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CENTRAL INTELLIGENCE AGENCY

8/29

29 August 1949

INTELLIGENCE MEMORANDUM NO. 213

SUBJECT: The Possibility of Communist China's Obtaining Oil from Manchuria, Korea, and the Far Eastern USSR

1. Information presently available to CIA would not materially change either the substance or conclusions of the reference paper. It is believed however, that [redacted] may find of interest a recent note on Chinese petroleum requirements incorporated below. [redacted]

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2. Requirements.

The Chinese Nationalists have relied upon imports for more than 95 percent of their consumption of petroleum, and the Chinese Communists are similarly dependent. In some respects the Chinese Communists, as regards meeting petroleum requirements, are now more favorably situated than the Nationalists were in 1948; in others less so.

a. The Chinese Communists should be able to get along with considerably smaller oil imports than were needed by the Nationalists, because of:

- (1) lower military consumption -- fewer airplanes, tanks and automobiles,
- (2) reconversion to coal of the power plant and other industries in the Shanghai area.

b. On the other hand, the Chinese Communists are now more handicapped than the Nationalists were in 1948 in procurement of petroleum, because:

- (1) all of Sakhalin's production, and more, is needed in the Soviet Far East. The shale oil from Fushun is insufficient to meet Manchurian requirements. Kansu production is too small and remotely located to be of much consequence,

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- (2) the distributing organizations of the American oil companies on which the Nationalists relied heavily for oil imports are discontinuing operations, ✓
- (3) Shanghai, port of entry for the bulk of China's petroleum imports and location of most of its storage, is being subjected to an effective Nationalist blockade, *INCLUDING HONG KONG APPROXIMATELY 50%.*
- (4) lacking a large fleet of ocean-going tankers, the USSR (and possibly the Chinese Communists) have chartered foreign ships to bring in oil from the Black Sea region, a slow and expensive means of getting supplies. ✓

g. Under existing circumstances, petroleum supplies for the Chinese Communists have come principally from overseas imports, generally via Hong Kong, with smaller amounts coming overland.

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