THE PATHWAY TO FRIENDSHIP: MEXICO-US TRADE RELATIONS, 1934-1940

by

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ABSTRACT

The relationship between Mexico and the United States during the twentieth century has evolved from one mostly characterized by Mexican economic dependence on the US to one of interdependence between the two countries. In the 1930s, trade became a concrete expression of this interdependence and the link that eventually brought these two countries to friendly terms. The objective of this paper is to evaluate the impact of international trade on the growing interdependence of Mexico and the US between 1934 and 1940.

This thesis is structured in two parts. The first section deals with the factors which shaped American foreign policy towards Mexico; the second discusses the Mexican side of the relationship. The two analyses are pulled together in a brief conclusion. The emphasis of this thesis is on the Mexican side of the relationship, and the discussion of American policy serves primarily to provide a context for the subsequent analysis of the factors shaping Mexico’s treatment of the United States.

Much of the primary source material used in this thesis was researched in the Banco de Comercio Exterior and the Secretaría de Relaciones Exteriores in Mexico City. Contemporary economic journals and newspapers were also an important source of information; the secondary literature on Mexican-American relations and on the government of Lázaro Cárdenas was also valuable.

The thesis concludes that trade was the key element promoting cooperation and that the relationship between Mexico and the United States in the period 1934-1940 was not determined by nationalism, capitalism, imperialism, or any other “ism". The limits of the relationship between the U.S. and Mexico have not been based on some ardent nationalism, but on the shifting interests of the sectors controlling political power in both countries.
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INTRODUCTION

Le commerce libre favorise toutes les classes, agite toutes les imaginations remue tout un peuple. Il est identique avec l’égalité et porte naturellement à l’indépendance.
Napoleon Bonaparte, Code de Commerce

The relationship between Mexico and the United States during the twentieth century has evolved from one mostly characterized by Mexican economic dependence on the US to one of interdependence between the two countries. In the 1930s, trade became a concrete expression of this interdependence and the link that eventually brought these two countries to friendly terms. The objective of this paper is to evaluate the impact of international trade on the growing interdependence of Mexico and the US between 1934 and 1940.

This thesis is structured in two parts. The first section deals with the factors which shaped American foreign policy towards Mexico; the second discusses the Mexican side of the relationship. The two analyses are pulled together in a brief conclusion. The emphasis of this thesis is on the Mexican side of the relationship, and the discussion of American policy serves primarily to provide a context for the subsequent analysis of the factors shaping Mexico’s treatment of the United States.

American foreign policy toward Mexico in the 1930s reflected America’s global strategic concerns. Regaining and surpassing America’s pre-1929 position in international trade was a central consideration in the formulation of American foreign policy during this period. What distinguished Roosevelt’s strategic approach to international affairs was his use of international trade as the economic arm of his foreign policy. In this sense, this paper will dispute the historiography which has
depicted Roosevelt’s foreign policy as isolationist, trying to keep the US away from international involvement.¹

American efforts in Latin America aimed to protect and promote US commercial interests in the region, and this necessarily involved stopping Germany’s economic and political encroachment. The neutralization of German competition in Latin America was the most important element guiding US behavior toward Mexico. America’s treatment of Mexico, in other words, aimed at ensuring Mexico’s political and economic cooperation in the greater US enterprise of curtailing Germany’s increasing economic influence in the world and particularly in Latin America.

This thesis rejects the interpretation, offered by Lorenzo Meyer and Josefina Vasquez, that Roosevelt’s Good Neighbor Policy represented a sophisticated new strategy of the same evil empire to obtain an old objective, the domination of Mexico.² Likewise, interpretations which depict the United States as targeting the Mexican economy with destabilizing economic measures must be rejected.³ Instead, Roosevelt’s policy toward Mexico was fundamentally non-retaliatory, and the American government maintained this approach in spite of substantial domestic political pressures to change it. The decision of the Roosevelt administration to defend long-term

American interests in Latin America by implementing a strategy of political and trade liberalization to stop the German trade encroachment in the continent restrained American willingness to retaliate in Mexico.

Mexican president Lázaro Cárdenas also pursued, for the most part, a policy of cooperation with the U.S. In Mexican historiography, President Cárdenas has often been depicted as a strong nationalist leader antagonistic to the United States; he has also been labeled anti-imperialist and a socialist. His treatment of the United States, however, was not determined by any ideological notion of independence, socialism, national honor, or "standing tall." Cárdenas was rather what I would call a "symbolic nationalist," whose incendiary anti-foreign rhetoric went far beyond his actions. In contrast to those who have argued that the foreign policy of the Mexican government of Lázaro Cárdenas toward the US was the result of Cárdenas' nationalistic, even anti-imperialistic, inspirations, it is apparent that the Mexican policy toward the U.S. was ad-hoc rather than cohesive, and reactive and pragmatic rather than idealistic. In spite of his passionate statements, Cárdenas in fact wanted and ultimately managed to pursue a policy of cooperation with the Americans. Moreover, during his presidential term, Mexico and the United States embarked on political and economical cooperation difficult to match in Mexican history.


5 In the general characterization of the Cárdenas government I tend to agree with the interpretation of historian Alan Knight. I disagree, however, with his opinion about the nationalization of oil as being "something of a special case". Alan Knight, Mexico 1930-1946, Vol. VII of The Cambridge History of Latin America ed. Leslie Bethel (9 vols.; New York: Cambridge University Press, 1990), p. 42.
The good relations between Mexico and the US did not come easily. Cárdenas’ treatment of the US up to 1939 was a mix of friendliness and friction, which was mostly determined by the concessions his government had to make to workers and peasants in the pursuit of domestic political power and social stability. Concessions that Cárdenas made to the peasants and workers included, among other things, the nationalization of the American oil companies, an act that caused strong protest in the US. On this point I disagree with historian Nora Hamilton who has characterized the nationalization of oil as a manifestation of Cárdenas’ economic nationalism.⁶ Cárdenas was motivated not by nationalism but by domestic political pressures brought to bear by oil workers; obstacles to cooperation with the United States were not the product of Cárdenas’ economic nationalism but of domestic political concessions that he had to deliver in order to stay in power.

The decisive changes which set the US and Mexico on the path of stronger economic cooperation and public political acceptance took place as a consequence of the outbreak of the Second World War and the British blockade of Germany. However, in this respect I must make an important clarification: although I recognize that the war had a catalytic effect on the rapprochement of these two nations, it was not [as historian Alan Knight has argued] crucial to the formulation of U.S. policy toward Mexico.⁷ The U.S. policy of trade liberalization and economic cooperation with Mexico was already in place by early 1930s; consequently, the war did not shape the American policy; it merely did away with the last pockets of resistance to a policy

⁷ Alan Knight, Mexico 1930-1946, p. 48.
which had been formulated by the beginning of the decade. On the Mexican side, the war produced the definitive neutralization of Cárdenas’ political enemies and the realization that Germany was not a feasible long-run alternative to the US as a trade partner. On the American side, it made the oil companies finally understand that if they had not been able to persuade the US government to act against Mexico before the war, then after the outbreak of the war the government was even less likely to support their cause.

In short, a rapprochement between Mexico and the US was well in place before Cárdenas stepped down from the Mexican presidency in 1940. Consequently, the conciliatory and friendly approach toward the US adopted by Cárdenas’ successor, Avila Camacho, must not be seen as a radical departure from Cárdenas, as argued by Lorenzo Meyer, but as the continuation of the path of rapprochement that Cárdenas had initiated.

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8 Lorenzo Meyer considers that, in 1938, the offensive of the workers against capital was stopped in favor of "national unity" and that the political program which was going to put Mexico in its "route toward socialism" took a turn of 180 degrees. Lorenzo Meyer, México y Estados Unidos en el Conflicto Petrolero 1917-1942 (México D.F.: El Colegio de México, 1968), p. 163.
In the early 1930s, the world was experiencing a process of economic recovery and political rearrangement, and within this context the Roosevelt administration aimed to achieve economic and political leadership in the emerging new world order. On this front it faced a worrying challenger: Germany. In Latin America in particular, Germany was making economic inroads at the expense of the United States.\textsuperscript{9}

In the face of this challenge, it was necessary for the US to act to check the emerging German economic influence in Latin America. Mexico, in particular, became important because of its high volume of trade with the US, its geographical proximity, and the political message its treatment would send to other Latin American countries. Accordingly, the United States sought to consolidate its economic and political ties with all the Latin American nations, and especially with Mexico; this policy became increasingly important as evidence mounted of Germany’s economic encroachment into Latin America.

President Roosevelt’s international trade agenda put the US in a position of interdependence with Latin America, and particularly Mexico. This interdependence was the overriding factor shaping American policy towards the region. The US could not risk adopting coercive policies that might anger Mexican leaders and lead them to redirect Mexican trade to Germany. Consequently, Roosevelt’s policy towards Mexico was not simply a modernized version of his cousin Theodore’s “carrot and stick”

\textsuperscript{9} US exports to Latin America dropped from 18.6 per cent of total US exports in 1929 to 13.4 per cent in 1932. Meanwhile, German exports to the area were increasing. Dick Steward, \textit{Trade and Hemisphere} (Columbia: University of Missouri Press, 1975), p. 21.
strategy, as some historians have argued. Rather, FDR’s treatment of Mexico was conciliatory, non retaliatory, and favoured negotiation rather than coercion.

Roosevelt was constrained in his pursuit of this trade policy by certain protectionist forces active in US politics. In order to neutralize these forces, and thus to keep himself in political power, Roosevelt appointed several anti-free trade officials to high governmental positions. Ultimately, however, Roosevelt was a free trader; he promoted Cordell Hull’s reciprocal trade agreements and rejected the protectionist policies advocated by Hull’s adversaries.

THE GOOD NEIGHBOR POLICY

Franklin Roosevelt’s Good Neighbor Policy was a departure from the sort of thinking that his cousin Theodore Roosevelt had applied when running American foreign affairs. Theodore Roosevelt’s ideas were premised on assumptions similar to those articulated by James Rockwell Sheffield, US ambassador in Mexico City in 1925, who stated that Mexicans were "Latin-Indians who in the final analysis recognize no argument but force." Such “old thinking” sustained positions like the one held by the former American Secretary of State Charles Evans Hughes, who, during the Sixth Pan-American Conference in Havana in 1928, proclaimed the right of the US to intervene in the affairs of another country. Paradoxically, Franklin Roosevelt’s Good

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Neighbor policy was a departure from opinions he himself had articulated concerning President Wilson's nonrecognition policy toward the Victoriano Huerta's government of Mexico in 1914. On that occasion, Roosevelt had stated: "Sooner or later...the United States must go down there and clean up the Mexican political mess. The best time is right now." Roosevelt had vigorously proposed interventions and annexations in Latin America and, up to 1922, he had defended American control of Haiti.

In contrast to these "old" ways of thinking Roosevelt's Good Neighbor Policy emphasized compromise, instead of coercion and the use of force, as a tool to safeguard American interests. During his inaugural address on March 4, 1933 the new President announced the new US policy in international relations: he pledged that he would "dedicate this nation to the policy of the good neighbor--the neighbor who resolutely respects himself and, because he does so, respects the rights of others." On April 12, 1933, during the celebration of Pan American Day he declared:

The essential qualities of a true Pan Americanism must be the same as those which constitute a good neighbor, namely, mutual understanding and, through such understanding, a sympathetic appreciation of the other's point of view. It is only in this manner that we can hope to

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14 Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, 1932-1945, p. 18.

build up a system of which confidence, friendship, and goodwill are the corner-stones.\textsuperscript{16} 

In Latin America, the Good Neighbor approach translated into a strengthening of trading links. Thus, the implementation of Hull's policy to establish Reciprocal Trade Agreements throughout Latin America became the economic arm of the Good Neighbor Policy. Roosevelt understood that the customary use of US force upon Latin American countries was not going to convince the leaders of those countries to trade with the U.S. Moreover, the President foresaw the real possibility of losing the support of these countries to Germany which was becoming an important economic force in the region.

In effect, there was a policy shift which had been initiated by President Hoover (who had repudiated Theodore Roosevelt's corollary to the Monroe Doctrine) and continued by the successful performance of Cordell Hull in the Pan-American Conference of Montevideo held in December 1933\textsuperscript{17}. Examples of US behavior throughout Latin America make it clear that the Good Neighbor Policy represented a real change and was not just "a new disguise of old-fashioned U.S. imperialism", as Juan F. Azcárate the Mexican Military Attaché to Washington, and some historians have described it.\textsuperscript{18} American troops withdrew from Nicaragua and America ended its twenty-year occupation of Haiti on August 15, 1934. The Platt Amendment of May 22, 1903, which had given the United States the right to intervene in Cuba if that

\textsuperscript{16} Ibid., p. 130.
\textsuperscript{17} Dallek, \textit{Franklin D. Roosevelt and American Foreign Policy, 1932-34}, p. 81-83.
country failed to protect adequately "life, property, and individual liberty," thus making Cuba a de facto protectorate of the US, was abrogated. Mexico and the United States signed a treaty on April 13, 1937 abrogating Article 8 of the Treaty of Limits of La Mesilla, which had been concluded by the United States and Mexico on December 30, 1853. This Article had granted the United States commercial and military transit rights over the Mexican Isthmus of Tehuantepec; it had also given the US the authority to protect the highway and railroad to be built in this area of Mexico.\(^\text{19}\) In February, 1934, Roosevelt initiated trade negotiations with Cuba, one objective of which was to reduce the tariff on Cuban sugar, and, in March, he approved a $4 million loan to help the Cuban economy. In June, 1934, Roosevelt organized his Good Neighbor Trip—a 10,000 mile cruise to the Caribbean—which included a visit to Puerto Rico, Colombia, Haiti, and Panama. During 1935, the US established Reciprocal Trade Agreements with Haiti, Honduras, Colombia, and Brazil and was in the process of trade negotiations with nine other Latin American countries. Roosevelt was the first American President to cross the Panama Canal and to set foot in South America. He was, also, the first American President who met Latin American diplomats from Mexico, Chile, Brazil, and Argentina to discuss current American foreign policy.\(^\text{20}\)

It was with this mood that the United States and all Latin American countries subscribed unanimously to the Protocolo de No Intervención in the Pan-American Conference For Peace held in Buenos Aires in December 1936. The signing of the Non


\(^{20}\) Dallek, Franklin D. Roosevelt and American Foreign Policy, p. 63.
Intervention agreement by the Roosevelt administration indicated a disposition which emphasized cooperation in its relations with Latin American nations.

The Good Neighbor policy aimed to create a favorable political mood toward the United States in Latin America. It was necessary to dispel or, at least, neutralize the longstanding distrust felt by the Latin American nations for the US. This was a necessary prerequisite to implementing the Reciprocal Trade Agreements, the economic arm of the Good Neighbor policy, the objective of which was to promote American trade in Latin America and ensure the exclusion of Germany from these markets.

ROOSEVELT AND THE DOMESTIC DEBATE OVER TRADE POLICY

Roosevelt, above all, was concerned with the development of Germany's influence in world affairs. Therefore, he endorsed the liberalization of international trade, promoted by his Secretary of State Cordell Hull, aimed at neutralizing Germany's commercial influence in Latin America. Roosevelt's policy toward Mexico was friendly, economically cooperative, and coherent in terms of its non-retaliatory character. However, the US foreign policy was also, at points, contradictory. The ramifications of the debate in Congress between the Republicans and Democrats over the Reciprocal Trade Agreements Act endorsed by Hull\(^2\) is a good example of the mixed messages sent by the US administration. This debate, although neutralized once the German threat became apparent, cannot be ignored since it created strong opposition to the

\(^2\) Trade Act endorsed by Cordell Hull, and passed by the American Congress in 1934. Empowered the President to reduce tariffs by as much as 50 percent in the goods traded with other nations which had made agreements with the US to trade under the principle of the most favoured nation. This meant that the US was entitled to the lowest tariffs exercised by a country with which the US had a reciprocal agreement.
Roosevelt administration and had an important restraining impact on the formulation of Roosevelt’s foreign policy.\(^{22}\) Nevertheless, in the final analysis Roosevelt came decisively in support of Hull’s trade liberalization policies.

In the early 1930s, the world trade system was going through a crisis of staggering proportions, and the United States was in the process of devising an international economic strategy to pull the country out of the economic collapse brought by the Great Depression. The Americans had sufficient reasons to be concerned with the economic slump in international trade. World trade had decreased by 25 per cent from 1929 to 1932. Its value in 1933 was 65 per cent less than that of 1929, and the United States had suffered a loss greater than any other country. World exports, in gold values, had decreased by 13 per cent, while exports from the US had declined by 19 per cent. American exports in 1933 amounted to only 52 per cent of the volume and 32 per cent of the value of 1929 exports.\(^{23}\)

In 1930, the American administration, looking for ways to pull the United States out of this disastrous decline in foreign trade, turned inwards. The Hawley-Smoot tariff was promulgated as a response to the international trade situation. This tariff ostensibly promoted “equalization of costs of production”; this clause empowered the President to raise or lower tariffs by up to 50 per cent to equalize costs borne by foreign and US firms, and thus to reduce foreign competition. The Hawley-Smoot Tariff discriminated against foreign trade and, therefore, not surprisingly, it caused a

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\(^{22}\) This restraining effect was reflected in Roosevelt’s handling of the Economic Conference in London. The Moley affair showed Roosevelt’s political opportunism upsetting his Secretary of State, and making it, at times, difficult for other countries, and particularly Mexico, to identify the goals of U.S. foreign policy, and trade.

protectionist response in foreign countries. Economic protectionism became the standard of international economic conduct. In Latin America, particularly, this response took the form of barter arrangements, currency depreciations, higher tariffs, and quotas.24

During the 1930s American economists debated about whether America should continue to pursue a protectionist economic policy or open its markets to freer trade. The debate divided Democrats from Republicans. The Republicans argued that the reduction of tariffs exposed American exports to unfair competition. They adopted a protectionist attitude and opposed the reciprocal trade agreements that the Democratic administration was negotiating with Latin American nations. The Democrats believed in free trade; they sought the reduction of tariffs and the gradual liberalization of international trade.

Roosevelt’s Secretary of State, Cordell Hull, was a known free trader, and his fundamental trade policy aim was to reverse America’s trend towards economic protectionism. Cordell Hull was convinced that isolationism was at the root of America’s economic problems, and that American prosperity demanded a liberal trade policy that encouraged American exports. In his memoirs Hull recalls a report he wrote five months before the Great Crash of 1929, where he said:

> our production capacity today is 25 per cent in excess of our ability to consume. High tariffs cannot save us from growing surpluses....
> 
> It is my individual view that these glaring facts and conditions will compel America to recognize that these ever increasing surpluses are her key economic problems, and

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24 Ibid., pp. 5-7, 62-197.
that our neglect to develop foreign markets for surpluses is the one outstanding cause of unemployment.25

Hull wanted to promote the reduction of tariff barriers by negotiating reciprocal trade agreements with foreign countries; to this end, he pushed for the passage on June 12, 1934, of the Reciprocal Trade Agreement Act.

However, Cordell Hull faced many obstacles to his free trade program. One important source of trouble was the lack of coordination among the different departments that dealt independently with foreign trade, often with little regard for State Department guidelines. In this respect economic adviser Herbert Feis referred to: "the continued chaos and conflict within the government about the nature and direction of our commercial policy."26 In 1933, Under-Secretary of State William Phillips thought that: "every department, especially the tariff commission, was in a fog as to the foreign trade policy to be pursued."27

A more serious obstacle to Hull's program was the appointment of political science professor Raymond Moley, an enemy of trade liberalization, as an Assistant Secretary of State. Hull referred to Moley as a functionary lacking information on foreign affairs, who was not "any great aid in conducting foreign policy."28 In other words, Moley was Roosevelt's instrument to keep the president informed of events and to act as a check on Hull.

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The speech Moley made on May 20, 1933, just before Cordell Hull was preparing to go to the World Economic Conference in London to promote his strategy of cutting down trade barriers, illustrates the difficulties the Secretary of State had to face in order to convince other nations of the coherence and seriousness of his foreign trade policy. Moley stated in his speech--of which Hull had no prior knowledge--that foreign trade was of little importance; he also discounted the possibility that any beneficial result would be achieved by the conference and condemned the tariff program supported by Hull. The speech was broadcast throughout America and Europe and was widely interpreted as the actual position of the Administration. In Hull’s opinion, Moley deserved "a severe call-down from the President" for discrediting Hull’s official position and undermining his international status. In private, Hull’s opinion of Moley was a lot cruder; he referred to him as "that piss-ant Moley, here he curled up at my feet and let me stroke his head like a hunting dog and then he goes and bites my ass!"

Roosevelt had to choose between Moley, who had no political power beyond the Presidency, and Hull, who held substantial congressional and party influence. Hull won that round, and soon after Moley was dismissed. However, the troubles in the State Department were far from over and they evolved into a full-fledged power struggle when Roosevelt appointed George Peek, in December 1933, to head a new organization within the State Department to promote foreign trade. Peek was a determined enemy of free trade and a strong advocate of self-reliance; he became a

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31 Dallek, *Franklin D. Roosevelt and American Foreign Policy*, p. 56.
leading figure for economic nationalists, commercial isolationists, and protectionists. Republican House Representative from Massachusetts, Allen Treadway, who represented the anti-free trade sectors in Congress, used Peek’s arguments to voice bitter opposition to reciprocal trade initiatives. Peek acquired more power in February 1934, when Roosevelt nominated him to head two governmental banks to promote export trade, as well as a new trade organization that the State Department thought would overlap with many of its functions. Under Secretary William Phillips called this nomination the "biggest blow the State Department has ever received." Why would President Roosevelt promote such archenemies of his Secretary of State? What would he gain out of this? Maintaining himself and his party in office was a substantial part of the answer. Roosevelt, as Neustadt has written, "had a love affair with power." Arthur Schlesinger, Jr., came to the same conclusion:

| His favorite technique was to keep grants of authority incomplete, jurisdictions uncertain, charters overlapping. The result of this competitive theory of administration was often confusion and exasperation on the operating level; but no other method could so reliably insure that in a large bureaucracy filled with ambitious men eager for power the decisions, and the power to make them, would remain with the President. | 32 U.S., Congress, House, Allen Treadway, 74th Congress, 2nd Sess., Vol. 80, Part 4 1936, (Washington, Government Printing Office, 1936), p. 4614-4616.  
33 Steward, Trade and Hemisphere, p. 34. Williams Phillips Diary, 1933-1936 Vol 1, February 27, 1934.  
Roosevelt appointed Peek because he represented powerful anti-free trade groups, like the farm block and the Republican House of Representatives. Since international trade had become a partisan issue--only four Republican senators and just two Republican Representatives in the House had supported the Reciprocal Trade Agreement Act--Peek was a powerful element in the hands of Roosevelt to placate Republican opposition. Peek himself remarked that he "may have been only an opiate to pacify the farmers and Congress."  

Roosevelt in this instance honored Voltaire's definition of a politician: "Politicians, more than most people, use words only to disguise their opinions." Roosevelt appeared to be ambivalent about free trade: at different times he promoted both trade liberalization and protectionism, depending on the political climate and audience. Speaking to the Governing Board of the Pan-American Union in April 12, 1933, he said:

> It is of vital importance to every nation of this continent that the American governments individually take, without further delay, such actions as might be possible to abolish all unnecessary and artificial barriers and restrictions which now hamper the healthy flow of trade between the peoples of the American republics.  

On the other hand, during his presidential campaign, Roosevelt had delivered a speech in Baltimore on October 26, 1932, in which he had stated:

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Of course, it is absurd to talk of lowering tariff duties on farm products...I know of no effective excessively high tariff duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program.  

In the final analysis, though, FDR was a free trader. He thought that "in the long run" high tariffs and the "Buy American" proposal "would work against us and our world trade and our industry." In the short term, however, his main concern was that of any politician: he wanted to neutralize his opposition and to maintain himself in office. It was this short-run concern that prompted him to promote protectionists like Moley and Peek.

The isolationist attitude of the American public in general and of the Republican party in particular played a restraining role, therefore, in the formulation of the Roosevelt administration's foreign policies. President Roosevelt, a shrewd politician, played a balancing game between the isolationists and the internationalists. Cordell Hull was well aware of this maneuvering, as testified by his memoirs:

Hence, while advocating international cooperation at all times, we were faced with the extremely delicate task of being careful not to present and urge measures in such numbers as to alarm the people and precipitate isolation as an acute political issue in the nation. Had we done so, the Roosevelt Administration would have been thrown out of power bodily as soon as the American public had a chance to go to the polls, and the nation would have been thrown

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back still farther to the extreme isolationist period following the Senate’s rejection of Wilson’s League of Nations.40

In summary, Roosevelt believed that a leading role in world affairs would benefit the American people as well as the needs of poor countries around the globe. However, he had to contend with the opposition against internationalism led by the Republicans, and his concessions to this group sometimes made him appear to be opposing Hull’s internationalist trade approach. However, in practical terms, Roosevelt supported and implemented his Secretary of State’s political and economical cooperation policies of no retaliation, and trade overture with regards to Latin America, and particularly with Mexico.

GERMAN ECONOMIC ENCROACHMENT IN LATIN AMERICA

While the opposition from the isolationist sectors in Congress continued to be a moderate restraining factor for the Roosevelt administration, Germany was developing its trade with Latin America. Germany strengthened its commercial ties with Argentina, Brazil, Chile, Colombia, Mexico, Uruguay, and Venezuela. In spite of the domestic political risks of adopting an internationalist approach, this challenge led the Roosevelt Administration to gear up for competition in Latin America.

Starting in 1933, America’s economic presence in the area was being challenged by Germany. The continuous gains of German exports in Latin America became a worrisome trend for the US.41 At first, the British had carried the losses: British exports accounted for 24.4 per cent of Latin American imports in 1913 but only 13.2

The fate of the British in Latin America sent a warning sign to the United States. The gains of German trade and the losses of the United States were evident throughout Latin America. In effect, from 1927 to 1936, German exports to Venezuela increased from 9 per cent of Venezuela’s total imports to 15.1 per cent and in 1938 this figure reached 36 per cent. This time America was the loser: US trade with Venezuela had declined by 52.8 per cent. Colombian imports from Germany had followed a similar course, increasing from 13.9 per cent in 1928 to 22.3 per cent in 1936. German’s progress in Brazil was particularly dramatic: in 1927, Germany had exported 10.6 per cent of its total exports to Brazil, in 1936 Germany sold more to Brazil than the US did, and was shipping 23.5 per cent of its total exports to Brazil. Germany continued to increase its share of Latin American trade between 1935 and 1938, and although the German gains were not everywhere as dramatic as they

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43 One factor that facilitated Germany’s penetration of Latin American markets was the fact that Germany lacked hard currency and, therefore, their trade was largely based on barter deals. Germany was selling its industrial products in exchange for food and the raw materials required for its industry. Latin America countries, also suffering from a chronic lack of foreign exchange, benefited from bartering; they found a market for their raw materials and in return they were getting the products essential to the support of their own industry. For a more detailed explanation of the German trade policy see: Percy W. Bidwell, "Latin America, Germany and the Hull Program," Foreign Affairs Review, (New York: January 1939), pp. 380-382. Also, Banco Nacional de Comercio Exterior de México, México Exportador (México D.F.: Editorial Cultura, 1939), pp 71-98.


46 Steward, Trade and Hemisphere, pp. 142-145.

were in Brazil, they were steady—as is illustrated by Table #1.48

<table>
<thead>
<tr>
<th></th>
<th>1933</th>
<th>1936</th>
<th>1937</th>
<th>1938*</th>
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<tbody>
<tr>
<td><strong>Argentina</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>United States</td>
<td>12.7</td>
<td>16.4</td>
<td>16.3</td>
<td>19.2</td>
</tr>
<tr>
<td>Germany</td>
<td>10.8</td>
<td>10.3</td>
<td>10.9</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>21.0</td>
<td>23.1</td>
<td>21.9</td>
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<td>12.1</td>
<td>23.9</td>
<td>24.0</td>
<td>24.1</td>
</tr>
<tr>
<td><strong>Chile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>22.5</td>
<td>29.1</td>
<td>28.1</td>
<td>29.5</td>
</tr>
<tr>
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<td>11.4</td>
<td>26.0</td>
<td>25.8</td>
<td>24.2</td>
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<td></td>
<td></td>
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<tr>
<td>United States</td>
<td>36.8</td>
<td>48.4</td>
<td>49.1</td>
<td>47.2</td>
</tr>
<tr>
<td>Germany</td>
<td>17.8</td>
<td>20.1</td>
<td>12.6</td>
<td>18.0</td>
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<td>32.4</td>
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<td>United States</td>
<td>59.9</td>
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<td>Germany</td>
<td>12.0</td>
<td>15.6</td>
<td>14.9</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Peru</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>27.4</td>
<td>35.4</td>
<td>34.0</td>
<td>36.2</td>
</tr>
<tr>
<td>Germany</td>
<td>9.6</td>
<td>19.7</td>
<td>19.2</td>
<td>20.1</td>
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<tr>
<td><strong>Uruguay</strong></td>
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</tr>
<tr>
<td>United States</td>
<td>9.2</td>
<td>13.6</td>
<td>13.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Germany</td>
<td>9.0</td>
<td>11.1</td>
<td>10.8</td>
<td>15.6</td>
</tr>
</tbody>
</table>

* The 1938 figures account for trade from January to June. Bartering of Mexican oil for German and Italian manufactures, which took place in the first half of 1938, and which the Mexican government did not report at the time, have not been included.

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Mexico was part of this development, and after the Great Depression Mexico's commerce with Germany increased rapidly and reached levels which had not been known in the past. In 1933 Mexico bought goods from Germany worth 29.3 million pesos; four years later this figure had increased to 98.6 million pesos, an increase of 337 per cent. The increase of Mexican imports from Germany is verified in table #2.

<table>
<thead>
<tr>
<th>TABLE #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEXICO IMPORTS FROM GERMANY</td>
</tr>
<tr>
<td>(thousand of pesos)</td>
</tr>
<tr>
<td>1928-31*</td>
</tr>
<tr>
<td>1932-36*</td>
</tr>
<tr>
<td>1937</td>
</tr>
<tr>
<td>1938</td>
</tr>
<tr>
<td>*Average.</td>
</tr>
</tbody>
</table>

The German gains in the mid-1930s were sufficient to disturb the political and business leadership in the United States. US trade with Latin America during the 1930s was not in a critical stage, America was still the leader, enjoying 34.1 per cent of the total exports to Latin America. This was good news for the US, but it was tempered by a development which had aroused President Roosevelt's concern early in 1933. While the US wanted to bring down the barriers of protectionism, it had suffered a reduction of its imports because some Latin American nations were using

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49 Banco Nacional de Comercio Exterior de México, México Exportador, p.71.
protective commercial measures or not buying American exports. Cuba, as early as 1927, had initiated a protective tariff. Argentina, concerned with its unfavourable balance of trade with the US, had restricted its American imports from 1937 to 1939. Uruguay had adopted similar measures from 1934 to 1938, even though its balance of trade with the US had been favourable. Mexico was also part of this phenomenon; historian Carlos Arroyo Crotte has characterized the period from 1919 to 1930 as protectionist. Crotte pointed to The Comision de Aranceles (Tariff Commission) established in 1924 and the new tariff 1930 to corroborate his claim. An element which helps to understand Mexican protectionism is the fact that, from the late 1860s to 1930 the Mexican government had collected more than 40 per cent of its total federal revenues from taxes on international commerce. Table #3 illustrates the shifting of Mexican exports away from the US after 1923.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PERCENTAGE OF MEXICAN EXPORTS DESTINED FOR THE U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>82.98%</td>
</tr>
<tr>
<td>1926</td>
<td>70.98%</td>
</tr>
<tr>
<td>1929</td>
<td>60.73%</td>
</tr>
<tr>
<td>1937</td>
<td>56.23%</td>
</tr>
</tbody>
</table>

56 Banco Nacional De Comercio Exterior, *México Exportador 1937* (México D.F.: Editorial Cultura, 1939), p. 763-764. It is understood for Impuestos Exteriores taxes on imports, exports and consul duties when applicable. Among the taxes on imports and exports, besides the taxes of export and export proper there were duties on transit of goods, load and unloading, weight, patents and navegation, and sanitary duties.
American politicians and economists viewed the German trade policy success in Latin America as a challenge to American businesses with the region. There was substantial concern among American business circles over the German trade penetration in Latin America. The United States Chamber of Commerce, in a report published in 1938 urged that steps be taken to stop the non-American participation in Latin American trade. Part of this report stated:

It is significant that during the decade (1927-1936 inclusive) the share of the United States in providing the goods purchased abroad by each of the South American nations has shown a decline. While our country still does the bulk of the trade with South American countries as a whole, this survey leaves little doubt that our leading position is being challenged constantly by other nations, particularly Germany and Japan.

The greater the commercial hold that the Fascist and military dictatorships get on Latin American countries, the more deeply they will influence the form of government among our Latin neighbors. This means that the fate of All-American government, and in many lands of democracy also, may be decided in Central and South America by the gigantic trade battle now under way.\(^{58}\)

In essence, the trend reflected the commercial expansion of Germany and this was interpreted as a threat to US prosperity. Germany was recovering from the economic disaster of the First World War and German manufacturers were producing and conquering new markets and thus threatening US trade worldwide. Concurrently,

\(^{58}\) Burt M. McConnell, *Mexico at the Bar of Public Opinion* (New York: Mail and Express Publishing Company, 1939), p. 259. The concern of the American business community was also influenced by the fact that, in 1935, Latin America was the biggest recipient of the U.S. direct investment in the world, importing $2,529,900,000. By comparison American capital invested in Europe amounted to $1,369,600,000, and in Asia to only $487,6000,000. Cleona Lewis, *America's Stake in International Investments* (Washington: The Brookings Institution, 1938), p. 606.
the Japanese were pursuing a closed door policy based on the idea of "Asia for the Asians," a Japanese version of the Monroe Doctrine. Therefore, the consolidation of commercial exchange and relations with Mexico became especially important because of the geopolitical implications of Mexico falling under the influence of Germany and the precedent this example would have set for the rest of Latin America. For the US to lose preponderance in Latin American trade would have meant being deprived of a region which was essential to fulfill Hull’s strategy to place the US in a position of world commercial leadership.

The Roosevelt administration, faced with this actual and potential decline in international trade and the loss of political influence, set its "trade-diplomacy" in action to shift the course of events. A significant step taken in that direction was the promulgation of the Reciprocal Trade Agreements Act on June 12, 1934. The first substantial favourable result of this initiative in Latin America was the signing of a Reciprocal Trade Agreement with Brazil in February 1935, which was the Latin American country where German commercial expansion had been most direct and important.\(^{59}\) The 1935 agreement thus made Brazil one of the first nations to be drawn into the new American trade strategy in Latin America.\(^{60}\) Between August 1934 and November 1936, reciprocal trade agreements were concluded with Cuba, Haiti, Colombia, Honduras, Nicaragua, Guatemala, El Salvador, and Costa Rica, and in

\(^{59}\) Steward, *Trade and Hemisphere*, p 133.
\(^{60}\) Osvaldo Aranha, the Brazilian Minister of Finance, traveled to the U.S. to close the agreement in which the U.S. extended credit to Brazil amounting to $19,2000,000. The Americans also established a fund of $50,000,000 to reorganize the Brazilian Central Bank. Bernardo Ponce, "El Mundo Dió Quince Vueltas," *El Economista*, (México D.F.: March 15, 1939), p. 31.
1937 the United States declared its intentions to negotiate a trade agreement with Ecuador.

Efforts to obtain a trade agreement with Mexico did not go far, however, as these two countries continued to carry on long-standing quarrels and the Cárdenas government, in particular, could not rally the domestic support necessary to resolve them. Moreover, the resolution of Cárdenas' internal political difficulties aggravated and created new sources of friction with the US, as we shall see below. Nevertheless, the tangible and threatening German encroachment in Mexico was an important factor moderating any American retaliatory action against Mexico.

Cárdenas himself misunderstood these American motives; he believed that "the United States will not intervene in our internal affairs, first because of its Good Neighbor Policy... and second because it is profoundly concerned with meeting the problems that have arisen within its own territory."\(^{61}\) In fact, the US was far from acting on some sort of benign feelings, reflective of the Good Neighbor Policy; nor was its attitude the result of a preoccupation with the domestic agenda. The softness of the Roosevelt administration toward Latin America, as I will demonstrate in the next subsection, is largely explained by the German threat to American trade in Latin America. As a result, a new relationship of interdependence developed between Latin America and the US.

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The American goal of establishing itself in a position of trade preponderance in Latin America, and the options that the German market opened for Mexico, placed the United States in an interdependent position since its trade strategy for Latin America required that it have a friendly Mexico on its side.

US commerce was very important, if not essential, for Mexico during the 1930s. In truth, Mexico’s dependence on the US for both export markets and imports was a fact that Mexico could not ignore. In 1938, 57.67 percent of Mexican imports came from the US and 67.41 percent of Mexican exports were directed to the United States. Nevertheless, from the early 1920s until 1930 this dependence had decreased, and from then until 1938 it had remained in a stagnant condition.62

Because most of Mexico’s exports went to the United States, the US was partly responsible for the decline in trade with Mexico. Up to the election of Roosevelt, the US had adopted a strongly protectionist policy dictated by the Underwood tariff of 1922 and the 1930 Hawley-Smoot tariff of 1930. Statistical evidence of the decline and then stagnation of US-Mexico trade is given in Tables 4 and 5, which show the value and amount of Mexican exports and imports to the United States as percentages of total Mexican exports.

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TABLE #4\textsuperscript{63}

MEXICAN EXPORTS TO THE UNITED STATES
AS A PERCENTAGE OF TOTAL EXPORTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>82.98%</td>
</tr>
<tr>
<td>1926</td>
<td>70.98%</td>
</tr>
<tr>
<td>1929</td>
<td>60.73%</td>
</tr>
<tr>
<td>1937</td>
<td>56.23%</td>
</tr>
</tbody>
</table>

TABLE #5\textsuperscript{64}

MEXICAN IMPORTS FROM AND EXPORTS TO THE US
AS A PERCENTAGE OF TOTAL IMPORTS AND EXPORTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>65.34</td>
<td>62.80</td>
</tr>
<tr>
<td>1936</td>
<td>59.13</td>
<td>60.76</td>
</tr>
<tr>
<td>1937</td>
<td>62.16</td>
<td>56.24</td>
</tr>
<tr>
<td>1938</td>
<td>57.67</td>
<td>67.41</td>
</tr>
</tbody>
</table>

Mexican protectionist policies were more responsible for the decline than American policies, because they specifically targeted the US. Here the culprits were the Mexican protectionist tariff of 1930, and the first four years of the Cárdenas administration during which time his administration continued to approach foreign trade in a protectionist manner.\textsuperscript{65} Cárdenas maintained this tradition, and on April 15, 1935, just a few months after being elected, his government issued a decree imposing a progressively increasing tax on silver exports.\textsuperscript{66} The tax increase especially affected trade with the US, since about 70 per cent of silver production was in the hands of American owners and most of the silver was being exported to the US. Again, in

\textsuperscript{63} Banco Nacional de Comercio Exterior, México Exportador 1937, p.55.

\textsuperscript{64} Banco Nacional de Comercio Exterior, El Comercio Exterior de México 1938-1939, p. 114.

\textsuperscript{65} Banco Nacional de Comercio Exterior, México Exportador 1937, pp. 763-764.

\textsuperscript{66} Banco Nacional de Comercio Exterior, México Exportador 1937, p. 764.
January 1937, Cárdenas decreed an average increase of 25 per cent of the Mexican
general tariff on foreign trade. On January 1, 1938, he authorized another tariff
increase of 200 to 400 per cent on American products. The Mexican Congress
approved a further tariff increase on August 22, 1938. Again American interests were
strongly affected as was the case with the 700 peso tariff set for cars of four to eight
cylinders made in the US. In 1937 the rate on such cars had been only 200 pesos.

The protectionist character of the Cárdenas approach to tariff policy can hardly
be disputed, although it should be noted that Cárdenas did not have many choices. His
government needed money, and the fact that from 1935 to 1937 Mexico obtained an
average of 26.5 per cent of its federal revenues from trade taxes, and that 64 per
cent of its international trade was with the United States, left him few alternatives
but to tax American trade. Similar considerations led to the 12 per cent export tax
increase, affecting the 75 per cent American owned mining industry, that was
announced on August 5, 1938. The Mexican government explained that the tax had
two purposes: "to boost government revenues and to keep the cost of living down
through subsidies to importers of necessities."

This period of decline in the trade balance between the United States and Mexico
coincided with a period of constant diplomatic bickering. The central issue of dispute
was the compensation which expropriated American landowners and the American

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71 Banco Nacional the Comercio Exterior, El Comercio Exterior de México 1939-
1938, p. 114.
government had been trying to obtain from Mexico since 1927. The resolution of this situation was important because it would set a legal precedent and establish the manner in which Mexico would have to treat any other expropriation of foreign owned property in the future. It was also important because the government of Cárdenas continued to expropriate property owned by Americans without immediate compensation, leaving the resolution of the matter for the future.

In the US, critics argued that Mexico could benefit from the Good Neighbor Policy only if it would reciprocate. By this they meant that Mexico should provide "prompt and adequate" compensation for expropriated American property. This Mexico resisted. In this respect President Roosevelt had declared that "the Good Neighbor policy can never be merely unilateral...it is bilateral and multilateral." Consequently, Roosevelt came under strong pressure to stiffen his treatment of Mexico. However, Roosevelt did not react strongly against Cárdenas. There were periodic statements from the US State Department claiming the American right to compensation for expropriated property, such as Hull's diplomatic notes addressed to the Mexican government of July 21, 1938, and August 22, 1938. Some saw in these notes a firm attitude and the *New York Times* of July 24, 1938 stated that Hull's note was going to "dissipate the idea that Washington will wink at acts violating rules of international practice." Senator Pittman, the chairman of the Foreign Relations Committee, remarked that "the situation demanded of the Secretary of State that he sent his final and positive note which required a definite answer." Roosevelt not only winked, but he

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closed his eyes with regard to Mexico’s compensation policy, and Senator Pittman did not get a "definite answer" from the Mexican government.

Eventually, Mexico agreed to end the land controversy. In a note sent to US Ambassador Josephus Daniels by Mexican Secretary of State Eduardo Hay, in response to a message sent by Hull to the Mexican ambassador in the US, Mexico agreed to make the first of ten land indemnization payments of $1,000,000 before May 31, 1939. At first sight the Mexican agreement to pay could be interpreted as a US diplomatic victory. However, it was Mexico that obtained the best in this deal. First the Americans accepted the principle of delayed indemnity payment and, second, the money to pay came from American and British mining companies. Before making his proposal to the Mexicans, Hull had ordered Pierre de L. Boal, a counselor of the US embassy in Mexico, to consult with the American mining companies, whose exports were largely purchased by the United States Treasury silver program, about their capability to absorb a new tax that would enable Mexico to make its land payments. Accordingly, Mexico established a new tax on silver exports affecting the mining industry, which did not result in a single complaint to the US State Department. This new tax increased the Mexican government revenue by $6,000,000 a year, from which the $1,000,000 annual indemnization payment was made—a net Mexican profit of $5,000,000!.

The evidence admits no doubt: the US did not act tough on Mexico. Why was it that the US did not take any measures to force Mexico to compensate the expropriated American landowners or the oil companies promptly? After all, Roosevelt

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had often asserted that the Good Neighbor Policy was not one of unilateral friendship. The softness of the US is best explained in terms of international politics, trade, and the role Roosevelt saw America playing in this context. The abrogation of the Anglo-Japanese pact, which reflected the weakened world prestige of England, the Japanese invasion of Manchuria in 1931, and the alliances which had been forged among Japan, Germany, and Italy placed a higher value on the general American relationship with Latin America, in particular with Mexico, because this nation was a leading country in Latin American and any aggressive response against Mexico could have run the risk of alienating the rest of Latin America. Hull’s crusade for the liberalization of trade in the continent would have been ruined and the German influence in Latin America would have been strengthened.

The new element which modified Mexican dependency and led the US to adopt a policy of restraint in relation to Mexico was the appearance of Germany as an alternative market to the US. The use of international trade as a tool to consolidate positions of international political and commercial power placed the United States in a relation of interdependence with Mexico.

**IMPROVEMENT OF TRADE AND THE ROAD TO FRIENDSHIP**

The deteriorating trend in trade and diplomatic relations between Mexico and the United States was reversed in 1939. The trade figures started to improve, as is illustrated by the following figures [Table #6, next page].

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TABLE #6

MEXICO'S IMPORTS AND EXPORTS TO THE US IN THOUSANDS OF PESOS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>IMPORTS</th>
<th>%</th>
<th>EXPORTS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>265,348</td>
<td>65</td>
<td>471,203</td>
<td>62</td>
</tr>
<tr>
<td>1936</td>
<td>274,457</td>
<td>59</td>
<td>471,100</td>
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<tr>
<td>1937</td>
<td>381,479</td>
<td>62</td>
<td>501,762</td>
<td>56</td>
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<tr>
<td>1938</td>
<td>284,933</td>
<td>57</td>
<td>564,846</td>
<td>67</td>
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<tr>
<td>1939</td>
<td>415,834</td>
<td>66</td>
<td>678,820</td>
<td>74</td>
</tr>
<tr>
<td>1940</td>
<td>527,285</td>
<td>78</td>
<td>858,758</td>
<td>89</td>
</tr>
<tr>
<td>1941</td>
<td>771,232</td>
<td>84</td>
<td>665,211</td>
<td>91</td>
</tr>
</tbody>
</table>

The improvement is partially explained by the gradual reduction of the American protectionist tariff of 1930. Effectively, in 1932, 31.8 per cent of Mexican exports to the United States had been subjected to this tariff, while in 1938 this percentage had been reduced to 23.9 per cent. Mexico was allowed to enjoy the privileges of the most favoured nation, although this country had not signed a Reciprocal Trade Agreement with the US. Therefore, Hull's campaign to remove trade barriers and establish Reciprocal Trade Agreements throughout Latin America, a policy endorsed by the December 16, 1938 Trade Resolution of the eighth Pan-American Conference in Lima, was also partly responsible for the upturn. Another more general explanation is the sign of recovery that the Mexican economy showed by 1939. Nevertheless, the most important, immediate reason that caused the commercial relationship to change,

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and translated into better diplomatic relations between Mexico and the United States, was the British blockade of Germany. This action terminated Mexico’s access to Germany, its most important buyer of oil after the expropriated oil companies decided to boycott Mexican sales of expropriated oil.

The loss of the German market for Mexican oil made the United States a first buyer of Mexican oil, a situation that had not occurred since the expropriation of the oil companies in March, 1938. The effect of the blockade was dramatic. Mexican oil exports were reduced by about half; in August 1939 Mexico had exported 2,000,000 barrels, while in September it only managed to send abroad 1,067,000 barrels. None of these barrels went to Germany, which in the previous eight months had imported an average of 793,000 barrels of Mexican oil a month. The United States increased its purchases from an average of 392,000 barrels for the previous eight months, to 640,000 barrels in September. Italy, another major buyer of Mexican oil, took 266,000 barrels in September, while its average in the previous eight months had been 407,000 barrels. Moreover, in September 1939, the Scandinavian countries stopped their purchases altogether. The sales to all other countries in September totalled 99,000 barrels, and most of them were shipped to one country, Uruguay.\(^{78}\) This shake up of Mexican international trade made clear to Mexico that the option of having Germany, Italy, and Scandinavia as an alternative trade partner to the US had disappeared. This event clearly signaled to Cárdenas the need to act more vigorously in terms of reconciliation with the United States.

\(^{78}\) *New York Times*, October 6, 1939, p. 23.
By the end of the decade Mexico took definitive steps to align itself behind the United States’ war effort against Germany. Therefore, diplomatic and economic relations between Mexico and the United States improved gradually as the American involvement in the European war increased and Mexican hopes of Germany as an alternative trade partner to the United States faded away. However, the road to rapprochement was not smooth and a substantial number of the obstacles in the way had been placed there by the Cárdenas administration. Ironically, the Mexican obstruction was not the intended product of the Mexican President: Cárdenas spent most of his presidential period involved in a political struggle for power. Its resolution in Cárdenas’ favour demanded concessions from the President which were responsible for most of the trouble with the United States. It is the purpose of the next chapter to tell that story.
CHAPTER 2: DETERMINANTS AND OUTCOMES OF MEXICAN POLICY

CÁRDENAS

Lázaro Cárdenas, president of Mexico between 1934 and 1940, was a controversial political leader. Many myths and legends have been built around his personality and his government. His treatment of American enterprises operating in Mexico aroused energetic reactions. He was called a bandit by British newspapers and a communist and irresponsible by the Americans. In fact, Cárdenas, far from being a communist or a thief, or an adherent to totalitarian ideologies, was rather a "symbolic nationalist" who was ultimately guided by pragmatism.

There is little doubt that Cárdenas wanted to curtail the free hand foreign companies had been granted by Porfirio Diaz, Calles and other Mexicans, and on the basis of his rhetoric he appears to have been inspired by nationalism, socialism or some other "ism". However, a closer look at Cárdenas's actions reveals a pragmatic man and an artful politician who tried to neutralize enemies to maintain himself in power. Cárdenas was a leader who adopted a populist discourse with eruptions of extreme socialistic and nationalistic rhetoric, the product of his political accommodations and his emotional commitment to the dispossessed. He was first of all a survivor, and aware of his limitations; despite his political zigzagging and use of symbolic rhetoric, Cárdenas was a president who put aside his symbolism and ultimately led Mexico down a path of action dictated by "realpolitik."

79 *Time Magazine* (U.S.), May 23, 1938, p. 15.
Mexico's relationship with the U.S. during the Cárdenas period was not easy. The Mexican administration delivered confusing signals about its attitude toward its neighbor to the North. During this period the Mexican Foreign Ministry went through a process of professionalization and took greater responsibility for the formulation of Mexican Foreign policy. Nevertheless, Cárdenas did not allow this change to affect the formulation of the Mexican policy toward the U.S. and therefore he assumed full responsibility for the Mexican treatment of the U.S. Cárdenas' treatment of the United States up to mid-1939 was erratic and disconcerting. This was mostly the result of concessions Cárdenas was forced to make to peasants and workers whom he needed as allies to resolve the challenges to his political power.

Cárdenas was an astute politician who had made all the right political moves since the revolutionary times. At the beginning of the Mexican Revolution in 1910 he became a follower of Madero; at Madero's death Cárdenas joined the agrarians of Emiliano Zapata until the "Federales" dispersed this force and took him captive. Cárdenas did not last long in captivity. He escaped and joined an Obregón unit and then later he shifted his allegiance first to the forces of the legendary Pancho Villa and then, by March 1915, to Carranza and Calles who had become Villa's enemies. Under Calles' command Cárdenas became a General, directed military operations against Villa and the Yaqui Indians, and destroyed Zapatista forces in Michoacan and Jalisco. By the age of twenty-five, and, in large part due to his political and military abilities,

Cárdenas was promoted to brigadier general and named the provisional governor of Michoacan.

Early in 1934 the Partido Nacional Revolucionario recognized him to be the presidential candidate who could best reconcile all the factions. Cárdenas’s Six Year program\textsuperscript{82} was an illustration of his ability to balance all the interests; this program was an exercise in compromise which attempted to address all the divergent groups within the Party. Consequently, he managed to win the nomination for the presidency in the PNR and was elected President of Mexico in December, 1934. However, Cárdenas’ quest for the Presidency made him important enemies, the most notorious of whom was the ex-president of the republic, Don Plutarco Calles, popularly known as "El Jefe Maximo".\textsuperscript{83} Calles had run Mexico’s politics from behind the scenes for more than ten years. He had been the maker of Presidents of Mexico and Cárdenas had not been his preferred choice. Calles’ main objections to Cárdenas centered on Cárdenas’ Six Year Plan of reforms, which he perceived as too radical. Once elected, it was made clear to Cárdenas that he was expected to subordinate himself to the "Jefe Maximo."\textsuperscript{84}

\textsuperscript{82} The Six Year Plan was Cárdenas’ program of action for his presidential period. It established that the State was going to play a key role as a promoter and controller in the main activities of the country. This plan proposed fundamental changes in the tenancy of the land, announced that the government would act strongly against monopolies and would promote the recovery of the national resources in the hands of foreigners. For more details about this plan see: Luis González, Los Días del Presidente Cárdenas, Vol. XV de la Historia de la Revolución Mexicana, ed. Luis González (23 vols.; México D.F.: El Colegio de México, 1981), pp. 170-176.

\textsuperscript{83} The Supreme Chief.

\textsuperscript{84} Carlos Alvear Acevedo, Lázaro Cárdenas el Hombre y el Mito (Mexico D.F.: Editorial Jus, 1972), pp.117-137.
Cárdenas initially went along with Calles' tutelage, as demonstrated by the exchange which took place shortly after he had been elected. On this occasion, the newly elected President dutifully paid a visit to Calles at his sugar plantation in Sinaloa. At the time of the visit "El Jefe Maximo" was playing poker with two generals; when his aide informed him about Cárdenas' arrival he said only: "have him wait until I'm through here," and Cárdenas complied patiently. Publicly, Cárdenas deferred to Calles and when he made his first public statement on education, agriculture, and betterment of the standard of living of the Mexicans, he declared that his program would be realized in its totality according to the doctrine "for which General Calles had been fighting to make Mexico a strong and responsible country." When Cárdenas began to challenge his authority, by June, of 1935, the power struggle became public and the relationship between the two men soured. Calles made threats announcing that the government of Cárdenas was going to end the same way Ortiz Rubio's government had ended. Ortiz Rubio was the Mexican President who had preceded Cárdenas and Calles had forced him to resign. Cárdenas refused to become a puppet, however; yet, in order to stay in power, he had to defeat Calles and his old guard. Cárdenas needed allies and to gain them he had to make concessions to different sectors of Mexican society. He decided to make the peasants and workers the supporting pillars of his government.

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In order to rally them to his side, Cárdenas expropriated and distributed land to the peasants and conceded to political and economic demands from the labor movement. As the peasant and worker organizations targeted American companies and individuals, having an economic stake in Mexico, Cárdenas was forced to act against some of these American companies. This action against American interest became the key factor troubling Mexico’s relationship with the United States up to the last quarter of 1939.

LAND, CALLISMO AND THE UNITED STATES

The negotiations carried on between the US and Mexico to resolve the issue of compensation to the American landowners was a long and troublesome enterprise. These negotiations revealed Cárdenas’ willingness to find a solution, although it also showed his weakness and inability to control the process of land expropriations. A portion of these land expropriations were carried out without the knowledge or the authorization of the President. This was the work of his enemies in the ministry of agriculture who had arrived there as the result of Cárdenas’s political concessions to the Callistas.88 The American government found the attitude of the Mexican government annoying and inconsistent, but it did not react according to the demands of those who accused the American government of letting the Mexicans get away with too much. Still, Cárdenas became the first Mexican president to agree to a program

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88 The "Callistas were the followers of Plutarco Calles also called the "Jefe Maximo". Calles had, as a President or as a political leader behind the scene, run Mexican politics from the 1920’s to 1934.
of payments for the land expropriated from American landowners, which had been a source of dispute and bad feelings since the Mexican Revolution.

Cárdenas’ policy of expropriating land from the rich and distributing it to the poor earned him a reputation as a good-hearted philanthropist. Cárdenas was a President who demonstrated a strong emotional concern for the fate of dispossessed Mexicans. He was known for his trips all over Mexico in which he got a first-hand impression of the Mexican peoples’ problems. Cárdenas would work late into the night receiving hundreds and hundreds of peasants who would personally present their problems to the President. He had also ordered the national telegraph office to make available the lines on a daily basis for one hour to any Mexican who would want to express a complaint or opinion to the president. His emotional linkage with the long-oppressed masses of Mexico was frequently stated in his political speeches and demonstrated by the journeys he made to observe conditions among the people.

However, Cárdenas also acted in the world of real politics to attract social sectors and consolidate his position of authority. He worked accordingly to unify the peasants in one effective political and military force behind his government. The Confederación de Campesinos Mexicanos [CCM] (Mexican Peasant Confederation) had been organized in 1933 to support Cárdenas’ candidacy, and since July 1935, Cárdenas had been pressing the Executive Committee of the Partido Nacional Revolucionario [PNR] (National Revolutionary Party) to recognize the need to unify

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90 The National Revolutionary Party [PNR]. Organized by Plutarco Calles in early 1929. From this point it became the official political party of Mexico. This party controlled all national elections and run the central government.
all the peasant organizations under the control of the PNR. The Executive Committee of the PNR complied with Cárdenas’ scheme and the Mexican peasants were organized into a single national organization, which in 1938 took the name of Confederación Nacional de Campesinos [CNC] (National Peasant Confederation). This organization claimed to represent 3 million peasants.91 Cárdenas armed 100,000 of these peasants and they constituted a militia under the control of the ministry of defense. This force provided Cárdenas with substantial political-military support to check attempts to overthrow his government.

The pragmatism and political shrewdness of Cárdenas was revealed in this scheme to gather the political support of the peasants, because at the same time that he was creating a powerful peasant organization he was also careful in preventing excessive concentration of power beyond his control. Thus, he kept the new peasant organized forces separate from organized labor.92 Mexican historian Arnaldo Cordova writes, "Cárdenas was afraid that an alliance between the peasants and workers would reduce his capacity of control over these labor organizations"93

To consolidate the support of the peasants, Cárdenas went ahead with the land expropriations, even as the US tried to obtain compensation payments for the American-owned land Mexico had expropriated between 1917 and 1927. Negotiations between the US and Mexico over indemnity payments took place in Mexico City in April 1935, but after four months of talks, the American negotiators left empty-handed. In 1936, the Cárdenas government intensified the pace of the expropriation of property

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91 James D. Cockcroft, Mexico, p. 134.
92 James D. Cockcroft, Mexico, p. 134.
owned by Americans. American property owners and the US government started insistent diplomatic action; however this initiative proved to be fruitless. US Ambassador Josephus Daniels met Cárdenas and his Secretary of External Relations on October 7th and December 15th, 1936. In these meetings Daniels argued that the American owners of agricultural property in Mexico had been in the country for two generations and had made a substantial contribution to Mexican agriculture, by opening new lands for cultivation, building canals, and organizing pueblos. Cárdenas responded to Daniels that, in his opinion, Americans owning land in Mexico had obtained enough profits to be compensated for their initial investment. Cárdenas also pointed out that the government of Mexico had social and economic priorities that could not afford to wait until the country had enough money to pay for the land expropriated from Americans. The bottom line, however, was that the Cárdenas government had made economic and political commitments to the Mexican peasants which, as President Cárdenas himself stated in his report to the Mexican Congress on September 1st, 1938, were "urgent and vital to obtain social and economic stability in Mexico." 94

In order to achieve internal social peace Cárdenas was forced to take steps that adversely affected American landowners in Mexico; as a consequence, Mexican relations with the United States suffered.

The example of the expropriation of the Yaqui Valley 95 illustrates how requirements of internal political stability, not anti-imperialist schemes, made Cárdenas carry out this expropriation. It also reveals the desire of Cárdenas to cooperate and

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95 For a detailed account of the expropriation of American landowners in the Yaqui Valley see: E. David Cronon, Josephus Daniels in Mexico, pp. 130-153.
establish procedures for negotiation. This case also shows the obstructive hand of Mexican bureaucrats and Callistas in the Ministry of Agriculture who, up to 1936, were led by Tomas Garrido Canabal, an ardent Callista. Finally, the case of the Yaqui Valley reveals the contrast between the angry reaction from several American sectors caused by Mexico's attitude and the passivity of the State Department.

On January 24, 1938 Josephus Daniels, the ambassador in Mexico, sent a message to Cordell Hull explaining that the breaking of Mexican commitments to provide free irrigation to American landowners in the Yaqui Valley was creating trouble. The American landowners had renounced their right to 300 hectares of unirrigated land to receive 100 hectares of irrigated land. However, the Mexican authorities in the Yaqui Valley had denied the free irrigation and yet held the American landowners to an entitlement of 100 hectares of land as "small properties." \(^96\) Daniels also informed Hull that Ramón Beteta Quintana the Mexican Under Secretary of State was going to bring this matter to Cárdenas' attention. \(^97\) For five months the situation in the Yaqui Valley rested unresolved, until on June 4, 1938 the US Secretary of the State received a dispatch from the American Vice Consul at Guaymas. The Vice-Consul's note informed Hull that Americans whose properties were provisionally affected by the agrarian petition of Campo Yaqui in the Yaqui Valley had received written notice that their properties would be definitely expropriated on Sunday June 5th. \(^98\) The same day

\(^96\) Small Properties. Articles 51 of the Mexican Agrarian Code provided the 150 hectares of irrigated land or 300 hectares of seasonal land were to be inaffectable or reserved to owners whose lands were to be expropriated.


Pierre Boal, the American Charge d’Affaires in Mexico, had an audience with the Mexican Foreign Secretary Eduardo Hay, in which Boal pointed out to Hay that the Mexican government was treating the situation in the Yaqui Valley as a fait accompli even though Francisco Najera, the Mexican ambassador to the US, had just taken new propositions in relation to the Yaqui Valley to Washington and these were still under negotiation. Hay responded that he would take action to hold up the expropriation in question.99

On June 6, 1938 Boal sent a telegram to the US Secretary of State in which he stated that Hay had told him that no one in the Mexican Agrarian Department knew of any plan to make the Yaqui expropriations definitive. Hay had also informed Boal that he had brought this matter to the attention of Ramón Beteta Quintana, the Under-Secretary of Foreign Affairs, who was credited with having great personal influence with President Cárdenas.100 The head of the agrarian department, Gabino Vasquez, had also been contacted by Hay and this official stated that he was unaware of anything definitive in the Yaqui Valley.101 On June 30 1938, Lawrence Duggan, the Chief of the Secretary of State Division of the American Republics, had a meeting with John D. Stocker, chief representative of the American landowners in the Yaqui Valley to go over the situation in the valley. In the memorandum about this meeting Duggan wrote:

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99 Ibid. p.666.
Mr. Stocker had cleared a misconception I had entertained based upon the reports from both Mr. Yepis and the Embassy Mexico City. I had understood not only that the lands had not been definitely expropriated but that they were still being worked by their American owners. Mr. Stocker informed me that the situation is as follows. The irrigated lands belonging to the American citizens, with the exception of the pequeñas propiedades,\textsuperscript{102} have been turned over to the former workmen who have constituted themselves into ejidos.\textsuperscript{103}

At first instance this account might give the impression that the Mexican authorities were embarked in a concerted effort to deceive the US State Department. That was not the case, however; Cárdenas had little room for maneuvering and was not able to clear up the confusion. The Yaqui Indians had maintained a tradition of fighting for their land against any central government in Mexico. They had fought for centuries against the incursion of outsiders. Cárdenas himself had been one of their enemies when in 1915-1916 he had led troops against them. Therefore, it was imperative for Cárdenas, in spite of souring the relationship with the Americans, to go ahead with the expropriation of American landowners in order to satisfy the demands of the Yaquis and thus save his administration from a potentially dangerous enemy.

Added to Cárdenas' difficulties were the activities of two groups that attempted to destabilize his administration. First, there were the Callistas still in public office, who had been or were in the process of being expropriated themselves. Second, a group of anti-American Mexican officials, who interpreted the soft American treatment of Mexico as something momentary, were disposed to take full advantage of the

\textsuperscript{102} Small Properties.
situation. One of these latter officials was Under-Secretary of State Ramón Beteta Quintana, who, in spite of being married to an American woman, was known to have a strong antipathy to the United States. Beteta had demonstrated this antipathy in October 1937 as he addressed United States consuls, members of the embassy staff, and officials of the Department of the State in Mexico City. In this meeting, he referred to the Mexican governmental policy of American-owned land expropriation as a reconquest of "Mexico Para Los Mexicanos" and declared explicitly that no further payment for the seized lands should be expected. The obstructionist maneuvering of the Callistas and the hard core anti-American functionaries, plus the pressures unfettered by Cárdenas himself to grant land in order to maintain social peace and keep the peasants on the side of the government, created anger and confusion among leading American circles. They thought this was a concerted plan to injure American interests. However, Cárdenas had not devised a plan purposely to deceive the American officials. The contradictory messages from Mexico originated in the needs of the Mexican president, who was not firmly in control of either his government or his agricultural program, to make concessions to Mexican interests.

The official treatment of American property-owners in Mexico caused substantial discomfort in the U.S. and congressional leaders aired their disapproval.

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104 *New York Times* reporter Frank K. Kluckhohn, a veteran journalist familiar with Mexican politics, had suggested that President Cárdenas and his Secretary of Foreign Affairs could be trusted, but that secondary officials in key positions were a problem because they were interpreting the "hands off" policy of the US as a happy interlude: as he put it, their disposition was to make hay while the sun shone. *The New York Times*, July 4, 1937, IV, 6:8. Frank K. Kluckhohn, *The Mexican Challenge*. Also Josephus Daniels, *Shirt Sleeve Diplomat*.

Representatives like Everett M. Dirksen of Illinois\textsuperscript{106}, Charles A. Plumley of Vermont, John J. Boylan of New York, John P. Higgins and George H. Tinkham of Massachusetts\textsuperscript{107}, and Hamilton Fish of New York\textsuperscript{108} among others, believed Mexico was taking advantage of American generosity. Energetic action against Mexico was demanded and, on occasion, this discontent was expressed in insulting and extremely rude terms, as evidenced by the editorial of the \textit{Burlington Daily News} which Representative Charles A. Plumley added to his remarks in the House of Representatives. The editorial in question declared:

Mexico needs a lesson in discipline. Firmly diplomatic, if possible; martial if not. The United States must protect her interest in Mexico. If it cannot be done through ambassadorial channels (and apparently this is too much to hope for), then we must go there and do it. We are dealing with a country without honor, without ethics—a country which harbors a majority of vicious, sulky, treacherous people who will never comprehend other than drastic treatment. "Teddy" had the right idea: "Own or control that territory" "America, curb Mexico -now."\textsuperscript{109}


In contrast, the response of the US State Department was expressed by Secretary Hull in a Press Conference in March 30, 1938, where he said: "This government has not undertaken and does not undertake to question the right of the Government of Mexico in the exercise of its sovereign power to expropriate properties within its jurisdiction."\[^{110}\] Questioned about the compensation aspect of the expropriations he stated: "It is my very earnest hope that because of the very friendly relations existing between the two Governments a fair and equitable solution of this problem may soon be found by the Mexican Government."\[^{111}\]

Mexico was not curbed and the muddled situation around the expropriation of American land continued to be a source of trouble. In an attempt to promote negotiations, Josephus Daniels, the US Ambassador to Mexico, met President Cárdenas on October 26, 1938. At this meeting, Daniels indicated to the President that the Diario Oficial of Mexico had been publishing lists of expropriated land affecting Americans since September, and, as negotiations were ongoing, this kind of procedure could bring difficulties to the talks taking place in Washington. Moreover, some of the expropriations being published had already been made effective the previous year. The President was surprised and responded: "I will instruct the Minister to cease publication of any further agrarian cases affecting American citizens until after negotiations in Washington have terminated."\[^{112}\]

Daniels also expressed the hope that the Mexican government would stop further expropriations while the negotiations were taking place, and Cárdenas responded: "I

\[^{111}\] Ibid., p.662.
will give immediate instructions to the Agrarian authorities to cease any further expropriation of American lands while negotiations are in progress. Cárdenas sounded surprised and confused and, in spite of his promises the expropriation of private land became more frequent. His agrarian program had unleashed expectations which it could not satisfy without suffering a destabilizing counteraction from the peasants. Thus, Cárdenas became aware of his limitations, and took action to stop the taking of land which was occurring beyond his control. He issued Order 19.650 which compelled all state governors to dictate: "All the measures needed to avoid acts as the ones that have been taking place in different areas of the country, in which different elements have taken possession of lands without the intervention of the competent authority."

Nevertheless, enormous pressure continued to be exercised on Cárdenas to satisfy the expectations he had created. In order to maintain social peace Cárdenas was being forced to balance the concessions he had to grant in order to keep the loyalty of his supporters with the reaction that these measures produced. The beleaguered position of President Cárdenas was registered in the developments involved in the expropriations of the United Sugar Company properties in Los Mochis, Sinaloa. In September 27, 1938, as a result of labor agitation, Cárdenas announced the expropriation of the United Sugar Company lands. The terms of the expropriation were not accepted by the workers who argued that the company was getting the "lion’s

\[113\] Ibid., p. 173.

share" of the land and goods.\textsuperscript{115} Cárdenas’ response to the demands of the workers was an explanation that any other kind of a deal would result in enormous external pressures and that Mexico could not afford to continue on that path of action.\textsuperscript{116}

The concerns of the Cárdenas government with the peasant agitation was reflected in the appointment of a Senate Commission to investigate the bloody events in the State of Hidalgo where 102 people had lost their lives in June 1938. Once the investigation concluded, the Senate as a block proposed to the Secretary of defence the immediate disarmament of all the peasants in the State of Hidalgo.\textsuperscript{117}

The difficult situation in which Cárdenas found himself, the result of unrestrained peasant-labor agitation which not only affected Americans, was illustrated by the land expropriation of the Cusi family in Michoacan. Cárdenas called the Cusi’s to the National Palace and apologetically informed them of the impending expropriation of their land. In his memoirs, Ezio Cusi recalled Cárdenas’ apology as follows:

I am very sorry, sirs, to inform you that I am forced to expropriate your farms and give your land to the peasants ... I recognize that you have been good farmers ... But everybody’s attention is focused on your extensive properties and people wonder why they haven’t been affected as all the others in the country. In order not to leave you in a bad economic condition, the cooperatives that are going to be formed ... will buy the buildings of the farms, all the machinery, windmills, tools, all the cattle, horses and mules ... in short, everything...\textsuperscript{118}

\textsuperscript{115} Luis González, Los Días del Presidente Cárdenas, p. 206.
\textsuperscript{116} Ibid., p. 207.
\textsuperscript{117} El Universal (México City), June 27, 1938.
\textsuperscript{118} Luis Gonzáles, Los Días del Presidente Cárdenas, p. 209.
Cárdenas' apology leaves no doubt that he was forced to carry out expropriations which were not his preferred course of action.

In spite of the apologies, the land expropriations proceeded and the American landowners continued to be affected, as Cárdenas sought to neutralize the enemies of his government. Moreover, his allies were not the only ones who profited from the granting of land. The rebellion of San Luis Potosí against the Cárdenas government, led by General Saturnino Cedillo, Cárdenas' former Minister of Agriculture, in May 1938, was neutralized by providing the rebels with tracts of land. Federal troops were still in pursuit of the rebel General when Cárdenas announced the immediate distribution of 390,000 acres in sixty-six communities of the rebellious State; another distribution of land would be carried out in 319 more communities. Among the recipients of land were many of Cedillo's supporters who had taken arms against Cárdenas.119

The insistent demands of the American landowners on the American government to defend their interests produced a public diplomatic note in July 21, 1938 from Secretary of State Cordell Hull to Francisco Nájera, the Mexican ambassador in the US. In this message, which engaged extensively in a discussion about the legality of Mexican land expropriations, Hull asked for arbitration on the Mexican land seizures, and that those procedures should be carried out according to the provisions of the General Treaty of Arbitration which both countries had signed in Washington in January, 1929. Cárdenas found himself in a dilemma because he had to choose

between a continuation of the land seizures, which would keep peasants satisfied, and a course of moderation that would appease the US.

High Mexican officials were divided over the tone of the response the Mexican government should give to the American note. Ramón Beteta, Under Secretary of Foreign Affairs, and General Francisco Mujica, Secretary of Communications, advocated defiance, while another group which included Manuel Avila Camacho, the Secretary of War, proposed a friendly response. The split between moderates and radicals over the land issue was also taking place within the official Party of the Mexican Revolution, [PRM]120. On July 23, 1938, radical labor leader Vicente Lombardo Toledano, supported by the President of the party, Luis I. Rodríguez, had managed to expel General Ramón F. Iturbe and Colonel Bolívar Sierra, who represented important elements in the Army, from the PMR. The level of confrontation between these two groups was such that in a Congressional session scheduled to discuss the expulsion of the two military men revolvers were drawn, forcing the government to suspend the sitting121.

Cárdenas realized that his strategy of maintaining himself between the radicals and moderates was eroding his position of power. He finally opted for a course of moderation, understanding that the peasant sector and its non-ceasing demands for land had become in itself a factor destabilizing his government.

In a meeting with Josephus Daniels in October 1938, Mexico agreed to pay for the expropriated land previously owned by Americans, and made it official on

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120 The Party of the Mexican Revolution [PRM]. Its constitutional congress was held on March 30, 1938. This new party structure was created by Cárdenas and aimed to institutionalize a broader support base.

November 12, 1938. The first payment of a $1,000,000 of a total debt of $10,000,000 was made on May 31, 1939. The expropriations of land owned by Americans in Mexico did not stop altogether after the agreement of November 12. Nevertheless, expropriations affecting American citizens were gradually phased out.122

However, the peasants did not only want land, many wanted religious freedom and the resolution of religious issues became another stage on which the dynamics of internal politics took priority over the relationship with the United States.

CARDENAS, RELIGIÓN, AND THE US

President Cárdenas’ handling of religious affairs was also a source of trouble with the US. Cárdenas declared that his attack on the church aimed to curtail foreign ideological interference and, therefore, that it represented an assertion of independence.123 To the contrary, Cárdenas’ treatment of the church reflected only his political pragmatism. Initially, he allowed attacks on the church, so long as it provided him political gains. Then he shifted quickly into a friendly policy toward the church once he realized this change could be an effective weapon against his political

122 In November 24, 1938, the Mexican government ordered the seizure 2,014,000 acres belonging to the Titania and Mercedes companies which were subsidiaries of the Standard Oil Company of New Jersey, although this expropriation was directly linked to the oil companies expropriation rather than peasants issues. In November 30, 1938, 7,230 acres were expropriated from an American widow Mrs. Lettie W. Weller. There is some evidence which indicates that this seizure of land had been decided before the agreement between Mexico and the US had been achieved.

enemies in Mexico. His friendly approach toward the church also sent a goodwill sign to the US, but it is important to recognize that improving relations with the US was not Cárdenas’ major reason for the change of policy.

Churches, particularly the Catholic church, were centers of political influence during the presidential period of Lázaro Cárdenas. Consequently, religion became another battleground in the internal dispute for political power. During the first years of Cárdenas’ presidency the political stability of the government depended greatly on the political support of the Callistas, and because of this dependency Cárdenas did not act to curb their fanatical anti-religious feelings. Indeed, Cárdenas adopted a rabid anti-clerical position which tarnished Mexico’s relationship with the US. However, once Cárdenas’ alliance with Callismo soured, he saw the Catholic church and believers in general as potential allies in his maneuvers to isolate politically the Callistas. Cárdenas commenced a rapprochement with the Catholic Church which, as a by-product, produced a better diplomatic environment with the US. Cárdenas’ friendlier attitude toward the church delivered him benefits he did not intended to obtain. His softer hand on religious issues was acknowledged as a good sign by the American public in general, the American government and diplomatic circles, and, in particular by the US Ambassador in Mexico, Josephus Daniels, who was a devoted believer.

Early in his presidential term Cárdenas expressed his unhappiness with the activities of religious organizations in Mexico. He showed himself to be as anti-religious as the "Jefe Maximo." In August 1934 Cárdenas wrote in his diary that the Catholic priests and any other minister of "the other religious sects" should be considered foreigners, "pernicious foreigners, because they are an obstacle to the progress of the
people." Later, he allowed the American Bible Society to distribute sections of the Bible among his soldiers and in Chiapas he left the incorporation of the Chiapan Indians into Mexican society in the hands of religious Americans. Nevertheless, in the fall of 1934 Cárdenas abolished religious education. He began 1935 by stating the urgent need to rescue Mexico from the blind oppression of the clergy; clearly, he considered the Church a political enemy.

The Church was not only an enemy corrupting the mind of the Mexicans, but also a competitor for political power. In March 1935 Cárdenas recorded in his notes that he had received reports, which he did not doubt, implicating Mexican general Saturnino Cedillo, the American oil company El Aguila, and Mexican Archbishop Leopoldo Ruiz in a plot to overthrow his government. Consequently, the government of Cárdenas acted vigorously against any religious expression. Nacho García Tellez, his Education Minister, promised that he was not going to leave anything but secular beliefs in the minds of Mexican students. The government controlled radio and newspaper were systematic in their denigration of the Church and its followers.

Cárdenas also included in his cabinet the notorious anti-religion "crusader" Tomás Garrido Canabal as his Agriculture Minister. Garrido Canabal was an ardent

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125 William C. Townsend, Lázaro Cárdenas Mexican Democrat, p. 348.
126 Cárdenas approved and provided aid to the Indian Linguistic Group, which was an organization, conceived, and led by the American priest Cameron Townsend. Townsend was a protestant missionary who headed a group of young Americans whose job was to teach Spanish and religious education to Indians from the state of Chiapas. Josephus Daniels, Shirt-Sleeve Diplomat, pp. 75; 167-171.
127 El Nacional (México City) January 3, 1935.
128 Lázaro Cárdenas, Obras I-Apuntes 1913-1940, p. 316.
129 Luis González, Los Días del Presidente Cárdenas, p.22.
Callista and a hard core anti-religion man. He was known by his strident statements such as: "All the religions are absurd and the Catholic is even tyrannic and opprobrious."\textsuperscript{130} He liked to make a mockery of religion and during the first cattle exposition of the new regime he exhibited a bull imported from the US that he called "The Bishop", and an enormous donkey whom he "baptized" as "The Pope".\textsuperscript{131} Garrido Canabal made a tradition of The Bishop and The Pope, exhibiting them at agricultural expositions throughout the country. But not everything was hilarious about Tomás Garrido. He organized about five hundred thugs, known as \textit{The Camisas Rojas}, who dressed in red shirts and black pants and terrorized religious believers throughout the country. This group was responsible for the burning and vandalism of many churches, and on occasion their incursions ended in the killings of believers, as happened in Coyoacan on December 30th, 1934, when twelve Catholics were shot dead.\textsuperscript{132}

Such systematic religious persecution continued unrestrained by the government. Consequently, this sort of unpunished abuse generated a violent reaction among the religious sectors, who organized themselves and presented armed resistance. By the end of 1935, Cárdenas' religious policy was being opposed by about eight thousand rebels who were operating in fifteen states, and the possibility of another religious uprising like "The Cristero Rebellion"\textsuperscript{133} was a real threat to the government.

\textsuperscript{130} Ibid., p.22
Roosevelt came under strong pressure to take a firm position against Mexico. Many ecclesiastical and political leaders, including senators and congressmen, had expressed their displeasure with the treatment of religion in Mexico\textsuperscript{134}. In June 1935 Dr. Charles S. McFarland, Secretary General Emeritus of the Federal Council of the Churches of Christ in America, published a volume in New York entitled \textit{Chaos in Mexico} in which he stated that the Mexican persecution was not only against the Catholic Church, but "upon the idea of God and religion as such."\textsuperscript{135} In the first half of 1935 Senator William E. Borah asked for a Senate investigation of Mexico's violations of religious rights, and on August 1935, Congressman John J. Boylan protested Mexico's refusal to grant a visitor's permit to Reverend Howard W. Diller on the grounds that he was a Protestant clergyman.\textsuperscript{136} Congressmen introduced fifteen resolutions demanding a response to Mexico's behaviour on religious matters.\textsuperscript{137}


Josephus Daniels himself protested to the Mexican government, and Clement Kelley, the Bishop of California, voiced his discontent in his book *Blood Drenched Altars*. The Knights of Colombus had constantly pressed Cordell Hull to break relations with Mexico, and the *New York Times* accused "the men that have the control of the government in Mexico as having as a goal the end and destruction of all religious freedoms".\(^{138}\)

Roosevelt did not budge and Secretary Hull worked hard against the approval of the Borah resolution, which consequently was not passed in the Senate. The many congressional resolutions demanding action on the part of the US government went nowhere. Roosevelt refrained from intervention because that would have tarnished the growing mood for cooperation with the US that Hull’s non interventionist reciprocal trade approach had nurtured in Latin America. Also, the American Catholics were divided, which diminished the possibility of the Roosevelt administration losing their support because of its passive policy toward Mexico. In effect, Father John J. Burke, head of the National Catholic Conference, and George Cardinal Mundelein, Catholic leader of Chicago, supported the President on his policy of non-intervention.\(^{139}\)

American criticism did not make Cárdenas change his attitude towards the church either. Rather, he sought a reconciliation with the church in order to gain allies in his political battle against the forces of the *Jefe Maximo*, whom Cárdenas had by then expelled from the country. The degree of confrontation between adherents of

\(^{138}\) Alfonso Taracena, *La Revolución Desvirtuada*, p. 75.

Cardenismo and of Callismo had gradually increased in intensity, giving rise to violent clashes, such as the shooting that took place between Cardenistas and Callistas representatives in the *Camara de Diputados* in September 1935. The aftermath of this armed clash—during which more than five hundred shots were fired—was the death of two representatives and gunshot wounds suffered by three others. In December the Mexican police found numerous machine guns, rifles and ammunition in the house of Luis Morones, a fervent Callista and important labor leader.140

As the challenge against his political leadership became more threatening Cárdenas needed to replace the allies he had lost. The church was an ideal potential candidate since the Callistas had alienated the church completely. Consequently, Cárdenas inaugurated the year 1936 by making statements which were aimed at placating the hostility his own policies had generated among the religious sectors. He declared publicly in Tamaulipas that "It is not the attribute of the government and it is not within its purposes to fight the beliefs of any religion."141 In Guadalajara he stated that "It is not up to the government to promote anti-religious campaigns,"142 and then he reassured a group of teachers by saying: "from now on any anti-religious propaganda in the schools should not exist."143 In September 1936, the churches were opened in Guadalajara and Jalisco, and the opening of churches became fashionable throughout the country. The law on religious affairs was changed in order

142 Ibid. p.62.
to moderate the restriction on the number of priests allowed per state. Accordingly, in the state of Nayarit a law was promulgated to allow twenty priests in the state, compared to the one allowed under the previous law. A similar law was put in place in the state of Queretaro, where one priest was allocated for each municipal jurisdiction.\textsuperscript{144}

If Cárdenas had any intentions to curtail foreign ideological interference and assert Mexican independence they were overridden by his pragmatism. Cárdenas put aside his anti-clericalism in order to gain the favour of the church and removed that sworn enemy of the church, Tomas Garrido Canabal, from his post of Minister of Agriculture. Cárdenas' choice to replace Garrido, Saturnino Cedillo, offers another illustration of his political shrewdness. Cedillo was another enemy of the Cárdenas government; he was actively involved in anti-Cárdenas activities (in collusion with the Church). Cárdenas had written in his diary in March 15 1935 that in the case of Cedillo insisting on a subversive path he would bring him into his cabinet\textsuperscript{145} Cedillo's inclusion in the cabinet accomplished two things: it sent a friendly message to the church and, for the time being, neutralized Cedillo's seditious acts. Cedillo, eventually, revolted against Cárdenas and was killed in 1939.

The measures taken by Cárdenas accomplished his original objective which was to attract to his camp the political support of the Church. Cárdenas' religious liberalization produced the collapse of the armed religious groups fighting against his government, as corroborated by historian Jean Meyer who concluded that "the change

of government policy during the spring of 1936 obtained the goal which the weapons had not been able to do." 146 As for improving diplomatic relations with the United States, although it was not Cárdenas' driving motive, his change of direction in relation to religious issues had a positive effect in the United States. It neutralized the increasing American congressional opposition to his treatment of the Church, 147 and therefore released some of the pressure on Roosevelt to act against Mexico. It also made him American friends in Mexico, as Cárdenas gained the appreciation of Josephus Daniels, who later acted on his behalf to "cushion" harsh American State Department reactions to measures, demanded by Mexican labor, taken by his government against American interests. Mexican Labor policy, and the implications of this policy with respect to the United States lead us into the central theme of study of the next section.

CARDENAS' LABOR POLICY AND ITS REPERCUSSIONS IN THE US.

Cárdenas' relationship with organized labor and its repercussions in the US has been a prolific terrain for the creation of myths about Cárdenas' motivations and political personality. His alliance with Mexican workers and responsibility for the tremendous increase of labor agitation against foreign companies in Mexico has been identified by historians Tzvi Medin and Anatol Shulgovsky as the product of Cárdenas'  

147 Luis González, Los Días del Presidente Cárdenas, p. 82.  
anti-imperialism. Eduardo Correa describes Cárdenas as an agitator, a demagogue, and outright communist. Jorge Basurto and Jesus Silva Herzog have stated that Cárdenas and the *Poder Sindical* in partnership made the most positive and deepest transformation in the history of contemporary Mexico. While Arturo Anguiano and James D. Cockroft agree that Cárdenas manipulated the workers to reform and make stronger the capitalist-business structure of Mexico, without changing the essence of the system, and without benefiting the workers much. Frank Tannenbaum has said that under Cárdenas "the trade union became an instrument for the reduction of power of private industry." In this same line of thought Joe C. Ashby has stated that: "the labor movement, through trade union organization, exercised considerable power in the state; therefore, it became one of the principal agents in its march to a more significant position in the evolution of Mexican economic

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148 Tzvi Medin, in *Ideología y Praxis Política de Lázaro Cárdenas* argues that Cárdenas was anti-imperialist by principle, and that his Panamericanism was Latinamericanism striking back. Anatol Shulgovsky, in *México en la Encrucijada de su Historia*, depicts Cárdenas as the leader of an anti-imperialist movement which went beyond the limits of a capitalist regime, and created the base to push for more radical transformations. He also emphasizes the ideological impact of socialism on Cárdenas and his followers.


150 *Poder Sindical*. Unions’ power, it refers to the leverage and actual capacity of organized worker’s to influence the economic, social and political development of a given country


and social life." I will argue that Cárdenas' labor policy was very far from being motivated by some cohesive political or economic ideological definition to fight imperialism or build either capitalism or socialism. It mostly involved the creation of a unified worker's movement under Cárdenas' tutelage to neutralize his political enemies and insure his position of power. The "empowerment" of the workers eventually backfired, and for some time Cárdenas lost control over organized labor. Free of Cárdenas' reign, labor agitation and actions created friction with American companies and the U.S. government. Ultimately, Cárdenas was able to regain control and return the labor movement to its original role.

Cárdenas' labor policy had as a first objective the organization of industrial workers into one powerful union aligned behind his government. This task required the neutralization of the Callista influence among organized workers. The political concessions Cárdenas made to the workers to win their support away from Callismo unleashed a wave of political agitation which developed its own dynamic; running out of official control, it turned into a force that destabilized his government. Labor agitation against foreign ownership of the Mexican industry and the consequent nationalization of the American oil companies made the relationship with the government of the United States difficult. Cárdenas' association with leaders of the workers, who professed sympathy for communist ideas, made American officials suspicious and did not facilitate the building of trust between the two countries. However, rather than the American government, it was the American oil companies that stridently called for action against Mexico. These companies did not understand

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the domestic and international politics affecting the two countries. Their ignorance, therefore, led them to assume an arrogant attitude lacking in intelligence and political shrewdness. When Cárdenas eventually changed his tone toward labor, it was not in response to pressure from either the US government or the US oil companies. Rather, his decision was influenced by domestic Mexican politics. Cárdenas gradually realized the seriousness of the economic and political destabilizing effect of "uncontrolled labor," whose continuance his government could not afford. Therefore, he applied a brake on the workers' excesses and moderated his course in time to enter a path of moderation which set the pace of reconciliation between Mexico and the United States.

During the early 1930s the organized labor movement in Mexico was going through a turbulent period. The reformist leadership of Don Luis Napoleon Morones in the Confederación Regional Obrera Mexicana [CROM] (Mexican Workers Regional Confederation) was being challenged by younger, radical leaders who, in the congress of the CROM of March 1933, managed to split this worker's organization. In December 1933, the unions which had left the CROM under the leadership of Vicente Lombardo Toledano created the Confederación General de Obreros y Campesinos de Mexico (General Confederation of Workers and Peasants of Mexico) or CGOCM. The purposes of the CGOCM was to organize all the workers of Mexico and develop the workers "class consciousness". This labor organization defined itself as anti-capitalist and anti-imperialist. For a detailed analysis of Mexican organized labor see: Arturo Anguiano, El Estado y la Política Obrera del Cardenismo. Joe C. Ashby, Organized Labor and the Mexican Revolution Under Lázaro Cárdenas.

155 After 1928 the CROM went through an internal power struggle, and therefore it lost much of its strength. Vicente Lombardo Toledano, who represented a "radical" wing within the CROM, was one of those labor leaders trying to gain control of this labor organization. Once Toledano failed his quest for the secretary general of the CROM he split away and organized a number of labor unions into the Confederacion General de Obreros y Campesinos de Mexico (General Confederation of Workers and Peasants of Mexico) or CGOCM. The purposes of the CGOCM was to organize all the workers of Mexico and develop the workers "class consciousness". This labor organization defined itself as anti-capitalist and anti-imperialist. For a detailed analysis of Mexican organized labor see: Arturo Anguiano, El Estado y la Política Obrera del Cardenismo. Joe C. Ashby, Organized Labor and the Mexican Revolution Under Lázaro Cárdenas.
México CGOCM (General Confederation of Workers and Peasants of Mexico). By June 1935 the CGOCM was still competing with the CROM for the leadership of organized workers. Plutarco Calles himself was taking part. He advocated restraining the power of labor and launched an offensive against the unions which, in his view, were abusing their right to strike. On June 12, 1935 Calles made a public statement denouncing the "extemporary and unjustifiable character of the workers' strikes" a statement that created widespread discontent among industrial workers.

Cárdenas seized the opportunity to build a wedge between Calles and the organized workers. However, Cárdenas was still ambiguous about throwing his support behind Lombardo Toledano since this labor leader had stated that his workers would not support "the Jacobinism and the false socialism of Cárdenas," and had also made public his sympathies for communism. Nevertheless the Callistas posed a bigger threat and this convinced Cárdenas to facilitate the way for Toledano to become the head of the new official workers' union, the Confederación de Trabajadores Mexicanos [CTM] (Mexican Worker's Confederation). In February 1936 Toledano became head of the CTM, which claimed a membership of 750,000 workers of the total of 2,000,000 industrial workers in Mexico.

Cárdenas was ambivalent in his support of Toledano, and was equally ambivalent about supporting the workers' right to strike. On May 18, 1936 the railway workers,

157 Fernando Benítez, Lázaro Cárdenas y La Revolución Mexicana, Vol.: III, El Cardenismo, p. 22.
supported by the CTM, declared a strike against the railway companies. The Cárdenas
government, through the Federal Junta of Conciliation and Arbitration, declared the
strike illegal and sent the workers back to work. Cárdenas acted this way because of
the active influence of Calles' supporters in the Mexican political arena and the
pressures from the moderate sectors within the PNR, led by Emilio Portes Gil, the
President of the Party, who disagreed with the course of labor agitation pursued by the
CTM.

A second serious challenge from Toledano’s union came with the strike of
electrical workers against foreign electrical companies in the states of Guerrero,
Hidalgo, Puebla, and Michoacan on July 16, 1936. By this time, Cárdenas and his
minister of labor, Genaro Vasques, had already made public (on February 11, 1936) the
famous Fourteen Points platform which had defined the government’s position with
respect to industry, labor, and worker-employer relations. This platform sent
workers a clear message—they had become political allies necessary to insure the
stability of the Cárdenas government. Accordingly, the government of Cárdenas did not
exercise the mandatory arbitration law on the electrical workers, weakening the
position of the companies that signed an agreement satisfying most of the workers’
demands on the 25th of July, 1936.

This green light given by Cárdenas to the unions stoked labor unrest throughout
the country, which involved innumerable labor conflicts and economic demands from
more than 3000 unions. The workers’ unions, sensing Cárdenas’ soft approach

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160 For a more detailed explanation of The Fourteen Points platform see: Joe
Ashby, Organized Labor and the Mexican Revolution Under Lázaro Cárdenas, pp. 34-
37.

161 Luis González, Los Días del Presidente Cárdenas, p. 29.
towards labor, seized the opportunity and pressed harder to improve their economic situation, and an epidemic of strikes broke out. The frequency of strikes rose from an average of 16.4 strikes per month in 1934 to 55.5 per month in 1936, which was the year with the highest number of strikes during the Cárdenas' period. The level of agitation ranged from demands like the one made by the workers of the Aguila Petroleum Company, for payment of overtime work performed between 1906 and 1933, to general strikes. The government of Cárdenas satisfied many of the workers' demands. Industry owners were forced to pay for holidays and a minimum wage was established for unskilled workers and, in different industrial sectors, regionally and nationally the workers were able to establish unique collective contracts. The process of phasing Morones out and gaining the support of organized labor called for the granting of rights and benefits to workers, including Cárdenas' decision to grant government bureaucrats the same rights enjoyed by union workers. The political gain of this measure was the massive alignment of government workers with the government, as evidenced by the thousands of government workers demonstrating in the streets of Mexico, Guadalajara, and Monterrey to express their thanks to the President on July 11, 1937. Cárdenas was successful and able to defeat the

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163 Joe C. Ashby, Organized Labor and the Mexican Revolution Under Lázaro Cárdenas, Appendix D-II.


influence of Callismo among organized workers and the CTM, aligned behind the Cád...the Cárdenas government, became the most important labor union in the country.

However, this success at home created circumstances out of the government’s control, which became a source of friction with the United States. Cárdenas’ liaison with the working class was interpreted by American leading circles as a sign of Cárdenas’ commitment to Communism. The rhetoric of Cárdenas and his allies could not have produced any other reaction in the US, as Cárdenas made statements like: “We must fight capitalism, and the school of liberal capitalism, which ignores the human dignity of the workers.” Union leaders who supported Cárdenas proffered similar statements; for example, Juan Gutiérrez, the General Secretary of the Railway Union, proclaimed that the completion of the railway nationalization process was a step towards “the application of the revolutionary program to socialize all the branches of the economy, to transform gradually the capitalist system that exists in this country.” Moreover, once Cárdenas had his falling out with Calles, and was in need of new allies, he recognized the Communist Party and his own party, the National Revolutionary Party (PNR), started accepting communist members. Cárdenas also made General Francisco Mujica, a believer in Marxist doctrine who had maintained a

168 Ibid., p. 169.
correspondence with Leon Trotsky since the Russian revolutionary had been given asylum in Mexico\textsuperscript{169} his Secretary of Communications.

Cárdenas, when charged with being a dangerous communist, categorically denied having any interest in communism; he made this clear to US ambassador Daniels in 1935:

\begin{quote}
this country and this government are not communistic and have no sympathy with communism. How can a country be communistic when the chief desire of the campesino is to get a piece of land for himself and his family.\textsuperscript{170}
\end{quote}

However, American businessmen were not reassured by this sort of statement. They had suffered losses and were being directly affected by Cárdenas' support of radical labor. Therefore, they addressed their complaints to Washington and to the US Embassy in Mexico City.

The American government did not take any retaliatory action. The Roosevelt administration was accused of doing nothing to stop "Mexican communism;" Senator Styles Bridges of New Hampshire said that the US government had "encouraged and even connived at the establishment of communism in Mexico."\textsuperscript{171} Senator Robert R. Reynolds of North Carolina called for a probe of the Mexican situation; for him the fact that Mexico had granted asylum to Leon Trotsky was enough proof that Cárdenas was leading Mexico into communism.\textsuperscript{172} Even Secretary of State Cordell Hull


\textsuperscript{172} E. David Cronon, \textit{Josephus Daniels in Mexico}, p. 232.
declared that it seemed that Mexico was “getting close onto Marxism or the Communistic basis”; however, his words were not accompanied by any tangible retaliatory action against Mexico.

American companies were a natural target for Mexican labor activists simply because their ownership of Mexican industry was significant. Therefore, radical leaders in the labor movement used the liberties newly allowed to labor organizations to create expectations of higher salaries, better working conditions and benefits, which they directed against foreign companies operating in Mexico. Nationalization of foreign interests operating in Mexico became a fashionable demand among labor circles. Consequently, although the nationalization of American companies was not the strategic end of Cárdenas’s labor policy, that policy itself generated pressures for nationalization. After Cárdenas had unleashed the labor movement, it acquired a dynamic of its own, and ultimately, placed the government of Mexico in a position where it had no choice but to nationalize the oil industry.

THE POLITICS OF OIL

Some historians, like Gordon Connell-Smith and David Green, Jesus Silva Herzog, and Lorenzo Meyer have disputed or ignored the clear steps that Cárdenas took towards the consolidation of political and economic ties with the United States. They have emphasized the nationalization of American oil companies in 1938 to demonstrate

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173 Ibid. p.225.
174 Joe C. Ashby, Organized Labor and the Mexican Revolution under Lázaro Cárdenas, pp. 24,26,40,47,69,87,120,123,162,183-184,187,290,
Cárdenas’ nationalistic motivations. The fact that President Cárdenas embarked on the wagon of jingoistic euphoria after the fait accompli of the oil nationalization has provided apparent support to those who have assumed that nationalization followed from strongly held beliefs about nationalism. Rather, President Cárdenas nationalized the oil industry not because of an ideological desire to vindicate Mexican national interest, but to satisfy the demands of the oil workers whose support he needed to consolidate his domestic position of power. The stubbornness of the oil companies also influenced his decision. The thesis that Cárdenas was motivated by nationalism weakens further in the face of the fact that at the time of the oil expropriation the most important American economic interest operating in Mexico was not oil, but silver.

Cárdenas himself bears some responsibility for the creation of the myth which equates the Mexican nationalization of American oil companies with a conscious step taken toward the consolidation of Mexican sovereignty, and solid evidence of Cárdenas nationalism. After the fact, Cárdenas presented his decision to nationalize the oil companies as the exercise of Mexico’s sovereign right to control its own natural resources. The moving pictures of humble peasant women taking their chickens and belongings to the market to earn money to make a contribution to help Tata Cárdenas stand tall to the big neighbor to the North and recover "Mexico for the


176 Thousands and thousands of humble Mexicans responded to Cárdenas’ call to make a monetary contribution to pay for the expropriated oil companies. The amount of money collected was not significant, but the scenes of poor Mexicans bringing their "precious" belongings to the markets to be able to make a contribution
Mexicanos" were genuine. The scare among American business circles about the consequences of the Mexican example for the rest of Latin America, the hysterical calls by American congressmen to take action against Mexico, and the attempts by the oil companies to unseat Cárdenas were not fictional either, and also contributed to the building of the myth. So did the very real discontent and "malaise" that the nationalization caused in the US State Department.

Cárdenas' decision to seize the American oil companies was not, in spite of this apparent evidence, a concerted effort inspired by nationalism. Neither was it directly based on a desire to reclaim natural resources of the subsoil. In this respect the conclusions of historians Alan Knight and Luis G. Zorrilla seem correct.\textsuperscript{177} Rather, nationalization was mostly the result of Cárdenas being the victim of his own machinations. He "trapped" himself in his dual objective of using the workers as a shield against his political enemies, and restraining the excessive advantages given to foreign companies in order to enjoy a bigger portion of their profits. Cárdenas created expectations and stoked the fire of agitation among the oil workers until it became obvious that there was no way to turn back. Once the Cárdenas government had organized the oil workers in one big union with great potential political power, the workers were able to challenge the government and the oil companies\textsuperscript{178}. To resist were quite moving.

\textsuperscript{177} In this sense Alan Knight has stated that: "the notion that the government incited the dispute in order to justify a planned expropriation is unconvincing." Alan Knight, \textit{Mexico 1930-1940}, p. 43. Luis G. Zorrilla has proposed that: "The expropriation was not caused directly by a desire to recover resources of the sub-soil, but to resolve a labor conflict and to execute an order of the Mexican Supreme Court" Luis G. Zorrilla, \textit{Historia de las Relaciones Entre México y los Estados Unidos de América 1800-1958} (México D.F.: Editorial Porrua, S.A., 1966), Vol. II, p. 474.

\textsuperscript{178} Direct orders, from Cárdenas to oil workers to stop strikes were disobeyed by the workers in at least two occasions in 1937. \textit{El Universal} (México City), May 30,
the pressures for expropriation Cárdenas would have had to repress the workers' movement, which at that time was his main political support; moreover, he would have appeared to be siding with the foreign oil interests. The Mexican government made constant attempts at conciliation with the oil companies, but these were either missed or ignored. Ultimately, the Cárdenas government was left with no choice but to expropriate them.

The free operation of American oil companies in Mexico had been a long standing phenomenon, and Mexicans bore great responsibility for this fact. It had occurred thanks to the concessions, corruption, and connivence of leading Mexican officials. Advantageous legal rights granted to foreign oil companies in Mexico date back to the end of the 19th century. The direct state control over the country's oil resources had been lost in Mexico when the Código de Minas had been promulgated in 1884 during the administration of President Manuel González. On December 24, 1901 the administration of Porfirio Díaz passed a new law, based on the Mining Code of 1884, which integrated the property of the soil and the subsoil and recognized explicitly the right of the owner of the property to exploit any oil existent in the property. The first important concessions made to foreigners, like the Briton Weetman Dickinson Pearson and the American Edward L. Doheny, were based on this law. Moreover, mining laws of 1887, 1901, and 1909, all decreed by Mexican governments, provided even more guarantees to the owners of oil properties. The law of 1887 exempted the exploitation of oil from any federal, state, and municipal tax. The law of 1901 freed the oil owners from paying any taxes on any natural product which had been refined or processed;

moreover, they were allowed to import free of duty all the machinery required for the industry. Finally, the law of 1909 made the property owner the exclusive owner of any combustible mineral existent in the subsoil. Bribery of corrupt Mexican officials was used when necessary; accordingly, Doheny bought many authorities and officials in Veracruz to manipulate the public registration of property and make cancellations or inscriptions of property at will. Violence, including murder, was also part of the process; for example, the assassination of Francisco Mendez Aguirre, the notary of the city of Panuco, was linked to "La Huasteca" oil company.

The first attempt to curtail the privileges enjoyed by foreign oil companies was made by Francisco Madero, the first President of Mexico after the revolution of 1910. He created the first taxation to be applied to the production of oil, a charge of three cents per barrel of oil produced. Madero’s action provoked an infuriated response from Henry Lane Wilson, the American ambassador, who sent a note to the Mexican Secretary of External Relations demanding that the Mexican government stop persecuting and robbing the American oil companies, and threatening President Madero with the landing of US marines.

After Madero, the jefes of the Revolution accommodated themselves to the foreign oil companies’ laissez-faire style of operating, and enriched themselves in the process. They ensured labor peace and liquidated any attempt to disrupt the companies’ operations, for which they were rewarded generously. Although several administrations made lukewarm attempts to apply Article 27 of the Mexican

181 Ibid., p. 15.
Constitution, which had granted the Mexican state ownership of subsoil resources, it was not until Cárdenas assumed power that a serious attempt to curtail the privileges of the US companies operating in Mexico was made.

Cárdenas did not succumb to threats or bribes from the oil companies. He had had an early contact with the American oil industry as a military commander in Huasteca (1925-8) and on that occasion Cárdenas had refused to accept a Packard sedan offered by an oil company as recognition of "high esteem and respect." Once President he continued to surprise the oil companies who were used to Calles' more flexible practices. They complained that the new President "was curiously naive in these matters and did not appreciate business convention as understood in Mexico." 

Following in the steps of Madero, Cárdenas delivered on his presidential promise to exercise greater control over the oil companies by ordering businesses operating in the country to abide by the "Calvo Clause" which established the full jurisdiction of Mexican laws over foreign companies. Also, on February 4, 1935, the Mexican government produced an executive decree cancelling all concessions of national land that had been given to the Dutch-Shell-controlled Mexican Aguila Company in 1906. This is as far as Cárdenas wanted to go; the expropriation of the oil companies was not part of his program. Nevertheless, as has been illustrated, requirements of domestic political forces led him to initiate a process of labor agitation which ultimately culminated in the expropriation of the foreign oil companies operating in Mexico.

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182 William Cameron Townsend, Lázaro Cárdenas, Mexican Democrat, pp. 43-45.
183 Alan Knight, Mexico 1930-1946, p. 41.
THE EXPROPRIATION OF THE FOREIGN OIL COMPANIES

When Cárdenas became President, there were 15 major foreign oil companies in Mexico, all associated, in one way or another, with two worldwide monopolistic interests: The Royal Dutch Shell Company, which was mostly English, and the Standard Oil Co., which was American. In 1934, some 13,000 workers were employed in the petroleum industry, and they were grouped into 21 different labor unions. By 1935, the Cárdenas government had been able to organize these workers into just one big union, which was then affiliated with the umbrella CTM (Confederation of Mexican Workers) the following year.

Strikes against the oil companies were not a new phenomenon; however, as a consequence of Cárdenas’ permissive policy towards labor, they became more serious and more numerous during 1935 and 1936. In November 1936, eighteen thousand oil workers went on strike for 10 days, and by the end of 1936 the oil union demanded a working contract from the oil industry. The workers’ demands included double pay for overtime, paid holidays, schools for their children, decent accommodations, the inclusion of the office workers in the union, and higher salaries. The companies objected particularly strongly to the last two demands: they considered their office employees to be part of management and the recipients of confidential information, and they found the salary demands highly exaggerated. Faced with this refusal, the union called for a general strike.

The government labor authorities promptly stepped in and suggested that the companies and labor should discuss the situation for a period of six months. By the end of this term, however, the companies and workers were disagreeing as strongly as ever, and once again the union announced its readiness to go on strike. The Mexican
government intervened again, arguing that this was a conflict of national magnitude and that the lack of petroleum could paralyse the country. On May 30, 1937 Cárdenas made a public call to the oil workers to settle their differences with the companies; he also discouraged any labor strike in solidarity with the oil workers, stating that it would only make matters worse.\(^{184}\) A Federal Commission of Conciliation and Arbitration was appointed to conduct an investigation into the causes of the conflict and the conditions under which the petroleum industry was operating. Two commissions, one on workers and the other on the owners, chaired by Jesus Silva Herzog, had two months to deliver their report.

While the Federal Commission was carrying on its investigation, the government of Mexico did not stop looking for other ways to resolve the impasse. On July 7, the Mexican government contacted Pierre Boal, the American Embassy’s charge d’affaires in Mexico City, and proposed an alternative arrangement. It consisted in setting up a partnership between the foreign oil companies and the government of Mexico in the exploitation and ownership of the oil fields. In exchange, the government of Mexico offered labor peace and an increase of allowed oil production. The promise of labor peace was an important one, given that, in 1937, there were more than 90 strikes in the oil industry. The US government and the oil companies rejected the Mexican proposal because it involved measures contrary to decisions of the Mexican Supreme Court, the Petroleum Code and the Bucareli Pact which had helped the oil companies to avoid full application of Article 27 of the Mexican Constitution.\(^{185}\)


The federal commission presented its report on August 3, 1937. In it, it stated that, on average, the Standard Oil and the Royal Dutch companies operating in Mexico enjoyed a 16.81 percent rate of profit, in other words 77,000,000 pesos in profits annually left Mexico. By way of comparison, the profitability margin in the United States for these companies was less than 2 percent. The report also indicated that worker's salaries were four times higher in the US and that these salaries had increased by 9 percent since 1934, while in Mexico salaries had decreased by 23 percent.186

Consequently, the commission found that the companies should have no problem covering the salaries demanded by the oil workers, amounting to 26,000,000 pesos annually. The operating procedures of the oil companies were also criticized; the report concluded that the companies had concentrated their extraction in the richer areas, neglecting the initiation of new sources and, therefore, depleting reserves. The oil companies claimed that their profits amounted to 18,000,000 pesos and that the salary demands of the workers amounted to 42,000,000 pesos; it was, therefore, impossible for them to accept the workers' demands or the report itself. The Federal Commission gave its decision on December 18, 1937, when it ordered the oil companies to increase the workers' salaries by 27 percent or 26,329,393 annually.187 The oil companies appealed this decision to the Supreme Court of Mexico. On March 1, 1938 the Supreme Court affirmed that the decision of the Federal Commission did not violate the constitution; it established March 7 as the date by which the oil companies must comply.

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186 Luis G. Zorrilla, Historia de las Relaciones entre México y los Estados Unidos de America, Vol. II, P. 470.
187 Ibid. p.471-472.
Cárdenas, one more time, made new attempts to negotiate an agreement and avoid confrontation. Accordingly, he sent Eduardo Sáenz, his Minister of Finance, to Washington to discuss specifically the oil situation with Roosevelt. Saenz returned to Mexico City empty-handed. Last-minute negotiations between the companies, the Commission and the workers resulted in the companies offering to raise salaries by 24,000,000 pesos without including any of the other demands. The Mexican government, at this point, felt inclined to accept the offer, but the companies demanded guarantees from the President, in writing, that no demands would be presented at a later time. The arrogant attitude of the oil companies marked the point of no return for the Mexican government. The companies made a last minute offer to pay 26,000,000 pesos; unfortunately, for them, the offer had come too late. President Cárdenas announced the expropriation of the oil companies that evening, March 18, 1938. The Cárdenas government's attempts at negotiation with the oil companies reveal his disposition to find a non-confrontational approach to resolve the impasse with the oil companies. In contrast, the oil companies showed little willingness to be flexible. To sum up, the attitude of Cárdenas vis a vis the American oil companies was conciliatory, open to negotiation, and aimed to avoid a conflict.
CHAPTER 3: CRISIS AND RESOLUTION IN US-MEXICO RELATIONS

NATIONALIZATION OF OIL AND US GOVERNMENT REACTION.

The seizure of 450,000,000 dollars worth of foreign owned-oil property by the Mexican government became a test for the "Good Neighbour" policy of the US. The event was a "surprise" for the American Ambassador to Mexico, Josephus Daniels, who claimed: "Neither President Roosevelt, Secretary of State Cordell Hull nor I knew about the expropriation in advance...It came like a bolt from the blue!"\(^{188}\) Whether Ambassador Daniels was completely unaware is debatable; however, what cannot be disputed is the enormous domestic pressure on the US government to act against Mexico. Publication after publication called for a strong response from the government; the American business community with investments in Latin America insisted that the example of Mexico could not be tolerated.\(^{189}\) There were also extravagant statements, like the one from the Federal Bureau of Investigation, agreeing with the communist plot thesis advanced by the oil companies. The Bureau, however, not only corroborated the oil companies' accusation, but added that the Nazis were also responsible.\(^{190}\) The FBI was not alone in believing that the communists were behind the nationalization; Cordel Hull had told Henry Morgenthau, the Secretary of the Treasure, that "he was determined to teach the group of communists who formed the Mexican government to respect international law."\(^{191}\)

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\(^{188}\) *Time Magazine*, March 28, 1938, p. 18.


Secretary of State Hull in a less informal manner delivered a strong note on the land and oil controversy to Castillo Najera, the Mexican Ambassador to the United States, on July 21, 1938. In it, Hull accused the Mexican government of acting unilaterally in the confiscation of property and of disregarding the rights of Americans owning property in Mexico. Finally, Hull remarked that the Mexican attitude threatened to destroy the whole structure of friendly intercourse of international trade and commerce. Senator Key Pittman, the head of the Senate Committee on Foreign Relations, supported Hull by stating:

It would be very injurious to the United States if various governments of the world were led to understand that our government does not stand firmly upon the international doctrine set forth in Secretary Hull’s note. Without the maintenance of such doctrines throughout the world, commercial intercourse would be so unsafe that it would be impractical, if not impossible.192

Ambassador Josephus Daniels became a target of attacks for not having the courage to use the "Big Stick." Daniels was criticized for his public agreement with the statement made by Sumner Welles, the Under Secretary of State, that "American capital invested abroad should be subordinate to the authority of the country where it is located."193 Secretary of State Cordell Hull was harsh with his Ambassador in Mexico City, and he stated during the oil controversy: "Daniels is down there taking

192 Ibid., p.299.
193 El Universal (México City), December 8, 1937, p. 3. Josephus Daniels, Shirt-Sleeve Diplomat, p. 223.
sides with the Mexican government [giving] the impression that they can go right ahead and flaunt everything in our face."\textsuperscript{194}

In spite of the statements and the threatening tone, however, the American government did not take any serious measures to "punish" Mexico. The US response to the Mexican nationalization of the oil companies was mainly conditioned not by legal considerations but by the German threat to American interests in Latin America and US efforts to neutralize this threat, which included the implementation of Reciprocal Treaty Agreements in Latin America and the promotion of Pan-Americanism.

The principal interest of the United States, as perceived by the government, did not lie in the resolute defense of the American oil companies operating in Mexico. In this respect I sharply disagree from the opinion of historians like Lorenzo Meyer who has claimed that: "Washington supported the oil companies to the hilt."\textsuperscript{195} The noncommittal attitude toward the oil companies of the American government dated back to 1934. On December 2, 1934, Edward L. Reed, Chief of the Mexican Division of the State Department, sent a memorandum to Josephus Daniels explaining the request made by Harold P. Walker, vice-president of the Huasteca Oil Company, about the regularization of property titles held by the foreign-owned oil companies in Mexico. These titles, confirming the oil concessions, had been found to contain "technical defects," which actually meant that some of these concessions had been obtained through bribes in open violation of the Mexican Constitution. The oil companies attempted to use Josephus Daniels' influence to organize a meeting between Plutarco

\textsuperscript{194} Frederick W. Marks III, \textit{Wind Over Sand The Diplomacy of Franklin Roosevelt} (Georgia: The University of Georgia Press, 1988), p. 222.

\textsuperscript{195} Lorenzo Meyer, \textit{México and the United States in the Oil Controversy, 1917-1942}, p. 231.
Calles and Reuben Clark, who had been Daniel's predecessor and was now working for the oil companies. Plutarco Calles had been the "mastermind", at the time, creating the "technical defects" which had allowed the oil companies to obtain their "irregular" petroleum concessions in 1927. Mr Reed's response to this proposal was that he "did not believe Ambassador Daniels would acquiesce in this plan without the Department's consent," and that he "felt certain that the Department would not commit itself in the matter." In his response to the State Department, Daniels wrote:

The only recourse open to the oil companies is by appeal to the Mexican courts. We have no more right to demand any specific decrees by the courts for our nationals than Mexicans in the United States would be justified in asking the State Department to request the Supreme Court to render a certain decision.

In agreement with this early pronouncement, twelve days after the Mexican government had expropriated the oil companies, the American administration declared through its Secretary of State that the United States did not doubt the right of the Mexican nation to exercise its sovereign power in the expropriation of property under its jurisdiction.

Concurrently, the American Administration recognized the American oil companies as legitimate businesses, which were rightfully entitled to compensation from the Mexican government. However, Roosevelt was aware that any overtly aggressive US behaviour toward Mexico could have a negative impact in the rest of Latin America. Countries like Pro-Nazi Argentina and ambivalent Chile would have been

196 Josephus Daniels, Shirt Sleeve Diplomat, p. 221.
197 Ibid., p. 221.
driven away from the US, and others could have been influenced to take the same route if the United States showed a willingness to use force against any member of the Latin American community.

In this sense, the communication from the Under Secretary, Sumner Welles, to the Mexican Ambassador, Castillo Nájera, of May 9, 1938 is in agreement with a policy of distancing the US government from the fate of the oil companies. Welles’ note said

> With regard to the expropriation of the properties of American oil companies located within Mexico. I feel I should make it quite clear that this government as stated in previous communications to the Mexican Government, is not proposing to act finally on behalf of these companies.¹⁹⁸

With war on the horizon, political concerns were added to the economic ones. In American government circles, the position that the Axis offered a bigger threat than the expropriation of oil prevailed. The US government continued to promote negotiation over confrontation and officials formulating American foreign policy toward Mexico were aware of the importance of maintaining friendly relations with Latin America. Harold L. Ickes, Interior Secretary was explicit in this respect when he stated: "If bad feeling should result in Central and South America as a result of the oil situation that exist just now in Mexico it would be more expensive for us than the cost of all the oil in Mexico."¹⁹⁹ Secretary of State Cordell Hull maintained that detente was the correct treatment of Mexico during this period. However, it was not the threat

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of war in Europe that made Hull adopt this position. He had proclaimed and worked for friendly relations and the establishment of Reciprocal Trade Agreements with Mexico and Latin America since he had assumed his position as Secretary of State. The threat of war did, however, convince the conservative sectors of the Republican party that confrontation with Mexico could work against the American interest. It became clear to them that the ultimate interests of the United States would be best served by avoiding confrontation with Mexico, and that a prudent distance from the conflict between the US oil companies and the government of Mexico must be maintained.

MEXICO, THE OIL COMPANIES, AND THE US

Shortly after the event, Cárdenas pledged that Mexico would pay for the nationalization of the American oil companies. In a note to Josephus Daniels in March 31, 1938, Cárdenas assured the US Ambassador that "Mexico will know how to honor its obligations of today and its obligations of yesterday." However, the negotiations between the oil companies and the government of Mexico to settle their dispute over the expropriation made little progress.

The event which brought the issue back to the headlines took place on July 22, 1938, when Cordell Hull sent a note to Mexico concerning lands claims. In this note, the government of the United States explained that, in its opinion, the only feasible way to overcome the impasse over land claims compensation was arbitration.

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Mexico, it was believed in political circles that the response given by Mexico to the American arbitration proposal would set the stage for the settlement of the oil issue. In this instance, again, Cárdenas was faced with an internal political dilemma which had a direct impact on the stance he adopted towards the US.

The American request for international arbitration to settle the payments of the agrarian debts provoked a further radicalization of some of Cárdenas’ allies. The radical wing, led by Ramon Beteta, Under Secretary of Foreign Affairs, General Francisco Mujica, Secretary of Communications, and the labor leader, Lombardo Toledano, appealed for an intensification of "nationalistic" measures; in other words, they advocated a confrontational attitude toward the US. Opposing this group was General Manuel Avila Camacho, the Secretary of War, whose supporters were inclined to promote a friendly relationship with the United States. Cárdenas was placed in the uncomfortable position of mediating between these two groups. The jostling for power between these two sectors became an important element which conditioned Mexico’s response to the US.

The labor group, through the National Council of the CTM, controlled by Toledano, embarked on a campaign to control Mexico’s press; and, within the PRN, Toledano along with its President, Luis I. Rodríguez, attempted to excise "fascist" sectors within the party. They succeeded in obtaining the expulsion of General Ramón F. Iturbe and Colonel Bolívar Sierra from the party. These two military men were representatives in Congress of the conservative wing of the army and had refused to withdraw their names from a manifesto calling for the formation of a democratic front
which repudiated both fascism and communism.\textsuperscript{202} The labor leaders imposed themselves and won the first round, although the conservative wing was emerging to protest energetically the expulsion of their military men and called the labor leaders many unprintable names. Moreover, they were able to convene a Congressional Session to reconsider the expulsion and it was only after guns had been drawn that the government decided to suspend this session to avoid a bloody showdown between the Labor and Conservatives members of Congress.\textsuperscript{203} Cárdenas gave in to the political pressure exercised on him by the radical factions and rejected the US call for arbitration in a note handed to Josephus Daniels on August 3, 1938. In other words, the "labor" faction won out.

Added to the disturbing effect which internal struggles for political power had in creating bad relations with the United States, there was the obtrusive and retaliatory role played by the expropriated oil companies. The action of these companies became the overriding element which frustrated the willingness of both administrations to strike an agreement. The oil companies articulated a full-fledged campaign against Mexico; they made contact with some of Cárdenas’ enemies and provided money to fuel attempts to overthrow the Cárdenas government, as in the case of General Saturnino Cedillo, who rebelled in May, 1938.\textsuperscript{204} The most destructive weapon that the


\textsuperscript{203} The New York Times, August 1, 1938, p.8:1.

\textsuperscript{204} Anatoly Shulgovsky, México en la Encrucijada de su Historia (México D.F: Ediciones de Cultura Popular, 1972), pp. 370-372. In this book Shulgovsky claimed to have informers who testified to the connections between Cedillo and the oil Companies. Luis González, Los Días del Presidente Cárdenas, p.196. Here Gonzales states that the oil companies went around looking for Mexican generals willing to participate in a subversion against Cárdenas. He also remarks on the participation of El Aguila (UK) and La Huasteca (US) in Cedillo’s uprising.
companies exercised against Mexico, however, was the economic boycott. The oil companies used their influence internationally to deprive Mexico of potential buyers of expropriated oil. This represented a great loss for Mexico. The sales of oil and its derivatives in 1937 represented 18 per cent of total Mexican exports, and the extraction of oil was the third most important economic activity in the country. The action of the companies dislocated the market for Mexican oil and this affected Mexico's' ability to keep wells in production. By the end of 1938, the number of wells in operation had decreased from 981 to 756;\textsuperscript{206} while exports of oil had reached 24,960,335 barrels in 1937, this figure had decreased to 14,562,250 barrels in 1938.\textsuperscript{206} The companies even implemented embargoes against tankers carrying Mexican oil to different ports around the world, and although their actions were not completely successful, the potential buyers were fearful of entangling themselves in expensive law suits.\textsuperscript{207}

In summary, after the nationalization of the American oil companies, the relationship between the United States and Mexico soured. However, this development was not the result of a calculated Mexican decision to distance itself from the US or a defensive strategy against a strong reaction from the American government on behalf of the oil companies. Rather, it was mostly the oil companies' boycott against Mexico which drove Cárdenas to seek other markets and consequently to move away from the US. Paradoxically, after the nationalization of the American oil companies, both

\textsuperscript{205} Lorenzo Meyer, \textit{México y los Estados Unidos en el Conflicto Petrolífero}, p. 409.


\textsuperscript{207} Ramon Beteta, \textit{La Política Exterior de México} (México D.F.: Memoria de la Secretaría de Relaciones Exteriores, 1941), p. 17.
countries found themselves in a frame of diplomatic friction even though it was neither
their policy nor their intention to act that way.

OIL COMPANIES’ ENCIRCLEMENT OF MEXICO AND ITS CONSEQUENCES

In the United States, the business community interpreted the nationalization of
Mexican oil as a direct threat to the "safety" of 2,963,000,000 dollars of American
capital operating South of the Rio Grande.208 The US oil companies and business
circles in general feared that this example might be followed by other Latin American
countries. Besides, the Standard Oil Company of New Jersey in Bolivia had already been
expropriated in 1936.209 Argentina, for years, had been having disagreements with
the US oil companies, and on more than one occasion the Argentine government had
threatened these companies with expulsion.210 Chile had also threatened to
nationalize its nitrate industry which was mostly controlled by American interests.211
Colombia and Ecuador had had difficulties with the functioning of foreign companies
in their territories and the threat of expropriation or expulsion had surfaced on more
than one occasion.212

208 This figure amounted to 43 percent of all direct investments of American
citizens abroad. Samuel Flagg Bemis, The Latin American Policy of the Unites States
(New York: arcourt, Brace and Company, 1943),p. 343. U.S. Department of
209 Gordon Connell-Smith, The United States and Latin America, pp. 171-172.
210 Harold F. Peterson, Argentina and the United States 1810-1960 (New York:
211 William F. Sater, Chile and the United States: Empires in Conflict (Athens,
212 Stephen J. Randall, The Diplomacy of Modernization: Colombia-American
Relations 1920-1940 (Toronto: University of Toronto Press, 1977). Dick Steward,
Hemispheric Trade.
The American oil companies, expecting a strong reaction from the US government and questioning the constitutionality of the expropriation, chose to confront the Mexican government. Standard Oil maintained that the US government had the indisputable right to intervene in other countries to protect the interests of American citizens.\(^{213}\) It also formally requested that the State Department prevent the sale of Mexican oil abroad. The hopes of the oil companies for government assistance in their fight against the Mexican government were soon frustrated however. American businessmen in Mexico City were shocked by what they believed was US government complacency; they were definitely not happy with Roosevelt’s attitude towards Mexico.\(^{214}\) The companies thought the Mexican government was too dependent on the oil revenues to put up a decisive fight. Oil executives pressed on and demanded a show of US force to "teach the Greasers Thou Shalt Not Steal."\(^{215}\) In this respect, their strategy proved to be wrong; the oil companies misread the international situation and, therefore, the national state of affairs in their own country. The US government did not come forward to defend their interests.

However, the insulting and arrogant tone of the oil companies, and their demand for an unconditional and immediate return of the expropriated properties, made Cárdenas feel under siege. The hostile attitude of the oil companies provoked the Mexican president to respond with extreme statements like "we would burn the oil


\(^{215}\) Josephus Daniels, Shirt-Sleeve Diplomat, p. 227.
fields to the ground rather than sacrifice our honor." The policy of encirclement exercised on Mexico by the oil companies produced a substantial shift in Mexico's trade from the US to Germany, and made Cárdenas a symbolic nationalist. Cárdenas turned into a fervent nationalist for popular consumption. He worked hard to avoid the nationalization of the oil companies, but once it had occurred, in spite of his efforts, he decided to profit politically out of the situation. His nationalistic rhetoric touched many Mexicans and has convinced many historians about his genuine nationalistic motivations.

In a message to the nation Cárdenas called on Mexicans to help "save the interests and honor of the country." In the international arena, the Mexican President's reaction to the oil companies' harassment translated into an appeal to the Latin American nations to show solidarity with Mexico; in a speech delivered in Tampico in June 12, 1938, addressed to the Cuban people, he declared that this was the time "to stand together and to fight to eliminate economic imperialism." He went on to say:

Love of justice united us and we should fight together against economic, political or moral imperialism that may impede our development as sovereign nations.

...The political autonomy of Latin American countries would be destroyed if there were not solidarity among their people in their fight for social renaissance.

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The rhetoric of Mexico and some Latin American countries, calling for liberation and anti-imperialism, had an unsettling effect on the American government and American businesses abroad.

However, the sources of major concern for the American government and American trade circles were not those statements, but the reports which indicated a shift of Mexico's international commerce toward Germany, Italy, and Japan. The nationalization of oil led to an increase in this shift of Mexican trade, which had been manifested, particularly with respect to Germany, since the early 1930s.220

The Mexican appeal won the sympathy of some listeners as evidenced by Mexican press reports which publicized the statement of the Cuban Secretary of Agriculture, Amadeo Lopez Castro, in reference to the new Cuban mining laws; Lopez said that if the foreign companies were not satisfied with new Cuban laws, they could leave. The New York Times correspondent in Costa Rica reported substantial support among the Costa Rican public for the expropriation of American-owned electric companies221 and Leon Castro Cortes, the President of Costa Rica, praised the land division program of Mexico.222 The majority of Latin American countries rested uncommitted; the Mexican appeal did not produce a warm welcome among them.

The nationalization has been identified, then and since, as an assertion of Mexican independence from American control. However, this was an unwanted and costly enterprise reluctantly carried out by the Cárdenas administration, since Mexico had to sell its oil at a lower price than that previously paid by the American companies. The boycott of the American oil companies against Mexico left Cárdenas no choice, he had to sell to others.

Concurrently, authorities from Japan and Germany had manifested their interest in buying oil from Mexico, and in Mexico City, government officials declared that Mexico would not be averse to such a deal. There were also dispatches that indicated the possibility of constructing pipelines from the Mexican oil fields to a port on the Pacific Coast to make the oil more accessible. Additionally, the fact that Japan possessed a respectable fleet promised to make a deal workable. Nevertheless, and in spite of Mexico's acceptance of commercial dealings with Germany, Cárdenas insisted that Mexico took this route reluctantly. In an interview given to New York Times' correspondent Anita Brenner on July 11, 1938, Cárdenas stated:

It is true that shipments of oil to Germany under contracts providing for exchange of machinery for oil products might seriously affect American exports business to Mexico. We would regret this very much, as we prefer to trade with the United States, but we cannot pay too great a price for this preference. It is also true that greatly increased commerce with Germany might tend to heighten German political influence here. This is something that we take even more seriously than the loss of trade with the United States. In

such matters we need the help of our neighbors, and if our neighbors do not help us we will have to manage as best we can ourselves.\textsuperscript{226}

In other words, Cárdenas explicitly stated to the American government, American business, and the American public, that he was being forced to act in this manner by the American oil companies. In another passage of the interview with Brenner, Cárdenas said:

There has been in the past a great deal of bitterness between the peoples of the United States and Mexico, which can always be stirred up again. But we are much closer to each other now than we have ever been before. The oil question is not an anti-foreign question. It is an internal struggle.\textsuperscript{227}

It was not Cárdenas' plan to appear anti-American. However, the circumstances created by the oil companies made him take steps which adversely affected commercial relations with the United States. These measures fostered distrust and fear among Americans with investments in Mexico, resulting in a further decline of American investment in Mexico; according to a report from the Department of Commerce in Washington, US investment in Mexico had decreased by $203,000,000 between 1929 and early 1937.\textsuperscript{228} Nevertheless, to find markets for the sale of oil Cárdenas had no choice but to establish commercial deals with Germany and Italy. On July 1938, Cárdenas, through W.R. Davis & Co. of New York, formalized the sale of 10,000,000 barrels of Mexican oil for $10,000,000 to Germany, Italy, and Sweden, with 60 per

\textsuperscript{227} Ibid, p. 10:2.
cent of the payment to Mexico in German, Italian, and Sweden machinery and products.229

The US oil companies were utterly incensed at this "robbery", which was how they chose to call the situation that they had had a great deal of responsibility in creating. On the other hand, the deal that Cárdenas struck with Germany was not favourable to Mexico. According to figures given by The Wirtschafts-Ring, in the first five months of 1938 Germany had paid a total of 103,887,000 Marks for 1,745,701 tons of oil imported, or 60 Marks a ton. Through the post-expropriation arrangement with Mexico, Germany bought 9,000,000 barrels of the 10,000,000 barrels of oil included in the whole deal, for a price of about 20 Marks per ton—a bargain delivered to Germany by the American oil companies. The 9,000,000 barrels shipped to Germany amounted to one-third of this country's annual import of oil and about 23 per cent of Germany's total consumption.230

The secrecy surrounding the Mexican-German oil barters began to crack on September 6, 1938, when it was revealed that the first oil deal between Mexico with the 3rd Reich had been formalized. The Mexican government Petroleum Administration had arranged to ship expropriated oil to German businessman Ernst Jung of Hamburg, who was a supplier for the German navy, in exchange for different German products. It was also revealed that there had been three previous shipments of oil to Jung.231 The Mexican newspaper El Universal corroborated this information when it reported on September 7, 1938 that the German freighter Memel had arrived in Veracruz to unload

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2300 tons of German products received in return for oil.\textsuperscript{232} This shift in the market for Mexico’s oil created alarm in the US, since it was accompanied by a reduction of Mexican purchases from that country. In July 1938, these purchases amounted to $3,000,000, while in the same month of 1937 this figure had been around $10,000,000. Espinosa Mireles, head of the Mexican government petroleum company’s foreign sales, did not dispel the American fears. The day after the oil deal had been announced he confirmed publicly that "Mexico was selling large quantities of oil to Germany and to various firms there."\textsuperscript{233} Mexico began 1939 by promoting even further its barter exports to Germany in an attempt to recover from their 1938 losses. Shipments of Mexican oil in 1937 had amounted to 24,972,483 barrels, while, in 1938 they dropped to 14,800,000 barrels.\textsuperscript{234} The Mexican effort to reorient trade was successful and exports of oil to Germany grew from 403,200 tons in 1937 to 1,010,800 tons from January to August of 1939.\textsuperscript{235} Concurrently, United States consuls in Mexico City reported that the Tampico Petroleum Administration had canceled orders of American office machinery because German equipment was now available; according to State Department officials the US had controlled 90 per cent of the market for this equipment in Mexico.\textsuperscript{236} In the Mexican capital American automobile dealers complained that the Mexican government had instructed all its

\textsuperscript{232} \textit{El Universal}, September 7, 1938.
\textsuperscript{234} M. H. Gúereña, "Producción y Exportación del Petróleo Después de la Expropiación," \textit{El Economista} (México City, November 1, 1939), p. 31.
\textsuperscript{235} Ibid, p. 32.
\textsuperscript{236} \textit{The New York Times}, January 27, 1939.
departments to purchase German trucks for official use, whereas American companies had supplied this vehicles up to that date.\textsuperscript{237}

The forced sale of Mexican oil at low prices was responsible for the evolution of a new Mexican trade policy toward the US. Tariffs were put in place to discourage the entrance of American goods and machinery because Mexico was entering a system of open barter of oil for articles which in the past Mexico had acquired from the US. On October 28, 1938, Mexican officials announced a large oil barter deal with Italy. This deal involved $3,000,000 worth of rayon, yarn and machinery, and this again meant bad news for American businesses, since most of Mexican rayon business had been controlled by American companies. Also made public was the existence of another deal with Azienda Generale Italiana Petroli, which had been set up through the Export and Import Bank.\textsuperscript{238} In spite of the bad feelings aroused by the events that followed in the wake of the oil crisis, and substantial evidence of Germany’s penetration of Mexico, both Mexico and the U.S. maintained a course of "wait and see". When political circumstances allowed it, both took measures that indicated their disposition to work together.

CRITICISM AND OBSTACLES DID NOT STOP THE US FROM HELPING MEXICO

The increase of the new Mexican barter system created pessimism among American trade circles which had thought that the American government would protect American trade at all costs. Political circles opposing Roosevelt had an even stronger reaction. William R. Castle, former Under-Secretary of State denounced Roosevelt’s

\textsuperscript{238} The New York Times, October 29, 1938, p. 29:1.
lack of firmness as a "surrender of American interests." Congressmen Hamilton Fish of New York, was "unable to understand the weak and vacillating attitude of President Roosevelt," and Everett M. Dirksen of Illinois, criticized harshly the non-retaliatory attitude of the President. Kansas Senator Henry J. Allen warned the Chamber of Commerce of the State of New York, at their 170th annual dinner, of the dangers of the Mexican stand.

The American government showed no eagerness to act against Mexico, and the Mexicans showed no great concern over the uneasiness in trade circles and in sectors of the American political spectrum. Moreover, Mexico had been reported to have approached American embassy officials to ask for a reduction in US oil tariffs and to be seeking to acquire control of the Eastern States Petroleum Company based in Texas. The government of Mexico had agreed to pay $250,000 of the company's debts and to ship 3,500,000 barrels of Mexican oil for two years, for which Mexico would get mortgages on the company. This deal caused great commotion in Texas since Texas was simultaneously pursuing a program to reduce oil production.

The American government rested calm, and far from taking any measure against Mexico, sold it 3,000,000 bushels of wheat under the export subsidy plan in October, 1938. This deal meant a triple benefit to Mexico: first, Mexico paid a price which was

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240 October 29, 1938, p. 29:1.
less than the market price; second Mexico used the money collected from its silver export tax to pay for the wheat (this tax was paid by the silver companies which were mostly American); third, almost the totality of Mexican silver was bought by the American government, for which Mexico was paid a price that the US government could have lowered at will but did not.244 On October 25, 1938 the United States Treasury decreed an order allowing the Mexican oil export agency to send oil to the Eastern States Oil Company under bond to be refined and reshipped abroad without payment of duties.

Roosevelt’s conciliatory policy to Mexico continued to arouse significant discontent in America. Senator Reynolds, a Democrat from North Carolina and a member of the Senate Foreign Committee, and New York Democrat House Representative Martin J. Kennedy introduced a resolution on January 25, 1939 asking for the creation of a committee of seven to investigate conditions in Mexico. Kennedy’s resolution indicated that:

The policies being pursued by Mexico in its confiscation of American property, its anti-American tariffs, its cooperation with and willing subservience to the Nazi regime in Germany, are not alone a violation of the elementary principles of international law, and concord, good will and good faith which should subsist between all nations, but in addition are a flagrant contravention of the Monroe Doctrine.245

244 Agustín Aguiar Almada, "México y la Plata"," El Economista, (June 1, 1939), pp. 33-35.
Referring to the attitude of the US government toward Mexico, the resolution stated that the policy of the US government "has brought the United States into contempt in our neighboring republic and through-out the whole of Latin America because the American government is subsidizing Mexico's anti-American program." 246

Representative Kennedy was correct insofar as the US government pursued a policy of conciliation and concessions toward Mexico. Cordell Hull expressed publicly his hope to win Mexican amity, and effectively blocked Representative Kennedy's resolution by convincing the Foreign Affairs Committee, in secret session, that adopting Kennedy's resolution would obstruct delicate negotiations with the Mexican government. The Committee convinced the floor and the House voted to table Kennedy's resolution. 247 Kennedy tried again on February 22, 1939, urging the recall of Josephus Daniels whom he charged with being "apparently responsible for the muddle concerning Mexico." 248 Once again Kennedy's complaints made no progress and Mexico continued its barter trade with Germany.

The New York Times reported, in February 1939, a new $2,000,000 oil barter deal between Germany and Mexico. This last deal was in addition to another recent barter commercial arrangement amounting to $17,000,000, and another cash deal for $8,000,000 to provide fuel for the German Navy. Additionally, the same American newspaper gave details concerning a $750,000 contract between Germany and Mexico to build a paper mill at Toluca, Mexico. The construction work had been awarded to a German firm and Mexico was to pay with expropriated oil; during the time of

246 Ibid.
construction, Mexico had promised to buy 10,000 tons of German newsprint.\textsuperscript{249} Another event creating concern among American diplomatic circles was the return of General Azcarate, who had been withdrawn in 1937, as Mexican Minister to Berlin in January 1939; by contrast, the United States Ambassador to Germany had been called to Washington after the anti-Jewish riots of 1938.

The increasing commercial penetration of Mexico by Germany and the apparent compliance of the Mexican authorities might lead us, wrongly, to believe that Cárdenas had embarked on an anti-American crusade, which had resulted in a profitable increase of Mexican control over its national resources. That was not the case. Throughout the period of increase of commercial links with Germany, Cárdenas was always explicit and quick to remark that it was not his choice to distance Mexico from the United States but rather that he had been forced by the American oil companies to enter that route; moreover, the Mexican economy, and the Mexicans, were paying a high price for the relocation of their international trade, since Germany was clearly taking advantage of the situation.\textsuperscript{250}

The Mexican government continued to make efforts to resolve the impasse with the American oil companies and the companies, realizing that the American government had not and was not going to interfere on their behalf, had somewhat changed their negotiating approach toward the Mexican government. President Roosevelt was also anxious to see the conflict between the American oil companies and the government

of Mexico ended, and Ambassador Daniels was told to convey this message to Cárdenas.\textsuperscript{251} In late February, 1939, President Cárdenas honored Donald R. Richberg, the chief negotiator for Royal Dutch and Standard Oil, with a formal dinner at Chapultepec Castle. Richberg had come to Mexico City with a new proposal from the oil companies to the Mexican government.

The official welcome offered to Richberg augured success; however, soon after the talks had got underway, any hopes of agreement vanished. Richberg confided to Ambassador Daniels that in his first talk with Cárdenas he had "veered away from ultimatums" and had presented his proposal "as sweet as possible."\textsuperscript{252} The oil companies offered $150,000,000 for fifty-year operating rights in the oil fields and added that, by the end of the fifty year period, the Mexican government would have all the rights over these properties. The Mexican Secretary of the Treasury, Eduardo Suarez, commented on the oil companies' offer that the oil companies' proposal sounded similar to the story of the condemned man who:

told the king that if he would spare his life he would teach the king's donkey, which accompanied him everywhere, how to talk in ten years. The king spared his life and he agreed to return on the morrow and begin to teach the donkey to talk. "You know you cannot teach the donkey how to talk," said a friend who accompanied him. "Why do you promise to do that?" The man replied, "In ten years, one of three things will happen: (1) the king will be dead; (2) the donkey will be dead; or (3) I will be dead.\textsuperscript{253}

\textsuperscript{251} Josephus Daniels, \textit{Shirt Sleeve Diplomat}.p.263.
\textsuperscript{252} Ibid.p.263.
\textsuperscript{253} Ibid.p.264.
Suarez explained that: "with control of operation by the oil companies, the only thing left at the termination of the contract would be a hole in the ground. They would have drained the oil to the last drop." 254

In spite of the impasse with the American oil companies, the Mexican government did not adopt a confrontational attitude vis-a-vis the US government. Moreover, Cárdenas made an effort to indicate his readiness to improve relations with the US. Accordingly, he canceled, at the request of the US government, an oil barter deal to buy thirty planes from the German Junkers aircraft company, and on July 30, 1939 Mexican Ambassador Francisco Castillo Najera left for Washington with another proposal to the oil companies to compensate them for the expropriation of their properties. Mexico's willingness to promote friendly relations was again demonstrated by making effective the first $1,000,000 payment to settle claims on American-owned land expropriated since 1927. Mexican Foreign Minister Eduardo Hay, handing the check to Ambassador Daniels declared: "Mexico again proves that she honors her word--it is a satisfaction to me to be the intermediary through the obligation is filled." 255 The US government was also giving signs of good will by allowing the processing and the transport by ship, under the United States flag, of 6704 tons of Mexican gasoline sent to Brazil 256 and by maintaining its purchases of Mexican silver which was a lifeline to the Mexican economy. But all these gestures were not enough to overcome the obstacles between the US and Mexico; resolution of the dispute over compensation for the oil companies remained elusive. Obstacles remained because the

254 Ibid.p.263
256 The New York Times, August 21, 1939. 11:2
two governments did not have the power to make them disappear. The domestic
difficulties which had led Cárdenas to take many steps that annoyed the American
leadership, as well as the unyielding attitude of the American oil companies, were still
problems.

THE RESOLUTION OF THE OBSTACLES AND SETTING THE PACE FOR AVILA
CAMACHO

The unresolved difficulties in the way of a closer and cooperative relationship
between Mexico and the United States were cleared before the end of the presidential
period of Lázaro Cárdenas. Cárdenas set Mexico in an environment of diplomatic and
economic collaboration with the United States difficult to match in Mexican history.
Therefore, in this sense there was no real departure between the government of
Cárdenas and that of his successor General Avila Camacho. Moreover, the policies of
the incoming president in diplomatic, labor and trade affairs followed the path that had
been built by Cárdenas.

Many historians disagree. Lorenzo Meyer and Nora Hamilton, for example, have
interpreted the arrival of Avila Camacho to the presidency of Mexico as a turning point,
"a change of 180 degrees."\textsuperscript{257} For Hamilton the "victory of Avila Camacho marked
not merely a defeat of the "Progressive Alliance" but its virtual elimination as an
effective force for change."\textsuperscript{258} In other words, they argue that "revolutionary"

\textsuperscript{257} Lorenzo Meyer, \textit{México y Estados Unidos en el Conflicto Petrolero}, p. 263.
Mexico faded away by the end of the 1930s and a Thermidorian period began with Avila Camacho in December 1940.

Meyer and Hamilton are part of a group of historians who have tried to perpetuate the ideological labeling of Cárdenas. Cárdenas was not motivated by any ideological definition of the "left" or the "right." I dispute Meyer's notion that the "right wing of the revolutionary family", pressured Cárdenas to concede to the nomination of Avila Camacho, who embarked Mexico in a program of "Unidad Nacional" to stop the conflict between the political elite and the social classes.\textsuperscript{259} Cárdenas was not stopped, as Hamilton suggests, by the "limits of state autonomy", in other words political constraints originating in "pressures from dominant class segments, external and internal, and their allies within the state" to stop the "Progressive Alliance".\textsuperscript{260} Hamilton's definition of the "goals of the state" is unclear; nevertheless, in the case of the Cárdenas administration she equates these goals with the objectives of the "Progressive Alliance," which were to incorporate peasants and workers to enjoy a greater participation in the benefit of the national wealth.

The fundamental weakness of these two arguments resides in the fact that they have attached a socialistic character to the Cárdenas administration. The government of Cárdenas did not seek to do away with capitalism, but rather to make it better. It is true that Cárdenas talked a lot against imperialism, the evils of capitalism, and associated himself with Marxist elements, but this was the product of the need for political alliances. The record of the Cárdenas administration reveals a president who,

\textsuperscript{260} Nora Hamilton, \textit{Limits of State Autonomy}, p. 269-270.
far from acting on the premises of ideological allegiances to any creed, was supremely pragmatic. His alliances with the peasants and the workers, although they cost him internal and external difficulties, provided Cárdenas with the support he needed to defeat Callismo, and when the time arrived he had no qualms about stopping the excesses of the workers' demands and threatening them with the use of force if necessary. In the international plane, Cárdenas immersed itself in the world of "Realpolitik" and set Mexico on a path of economic and diplomatic collaboration with the United States which his successor Avila Camacho followed.

Early in 1937, during the negotiations with the oil workers, Cárdenas had started to send messages which expressed his desire to have employers and workers cooperating with each other, and to avoid a clash with the US. The wave of labor agitation he himself had helped to unleash did not permit him to make substantial advances in this direction until the second half of 1938.

By mid 1938 Cárdenas was categorical when he stated that he was not going to tolerate any more union excesses. He warned workers on June 4 that there must be "discipline in work" and, in his message to the First National Export Congress, he reiterated his appeal to labor unions to cooperate with the government. On August 14, 1938, the Cárdenas government demonstrated its resolution, vis a vis labor, when Mexico City officials bluntly told Tampico oil workers to call off their

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262 On Avila Camacho see; Luis Medina, Del Cardenismo al Avilacamachismo (México D.F. El Colegio de México, 1978).
programmed strike. The government threatened that troops would be used against the workers if they went on strike.²⁶⁴

Cárdenas also institutionalized mandatory arbitration to resolve labor conflicts, and his firm attitude toward labor substantially reduced the number of strikes which came down from a peak figure of 675 in 1936 to 325 in 1938.²⁶⁵

The last bastion of labor opposition to friendly relations with the Americans was finally neutralized with the outbreak of the war in Europe. On September 9, 1939 the Chief of the CTM, Vicente Lombardo Toledano and its National Committee, launched a nation-wide campaign to get Mexico into the war, and Toledano stated:

if we declare war on the fascist countries, we could move our industry, although limited, to a higher level of activity ... we would be exporters of fabrics, we would sell our sugar, our cotton, all our henequen, we would find a market for our oil ... we would become suddenly an exporting country ... not only of raw materials but of manufactured products. Mexico would enjoy a higher level of economic activity.²⁶⁶

In November, the same Toledano who, in the past, wanted to do away with the "unjust" capitalist system said: "It is not true that we wanted or want to subvert the social order ... or that we try to establish the proletarian dictatorship in our country, or to finish with private property."²⁶⁷ The startling statements of the Chief of organized Mexican labor conveyed the message Cárdenas wanted to hear: no more strikes, no more widespread labor agitation. In other words, labor peace. This of course had a

positive effect on the US-Mexico relationship since, from there on labor friction with foreign companies would be avoided, and the American leadership and public in general would not have to listen to Toledano's anti-American diatribes any longer.

Still, the expropriated American oil companies remained an obstacle to friendship between these two countries. The US government was anxious to clear this problem away and Hull produced another diplomatic note on April 9, 1940, calling the Mexican government to settle the issue by arbitration. This became unnecessary, since Cárdenas, already engaged in bilateral negotiations with the Sinclair group, which represented in 1938 forty percent of the expropriated American oil investment, produced on May 1, 1940 a settlement document signed by Mexico and the Sinclair group. Mexico agreed to pay 8.5 million dollars in cash within a period of three years. This development was a major blow to the negotiating position of the rest of the oil companies. The Mexicans signaled to the US government that arbitration was unnecessary, and invited the other companies to make similar arrangements with the Mexican government. By the end of May 1940 Mexico signed a new agreement with Cities Service, another American oil group affected by the oil expropriation. The rest of the major companies--mostly in the Standard Oil group--did not alter their stubborn position until April, 1942, when they settled for $23.8 million dollars--4 per cent of their original claim.

The war thus finally cleared away Cárdenas' internal and external difficulties, and he was able to articulate a cooperative working relationship with the US. The American government, in terms of international trade, also made things easier for Cárdenas. In November 1939, Cordell Hull made statements to the effect that Mexico would be granted Most Favoured Nation status and would benefit from the reduction of the oil
tariff just conceded to Venezuela, even though the United States did not have a Trade Agreement with Mexico! This tariff reduction, from 21 cents to 10.5 cents per barrel, allowed Mexico to compete with international prices. In the same month Jesus Silva Herzog signed a deal with an American company by which Mexico sold at current international market price 60 percent of its oil production destined for export. It was estimated that the tariff reduction would save Mexico about 3000 dollars daily.268

Diplomatically, Mexico also moved closer to the US. The Mexican government adopted a policy of neutrality which was in complete agreement with the Declaration of Lima of December 269 1938, of which Mexico had been a signatory, and with the neutral position the United States had assumed with regard to the war in Europe. Roosevelt acknowledged this attitude in a message to Cárdenas, thanking him for the support the Mexican delegation had given to the proposals presented by Sumner Welles the US Under-Secretary of State in the Panama City neutrality conference of November 1939.270 The Panama City neutrality conference agreements had placed 21 nations of the Western Hemisphere in constant diplomatic consultation which was a different situation from 1914 when the Latin American nations acted independently.

On January 11, 1940, Cárdenas made a symbolic move to express the disposition of Mexico to move closer to the US, when he walked into the American

Embassy for the first time. The occasion was a luncheon offered by Josephus Daniels to present the New Year’s greeting to the Mexican president. In the New Year Cárdenas continue to take step after step which showed his determination to align Mexican interests with the interests of the US. On June 11, 1940 Cárdenas sent a telegram to President Lebrum of France conveying to him the Mexican concern and sympathies aroused by the Italian declaration of war on France. This message, which could appear as just Mexico’s customary expression of solidarity for a victim of aggression was fairly significant because it indicated Mexico’s partiality in the conflict. This trend was corroborated by the statement to the Press on May 18, of the official Mexican delegate to the International Petroleum Exposition at Tulsa, Oklahoma, who had said that Mexico "would probably follow the United States’ attitude in the war." More explicit, and authoritative, were the actions of Ignacio García Tellez, Mexican Secretary of the Interior, who in June called in Mexican editors and publishers to notify them that the Mexican foreign policy was one of friendship toward the United States; he requested their cooperation in sending that message. A few days after this call, Arthur Dietrich known chief Nazi in Mexico City and press attache of the German embassy was declared persona non grata and was told to leave Mexico. The weekly Nazi publication the Deustche Zeitung von Mexico also was suspended. The statement of President Cárdenas to the Mexican press on October 29 left no doubts about the course Mexico would take. Cárdenas confirmed that the visit to Mexico of the Ambassador to Washington, Francisco Castillo Nájera was "to fix the fundamental

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271 Maurice Halperin, "Mexico Shifts her Foreign Policy," Foreign Policy, October 1940, p. 208.
272 The New York Times, August 26, 1940, p. 4:2.
points of an agreement resolving all general claims between the United States and Mexico." And he added that "the points of view advanced by the two countries have now come so close that it is possible to say that the United States and Mexico are on the eve of a final settlement." 273 Cárdenas also announced that part of the settlement would include the establishment of American naval and air bases in Mexico. Military and naval sources in Mexico city reported that an agreement had been reached with the US to improve eight military ports, five of which would be provided with air bases. 274

All these diplomatic overtures were accompanied by the continued increase of business between the two countries. Mexican imports from the US increased substantially. In 1938 Mexico had imported 57.6 per cent of its total imports from the US, while in 1940 this figure rose to 78.8 per cent. Exports to the US, as a percentage of total Mexican exports, also grew, from 67.4 percent in 1938 to 89.4 percent in 1940. 275 The increase of this trade had been helped by the measures the Mexican president had taken to reduce protectionism in Mexican foreign trade and by the operation of foreign companies in Mexico. In October 1939, Cárdenas had decreed new rules affecting the exports of raw materials, and this new legislation eliminated the tax on the export of profits. In December the absentee tax on remittances abroad, which had been enacted in 1935 to prevent a flight of capital because of uncertainty over labor conditions, was also abrogated. In the same month Cárdenas established

273 El Universal (México City), October 30, 1940.
new legislation to promote the creation of new industries, which affected foreign and Mexican companies equally. The new rules gave new businesses an exemption for five years from the following taxes: import of foreign machinery and raw materials, taxes on exports and property, and contributions to the federal government.

The outbreak of hostilities in Europe had a cleansing effect on the relationship between Mexico and the United States. Once the war broke out, Germany ceased to exist as an alternative trade partner for Mexico, and therefore Mexico’s international trade turned toward the US. Also, by this time most of the oil companies ceased to be an obstacle. They realized the futility of their inflexible position. It became clear to them, that if the US government had not taken action against Mexico before the war, the chances of this happening once the conflict was developing were minimal. Finally, the union movement, as confirmed by the statements of its leadership, ceased to be a problem. Once the political and economical constraints disappeared Cárdenas led Mexico on a straight course to close cooperation with the United States.

The relationship between the United States and Mexico in 1940 was probably closer than at any other time. General Avila Camacho, the successor of President Cárdenas, received a country immersed in an environment of open, cordial and frank cooperation with the neighbor to the north, and Avila Camacho followed route. The newly elected president of Mexico had expressed his desire to maintain and improve this relationship.276 The degree of rapprochement between the US and Mexico achieved by Lázaro Cárdenas was evidenced at Camacho’s inauguration day. President Roosevelt sent his Vice-President Henry A. Wallace to the ceremony of passage of

power between Cárdenas and Avila Camacho, and the Mexican congress burst into a standing ovation for several minutes when the American delegation entered the chamber.

The continuity between Cárdenas and Camacho expressed itself in several ways, and one of them was the fact that General Cárdenas became an active member of Camacho's government. When the news of the Japanese attack on Pearl Harbour reached Cárdenas he wired to President Camacho the following message: "as result of the painful event of the declaration of war between the United States and Japan, I am honored to place myself immediately at the disposition of your government." 277 Camacho appointed Cárdenas Commander in chief of the Pacific Coast and in September 1942, he welcome him into the cabinet as Minister of Defense. Cárdenas and Camacho worked together and with the US during the war effort and expressed great pride when the Mexican Aviation Squadron No. 201 saw action under General MacArthur. Modern war equipment was brought from the US to Mexico and collaboration with the American government and the American army became routine. Cárdenas also dedicated his efforts to the construction of a large plant to manufacture munitions for the Allies. This project was part of a larger plan to create a military bloc composed by the United States, Canada, and Mexico, a project that was dropped once the war was over, to the disappointment of General Cárdenas. 278

A major indicator of continuity between the two regimes was their trade policy and the amount of trade which the two administrations engaged with the United States. In 1940, the last year of the Cárdenas government, the United States absorbed

277 William Cameron Townsend, Mexican Democrat, p. 355.
278 Ibid., p. 359-360.
89.4 percent of the total of Mexican exports, while Mexican imports from the US were 78.8 percent of total Mexican imports. The same figures for the Avila Camacho administration for the years 1941 to 1946 were: 91.2, 91.4, 87.7, 85.0, 83.5, 71.3 percent of total Mexican exports; and 84.2, 87.0, 88.5, 85.4, 82.3, 83.6 percent of total Mexican imports. In other words, there was no substantial change between the amount of trade that the Cárdenas administration had managed to bring Mexico in 1940, and the average performance of the entire period of Avila Camacho. Under Camacho, Mexico continued to trade with America within the parameters and the amounts the Cárdenas administration had reached by 1940. Far from departing from Cárdenas’ policies, Avila Camacho continued and consolidated Cárdenas’ rapprochement with the US. This trend of rapprochement had its ultimate expression when Camacho signed a Reciprocal Trade Agreement with the United States on December 23, 1942.

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279 Banco Nacional de Comercio Exterior, Comercio Exterior de México 1940-1948, p. 64.
CONCLUSION

Friction between Mexico and the US during the Cárdenas period was mostly due to the concessions which the Mexican President was forced to make in order to maintain his political power at home. Concessions made to organized labor and to peasants hurt the interests of American companies operating in Mexico. At the same time, these companies compounded the situation, first by leaving Cárdenas little choice but to nationalize them, and then by their boycott of nationalized Mexican oil. An appreciation of these bases of U.S. and Mexican actions helps us to see the flaws in interpretations of U.S.-Mexico relations that overemphasize the role played by American imperialism or by Mexican nationalism.

Imperialism has been a common theme of many historians to explain the elements guiding the American attitude toward Mexico. It has been argued that Roosevelt’s treatment of Mexico during the 1930s was designed to promote U.S. domination of Mexico. The Roosevelt government’s treatment of Mexico has been characterized as retaliatory, and seen as an element disturbing the Mexican economy, particularly after Mexico nationalized the American oil companies. The historical evidence, however, does not support this interpretation. On the contrary, the U.S. attitude toward Mexico was moderate and non aggressive; the United States had the ability to inflict substantial economic damage to Mexico but did not exercise its power. For example, the Roosevelt administration did not retaliate against the Mexican nationalizations of land and oil which affected the interest of American citizens.

In short, the American government chose the path of negotiation over aggression because it was in the interest of the U.S. to maintain good relations with Mexico: they
needed Mexico’s support to make their free trade crusade, and their policy of containing German influence in Latin America, successful. The degree of interdependence that existed between the United States, Latin America and Mexico, in other words, spared this latter nation from suffering retaliatory actions from the Americans. The coming of the Second World War also had a shaping effect on American behaviour towards Mexico, but it must be made clear that this event had a catalytic rather than a determining impact on American policy: Cordell Hull had defined a policy of cooperation and trade with Mexico as far back as the early 1930s, but it was only with the coming of the war that conservative sectors of the Republican party were won over to this approach.

A second interpretation of the relationship between the U.S. and Mexico during the Cárdenas period focuses on the influence of Mexican nationalism. It is one of the main purposes of this paper to state that this focus has served only to obscure the determining elements shaping the relationship. Nationalism has frequently been cited to explain the "Mexican character" and the actions of political leaders in Mexico. Historians, political scientists, poets, and writers have mixed reality and fantasy to build the myth of the importance of nationalism to the actions of the Mexican government. Mexican politicians have, indeed, effectively manipulated this idea in order to ensure their positions of power. Cárdenas was a master in this sense, and artfully capitalized on the nationalization of the American oil companies once it was a fait accompli. At the same time, however, Cárdenas placed Mexico on a path of cooperation with the U.S. difficult to match in Mexican history. Cárdenas made substantial efforts to avoid the nationalization of the American oil companies, and by the end of his period Mexico’s trade was solidly linked with the U.S. which was the country against which
his "nationalism" was supposedly intended. The "traditional Mexican nationalism" that many have argued was a substantial part of the Cárdenas government and the Mexican character did not stop Cárdenas from establishing closer relations with the U.S. which eventually led to the signing of a commercial treaty with the Americans.

It is necessary to review the historiography of the Cárdenas period and its relationship with the U.S. because Cárdenas' treatment of America has been used as a base to build the most abundant production of myths around the relationship between these two countries. The Cárdenas administration has been portrayed as the archetype, the supreme example, of Mexican nationalism. This myth continues to be used today to muddle the understanding of the key elements which have defined the relationship between Mexico and the U.S.

For example, Robert A. Pastor and Jorge G. Castañeda in their Límites en la Amistad have signaled the "traditional" Mexican nationalism as the great obstacle that the Mexican President would have to face in the eventuality of promoting a free trade agreement with the U.S. The signing of the Commercial Treaty of 1942 and the recent signing of the NAFTA agreement is the most solid refutation of these arguments. Límites en la Amistad is a work which perpetuates the myths of the relationship between Mexico and the U.S. The limits of the relationship between the U.S. and Mexico have not been based on some ardent nationalism, but on the shifting interests of the sectors controlling political power in both countries.

This paper has focussed on the role of international trade and the commerce between these two nations as being the key element which placed them together in a

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environment of cooperation. Ultimately, regardless of any imperialism or nationalism Mexico and the U.S. came together because they had a mutual interests in the promotion of trade between their two countries. In this sense there was no substantial departure in policy toward the U.S. between Cárdenas and Avila Camacho. On the contrary Avila Camacho followed and consolidated the process initiated by Cárdenas when he signed the Trade Agreement between Mexico and the U.S. in December 1942. The Cárdenas government was responsible for taking the first steps and setting the stage for open cooperation with the United States.
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APPENDIX

TABLE #1
UNITED STATES
EXPORTS AND IMPORTS TO SOUTH AMERICA
(In thousands of dollars)

<table>
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<tr>
<th>Year</th>
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