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CENTRAL INTELLIGENCE AGENCY

REPORT NO.

INFORMATION REPORT

CD NO.

*INTELLOFIX 8*

COUNTRY Macao/China/Hong Kong

DATE DISTR. 3 July 1951

SUBJECT Japanese Fishing Boats Engaged in Smuggling from Okinawa to Macao and Hong Kong

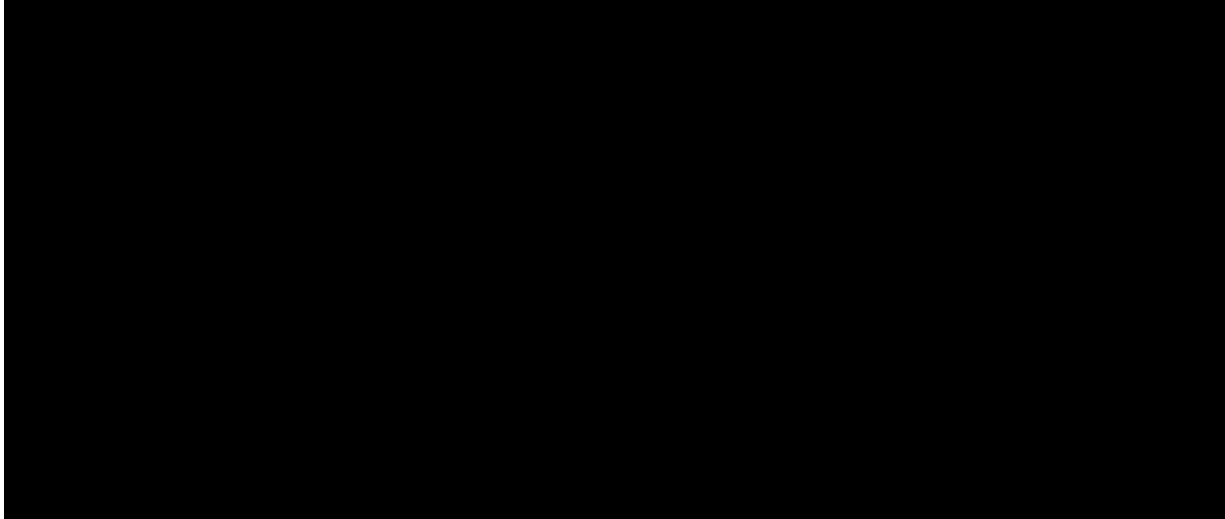
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NO. OF ENCLS. (LISTED BELOW)

DATE OF INFO.

SUPPLEMENT TO REPORT NO.



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Auth. Date: *5/26/78* 35

1. In late May 1951 five vessels from the Ryukyu Islands were detained by the Chinese Communists in waters near Macao, and were escorted to Canton.
2. The background of this incident is as follows:
  - a. Because of the high prices for flour in the Ryukyu Islands, some people from Taiwan together with some Ryukyu natives began smuggling shell cases to Hong Kong for sale, loading flour and other commodities for the return voyage.
  - b. After their entry into the Korean war, the Chinese Communists badly needed shell cases, for which they were willing to pay high prices. The Chin Lung (錦隆) and Te Sheng (德生) Companies, Hong Kong, established financial connections with the vessels from the Ryukyu islands whereby they obtained a monopoly of the trade, reselling the cases to the Chinese Communists.
  - c. The Chinese Communists, learning the origin of the shell cases, wished to exploit this channel for getting information about the American forces in the Ryukyu Islands. Working through the Chin Lung and Te Sheng Companies, they provided money for the number of vessels to be increased to ten. Beginning in March, the Chinese Communists put controls on the price of shell cases, with the result that the Ryukyu vessels lost money heavily. Thereupon the Communists entered into negotiations whereby they would supply capital for the purchase of flour and other commodities in Hong Kong, in return for which the vessels were to bring gasoline, tar and American military supplies to Macao and thence to Canton. They were also to transport Communist agents disguised as merchants to the Ryukyus.

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STATE/ Ev	x	NAVY	Ev	x	NSRB														
ARMY		AIR		x	FBI					ORR	Ev	x							

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- d. Since March 1951 a large number of Chinese Communists have been infiltrated into the Ryukyus. In May, desiring to send even larger numbers, the Chinese Communists detained five vessels which were waiting outside Macao for clearance and took them to Canton. The vessels had been held up near Macao because they were fully loaded with gasoline and tar. The Chinese Communists plan to replace the Ryukyu crews with their own men.
3. Two vessels from the Ryukyus Islands, not connected with the Chin Lung Company, viewed the seizure of the other five vessels with dismay, fearing that the incident would bring the trade from the Ryukyus to the attention of the American consulate general in Hong Kong.
  4. On 31 May 1951 four Japanese fishing boats arrived outside Macao territorial waters and applied to the Macao Marine Police for entry. Entry was refused because they had no shipping documents. The officers on the boats then got in touch with a Japanese named EGUCHI<sup>1</sup>, the manager of the former Japanese war-time South China Fisheries Monopoly Company<sup>2</sup>, now called the San Chien Chu Shih Hui She (三健株式會社), of 13 Hsin Tung Shang Street, Macao.
  5. The vessels contained 600 drums of Diesel oil, 1,600 rubber tires and 700 piculs of used shell casings. The oil was in green drums, and may have been American Navy materiel which had been given to the Chinese Nationalists; it was sold by EGUCHI to the Yu Hsing (裕興) Company at the low price of HK \$700 per drum. After 280 drums of oil had been delivered in Chinese waters, the Chinese Communist Customs gunboats discovered the fishing vessels and compelled them to proceed to Ch'ienshan, where four Formosans were detained.<sup>3</sup>
  6. On 2 June 1951 HO Hsien<sup>4</sup>, in the name of the Chinese Chamber of Commerce, wrote a letter to the Chinese Communist Customs requesting release of the vessels and the persons detained.
  7. On 30 May, 19 Japanese went to Macao aboard the SS TA LAI.<sup>5</sup> They had little luggage and were dressed like fishermen. The Japanese told sailors on the TA LAI that they had obtained permission from the authorities in Tokyo to make this trip.<sup>6</sup>

- |       |    |            |                               |   |       |
|-------|----|------------|-------------------------------|---|-------|
| 25X1A | 1. | [REDACTED] | Comment.                      | For previous references to EGUCHI, see [REDACTED]   | 25X1A |
| 25X1A |    | [REDACTED] |                               |   |       |
| 25X1A | 2. | [REDACTED] | Comment.                      | This was called the Japanese Sea Products Company in [REDACTED]   |       |
| 25X1A |    | [REDACTED] |                               |   |       |
| 25X1A | 3. | [REDACTED] | Comment.                      | There seems to be no reason to doubt that these vessels are the same as those reported in paragraphs 1 and 2 above. The discrepancies in the accounts given by the two sources can be taken as evidence that the information was independently obtained. The details furnished by the [REDACTED] informant may be more accurate in reference to the events of 31 May. Previous reports of this trade may be found in [REDACTED] |       |
| 25X1X |    | [REDACTED] |                               |   |       |
| 25X1A |    | [REDACTED] |                               |   |       |
| 25X1A | 4. |            | See paragraph 2 of [REDACTED] |   |       |
| 25X1A | 5. | [REDACTED] | Comment.                      | SS TA LAI plies between Hong Kong and Macao. See [REDACTED]   |       |
| 25X1A |    | [REDACTED] |                               |   |       |
| 25X1A | 6. | [REDACTED] | Comment.                      | They were presumably referring to their trip to Hong Kong, rather than to the jaunt to Macao.   |       |

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