

TELEGRAM RECEIVED

THE AMERICAN LEGATION
DEPARTMENT OF STATE

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Paraphrase sent
informally to Embassy
Tokyo

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yes

FROM Mexico City
Dated March 21, 1938
4:58 a.m., 22nd.

Secretary of State, M. D.
Washington

Division of FAR EASTERN AFFAIRS
MAR 23 1938
Department of State

LEGAL ADVISER
MAR 30 1938
DEPARTMENT OF STATE

62, March 21, 1938
STRICTLY CONFIDENTIAL.

letter to return 3/31/39

Your 39, March 19, 7 p.m., last paragraph.

The following information has been obtained from Mexican sources believed to be fairly reliable.

Santillan, present head of the National Petroleum Administration, has for considerable time been working closely with a Japanese geologist. The latter evolved the idea of Japanese interest building twelve to fourteen inch pipe line across the Isthmus of Tehuantepec and securing extensive oil land concessions to serve it. His idea was to get Mitsui and other Japanese companies to finance the project receiving the oil at Salina Cruz in tankers for Japan and other Far East destinations thus avoiding present Panama Canal charges and additional transportation.

Another Japanese, Dr. Kiso Tsuru, owner of a drug company here, became interested in the project. Both men kept in close and constant touch with the Japanese Minister

ASSISTANT SECRETARY OF STATE

UNDER SECRETARY OF STATE
MAR 31 1938
MR. WELLES

3086a

2- #62, March 21, 9 p.m., from Mexico City.

Minister. Tsuru eventually tried to appropriate the project as his own and had a falling out with the geologist. Tsuru wants to obtain the benefits of a Japanese law which is said to provide rewards for any one effectively creating an oil supply for Japan on this continent. Santillan, however, sided with the geologist and refused registration in the Department of National Petroleum to Cia Petrolera la Laguna S. A. formed to further Tsuru project. This company has taken up about a quarter of a million hectares of oil land mostly in and around the Isthmus of Tehuantepec. Thereupon Tsuru with the aid of a Japanese Ikada, who provided \$100,000 acquired Cia Petrolera Veracruz S. A. which was already registered and transferred all Laguna concessions to it. A Japanese named Raimda came recently to inspect oil fields and is apparently in touch with Mitsui in connection with the proposed investigation. Tsuru left from here by plane Monday morning March 14 sailing from San Francisco on Japanese vessel on March 19 to try to conclude a deal with the Japanese Government, Mitsui and other companies carrying letters from Japanese Minister hereto, Prime Minister of Japan, Japanese Minister of Commerce and others.

-3- #62, March 21, 9 p.m., from Mexico City.

Lands covered by Japanese concessions in Isthmus not in production excepting for one fifty barrel well. There have been several visits from Japanese naval men to study the oil situation. Two of these are reported to have been here about a month ago and to be here now endeavoring to make a contract with the Government, probably in connection with Tsuru. This would cover not only exploitation but sales to Japan of Mexican produced oil.

Another group of Japanese have established an office in the Edificio Samsoon Avenida Juarez and with from three to four million pesos cash are bidding for construction work. They have obtained contracts for the Jalapa Highway and in Guantanamo. They are also bidding on Pan American Highway contracts. The president of the group is named Kurahashi; is trying to get \$5,000,000 from Japan to finance further construction. This group like Tsuru have apparently a strong connection with Mugica, General Juan Barragen and his brothers-in-law. At present they seem to be competing with Tsuru for a contract to purchase oil from expropriated fields for Japan. Mugica is said to have been working toward expropriation of oil companies for benefit of himself and Japanese since 1934. It is thought that Japanese interests will now

endeavor

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4- #62, March 21, 9 p.m., from Mexico City.

endeavor to rent, buy or build the tankers necessary to move oil to the Far East.

Mugica, Tolédano and Pérezstein lawyer of the C.T.M. are said to have gone to the President's residence at 2 a.m., March 18th to urge the President to make immediate expropriation.

Henrik G. T. Schlubach delegate D. P. C. Stahl Union-Export G. M. B. H., Röhrenverband G. M. B.-H. Vereinigte, Stahlwerke A. G. Dusseldorf are trying to make a contact with the Government to exchange \$12,000,000 worth of oil tanks, equipment, pipes, casings, and hydroelectric plants for oil. The same group is said to have made an exchange recently with the Colombian Government for from four to five million tons of oil for German material. Both the Japanese and Germans above are said to have been working through Mugica and other officials to bring about expropriation of American and British companies.

All of the above is information supplied by informant and not yet confirmed.

Department's air mail instruction No. 1955, March 17, 1938. Please see my despatch No. 6227 March 9, 1938.

manifesto of revolutionary bloc of the Parliament,

Beteta

1684
5045

-5- #62, March 21, 9 p.m., from Mexico City.

Beteta tells me today that he learns from Japanese
Minister that National Petroleum Administration sold some
oil before the President's action to Japan through
David Thomas, an Englishman,

DANIELS

KLP

