The Mexican Oil Crisis

Attitude Of English And American Imperialism

By ELLEN WARD

(*This is the sixth of Ellen Ward's series of articles on Mexico.*—Editor.)

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THE decree expropriating foreign oil holdings in Mexico was a serious blow at Anglo-American imperialism. Many people have asked why Cardenas chose precisely that moment for this very important step. And there are many answers. Some say that last year's drought came just when farm organizations were not functioning perfectly. Many workers on government projects had to be laid off because there was no more money to pay them. Then there were the preparations for a reactionary revolt captained by Cedillo. All of these factors had to be counteracted by some bold step to assure the continued support of the masses and the country as a whole. Then, too, there was the proximity of the presidential election. But that can not be all. It seems to me that even more important than the above was his realization that he could get away with such a move without too much pressure from the "good neighbor" because the world was facing another major war; that, in the next war, as in the last, Latin America would be a vital necessity for the Yankee hinterland and the Anglo-American combine; that neither of the great imperialist powers could afford to antagonize Latin America at this juncture; that England was so embroiled in European politics and that Roosevelt had trumpeted his "good-neighbor" policy for such a stretch of years, that both would be compelled to swallow the move. Expecting all this, he was therefore, very much astonished at the arrogant tone of British diplomacy.

Reason For Britain's Position

It is not difficult to explain Britain's stubborn and arrogant position. From the standpoint of the next war, it is important for Britain that it have a large supply of oil that does not have to be shipped thru the Mediterranean. Poza Rica fields in Mexico are the second richest in the world and are capable of supplying the needs of both its fleet and its public in wartime. Then, too, it has additional tremendous stakes in Latin America. Its investments top the five billion mark, running a very close second to those of the United States. And it is in mortal fear that, if Mexico can get away with this step, the other Latin American countries would follow suit. As a matter of fact, Bolivia has already seized the properties of the Standard Oil of New Jersey. Brazil, on the heels of Mexico, has nationalized its oil reserves. If Venezuela should follow suit, Great Britain would be in a fine fix. It is all these fears that have led it to send three notes so rude and sharp in tone that Mexico broke off diplomatic relations. Great Britain demanded the immediate return of all seized oil properties and reminded the Mexican government that it was in no position to pay for the seized properties since it was four months in arrears on an obligation of 370,000 pesos (a payment on damages to British interests during the revolutions of 1910-1920). This last piece of impudence Mexico took care to answer by attaching to its note breaking off relations a check for 370,000 pesos and by reminding Great Britain of its own far greater financial obligations to other nations which it apparently had been in no hurry to pay during the past two decades.

Great Britain has not budged from its position. It still insists on the return of all seized oil properties.

The Attitude of the United States

To the relief of the Mexican government, the United States has taken a somewhat different position, officially at least. It has recognized the sovereign right of Mexico to expropriate foreign holdings but has insisted that proper payment for said holdings must be made. President Roosevelt, in his Florida speech, right after the expropriation, stated that the claims of American oil companies would be limited and that said claims must be based on actual investments in Mexico and not on prospective profits. In the Administration point of view, the oil interests affected in Mexico comprise different groups:

1. Those who went into Mexico, bought a state legislature and thru bribery acquired title to hundreds of thousands of acres for nothing except the cost of the bribes of maybe two or three cents an acre. Those coming within this category have put in their claims far in excess of their actual investments.

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In his address, Roosevelt expressed little sympathy for such claims and stated that the government would not become a collection agency for such claimants.

2. In a second category are the American oil companies that acquired great rights and properties in Mexico in a "legitimate" way without bribery or similar devices. These oil companies, the President said, should receive compensation from the Mexican government for the actual sum invested, less depreciation for such capital outlays as are incidental to drilling, pumping, etc.

This sounds reasonable, looks good in print, and made a very favorable impression upon Latin America, especially in contrast to the arrogant stand of Great Britain. But let us look at what is transpiring quietly, without any publicity, in our State Department to bring pressure upon the Mexican government.

1. Immediately upon expropriation, the American silver-purchasing contract was abrogated. Now there is only sporadic buying at a rate fixed by the United States.

2. Great Britain and the United States oil interests maintain an almost air-tight boycott of Mexican oil. Lloyds of London has refused insurance on any oil leaving Mexico. British and American pressure has been brought to bear upon friendly Scandinavian governments to restrain their large number of independent tankers from going to Mexico. Since the Mexican government cannot begin payment for the expropriated properties or even maintain her budget without the aid of the sale of her oil, we can see the difficulties that the two imperialist powers are creating. And it is this attitude which is forcing Mexico to sell her oil to Germany, Italy and Japan.

Japan has offered to purchase 500,000 barrels annually and is eager to help in the further development of Mexican oil fields. The Japanese finance minister proposed a bond issue to recompense British and American owners. In return for oil, the Japanese are willing to provide technical assistance in construction of pipelines and improvements in Mexico's Pacific Coast harbors. The pipe lines would cross the Isthmus of Tehuantepec, with Salina Cruz as the possible point of loading. The crude oil would have to be piped about 150 miles down grade to reach the Japanese tankers in the Pacific Ocean.

3. It is reported in the New York Times of June 30, 1938, that a proposed loan of $200,000,000 to aid Mexico to build roads and to fund some of its indebtedness, has been withdrawn.

4. A proposed purchase of $10,000,000 of Mexican oil for the United States Navy has been withdrawn.

It is reliably reported, altho denied by Secretary of State Hull, that the above two were cancelled due to British pressure.

(*Concluded in the next issue*)