration rice so that all needy countries would receive a fair share. The IEFC, however, was controlled by Great Britain and her "satellite" countries and most of the allocations went to countries within the British sphere of influence. Because of this system of allocation, the Philippines never received enough rice. Therefore, they instructed Philippine Ambassador Elizalde, in Washington, to purchase American rice. Elizalde quoted high prices to Manila. Manila accepted these quotations, and Elizalde bought the rice at \$10 to \$15 a ton below those prices and retained the difference.
2. Finally, friends of President Elpidio Quirino instructed Harvin Gray of Pan Commercial Ltd., 25 Vanderbilt Avenue, New York, to submit rice quotations to the Philippine Government. Gray's quotations were \$15 to \$20 a ton less than Elizalde's prices, thus arousing suspicion in Manila concerning Elizalde's handling of rice purchases. Elizalde was ordered to accept competitive bids. Gray gave Elizalde a quotation of \$169 a ton. However, Elizalde closed a deal with his own broker for \$168.50 a ton. This was the first time Manila had purchased rice so cheaply. It is felt that if Quirino is re-elected, Elizalde will be replaced as Ambassador to the United States.
3. Gray was asked by Philippine representatives in the United States to go to the Far East to try to secure rice from Burma or Thailand. The National Rice and Corn Corporation (NARCC), the official Philippine Government rice purchasing organization, had become so corrupt that Quirino wished to break its monopoly. Furthermore, Quirino wished to have cheaper rice to distribute before the November 1949 elections.
4. Gray spent a week in India where he visited Calcutta and Chittagong. He then went to Burma, where he stayed three weeks in Rangoon. While in Burma, Gray was able to secure a supply of Burmese rice, but his colleagues in Manila did not feel that the Burmese Government was stable enough to be a party to a long term rice shipping contract.
5. Next Gray visited Bangkok and was introduced to Willis H. Bird,* who contacted Kach Songgram. Bird informed Gray that he could obtain several thousand tons of 15 to 25 percent broken rice on condition that

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This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

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 NO CHANGE in Class
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 Class. CHANGED TO: PS S S
 DDA Memo, 4 Apr 77
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 Date: 2/20/97 By: 009

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CENTRAL INTELLIGENCE AGENCY

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Gray first purchase 1,700 tons of 5 percent broken rice for \$150 per ton, which was a very reasonable price. This was obviously an illegal deal, but trusting Bird, Gray returned to Manila and opened a letter of credit for \$350,000 in the Charter Bank.** When Gray returned to Bangkok, he discovered that not only was the deal illegal, but that the rice was unobtainable at the quoted price. He immediately broke off negotiations with Bird. A new series of rice negotiations involving many Thai and Europeans were begun. Most rice brokers did not wish to sell a quantity as small as 1,700 tons and attempted to work this amount in with larger deals involving from 5,000 to 40,000 tons of rice.*** First, however, the letter of credit had to be switched to the Union Bank**** since the rice brokers feared the presence of British intelligence agents in a British bank.

Background Information on Rice Deals

6. Some of the nations which had rice allocations were not able to pay for their full monthly quotas and offered it to outside buyers. China was the first country to offer 40,000 tons of rice for sale. Countless brokers tried to peddle this supply in Bangkok. Then England offered some of its allocation. Most of the surplus rice sold for pounds in the past few months came from British allocations. The following countries also sold rice to outside buyers:

Portugal	P. U. Ramos,***** Consul-General, agent;
India	Indian Legation, agent;
Indonesia	Izak Mahdi, agent;
Austria	Stein, Austrian representative, agent;
British Zone of Germany	British Food and Agriculture Organization (FAO) representative acted as agent for Taylor, IFEC representative.

All the above embassies and consulates must know about these deals since they would have to issue consular invoices for shipments. The following is a specific example of the disposition of an IEFC allocation: Hong Kong is allotted 80,000 tons of rice for one month and the Philippines is allotted 36,000 tons*****. The British buy their rice from the Thai Government at the official rate and then resell the rice from Hong Kong to the Philippines at double the purchase price. The same deal would apply to the Singapore allocations, but to a much lesser degree, since Malaya needed the rice. In turn, MARIC would collect their commission for handling the rice for the Philippine Government.

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Comment. For previous information on Bird, [REDACTED] 25X1A
and [REDACTED]

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** Comment. Probably the Chartered Bank of India, Australia and China.

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* [REDACTED] Comment. No further information is currently available on the status of those negotiations.

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** [REDACTED] Comment. Probably the Union Bank of Bangkok.

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*** [REDACTED] Comment. Jose de Ramos is listed as Chancellor of the Portugese Consulate.

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**** [REDACTED] Comment. The Hong Kong allotment is grossly out of proportion.

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[REDACTED] Comment. [REDACTED] for further information on illegal rice deals.

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