

The Case of the Purloined Pearls November 7

It began, like many an espionage thriller, with a seemingly unrelated event. In November 1942, the Spanish freighter *Marques de Comillas* pulled into a Bermuda dock on its way to Spain from the United States. Up the gangplank charged British customs and other officials. On board, they found the Spanish diplomatic pouch from Tokyo. Customs officials took it off the ship, inspected it, and returned it to the *Marques*, which then set sail for Spain.

When the pouch arrived in Madrid, it was discovered that two packets addressed to the Japanese mission in Lisbon, Portugal, were missing. The Spanish Foreign Ministry could not explain the disappearance. “Just what was missing?” the Japanese in Madrid were asked. “Official business” was their response.

What the Japanese did not tell the Spanish was that the missing packets contained about 100,000 yen (\$25,000 in 1942) worth of pearls. They were part of an elaborate scheme by the Japanese to finance diplomatic and espionage activities in the United States and other countries using Spanish diplomats, newspaper reporters, and domestic agents.

The Japanese were anxious to know where their pearls were and asked the Spanish to find out what had happened. (Spain represented Japanese interests in the United States after December 7, 1941.) A Spanish diplomat sent to investigate their whereabouts was stopped by federal agents in New Orleans, Louisiana, and placed into custody until the Spanish ambassador, Juan F. Cardenas, in Washington intervened. Rumors drifted to the Japanese in Madrid that the English might be selling the pearls.

Finally, in May 1943 the pearls surfaced. The Spanish ambassador returned to Madrid for discussions with Franco’s government. While there, he met with the chief Japanese diplomat posted to Spain, Suma Yakichiro. Cardenas angrily related how a U.S. State Department official had delivered two packets of pearls to him and, “using very unpleasant language, dropped me a sly hint.” Then Ambassador Cardenas narrowed his eyes, according to Suma’s later report to Tokyo, and softly

mused, “It is strange how quick the United States is to get on these things. I wonder if the Japanese codes are safe?”

This last bombshell was reported to Tokyo by Suma in an “utterly secret” cable to the Japanese Foreign Ministry. No doubt, American cryptologists who read the same message began to sweat out Tokyo’s response as well. Would the secret of PURPLE (U.S. decrypts of Japanese diplomatic communications) be safe? How the Japanese got into this predicament and how PURPLE almost was compromised is one of the strangest and most improbable espionage stories of the Second World War.

After Pearl Harbor, the Japanese found themselves in a difficult situation regarding intelligence on the U.S. With its diplomatic posts in the U.S. (and most in Latin America) closed and its diplomats interned, Japan had no way to gather information about America directly. The Japanese wanted intelligence on naval activity, war production, civilian morale, and Allied strategy — with emphasis in the Pacific. The Japanese in Europe approached the Germans, who recommended a Spaniard, Angel Alcazar de Velasco, a former officer in the *Falange Espanola* (the Spanish Fascist Party), who had set up an apparently successful espionage net in England. (“Apparently successful” because, unknown to the Germans, this net was controlled by MI-5, just like the other German spy rings under the “double cross” system.)

Alcazar met with Suma in Madrid in early January 1942, and plans were hatched for an ambitious and extensive espionage net in North America. Alcazar had wanted to send Spanish diplomats, journalists, and fascist sympathizers to cities like Washington; San Francisco; New York; and Vancouver. He also would recruit sympathetic Americans into the net to gather intelligence on the United States. The information that reached the Japanese came solely through Alcazar in Madrid. He, in turn, claimed that he had received his intelligence from his network of agents. He added that many of them had cultivated sources in the U.S. government and defense industry. They had sent their findings to him via illicit radio or the Spanish diplomatic pouch from Washington.

To finance this net, the Japanese planned to sell pearls on the European black market. Caches of pearls from the Mikimoto Corporation were shipped to Japanese traders in Lisbon. The proceeds from the illegal sales would be split between the Japanese Foreign Ministry and Mikimoto.

The Achilles heel in the Japanese plans was PURPLE (the covername for U.S. exploitation of the Japanese diplomatic cipher machine). The cipher had been broken since September 1940. Everything about the Japanese-Spanish espionage net was known to American and British counterintelligence. Japanese diplomats in Madrid radioed their reports – known as “TO” or “Eastern” reports – verbatim to Tokyo, sometimes at the rate of 2 to 3 a week. Sprinkled throughout the messages were items about various agents in the net plus plans to send more agents into the U.S. Furthermore, the Japanese discussed plans for selling the Mikimoto pearls to finance their spies. Thus, interdiction of the pearls was merely a matter of U.S. counterintelligence agents picking the time and place. And so they did in November 1942.

By the end of 1943 and the beginning of 1944, Alcazar’s “net” collapsed into shambles. The Spanish government became suspicious of his activities. His few “agents” in Spain were shadowed by security forces. In mid-1944, Spain came under heavy diplomatic pressure from the U.S. and England to cut its ties to the Axis. Eventually, Alcazar was forced from Spain and fled to Germany.

Just how effective was Alcazar’s spy ring? The information it provided was shown to be virtually worthless. After the war, Allied agents caught up with Alcazar in Germany and interrogated him. He admitted that he had manufactured the information that the Japanese had sent in their TO reports to Tokyo. His “agents” had provided virtually nothing; his information was mostly from newspapers, radio broadcasts, or had been just made up. Except for one agent, a minor diplomat posted to Canada who was deported shortly after arrival, the “sources” were nothing more than the shadowy inhabitants of his imagination. He had simply ripped off the Japanese for almost two years. (It turned out he had similarly deceived the Germans in 1940 as British security discovered.)

Alcazar's revelations confirmed what Army cryptologists like Frank Rowlett had suspected all along when the first TO messages had appeared: that the TO network, as it was called, was phony. For example, Alcazar claimed in a message that one agent, a Spanish reporter in San Francisco, was using a word insertion system to send secret messages. The army obtained all of the Spaniard's cables from the Censorship Office and could find no such system and cleared the "agent," who possibly had been unaware of his role. The army had compared information, such as convoy sailings, that were carried in the TO messages to actual events. They discovered that anywhere from 75 to 80 percent of all the information was simply wrong; what was correct was either coincidental or published in the papers. It was observed, that in a perverse way, the false information actually aided the Allies since the Japanese obviously believed the intelligence given them was legitimate.

What about Japanese suspicions about their cryptosecurity? In Madrid, Suma had received answer from Tokyo to his question about this. After "careful consideration," Tokyo concluded that the Americans were not deciphering its diplomatic messages. The decrypt of this message certainly was greeted with relief by American cryptologists. The Japanese had concluded that the carelessness of its diplomats in Lisbon and Madrid was the source of the Americans' knowledge about the pearl shipments.

This was not the only time that the Japanese suspected the security of their main diplomatic cipher, but they never seemed to believe it had been broken. Still, it was another close call for PURPLE.

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