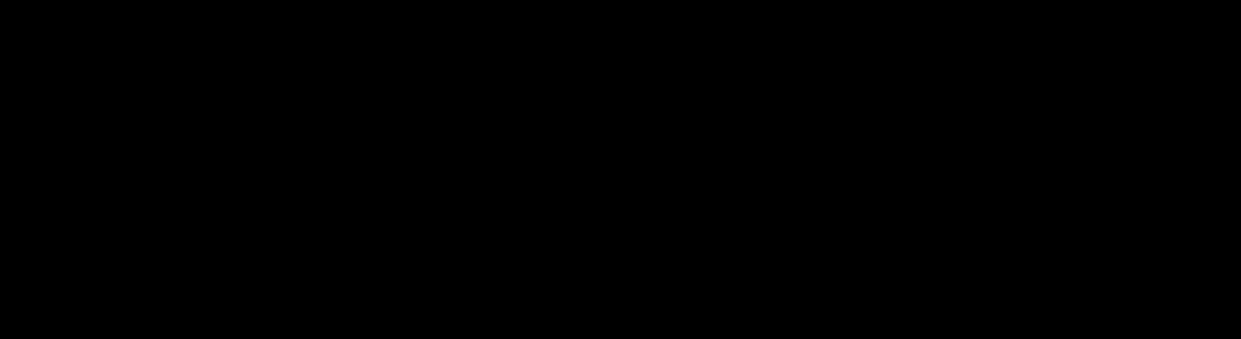


COUNTRY Hong Kong/China/Macao
 SUBJECT Smuggling Trade from Hong Kong to Communist China via Macao
 PLACE ACQUIRED 25X1A
 DATE OF INFO. [REDACTED]

DATE DISTR. 23 OCT 51
 NO. OF PAGES 2
 NO. OF ENCLS. (LISTED BELOW)
 SUPPLEMENT TO REPORT NO. 25X1X



1. In August 1951 two to three hundred tons of strategic materials, including steel and munitions, were being shipped each night to Communist China from Hong Kong via Macao. No rubber was being shipped.
2. This trade was being carried in ships owned by a pool with headquarters in Hong Kong. Members of this pool include P. J. Lobo,¹ Henrique Molasco,² and a number of Chinese businessmen, among whom are the owner of the Central Hotel in Macao and the owner of a Hong Kong shipping line.
3. Hong Kong police and officials have been secretly cooperating with this trade. Any attempt to use routes other than those prearranged results in a well-publicized seizure of the shipment.
4. Shipments are not made directly to Communist China because, owing to difficulties in making remittances, the shippers would have to wait for their money. In Macao Lobo arranges remittances by setting up separate letters of credit. Accounts are started in the Bank of China or the China Commercial Bank in Hong Kong and are transferred to Macao in the form of "divisible, transferable, irrevocable" letters of credit. With the pool in virtual control of financing transactions and transporting goods, any person attempting to work outside the pool meets with insuperable difficulties.
- 25X1X 5. [REDACTED] that by this trade more goods now reach Communist China than were carried by the Isbrandtsen ships when they operated into Shanghai. The Isbrandtsen trade was estimated at 20,000 tons a year and enabled the Communists to boast that they kept their promise to give the city economic security.
6. An indication of the value of this trade is the rumor that an American businessman in Hong Kong was offered US \$2,000 merely for the name of a ship proceeding directly from Portugal to Macao and in a position to pick up certain cargo.

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GENERAL INTELLIGENCE AGENCY

25X1A

-2-

- 25X1A 1. [REDACTED] Comment. P.J. Lobo is the Chief of the Economic Bureau in Macao. For further references to his smuggling activities, see the following: [REDACTED] 25X1A
- 25X1A 2. [REDACTED] Comment. The Hong Kong Dollar Directory for 1951 lists H. Nolasco Sr. as Manager of Nolasco & CIA., Ltd., 20 Avenida Almeida Ribeiro. H. Nolasco Jr., F. Nolasco and J. Nolasco are listed as Directors. It is not certain whether the above report refers to Nolasco Sr. or Jr.
- 25X1A 3. [REDACTED] Comment. [REDACTED] reports more fully on police protection for this trade. 25X1A

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