

# JAPANESE ACTIVITY IN MEXICO GROWING

7/7/40

Survey Shows Rising Interest,  
Including Oil, as War Cuts  
Latin's European Market

## STRATEGIC FACTORS NOTED

Mexicans Visiting Tokyo Found  
Their Politics a Concern—  
Local Officials Cautious

Special Correspondence, THE NEW YORK TIMES.  
MEXICO CITY, June 30—The  
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## COMMERCIAL

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Japan has been obtaining an in-  
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goods supplied by Japan.

## Japanese Efforts Organized

The European war has given the  
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## STRATEGIC

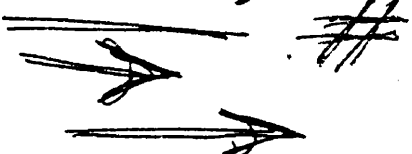
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The Japanese fishing fleet in  
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in reality of a greater number. It  
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Stories of Japanese spies are rife  
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and it has been noticed that the  
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The Mexican press reported early  
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The Japanese have perhaps been overlooked because they are operating with great prudence and have taken the necessary precautions to attract as little notice as possible. An impartial examination of the observable facts, however, and a study of the deductions that can be drawn from them, leave small doubt that the Japanese are on their way toward becoming formidable trade rivals of the United States and are, moreover, preparing for the eventuality that their country may one day find herself at war with America.

Japanese activities in Mexico fall under three main heads: commercial, oil and strategic. It is worthwhile to examine each one of these in turn.

### COMMERCIAL

Mexico is, on the whole, a comparatively poor country and, therefore, one in which the initial cost rather than the intrinsic worth of any article is the main consideration for the purchaser. The United States, owing to its nearness, supplies well over half of Mexican importations, but Mexico has in past years also been a good market for goods of the cheaper sort from Great Britain, France, Germany, Italy, Sweden and Japan.

Japan has been obtaining an increasing share of Mexican trade, as is shown by the fact that in the eight years between 1931 and 1938 (the last year for which complete statistics are available) United States exportations to Mexico, calculated in dollars, were almost exactly doubled, whereas Japanese exports to Mexico increased almost eightfold. Rayon, toys, electrical equipment, small machines and the like figured prominently among the goods supplied by Japan.

### Japanese Efforts Organized

The European war has given the Japanese their great chance, and they are leaving no effort untried to seize it. Germany and Italy can send no goods across the ocean, while Great Britain, France and Sweden have of necessity been obliged to cut down their exportations. Japan looks forward, therefore, to slipping unobtrusively but securely from the sixth into the second place, immediately after the United States, in the list of exportations to Mexico.

Signs of the increasing interest that Mexico has for Japan are to be seen in a permanent exhibition of Japanese goods, which are being organized in Mexico City; in the growing activity of Japanese commercial firms, and in the visit, a couple of months ago, of a Mexican trade commission to Japan.

The motive force behind Japanese commercial penetration in Mexico is a certain Dr. Tzuru, who Mexicanized his name to Dr. Turo when he became a naturalized Mexican citizen. He is general manager of the *Compañía Internacional de Comercio*, a company introducing Japanese pharmaceutical products into Mexico, and controls seven or eight other commercial companies that employ about 200 Japanese clerks.

He has recently extended his interests to mining—hitherto a virtual United States monopoly—through the Turo Mining Company, with inconspicuous offices in Isabel la Católica, 85. This company ships lead to Japan and is interested in obtaining concessions for coal, copper, mercury and iron mines. It has a number of scouts on the lookout for mining concessions and possesses in Mexico City as fine a collection of samples and statistics relating to Mexican mining production and prospects as can be found anywhere in the Republic.

The Japanese are also in negotiations with the Mexican Government to take over an iron-mining concession in Las Truchas, State of Michoacán, formerly belonging to Bethlehem Steel and abandoned by this company because unprofitable.

The expansion of Japanese commercial interests in Mexico is, of course, perfectly legitimate, though it seems to form part of a well-organized plan of penetration that undoubtedly has certain political and probably also certain strategic aspects. It is, in any case, a phenomenon that American business should find it well worth while to watch, lest the commercial advantages that may derive from the European situation should be reaped by another nation.

### OIL

Two Japanese companies are particularly prominent where Mexican oil is concerned: the La Laguna Company, which buys Poza Rica crude on behalf of the Japanese Government, and the *Compañía Petrolera Veracruzana*, which is at present engaged on an extensive drilling program in the Pánuco area. It is common knowledge that these two companies, though incorporated under Mexican law, have been formed with Japanese capital, and this point is borne out by the fact that most of their clerical staff is composed of Japanese. The two companies work hand in glove, the La Laguna giving financial support to the Veracruzana, and both have their offices in the same building in Isabel la Católica, 85.

Part of the capital for the operations of these two Japanese companies is understood to have been contributed by the Oji Paper Manufacturing Company of Tokyo, whose president, G. Fujihara, is a man of great influence in Japan.

Though he does not appear on the board of directors of either the

La Laguna Company or the Veracruzana Company, Dr. Tzuru is believed to be the unseen master of them both. He is said to send reports not only to G. Fujihara, the president of the parent company, but also to a certain S. Nakashima and a certain H. Tsutsida, reputedly connected with the Japanese Army and Navy Departments.

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### New Drilling by Veracruzana

Up to the end of last year, the Veracruzana company was drilling in the San Carlos area of the Isthmus of Tehuantepec, a field that had been thoroughly prospected by the International Oil Company, an American concern, and abandoned as incapable of producing oil in remunerative quantities.

Now Veracruzana's efforts are concentrated in the Jopoy and the Tamismolón zones of the Tampico area, which were also abandoned some years ago by American companies because their oil prospects were non-commercial. Veracruzana has drilled or is drilling six wells in the Jopoy zone and seven in the Tamismolón zone. Of the six that have been completed so far, four turned out to be completely dry and two are non-commercial producers.

Considerable mystery surrounds the activities of the Japanese in the Mexican oil fields. They have so far spent almost \$3,000,000 in wells situated in areas known not to contain enough oil to return a profit on the capital sunk into them, yet Tokyo seems willing to continue sending money to drill yet more. Nobody contests the right of the Japanese, if they so wish, to spend good money in digging dry holes in the ground, but the enterprise on which they are engaged is so patently unprofitable that some people are wondering whether the Japanese oil activities on the Gulf Coast are not a mere blind intended to distract attention from activities of a totally different nature on the Atlantic Coast. And this brings up the question of Japanese strategic activities.

### STRATEGIC

The West Coast is the principal center of Japanese population in Mexico, the total of which has been estimated as high as 30,000, though this figure is probably exaggerated. What is certain is that the Japanese are constantly increasing in numbers. They are on good terms with the Mexicans, often intermarrying with them and in many cases taking Mexican citizenship. On the West Coast, also, is the headquarters of the Japanese fishing fleet, about which many disturbing reports have been circulating.

The Japanese fishing fleet in Mexican waters is supposedly composed of about twenty vessels, but in reality of a greater number. It belongs to the Kaishan Company, 80 per cent of the stock of which is owned by the Japanese Government. The ships are mostly former British coast guard vessels, averaging about 650 tons, and are steel-hulled and provided with emplacements for 3-inch guns and machine-guns. They all have powerful radio equipment on board and are fitted to carry torpedoes and mines. More than one of them is reported to have been observed taking soundings along the shorelines south of San Diego and elsewhere.

Stories of Japanese spies are rife all along the west coast of Mexico and it has been noticed that the offices of the Japanese Consulate in Tijuana are a meeting place for mysterious Japanese, who congregate there at intervals from several neighboring Mexican States and also from the United States. Another rallying point for Japanese of uncertain occupation is the offices of the Japanese fishing company in Guaymas, State of Sonora.

The Mexican press reported early this year that a clandestine Japanese radio station had been discovered in a little town near Guaymas, and another near Mexico City was raided last October by the Mexican authorities. Several Japanese settled on the west coast own land, including many flat and level tracts that could, if necessity arose, be transformed at short notice into landing fields for airplanes.

Of interest is also the fact that the Mitsui Company and the Iwai Company, two powerful Japanese organizations represented in Mexico by S. Nagabuchi and T. Junicho, are in negotiations with the Mexican Government to obtain a concession to work salt deposits on the coast of Baja California. The salt deposits adjoin the Bay of Ojo de Liebre, which offers safe anchorage for freighters of any size, but the Japanese nevertheless wish to build a railroad to the Bay of San Bartolo, over fifty miles away down the coast.

### Project Appears Costly

No commercial reason for such a railroad is evident, and it is more-over remarked that the Japanese propose to invest in the enterprise a sum amounting to about 40 per cent of the total value of the deposits they wish to exploit.

Perhaps the explanation is to be found in the fact that San Bartolo is situated right across the Bay and the Peninsula of California from Guaymas, the headquarters of the Japanese fishing fleet. The uses to which a railroad might be put, if the Japanese vessels in Mexican waters were pursuing other things besides fish, hardly needs to be explained.

It is also perhaps worth mentioning that more than one of the members of the Mexican trade commission that visited Japan a couple of months ago, was surprised to find that the Japanese were far more anxious to discuss politics than trade. The Japanese showed a particular interest in the relations between Mexico and the United States and made no secret of the fact that the aspect of Mexico that drew them most was not that of a country with which to do business, but that of a fruitful field for political penetration.

Neutral observers in Mexico are unhesitatingly of opinion that the Japanese, in addition to pursuing a vigorous policy of commercial conquest, are engaged in activities whose full scope and importance will be seen only in the event that the war at present ravaging Europe should spread to the Americas. There is reason to believe, on the other hand, that the Mexican authorities are keeping their eye on the Japanese, and are adopting the same precautionary and preventive measure, in accordance with the principles of continental solidarity, that have been taken in the case of other suspicious foreigners.

July 7, 1940  
The New York Times



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