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Japan

1937

P.S. Japan

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**THE WHITE HOUSE
WASHINGTON**

January 23, 1937.

MEMORANDUM FOR

THE STATE DEPARTMENT

FOR PREPARATION OF REPLY

FOR MY SIGNATURE.

F. D. R.

811.001 ROOSEVELT, F.D./5103

See /5103, 5104

Japan

April 6, 1937.

My dear Admiral Nomura:-

Your very kind letter came while I was on my cruise to South America and since then, as you know, I have been very busy with the session of the Congress. It is, indeed, good to hear from you again and I hope that one of these days you will be able to pay us another visit in Washington.

As I have often told you, I hope the day will come when I can visit Japan. I have much interest in the great accomplishments of the Japanese people and I should much like to see many of my Japanese friends again.

With my warm regards,

Always sincerely,

Admiral Kichisaburo Nomura,
Tokio,
Japan.

[Typescript of letter from Admiral Nomura to President Roosevelt]

Tokio
Nov. 7th 1936.

Your Excellency,

It is really a wonder of the world that you got so overwhelming and sweeping majority in the recent election. Every country is now striving for, to make its people unite for the country's sake, but it is not, at all, easy to attain that object. In your big country, free people at free election expressed their will to unite under your excellency.

That is, indeed, marvelous affair but it is solely motivated, I am convinced, by your excellency's most distinguished personality and past four year's excellent governmentship.

May your excellency's next four years bring more epochmaking brilliant successes and good luck accompany you always!

Yours most faithfully

Kichisaburo Nomura

Admiral, I. J. N.

Tokio
Nov. 7th 1936

To
A. D. C. to the president.

I am an old friend of Mr. Roosevelt. During my duty in Washington 1915-18 I made acquaintance with him and his family, and since that time I admire him very much. When he was elected ^{four years ago} I hastened to congratulate him upon his success and I got a charming reply from him and later on, our ambassador conveyed me his mention upon me when he had the audience with the president.

He is now the president but if this private letter not impolite to him, please be so good as to show him. This is my best wishes for him.

Yours sincerely
K. Nonuma
Admiral J. J. U.

Tokio
Nov. 7th 1936.

Your Excellency,

It is really a wonder of the world that you got so overwhelming and sweeping majority in the recent election. Every country is now striving for, to make its people unite for the country's sake, but it is not, at all, easy to attain that object. In your big country, free people at free election expressed their will to unite under your excellency.

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by your excellency's most distinguished personality and past four year's excellent government ship.

May your excellency's next four years bring more epochmaking brilliant successes and good luck accompany you always!

Yours most faithfully
Kichisaburo Nomura
Admiral . I . J . N .

閣僚二二三を更送 憲法改正も考慮

Tokio
Asahi

ル大統領の新方針



【ニューヨーク特電四

日發】再選されたルーズヴェ

ルト大統領は全國民の信任に應ふべく今後の方針を考慮してゐる、

まづ閣員の更迭については陸軍長官、逓信長官の後任者は新に指名すべきも國務、財務、海軍の各長官などは現状維持の豫定である、ニューデイル諸政策實施に際し、大審院より憲法違反との判決を次から次へと受けて當惑したので問題の大審院判事の權能に若干の制限を置くべく憲法改正を試みるであらうといはれる、次に失業救済及び老年者に對する扶助の方面で更に徹底的施設をなす方針であり、財政方面においても豫算の均衡、統制の整理、通貨安定策の樹立を考慮してゐると傳へられる、尚引續き四年間ホワイト・ハウスの女主人公たるべきルーズヴェ

エルト夫人は今後も従來同様夫君を内助すると共に従來の社會救濟事業における活動の範圍を更に擴張して貧困者のために大いに活躍するといはれてゐる

【寫眞はルーズヴェルト大統領夫妻】

*file
Japan 37*

April 20, 1937.

Subject: "Activities of Japanese Naval and Civil Personnel in Hawaii."

Asks Col. Watson to speak to him about the above memo etc.

SEE-~~file~~^{war} folder-(S) Drawer 1--1937

*Lib
(Confidential)
Japan*

DEPARTMENT OF STATE
WASHINGTON

April 26, 1937

My dear Mr. President:

Apropos the development of the Japanese expansionist program in 1934, the Department made a study of the economic and financial position of Japan with a view to seeing whether limitations in this sphere might necessarily somewhat affect Japanese political policy. At the time you were interested in that analysis.

With a view towards re-appraising the same matter at the present time, the study has been renewed and revised. Because of its importance and your interest in it, I am transmitting herewith a copy of the summary and conclusions that arise from the study. Copies of the full typewritten report are of course available for your use.

Faithfully yours,

Enclosure:
Memorandum.

The President,
The White House.

Cordell Hull

DEPARTMENT OF STATE
OFFICE OF THE ECONOMIC ADVISER

April 20, 1937.

MEMORANDUM
CONCERNING THE FINANCIAL AND ECONOMIC ASPECTS
OF THE JAPANESE SITUATION

In November of 1934 there was prepared in this office, with considerable assistance from the Division of Far Eastern Affairs, a study of economic and financial conditions in Japan, the object of which was to determine the ability of the Japanese Government to carry on an extensive program of increased armaments and to continue extensive military expenditures in "Manchukuo" and North China. The general conclusions of this study were that the public finances of Japan were in relatively good condition, that industrial development was on a solid basis, and that there appeared to be no reason why Japan could not finance relatively heavy expenditures if, for reasons of national policy, she desired to do so. It is the object of this memorandum to bring the earlier study up to date and, in the light of developments since November 1934, to reappraise the situation.

Summary and Conclusions

1. Internal financing.

The expenditures of the Japanese Government since

1933 have continued steadily to increase. During the fiscal year ended March 31, 1933, the total expenditures of the general account amounted to 1,950,000,000 yen; in the fiscal year ended March 31, 1937, expenditures were about 2,312,000,000 yen, while the budget for 1937-1938 calls for an expenditure of 2,815,000,000 yen, an increase from the preceding year of about 500,000,000 yen.

Revenues have not kept pace with expenditures; they increased from 1,331,000,000 yen in the fiscal year 1932-1933, to an estimated figure of 1,600,000,000 yen in the fiscal year 1936, while the budget for 1937-1938 is reported to call for tax increases which are expected to raise the revenue in that year to about 2,000,000,000 yen.

The continued excess of expenditures over revenues has naturally necessitated a steady increase in the national debt. During each of the fiscal years since March 31, 1933, the Government has issued bonds to a value of between 700 and 881 million yen. The national debt has thus increased from about 7 billions of yen on March 31, 1933, to about 10,500,000,000 yen on March 31, 1937, while the bond issue envisaged by the budget for 1937-1938 will bring the debt to about 11,500,000,000 on March 31, 1938, with a probable deficit of between 750,000,000 and 1,000,000,000 yen to be covered by a bond
issue

issue during the succeeding year. Further, a portion of the national debt is an external debt calculated at the old gold value of the yen; if calculated at the present exchange value of the yen, in which interest and principal are paid, the debt figures quoted above would be larger by one-half billion to one billion yen.

Although the public debt of Japan is large and has probably increased at a rate exceeding the growth of the productive capacity of the country, the consensus of opinion among financial observers is that it is not dangerously large for a country with productive resources as extensive as those of Japan.

It is obvious that one of the most important factors in the ability of the Japanese Government to continue its large military expenditures is its ability to borrow, and this depends primarily upon the ability and willingness of the banking system to absorb new issues of bonds. At the end of 1933, 40 percent and at the end of 1936, 44.5 percent of the total debt was held by banks, with an additional 16.6 percent and 18.1 percent in each of those years, respectively, held by the Deposit Bureau of the Department of Finance. At the end of 1936, Government bonds constituted 47.4 percent of the investment portfolios of commercial banks, and about 66 percent and 32 percent
of

of the investment portfolios of the savings banks and trust companies, respectively. These figures do not indicate the banks to be overloaded with Government bonds. Presumably the private banks can and will absorb new issues of Government bonds. Thus far, the Bank of Japan has experienced little difficulty in disposing of Government bonds. Neither its bond holdings nor the note issue has materially increased; presumably both could be increased to provide an enlarged market for Government bonds.

In spite of the relatively favorable facts and figures cited above, the future of Government financing does not appear to be bright. Competition for credit between the Government and private industry has manifested itself; this competition plus the munitions boom, increased prices, weakness of the exchange value of the yen, and fear of inflation resulting from announcement of the 1937-1938 budget - these factors operated to drive down the price of Government bonds below the issue price late in 1936. Although the situation was temporary, it has been evidenced that the Government expects some difficulty in its financing by its recent decision to conduct open-market operations through the Bank of Japan and its recent indication that it may resort to compulsion on the banks to dispose of its bonds in 1937.

While

While both wholesale and retail prices in Japan have increased largely in recent years, wage rates not only have showed no tendency to rise but actually showed slight declines. This situation presages labor unrest and eventual wage increases. Strikes and labor difficulties are increasing in Japan and it seems almost inevitable that wages shall rise.

From the facts and figures which are available it is necessary to conclude that there are no convincing reasons why Japan's program of expenditures may not continue to be financed provided the Government-military continues to receive the support of the masses, which, in the last analysis, bear the burden. Given this support, the Government possesses the means to compel the banks to cooperate, and it seems probable that measures of compulsion may be necessary in the relatively near future. But the continuance of the Japanese people to accept their burden, to regard it as necessitated by a state of national emergency and to accept it ungrudgingly, is itself in some question. Should the people show signs of deserting the program, whether the Government-military would capitulate, or whether it would resort to compulsion or to military diversion, is not a matter to be predicted.

2. External financing.

Perhaps the most unsatisfactory aspect of Japan's

economic

economic and financial position is the state of her international balance of payments. Japan has had a growing debit in her international balance of payments for the last two or three years. Her exchange reserves abroad are somewhat depleted, her merchandise trade showed a large debit in 1936 and an even larger one is probable in 1937 unless checked by exchange control. This is due in large part, first, to the increased prices of increased imports of raw materials for the increased manufacture of armaments and for the needs of Japanese export industries, and secondly, to increased capital outlays in Manchuria, mostly of a military nature.

The foreign exchange value of the yen declined precipitately in October 1936 and continued weak during the remainder of the year. It has regained considerable strength during the first three months of 1937 as a result, in large part, of (1) an exchange control system established on January 8, 1937, and (2) to the exportation of about 50,000,000 yen in gold and announcement of a policy of exporting gold to support the yen. The present Government is committed to maintaining the present exchange value of the yen.

It is clear that gold shipments offer no permanent solution. Although considerable quantities can be exported without unfortunate results, at the present

rate

rate of expenditure in Manchuria such a policy could not be maintained for more than a year or two.

If exchange control is exercised in an effective manner to cut down the debit in the international account, it will undoubtedly have repercussions on Japanese exports, and it is difficult to see how the international account will be materially improved by this method.

The state of Japan's balance of payments, therefore, clearly exerts pressure on the Government to cut down its imports of raw materials for armaments manufacture and to curtail expenditures in Manchuria and North China. But this pressure is being successfully resisted and probably will continue to be resisted. The only possibility that is foreseen is that future increases in the revenues of "Manchukuo" may make it feasible to transfer to the "Manchukuo" treasury a larger share of the burden of supporting the Kwantung army.

Clearly, the alternative to retrenchment is control. The divided Government of Japan may continue to muddle along for quite a while, depleting gold reserves, controlling more and more rigidly foreign exchange and the internal economy. Too much control and labor unrest might lead to a dictatorship.

Japan

June 22, 1937.

Letter to Pres. from Sumner Welles

Encloses copy of telegram from Bingham
in re- recent Chinese loan negotiations
with Great Britain conducted by Kung during
visit to London and in re-conversations had by
Sir Alexander Cadogan with the Japanese
Ambassador at London concerning China.

See--Great Britain --drawer 2--1937

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DOD DIR. 5200.9 (9/27/58)

WAR DEPARTMENT
WASHINGTON, D. C.

O. C. S., M. I. D., G. S.

(Date)

(Initials)

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6/29/37
E.M.A.

Date- 2-20-70

Signature-

[Handwritten Signature]

July 2, 1937.

MEMORANDUM FOR THE PRESIDENT:

Subject: Japanese Activities in Mexico, Central America, and Panama.

1. With reference to the letter from the American Minister to Guatemala, dated June 15, 1937, the War Department, by direction of the President, has been engaged since May, 1934 in the collection and evaluation of information concerning the apparent intensification of Japanese activities in the Mexico, Central America, Panama, and South America areas. As a result of these efforts, it is definitely evident that Japanese activities have materially increased in those areas in the last several years and that they are manifested not only by an enlarged volume of trade and commercial agent circulation, but also by diplomatic negotiations, colonization (in nearby Colombia), and by suspected espionage and secret agent movements, particularly in the general vicinity of the Panama Canal.
2. It has been impracticable for the War Department, without initiation of counter-espionage agencies, to observe constantly and in great detail all of the Japanese activities referred to above, but by means of information obtained from our Military Attaches in those areas and from other sources, particularly the Navy and State Departments, it is believed that the attached resume is indicative of the existing situation on this subject.
3. At the present time there is no counter-espionage agency at the disposal of the United States Government which may be utilized to determine, adequately, the degree, the thoroughness, or the purpose of suspected espionage activities. It has been the policy of our Government, with respect to peace-time espionage or counter-espionage activities, to guard against the presumption that the United States uses secret agents in a friendly country. However, the military authorities in the Panama Canal Zone, in liaison with the naval and civil authorities there, are aware of these Japanese espionage efforts in the vicinity of the Panama Canal, and exercise constant surveillance (to the limit of the agencies and funds available) over conditions which constitute potential threats to its safety. In this connection Mr. L. A. McIntire, referred to in the letter of the American Minister to Guatemala, became a confidential agent for the War Department in

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1917 and has been employed intermittently since 1919 by the military authorities in the Canal Zone at such times as appeared to be appropriate for the purpose of secretly gathering information. In this connection it may be of interest to note that, in June, 1936, our State Department, at the request of the War Department, issued special instructions relative to prompt and continuing reports on activities, in which the War Department might be interested, in the general vicinity of the Panama Canal.

4. Recent statements to the effect that there are over 100,000 Japanese in Mexico (chiefly in Lower California and along the Pacific Coast) are contrary to the present War Department estimate of from 10,000 to 12,000, and require detailed investigation in order to establish the truth of the situation. Definite steps have already been taken to obtain positive information on this subject, and a report will be rendered as soon as the facts have been developed. It is estimated that this will be about August 15, 1937.

5. Information as to the methods the War Department is employing at present in the gathering of information on the activities of Japanese Nationals in the Mexico, Central America, and Panama areas is not included in the enclosed draft of the letter prepared for the signature of the President in reply to the letter of the American Minister in Guatemala. It is believed advisable to confine the knowledge of such activities to the minimum number of persons consistent with the demands of the task to be accomplished.

Stanley H. Woodring
Secretary of War.

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Resume
Letter

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Date- 2-20-70

Signature- *WR*

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O. C. S. M. I. D., G. E. M. A.
4/29/37
(Date) (Initial)

Date- 2-20-70

Signature- *J. J. [unclear]*

RESUME OF JAPANESE ACTIVITIES
IN PANAMA AND CENTRAL AMERICA.

(May 1, 1934 to June 1, 1937.)

GENERAL:

Considered from the standpoint of military intelligence, with special reference to the Panama Canal, the following resume indicates that there has been a definite intensification of Japanese activities in Panama and Central America. These activities have been manifested by an increased volume of trade and commercial circulation, (including expanded fishing operations in Pacific waters), diplomatic negotiations, colonization agreements (in Colombia), and suspected espionage and secret-agent movements.

POLITICAL:

Activities of political significance include the designation of a Japanese Minister to the Central American countries and the opening of Consulates in several of them. These countries have also been visited by diplomatic missions and individuals, many of which have endeavored to work out new trade treaties and other agreements, in addition to their usual duties.

Because of close Mexican-Salvadorean relations and the attitude of Salvador in recognizing Manchoukuo, El Salvador was the first point of attack by Japanese diplomatic agents. Official reports charge that Japanese bribery and strong political pressure on high Salvadorean authorities have been attempted in order to gain the support of both legislative and executive functionaries in favor of Japanese concessions. Foreigners have also been used by the Japanese on occasions in order to allay suspicion and reduce resentment engendered by their expanding trade activities.

Guatemala has consistently been anti-Mexican and anti-Salvadorean, and the apparent friendly attitude of these two countries for Japanese enterprises has been irksome to President Ubico of Guatemala, who has always sought to dominate Central American political affairs. For these reasons he fears Mexican plans in that direction with the possible attendant circumstance of facilitated Japanese penetration of that area.

It is believed that Mexico, El Salvador, and Panama are pronouncedly friendly, that Costa Rica and Honduras are neutral, and that

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Guatemala and, to a lesser extent, Nicaragua, are distinctly lukewarm in their political relationships with Japan.

COMMERCIAL:

Statistics from our Commerce Department indicate that the Japanese trade volume in Central America and Panama has increased tremendously since 1933. Based on the value of each preceding year, this increase amounted to 150% in 1934; 70% to 100%, according to the several nations, in 1935; and in 1936 there was an increase in Panama (60.2%) and Costa Rica (15%), but a decrease in the other countries as follows: Guatemala, 11.5%; Honduras, 34.2%; Nicaragua, 56.0%; and in El Salvador the 1936 trade was negligible. However, based upon Japanese statistics for the first four months of 1937, her exports to this area (amounting to 5.2 million yen) are about 45% higher than was the case in the corresponding period of 1936 (when the value was 3.6 million yen). The check to Japanese trade increases in 1936 was no doubt due to the general reaction (through controlled exchange and increased import duties on Japanese goods) when the unequal trade balances, almost wholly in favor of Japan, developed in 1934 and 1935. However, the indicated trade increases during the early months of 1937 show that there has been a lessening of this opposition due to the intensification of effort and the promise by Japan to absorb a greater amount of Latin American products.

Trade agents and trade missions frequently appear in Latin America; most of these pass through Panama en route to or from Central America. It is indicated that Japanese commercial agents use Pan American Airway planes almost daily at one or more points in each country in this area; a large trade mission visited the region in 1935 and again in 1936.

Other commercial activities include: (1) Offers to finance industrial developments (as much as 50% of the investment); (2) Surveys for shipping expansion; (3) Surveys of (and indicated negotiation in the case of Mexico, Nicaragua, and Colombia) potential oil bearing areas; (4) The intensification of fishing activities and the negotiation of fishing concessions (see Fishing Activities, below); (5) The establishment of a parcel post service (Japan to Corinto, Nicaragua, the latter to be used as a transit office for Nicaragua, El Salvador, Honduras and Guatemala); and (6) The location of commercial offices, minor industries and land concessions in certain areas (such as Panama and Costa Rica). It is indicated that Japanese agents have the cooperation of Mexican representatives in Nicaragua and El Salvador.

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Signature- *yan*IMMIGRATION AND COLONIZATION:

There has been no colonization and very little immigration by the Japanese in Panama and Central America during the past several years. In Panama, the number of Japanese increased from 259 in 1933 to 333 in 1936, and in Central America the number is believed to be almost negligible. In 1936 a reliable observer stated that there were fewer than 40 Japanese living in all Central America. In the nearby country of Colombia, a Japanese colony of about 100 persons was established in 1936, increasing the known total Japanese population there to approximately 300 at the present time.

Guatemala has recently passed an immigration law excluding persons of the yellow race except for brief tourist or transient trade activities. El Salvador, on the other hand, has recently considered raising the existing ban on Japanese immigration in order to permit a limited number of settlers, but nothing is known of such changes, if any. Since the Japanese colony settled in Colombia in 1936, the resentment of Colombian nationals has been so pronounced that the Government has refused to issue immigration visas to Japanese.

FISHING ACTIVITIES:

Japanese fishing operations off the West Coast of Mexico and the Pacific Coast of Central America and Panama have increased in scope both as to the area (including the necessary concessions therein) and the type and number of fishing vessels engaged. Shrimp fishing in the Gulf of California and tuna fishing in the Panama area between 10°N. and 10°S. latitudes provide a fruitful return for deep-sea fishing. This situation appears to be receiving the special attention of Japanese interests at the present time to the extent of attempted elimination of both American and Mexican competitors; this called forth a protest from the Mexican Fishermen's Union in May, 1937. In 1934 the leading fish packing companies on the Pacific Coast (United States) are reported to have landed some 20,000,000 pounds of tuna at Los Angeles and 52,000,000 pounds at San Pedro, and these same companies have recently contracted with a fleet of fifty new tuna fishing vessels, valued at one-half million dollars, to land at least 37,000,000 pounds at the newly established refrigerating plant at Puntarenas, Costa Rica. Puntarenas appears to be destined to become a natural fishing base in Central America for some 150 to 200 tuna vessels now based in California, unless Japanese fishing vessels, with adequate refrigeration facilities aboard, succeed in driving out their American competitors. In the past, a large number (several hundred) of the vessels engaged in deep-sea fishing have based at San Pedro, California (U.S.) and it has been estimated that 50% of these vessels are Japanese manned, wholly or in

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part, each vessel having from one to three Japanese of high intelligence (Captain, Supercargo and one other) in important positions. As an example, the San Lucas (155 tons), fishing under American registry, has a crew of fourteen (14) Japs and one (1) American (radio operator).

In 1935 a Japanese, C. Iwamoto, representing the Japanese firm of Kyodo Gyogyo Kaisha, Ltd., at that time operating fishing vessels in California (U.S.) and Panama, travelled through Mexico, Central America, and Panama to study the possibilities of extending the activities of his company in that area. He claimed that the company had a capital of 10,000,000 yen and a fleet of 50 modern vessels with refrigeration apparatus installed. This agent endeavored to secure fishing concessions in Panama, Costa Rica, Nicaragua, Salvador, and Mexico. Late in 1935 this company subleased a fishing concession on a 2,000 mile front off the West Coast of Mexico from a Mexican born Japanese who had held such a fishing concession from Mexico since October, 1934. The "Minato Maru" and a sister ship, the "Minowa Maru," belonging to this Japanese concern, each of about 625 tons and with complete refrigeration facilities aboard, have been fishing under the rights of this concession, the former since January 1, 1936 and the latter since shortly thereafter.

During April, 1937, this same Japanese company endeavored to license one or more large boats (one of which, the "Amano", 155 tons, is complete and ready for service) to engage in fishing off the Panama Coast.

In April, 1935, there was a total of 15 vessels (3 with Japanese Captains) with Panamanian fishing permits. In May, 1937, it is known that there were seven (7) fishing vessels owned and manned by 19 Japanese fishermen who fish regularly in Panama Bay, the two largest of these boats are five tons each. In addition, two large (approximately 100 tons) Japanese manned boats, now based on San Pedro (U.S.) have been licensed to fish for bait in Panama waters.

It is doubtful whether either Nicaragua or Guatemala has granted fishing concessions to the Japanese, but according to many indications, these boats fish in the Gulf of Fonseca under Salvadorean protection, either official or clandestine.

The principal base ports for bait, fuel, and other fishing supplies along the coast are: La Paz, Guaymas, Manzanillo, and Acapulco in Mexican waters; La Union in the Gulf of Fonseca; Puntarenas in the Gulf of Nicoya, Costa Rica; and Panama City, Panama. It is indicated that 31 vessels called at La Union during the past year, and that in August, 1936, there were 43 vessels calling at Puntarenas for supplies

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and bait with the prospect of from 80 to 150 additional ^{ships} of American registry being sent into Central American waters when the Puntarenas refrigerating plant is completed; this plant was completed late in 1936 but the number of vessels now based on Puntarenas is not definitely known.

From the foregoing it is evident that: (1) There are a number of fishing vessels of American or Panamanian registry and manned wholly or in part by Japanese crews which have been engaged for some time in tuna and shrimp fishing in Pacific Coast waters of Mexico, Central America, and Panama; (2) two large vessels (over 600 tons) are now engaged in fishing under a Mexican concession in the Gulf of California; and (3) that recent efforts have been made by Japanese fishing interests to secure a concession from Panama under which large, fast, clipper type vessels, equipped with wireless facilities, will be authorized to fish for tuna in the area off the Pacific Coast of Panama.

The presence of a considerable number of fishing vessels in or near ports or water areas in easy access of the Panama Canal, which are of doubtful registry and control, have high speeds and good cargo and communication facilities, constitutes a potential danger to the interests of the United States in both peace and war. The War Department and the Navy Department have expressed opposition to the establishment of a base such as that now developing at Puntarenas, Costa Rica, on the grounds that a large fishing fleet dominated by orientals in waters so close to the Panama Canal is inimical to the Canal defenses, especially from the viewpoint of United States naval operations.

SUSPECTED ESPIONAGE:

In the past, wherever Japanese espionage agents have been observed or suspected, they have exhibited an intelligence, a cautiousness, and an elusiveness which make them particularly difficult to detect. These agents, usually, have associated themselves with commercial enterprises or salesmanship. Thus the increase in commercial activities in Latin America increases the espionage potential.

During the past two years, various activities of Japanese agents, usually under the guise of some commercial motive, strongly indicate an espionage connection. Beginning in 1916, and up until the recent advent of the agency known as the Commercial Organization of the Japanese Government with branches throughout the world, the firm of G. Cato and Company is thought to have conducted a secret service activity for the Japanese Government.

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Japanese espionage activities for several years prior to 1935 were summarized in a letter from the G-2, Panama Canal Department, as follows: ". . . there are regularly employed Japanese agents in Panama. Their activities are directed to keeping informed of every minute detail of military dispositions in the Canal Zone and of naval operations nearby; they keep in close contact with the fishermen and merchants throughout the Republic of Panama and with transient Japanese travelers. They are involved commercially, possibly politically, with discontented elements of the opposition parties in Panama. There is no direct evidence of plans or plots for sabotage."

From many other sources, less reliable or conservative than the foregoing, there is indicated, during the past two years, a continuous operation of observing, hydrographic sounding and transmission of information of a military character. Suspicious actions include trips by Japanese agents: (1) along the Costa Rican coast line in the Gulf of Dulce and the Gulf of Nicoya; and (2) in the Gulf of Fonseca. These activities appeared to be marine soundings rather than pleasure or fishing cruises.

Furthermore, our naval authorities and even the Panamanian port officials are of the opinion that many Japanese fishing vessels are officered by naval reservists, and, in some cases, by regular Japanese Naval officers. These fishing vessels have repeatedly "dogged" the movements of our naval vessels.

Intelligence reports from the Panama Canal Department and from every Military Attache who has served in the Panama - Central American area for the past ten years indicate that Japan has been, and is now, operating a well organized and thoroughly trained espionage organization in Panama and the areas which have a direct military relation to the Panama Canal.

Investigations by our Military Attache in Central America (in Nov. 1935) also indicate that Japanese espionage agents are of two general types: (a) "The Stationary Agent" - engaged in commerce in the area under observation and operating under a "control" station; and (b) "The Mobile Agent" - who operates in contact with the "stationary agent" but is usually engaged in a single, definite mission. It is believed that there are twenty-one (21) critical areas within 1,200 miles of the Panama Canal, each of which has been visited one or more times by "mobile" Japanese agents, and "permanent" Japanese agents have been located as "established" in seven (7) of these twenty-one (21) areas. (See map.)

The military significance of these Japanese activities lies in the inherent potential dangers to the Panama Canal. Both the

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Japanese colonized areas (such as the Cauca Valley in Colombia and Chimbote, Peru, 400 miles and 1,500 miles, respectively, from the Canal) and the establishment of resident Japanese agents and native contacts in vital areas may harbor and facilitate those espionage activities which are but the preliminaries to sabotage or a more open type of hostile effort in the Panama area.

CONCLUSIONS:

From the foregoing it appears that Japanese commercial and diplomatic activities in Latin America during the years 1935 and 1936 have been intensified. A close link between existing Japanese diplomatic and consular agents and suspected espionage activities in the Panama and the Central American areas is also indicated.

1 Incl. - Map

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DOD DIR. 5200.9 (9/27/58)

Date- 2-20-70

Signature- *JPD*

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~~SECRET~~

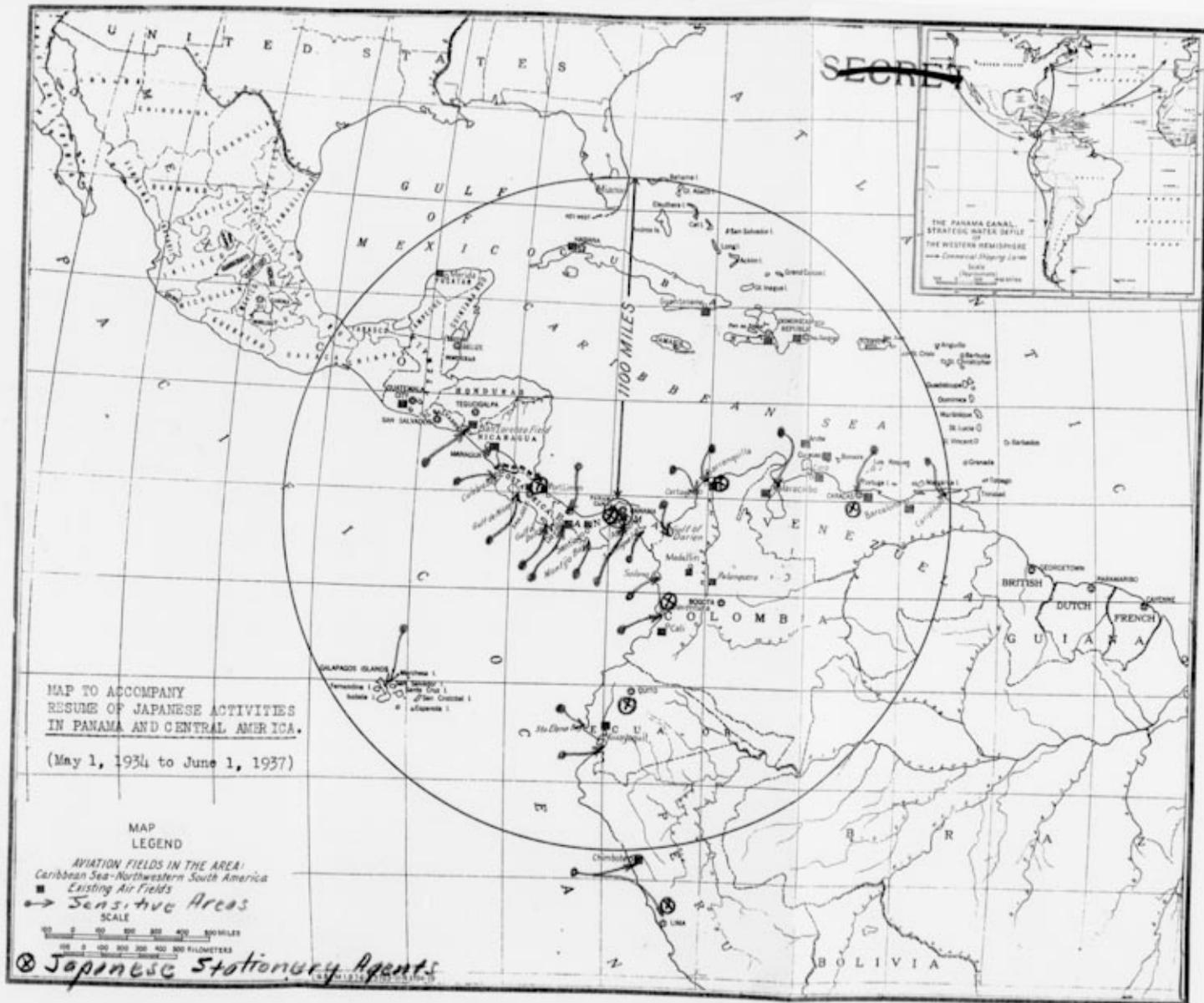
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DDO DIR. 6200.9 (9/27/88)

Date- 2-26-76

Signature- *JHR*



"file
confidential"

Japan

DEPARTMENT OF STATE
WASHINGTON

July 7, 1937

My dear Mr. President:

In reply to the inquiry contained in your memorandum of yesterday's date, my own opinion is that this letter to you from Mr. Des Portes might well be filed and that no reply is desirable.

All of the information available to us here confirms the information of the War Department communicated to you in the memorandum from the Secretary of War dated July 2, that there are not at the present time more than some twelve thousand Japanese resident in Mexico. The information which this Department has, has not only been received from American sources, but likewise from Mexican sources. If the further report which the War Department is preparing shows any material increase above this figure, you may then wish to take action in order to obtain an authoritative survey. I am afraid that if Des Portes is given any instructions from you in reply to

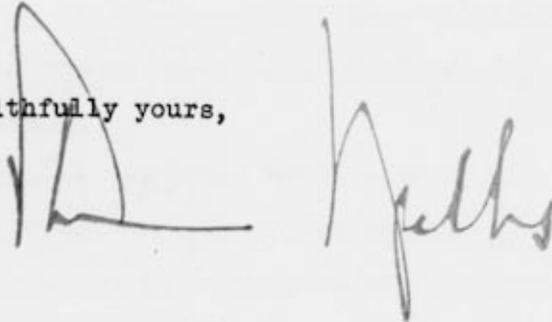
The President,

The White House.

his letter of June 15, information of such instructions will leak out with unfortunate repercussions in Mexico. As you know, because of the extreme antagonism between the present Government of Guatemala and the Government of Mexico, there is nothing that would please General Ubico more than to see us involved in some kind of a dispute with Mexico.

Believe me

Faithfully yours,

A handwritten signature in cursive script, appearing to read "A. H. H. H.", written in dark ink.

July 7, 1937

My dear Mr. President:

In reply to the inquiry contained in your memorandum of yesterday's date, my own opinion is that this letter to you from Mr. Des Portes might well be filed and that no reply is desirable.

All of the information available to us here confirms the information of the War Department communicated to you in the memorandum from the Secretary of War dated July 3, that there are not at the present time more than some twelve thousand Japanese resident in Mexico. The information which this Department has, has not only been received from American sources, but likewise from Mexican sources. If the further report which the War Department is preparing shows any material increase above this figure, you may then wish to take action in order to obtain an authoritative survey. I am afraid that if Des Portes is given any instructions from you in reply to

The President,

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his letter of June 15, information of such instructions will leak out with unfortunate repercussions in Mexico. As you know, because of the extreme antagonism between the present Government of Guatemala and the Government of Mexico, there is nothing that would please General Ubico more than to see us involved in some kind of a dispute with Mexico.

Believe me

Faithfully yours,

Guatemala, June 15, 1937.

My dear Mr. President:

It was indeed a great pleasure to be with you on my recent visit to Washington and I was delighted to see you looking so well. I saw by the press reports a few days ago, however, that you were suffering from a bad cold. I sincerely hope that by this time you are completely recovered.

I went to call on President Ubico this morning at eleven o'clock and found him very cordial and friendly in every way. The exchange of courtesies coming to an end, the President brought up the subject of the present Japanese situation and its danger to the United States and Central America. He stated that there were over one hundred thousand Japanese in Mexico and that their fishing vessels were very active off the Pacific coast from Panamá through Mexico, and that while he feels the Japanese probably have their hands full trying to control the affairs in China, he is of the opinion that the situation on our Continent is critical and warrants close watching. He assured me that we could count on the full support and cooperation of Guatemala in the event of trouble, for which I thanked him.

This is the first time that President Ubico has discussed with me the danger of the Japanese situation on this Continent. I consider this significant since his information is very similar to the report which I gathered and gave to you last month while in Washington, and a copy of which is herewith enclosed.

In

The President,

The White House,

Washington.

In view of the importance of the matter, Mr. President, it would seem advisable for us to send someone into this territory to investigate it thoroughly. Should you decide to do so, I should like to recommend our officer in the Canal Zone, Mr. L. A. McIntire. You will recall that I spoke of him to you while in Washington. He is responsible for revealing the true mission of a group of Japanese who went to the Canal Zone last year, ostensibly as bootblacks and barbers, and who were in reality commissioned officers of the Japanese Navy. Mr. McIntire's address is - Care The Governor, Balboa Heights, Canal Zone.

With every good wish and affectionate regards, believe me,

Faithfully yours,

Fay Allen Des Porter

-:C O P Y:-

SECRET

American Legation, Guatemala.
April 3, 1937.

MEMORANDUM

Subject: Japanese colonies in Mexico.

From : Minister DesPortes.

For : The Department.

On several different occasions since my arrival in Guatemala I have heard rumors of large colonies of Japanese settling in Mexico and have been told that practically all of these settlers were men without families and were all suspected of being trained soldiers.

A few days ago, Mr. Vincent Aster, who is in our Intelligence Service, informed me that he had heard quite a good deal in regard to this same situation and asked that I secure some reliable information regarding the matter. Knowing that Mr. S.....had lived in Mexico for twenty years and that he knows the country and the people very well, I called him in to find what information he could give me on the subject. He told me there was not the least doubt that there were over 100,000 Japanese that had settled mostly in lower California and on the Pacific coast of Mexico within the last two years. He stated that these Japanese settlers were supposed to have settled there for agricultural purposes and that the country they occupied was an absolute desert and entirely unsuited for such purposes.

He

He added that some of them did a little fishing. Mr. S.....promised to get me reliable confirmation of this information in the next few days. He immediately sent an inquiry in secret code to a trustworthy person, Mr. Morrison, the agent of Pan American Airways in Mexico City, who is in charge also of the air line from Mexico City to California, the route being over the same territory that these Japanese citizens are reported to have settled in. Mr. Morrison immediately cabled to Mr.S..... in secret code that there were between 150,000 and 200,000 Japanese, all male, who had settled in lower California and the Pacific coast of Mexico with no documents whatever. Mr. S.....telephoned me this morning that he was sending a radio to Mr. Morrison asking that he come down to discuss the situation with me Thursday, April the eighth.

April 10, 1937.

Mr. S.....has just shown me his Mexican travel papers, which bear a notation in red ink "SIN AUTORIZACION PARA INTERNARSE A TERRITORIO DE LA BAJA CALIFORNIA". This statement is placed on all Mexican travel documents, whether issued to foreigners or Mexicans. Mr. S's.....document was written on Forma 10, No.3520, dated Mexico City, January 28, 1937.

.....

FAD:IP

THE WHITE HOUSE
WASHINGTON

Dear Mr. Minister:

I have received your kind letter of the 15th of June and am very grateful for the hearty good wishes you express.

It is interesting to note the views of President Ubico concerning the penetration of aliens into Mexico and Central America, and I appreciate his assurances that our country has the full support of Guatemala.

The proper executive departments, at my direction, have been giving special attention to the developments of alien activities in Mexico, Central America, and Panama since May, 1934, and these efforts are being continued. There has been a definite increase in that area by the foreign nation in question in commercial, diplomatic, and information-seeking efforts during the past few years. The deep-sea fishing enterprises, both American and foreign, have undoubtedly expanded there since 1935. This is particularly noticeable on the part of the aliens mentioned in your letter, both as to the number and size of their fishing craft and the special efforts made to negotiate fishing concessions with each country concerned. With respect to the number of such aliens in Panama and Central America, the total appears to be rather small, probably less than 400 persons.

President Ubico's statement to the effect that there are over 100,000 of these foreigners in Mexico is generally the same as that furnished me during your recent visit to Washington. Both of these statements, being general in character, will require extensive investigation in order to establish the truth of the situation. The question is already receiving the attention of the proper departments of our Government, and I hope to have more definite information in the near future.

I have noted your reference to the suitability of Mr. L. A. McIntire, Panama Canal Zone, should it be decided to send a special agent to make an investigation of this area. Mr. McIntire

has been known and intermittently employed by the War Department since 1917, and at the present time enjoys the full confidence of that Department.

I hope you experienced a pleasant journey back to Guatemala and are in the best of health.

With cordial good wishes, I am

Very sincerely yours,

The Honorable F. A. Des Portes,
American Minister to Guatemala,
American Legation, Guatemala City.