

A REPORT OF THE CSIS
JAPAN CHAIR

The South Manchuria Railway Company as an Intelligence Organization

Author

Akihiko Maruya

February 2012



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Cover photo: The South Manchuria Railway Company Head Office in Dairen; postcard probably issued in 1920s or 1930s. Owned by the author.

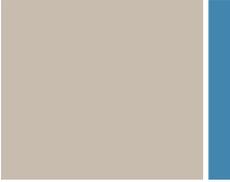
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PREFACE

The intelligence activities of the South Manchuria Railway Company (SMR) “Research Department” (Chōsabu) are well known in Japan. However, according to recent studies based on comments by retired SMR officials—the memoirs of senior SMR representatives such as Viscount Shinpei Goto (first SMR president) or Yosuke Matsuoka (14th SMR president); recent research on some of the specific intelligence gathering and operational activities of the SMR Mukden Branch Office; and research on the Muslim Movement, which was conducted collaboratively between SMR and the Japanese Imperial Army—it appears that SMR as a whole operated as an intelligence organization from its establishment until the end of World War II. Interestingly, there are positive and negative views and analyses of these recent studies, making it difficult to evaluate the quality or effectiveness of SMR as an intelligence organization. Furthermore, as one retired SMR official predicted in the 1980s, “If Japanese officials would like to establish a full dressed intelligence organization in the future, they will confront the same difficulties that we faced at the SMR.”¹

There is currently a debate in Japan over how to strengthen the effectiveness of intelligence gathering and organizations, and one can point to many lessons from the history of SMR. This is a summary of a research paper produced in Japanese that describes various elements of SMR’s intelligence gathering and operational activities including historical background, organizational concepts and structures, and the recruitment, training, and promotion system. The paper also compares SMR’s intelligence gathering activities to those of the Kwantung Army and concludes with an overall assessment of SMR including lessons learned with an eye toward the future organization of Japanese intelligence gathering. This study in no way intends to justify Japanese colonial rule of Northeast China, and the views expressed are solely those of the author.

The author wishes to thank Michael Green, Nicholas Szechenyi, Eri Hirano, Hideaki Shiraishi, William Colson, and the staff of the Japan Chair at the Center for Strategic and International Studies (CSIS) for their support.

1. Kiyotomo Ishido, Susumu Noma, Kazuo Nonomura, Shoichi Kobayashi, *Jūgonen Sensō to Mantetsu Chōsabu* [15 Years’ War and the South Manchuria Railway Research Department] (Tokyo: Hara Shobo, 1986), pp. 242–244.

1

HISTORICAL BACKGROUND OF SMR'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES

The South Manchurian Railway (SMR) conducted various intelligence gathering and operational activities equivalent to the following intelligence functions of the present day:

- Open Source Intelligence (OSINT)
- Human Intelligence (HUMINT)
- Signals Intelligence (SIGINT)
- Measurement and Signature Intelligence (MASINT)
- Analysis (based on the aforementioned methods)
- Counter Intelligence (CI)
- Propaganda
- Political Activities

The intelligence gathering and operational activities of SMR were initiated just after it was established in 1906 and continued until the end of World War II in 1945. (SMR was established by imperial order in 1906, and operations commenced in 1907). Large-scale data gathering (OSINT) was also initiated at the request of the Japanese Imperial Army and became a symbol of the quality, quantity, and specialized analysis of SMR research activities. Unfortunately, there was no clear methodology for intelligence gathering and the operational activities of SMR. Viscount Shinpei Goto, the first president of SMR, seemed to create an organizational structure for acquiring basic data, managing the land owner system, or conducting economic intelligence gathering to implement colonial rule in Manchuria. Yosuke Matsuoka, the 14th president of SMR, had an important role in expanding SMR's intelligence activities by cooperating with the Kwantung Army during his tenure as president from 1911 to 1916. Matsuoka expanded SMR's intelligence gathering network during his tenure, but the purpose was ambiguous. As some alumni of SMR have pointed out, the organization was never able to clarify the purpose of its intelligence gathering and operational activities.

2

ORGANIZATIONAL STRUCTURE OF SMR'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES

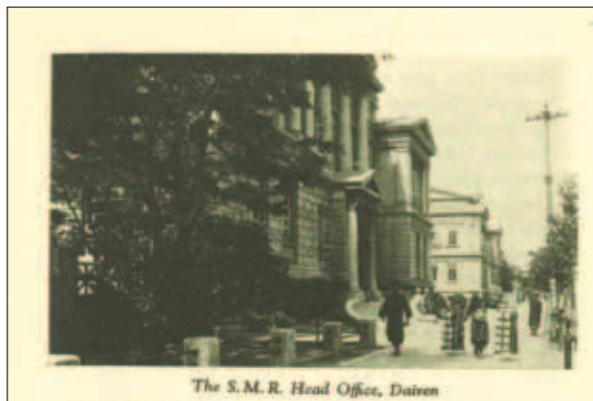
Both SMR's head office and its field offices conducted intelligence gathering and operational activities just after SMR was founded, and this chapter documents those activities. The following is a rough organizational structure for SMR's intelligence gathering and operational activities at the head office, field offices, and foreign offices.

Head Office (Dairen)

- Research Department [Chōsabū]: OSINT
- Intelligence Section: HUMINT
- Data Section/Library: HUMINT

Branch Office (Tokyo)

- Investigation Office [Chōsashitsu]: OSINT
- East Asia Economic Research Bureau (Tōa Keizai Chōsa Kyoku)



The S.M.R. Head Office, Dairen
Head office of SMR. South Manchuria Railway Company, *Answering Questions on Manchuria 1937* (Tokyo: Herald Press, 1937), p. 3. Owned by author.

Field Offices [Kosho] (in Manchoukuo, China)

- Kosho (Harbin, Mukden, Tsitsihar, etc.): HUMINT
- Regional Bureau: OSINT
- Field Office Shanghai: HUMINT
- Resident Officials (Temporary Intelligence Officials)

Overseas Offices

- New York
- Paris

It is difficult to grasp the scale of personnel in SMR's intelligence related organizations. The number of personnel at SMR in its prime totaled nearly 400,000, equivalent to the total number of employees of the former Japanese National Railway (JNR). (The current total number of employees in the seven Japan Railway, or JR, groups combined is only 133,000.) The number of SMR personnel assigned to the Research Department [Chōsabu] also expanded exponentially as shown in the chart below. The SMR Research Department staff at its peak of 2,345 exceeded that of the present-day Japan Defense Intelligence Headquarters (JDIH) and other intelligence organizations as shown in the second chart below. The third chart shows the size of some organizational units within SMR, and it appears that on average specific intelligence units were staffed with 100 officials. It is also important to note that SMR instituted various recruiting systems including temporary intelligence officials or resident officials and exchanged staff with Manchoukuo, the Imperial Army, the National Planning Authority [Kikakuin], and the East Asia Research Institute (Tōa Kenkyūjo). Of course, size does not necessarily determine quality, but the scale of SMR's Research Department is remarkable and speaks to the comprehensive nature of its intelligence activities.



Tsitsihar "Kosho" office of SMR. Postcard postmarked September 8, 1935. Owned by author.

Total Personnel in SMR Research Department

Point of time	Number of Personnel
1917	343 ¹
1935	1,209 ²
1939	1,731
1940	2,345 ³
1943	913 ⁴
1944	1,101 ⁵

1. The total number of SMR personnel in 1912 was 20,475. The Research Department was 1.67 percent of the total.
2. The total number of SMR personnel in 1932 was 32,705. The Research Department was 3.69 percent of the total.
3. Katsumasa Harada, "Mantetsu Chōsabu-ho" [South Manchuria Railway Research Department], *South Manchurian Railway*, vol. 2 (1940), p. 328.
4. The total number of SMR personnel in 1942 was 296,213. (Harada, "Mantetsu" [South Manchuria Railway], p. 81.) The Research Department was 0.3 percent of the total (but this number was only for intelligence, USSR investigation, geologic research, and the SMR's Central Testing Station).
5. This number was deduced from the total number of intelligence-related persons (2,401) from Statistical Office (171), the Central Testing Station (715), and the Railway Technology Institute (462).

Comparing SMR Research Department to Current Japanese Intelligence Organizations (in random order as of April 2005)

Organization	Number of Personnel
Japan Defense Intelligence Headquarters (JDIH)	2,300
Ministry of Foreign Affairs (MOFA)	80
Cabinet Intelligence Research Office (CIRO)	170
National Policy Agency, NPA (Foreign Affairs and Intelligence)	1,200–1,500
Public Security Intelligence Agency (PSIA)	1,500
SMR	2,345 (in its prime)

Sources: Hajime Kitaoka, *Sengo Nihon no Intelligence: Rekishi teki keii to genjō de no kadai: Intelligence no Nijusseiki* [Japanese Intelligence Organizations after WWII: Historical progress and their present problems, Intelligence in the 20th Century] (Tokyo: Chikura Publishing, 2007), pp.161–190; and for Foreign Affairs and Intelligence, Buntaro Kuroi, *Nihon no Jōhō Kikan* [Japanese Intelligence Organizations] (Tokyo: Kodansha, 2007), p. 112.

Specific Examples of SMR Intelligence Gathering Units

Organization	Number of personnel
3rd Research Office of the Research Department (USSR Intelligence Gathering and Operational activities)	90
Data Section of the General Affairs Department	200 (approximate)
Research Office, North China Bureau	100 (approximate)

3

SPECIFIC EXAMPLES OF SMR'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES

As noted, SMR looked to conduct a wide range of intelligence gathering and operations including counterintelligence activities. Examples include the following:

OSINT

- Collection of Russian materials: “OZO,” generic name of total collection of Transbaikal Military District Library; emanated from the data section of SMR's head office.
- SMR Reports (produced in the Secretariat, Research Department, Shanghai office, Tokyo Branch, and New York office)
- Harbin Branch Office (specialized open source intelligence analysis unit)

HUMINT

- Head Office: Cooperation with Jews and Muslims
- Xinjiang Operation (Kwantung Army and SMR's Central Asia guerilla warfare operation to agitate Muslims in Manchoukuo, Mongolia, and China)
- Mukden Branch Office: Ching Dynasty's internal information
- Shanghai Branch Office: Chinese Communist Party (CCP), Kuomintang (KMT)
- Harbin Branch Office: Russia
- Capable Intelligence officers such as Torao Himori, an exceptional intelligence agent who was talented at acquiring inside information of the CCP; and Henry Kinny, an American who collaborated with senior SMR officials.

SIGINT

- Head Office
- Shanghai Branch Office

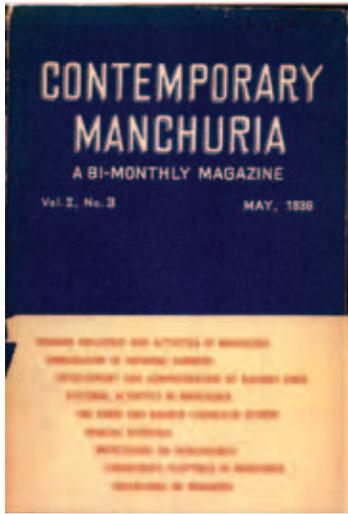
MASINT

- Analysis (based on the aforementioned methods)
- Head Office: USSR military capabilities; scenarios for the occupation of Siberia; calculations for the construction of Baikal-Amur Railway

CI

- Propaganda
- Political Operations
- Shanghai Branch Office: “Wang Zhaoming Operation”

SMR was famous for large-scale accumulation of open source information since the prewar period, and this was the symbol of the organization. SMR collected its open source intelligence reports and many of them were released. One example was the bimonthly magazine *Contemporary Manchuria*, shown below, which is one of the few sources that reflected the complete cycle of SMR intelligence gathering activities (collection, analysis, and exploitation).



Contemporary Manchuria 3, no. 3 (May 1938), Tokyo, Japan. Owned by author.

The Data Section [Shiryōka; “Johō-Gakari” intelligence unit] of the SMR head office also produced a “Daily Report,” “Weekly Report,” “Biweekly Report,” and “Monthly Report” after categorizing all intelligence activities (open source and HUMINT intelligence). Some field offices such as Shanghai, Harbin, New York, and the Tokyo Branch Office produced similar reports.

There is little data on other operational activities, but researchers have found titles of operations such as “Jewish Operation at the Economic Section of the SMR Head office”; “Military Intelligence and Operational Activities at the SMR Mukden Office”; “Intelligence Gathering and Operational Activities toward the CCP and the Kuomintang”; “Political Operational Activities toward Wang Zhaoming”; and “Muslim Intelligence gathering and operational Activities.”¹ SMR recruited Russians, Germans, and Americans as agents and also was involved in joint projects with the Kwantung Army, though these were not directly related to SMR’s intelligence gathering and operational activities. Examples of joint projects include “USSR’s Resistance Capability”; “Imaginary Administrative Plan toward Siberia”; “Feasibility

Study of Baikal-Amur Railway”; and “Feasibility Study of Natural Resources in the Far East Area in the USSR.”²

1. For example, see Tetsuro Imura, *Mantetsu Chōsabu-Kankeisha no Shōgen* [Witnesses of the Research Department of South Manchuria Railway] (Tokyo: Asia Keizai Kenkyūjo [Institute of Developing Economies] and Asia Keizai Shuppankai [Asia Economic Publishing Association], March 1996.)

2. Ibid.

4

ASSESSMENTS OF SMR'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES

There are no official assessments of SMR's intelligence gathering and operational activities, but former SMR officials have noted that senior government officials highly valued SMR intelligence products. However, the Research Department (not SMR intelligence activities as a whole) was generally unrecognized because there were no clear standards for evaluation, and other SMR operations such as railway service and coal mining had substantial power within the organization and garnered more attention.

Since the 1980s, former SMR officials have gradually shared their experiences and have begun to evaluate SMR intelligence gathering operations, mainly activities focused on Muslims, operations in the Mukden Branch Office of SMR, and the role and quality of intelligence provided by Henry Kinny. But other operations such as SMR's support for the Kwantung Army or the Imperial Army's intelligence operations were viewed more favorably.

As for evaluations of SMR activities by other countries, U.S. General Headquarters (GHQ) reviewed SMR's intelligence gathering and operational activities after the war but did not evaluate them as a whole. Research papers released since 2000 show that China categorized SMR's research operations as a "semi-military intelligence organization,"³ but that seems exaggerated given what is known about SMR activities. According to former SMR officials, the Soviets viewed SMR as a "subcontractor of Japanese Imperialism's Siberia Occupation Project."⁴

3. Takao Matsumura, Yu Yanagisawa, Kenji Eda, *Mantetsu no Chōsa to Kenkyū* [The Investigation and Research of SMR] (Tokyo, Aoki Shoten, 2008), pp. 512–513.

4. Imura, *Mantetsu Chōsabu-Kankeisha no Shōgen* [Witness of the Research Department of South Manchuria Railway], p. 593.

5

COMPARISON WITH THE KWANTUNG ARMY'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES

Professor Tetsuro Imura of Niigata University points out that the number of specific cases of SMR activities we can examine is very limited but that the relationship between SMR and the Kwantung Army is generally considered close, and there is enough information available to compare their intelligence gathering and operational activities. This section addresses the basic relationship between the two organizations and how it evolved and compares the size, capabilities, specializations, and quality of their activities.

Former SMR officials have noted that the basic relationship between SMR and the Kwantung Army was not one of “homage” but rather “practical exchanges.” However, generally speaking it appears that SMR conducted its business (including intelligence activities) under the control and authority of the Kwantung Army, but this dynamic emerged gradually over time. In the 1920s, the relationship centered mainly on personnel exchanges, but by the 1930s, intelligence gathering activities were carried out nominally by SMR but in reality were under the direct control of the Kwantung Army.

Organizationally, there are few specific examples that can be used as a basis for comparison. SMR and the Kwantung Army each had a “Harbin Office” and the scale of both units is almost the same. But the Kwantung Army could utilize more assets, such as the General Staff Office (USSR Division) and a network of residential military attachés. When you take these circumstances into account, the capabilities of the Kwantung Army appear to have exceeded those of SMR overall.

Comparison of SMR and Kwantung Army's Harbin Office

Organization	Number of personnel	Point of Time
Northern Area (USSR) Research Office of SMR in Harbin	100 (approximate)	1939
Harbin Organization (Japanese Army open source intelligence organization)	89	1935

As for the expertise of these organizations, the Japanese Imperial Army (including the Kwantung Army) had in-depth knowledge of local areas and high-quality HUMINT, but SMR was said to be more familiar with theories of social science, excelled at data analysis, and had its own HUMINT sources in the Chinese community. Former SMR officials have also noted that SMR, despite the complexity of its operations, fostered a better environment for concentrated studies.

The degree of interaction between the two organizations makes it difficult to compare their capabilities. The Japanese Imperial Army at that time was like a nation in itself and arguably had the

resources to far exceed the activities of SMR, which had restrictions on its clandestine activities. SMR did gain an advantage over the Imperial Army in terms of intelligence gathering and operational activities with a long-term view and its special training program for officials, but detailed analysis is complicated by the fact that the so-called intelligence cycle was never established within SMR, a common failure among Japanese intelligence organizations.

6

LESSONS FROM SMR'S INTELLIGENCE GATHERING AND OPERATIONAL ACTIVITIES FROM THE POINT OF VIEW OF THE PRESENT

There are four general conclusions to be drawn from this analysis of SMR's intelligence gathering and operational activities: intelligence gathering was an important component of SMR "research" activities; was conducted from SMR's establishment through the end of World War II; provided basic research data for SMR; and served as an important information source for senior SMR officials.

It is difficult to assess the quality of SMR's intelligence gathering and operational activities but it appears they were inferior to those of the Japanese Imperial Army and the Foreign Ministry. The main thrust behind SMR's intelligence gathering and operational activities was to strengthen the gathering of open source information to support the Research Department. In addition, the basic responsibility of SMR was to conduct legitimate activities, and therefore, clandestine operations did not develop into a specialty.

SMR did gather a great deal of information that was said to be useful for the Japanese Imperial Army. The accumulation of large volumes of information caused dysfunction at the management level and led to new requirements for more in-depth analysis and better organization of intelligence, but SMR was still required to collect HUMINT because that provided the basis for all analysis. Considering the complexity of SMR operations, one lesson is that collecting HUMINT should be the basic responsibility of intelligence gathering and operational activities. As the volume of information increased, it became important but more difficult for senior management to organize a response system, and the failure to establish an "intelligence cycle" for collection, analysis, and exploitation led to redundancy.

Recruitment and training activities were divided into "research" and "intelligence gathering and operations," but new SMR staff rarely engaged in the latter. There were few promotions in the intelligence gathering division, and that likely affected morale. However, SMR was a large organization, and there was a wide range of recruitment and training compared to the Japanese Imperial Army. One lesson in terms of personnel is that intelligence gathering and operational activities cannot always be evaluated in terms of "cost effectiveness" or "numerical targets." The recruitment of exceptional talent and the treatment and evaluation of achievements are still very important challenges at the present.

SMR tried to overcome the burden of collecting large amounts of information and develop intelligence gathering capabilities but was hampered by the lack of an information management system to better exploit HUMINT. And many of the challenges SMR faced, from managing human resources to establishing operations and facilitating communication between headquarters and field offices, are still relevant today and should prove instructive for the future development of Japanese intelligence organizations.

APPENDIX

SMR'S SPECIAL RECRUITING AND EDUCATIONAL SYSTEM

There was a standard recruiting and training system at SMR, but the practices for intelligence and operational officers proved unique. One example is Shikurushii Ichio Waki, a so-called *Ainu* who was recruited by SMR in 1922 at the age of four. According to Waki's memoir,⁵ SMR created a special education program in 1909 to develop capable agents from early childhood, but the program did not succeed and was later reexamined. In the Showa period (beginning in 1926), then-SMR director Yosuke Matsuoka (who later became president of SMR) reinstated the original training program. According to Waki, SMR's Tokyo Branch Office notified all Japanese municipal offices and primary schools and required all capable students to apply. Around 3,000 candidates applied in the first year, and three or four students were accepted. Many of these recruits were 17- or 18-year-old high school graduates.

Waki had been trained as an agent who gathered intelligence and conducted operations in Asia and North and South America. He was educated in the Japanese system and underwent intensive foreign-language training in English, French, Russian, Chinese, Mongol, Latin, and Greek. But according to his memoir, he neglected his Japanese skills. This training program was linked to Chinese and U.S. universities through Matsuoka's personal relationships. Waki studied at Yanching University and the University of Southern California, where he obtained a master's degree in anthropology.

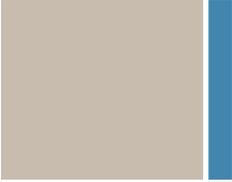
After completing his studies, Waki was assigned to the Intelligence Division of the Japanese Army Ministry, the 7th Section (China Office) and the 8th Section (information analysis, propaganda, and conspiracy) of the 2nd Department of the Imperial Headquarters (Army). In June 1938, Waki was directed by Matsuoka to conduct intelligence gathering and operational activities to include investigating atrocities by the Japanese military and political developments in China and Southeast Asia. Waki submitted his reports through a colleague who also graduated from SMR's special training program.



Harbin Gakuin Academy (attended by Waki). Postcard probably from the 1930s. Owned by author.

According to Waki's memoir, his activities were not related directly to SMR's business including intelligence operations nor the Japanese Imperial Army's military operations. Though Waki's program was established by SMR, much of the training relied on Matsuoka's personal relationships. Waki's memoir is a rare source of information on this special training program, and it deserves further examination.

5. Shikurushii Waki, *Senjo no inu* [Minion of the Battlefield] (Tokyo: Chikuma Shobo, 1993); and Shikurushii Waki, *Matsu ro wanu Mono* [The Disobedient Person] (Hokkaido: Jurosha, 2010).



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