

**COMPLACENCY OR POLICY? :  
U.S. RESPONSE TO THE 1938 EXPROPRIATION  
OF AMERICAN OIL COMPANIES IN MEXICO**

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For my son, Stephen

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## **Introduction**

On March 18, 1938, Mexican President Lazaro Cardenas gave an executive order which resulted in the expropriation of seventeen foreign owned oil companies in Mexico. Upon incomplete analysis the United States response to this action appeared to be slight. It was, however, part of a larger diplomatic strategy. Franklin Roosevelt's "Good Neighbor" policy demanded cordial inter-American relations and hemispheric solidarity in the face of the axis menace. The U.S. reaction to the expropriation was a true test of FDR's diplomatic rhetoric. The decision to accept the nationalization of American oil properties was based on the "Good Neighbor" policy, but it was also the direct result of a friendship between Roosevelt and the U.S. Ambassador to Mexico, Josephus Daniels.

Chapter 1, "Why Expropriation?", discusses the events leading to the expropriation. It examines the impact of

foreign capital and details the history of the oil industry in Mexico. This part of the thesis offers information concerning the Mexican Revolution, as well as the post-revolution struggle for a cohesive Mexican government, agrarian reform, the labor movement, and the growing spirit of Mexican nationalism. In addition, chapter 1 investigates the background of U.S.-Mexican relations.

Chapter 2, "The Expropriation: Reaction and Settlement", chronicles the demands of labor, the position of the oil companies, and the judicial battle between the two, which ultimately resulted in the expropriation. It examines the immediate response of each nation--public opinion and propaganda, governmental correspondence, and the oil companies' reaction. This part of the thesis concludes with the settlement of the expropriation in 1942.

Chapter 3, "U.S. Diplomacy: Policy or Complacency?", analyzes the U.S. response to the expropriation. It examines various factors upon which the United States built its diplomatic relations with Latin America in the 1930s. In particular this part of the thesis explores the "Good Neighbor" policy, FDR's friendship with Josephus Daniels, and the impact of several individuals on U.S.-Mexican relations; it ascertains how each of these elements affected the expropriation policy.

Many books have been written about the Mexican oil industry and the "Good Neighbor" policy. While these works

usually mention the expropriation, little information is offered about the U.S. response to this action. Most historians have focused on the diplomacy and negotiations leading to the expropriation. Few have dealt with the basis for post-expropriation U.S. policy toward Mexico. Those who mention this phase of the expropriation allot no more than one or two paragraphs to the subject, and almost always attribute the mild U.S. reaction exclusively to the threat of axis penetration in the Western Hemisphere.

Lorenzo Meyer offers the most comprehensive secondary study on the expropriation. His work is well-balanced and unbiased. In Mexico and the United States in the Oil Controversy, 1917-1942, Meyer devotes several pages to Washington's reaction. He does not, however, accurately gauge the impact of the Roosevelt-Daniels friendship. To fully understand this aspect of the U.S.-Mexican relations after the expropriation, primary material is needed.

Several good primary sources depict the type of friendship Roosevelt and Daniels shared, among them: The Roosevelt Letters; Roosevelt and Daniels: A Friendship in Politics (a series of letters written between Roosevelt and Daniels); Shirt Sleeve Diplomat, (the memoirs of Joseph Daniels); and Franklin D. Roosevelt and Foreign Affairs.

While the friendship of Roosevelt and Daniels was important, other factors also contributed to the expropriation policy. U.S. Military Intelligence Reports

on Mexico 1919- 1941, describe the post-Mexican Revolution years and the growth of the labor movement. This primary material offers abundant information concerning the infiltration of Communism and Fascism. It also contains translated speeches, press conferences, and written documents of various Mexican presidents.

Another excellent source for primary data in regard to the infiltration of the western hemisphere by alien ideologies, a threat both real and perceived, is Records of the Department of State Relating to the Internal Affairs of Mexico 1930-1939. These documents include correspondence to and from the U.S. State Department, as well as excerpts from several Mexican newspapers.

For a close look at the mindset of the U.S. State Department in the 1930s and the basis for the "Good Neighbor" policy, The Memoirs of Cordell Hull is also recommended.

Compiled, this primary material offers new insight into post-expropriation U.S.-Mexican relations. Most historians have given little attention to United States diplomacy with Mexico after the nationalization of American owned oil companies. The topic has been ignored, or overshadowed by the larger diplomatic plan of the time, the "Good Neighbor" policy. This thesis will attempt to portray U.S. negotiations with Mexico after the expropriation in a new light. U.S. diplomacy with Mexico

between 1938 and 1942 was not based in complacency. The U.S. response to the expropriation was fundamentally rooted in the "Good Neighbor" policy, however, equally important to the U.S. reaction, was the friendship of Franklin Roosevelt and Josephus Daniels.

## **Chapter 1**

### **Why Expropriation?**

In his memoirs, Josephus Daniels, U.S. Ambassador to Mexico 1933-1942, referred to the 1938 Mexican oil expropriation as a "Bolt From The Blue."<sup>1</sup> The expropriation, however, should have been anything but a surprise. That a Mexican president would nationalize industries vital to Mexico's economic well being had been a possibility since the implementation of the Constitution of 1917. In addition to this document, the Mexican Revolution spawned a number of economic and social reforms. A new political agenda, combined with a growing sense of nationalism, posed a direct threat to foreign investors.

As the ideals of Mexican Revolution gained momentum in the post-revolution struggle for reform, Mexican leaders sought to end the economic domination and labor exploitation inflicted by foreign owned businesses.

Efforts to ameliorate these problems were hindered by a history of strained diplomatic relations and intermittent military intervention by the United States. As the revolution's push for reform gained momentum foreign businessmen had to deal with all of these elements simultaneously. Separately each of these factors sustained Mexican hostility toward the United States during the 1930s. Together, the ideals of the revolution, foreign economic domination, exploited labor, and a precarious diplomatic past contributed to Mexico's decision to expropriate U.S. property.

Thus, Lazaro Cardenas responded to more than the current disputes between oil companies and Mexican labor unions when he expropriated U.S. oil interests in 1938. The Mexican president's decision to seize control of this foreign owned property was deeply rooted in his understanding of the tenets of the Mexican Revolution. Therefore, the reasons behind the expropriation and the basis of the revolution must be understood.

What started in 1910 as a political movement led by Francisco Madero to overthrow the thirty-six year old dictatorship of Porfirio Diaz, quickly became a complex fight for social reform. During the Diaz years, 1876-1910, U.S. businessmen were encouraged to invest large amounts of capital in Mexico. While some revolutionaries sought to improve public education and limit the power of the

Catholic church, others called for land redistribution, protective labor laws, and restriction on foreign business. These were reforms which would have a profound effect on foreign investors. By 1913, the United States had infused billions of dollars into the Mexican economy.<sup>2</sup> It is not surprising then, that many U.S. capitalists viewed the Mexican Revolution with trepidation.

As the revolution gained momentum Mexican nationalism strengthened and an antagonistic attitude toward foreigners, especially those involved in commercial enterprises, began to grow. Revolutionaries harassed foreigners of all nationalities. Citizens of the United States, Great Britain, France and Germany had the most to lose. These countries controlled extensive investments in Mexican mining, manufacturing, and oil production.<sup>3</sup> Each government tried to protect the lives and business interests of their countrymen from destruction by rebel forces, but none could quell the anti-foreign sentiment which continued to grow in Mexico. While, factionalism in Mexico remained distinct, the country was unified by two important goals: the desire for change and a swelling sense of nationalism.

By 1914, most nations considered Venustiano Carranza the victor in the internal struggle for Mexican political power. He assumed the presidency and gained the recognition of the United States as well as several other



countries by 1915.<sup>4</sup> The major accomplishment of Carranza's unstable five year reign took place on February 5, 1917, when his administration instituted the Constitution of the Mexican Revolution. Several articles in this document had negative implications for foreign investors.

The Carranza administration sought to rehabilitate the bankrupt Mexican economy. The president realized the importance of agrarian reform as well as restraints on foreign owned industries. With the new constitution he hoped to create a way to end the old system of *latifundios* and the excessive domination of foreign capital.<sup>5</sup> Article 27 was the most detrimental to American businessmen, because it directly threatened American oil interests. This article called for . . .

a distinction between surface and subsoil property and gave the latter to the nation. . . .oil was brought under the legal system that governed the exploration of the rest of the minerals, and all existing legislation on the subject drawn up by the previous government was automatically invalidated.<sup>6</sup>

In May of 1920, the federal government evacuated Mexico City as General Alvaro Obregon and his followers successfully toppled the Carranza regime.<sup>7</sup> Adolfo de la Huerta became the provisional president, while preparations were made for a general election. In November of 1920, Obregon became the duly elected president of Mexico, and the Mexican Revolution officially came to an end. Newly implemented social programs and steps toward positive

economic transformation began to take place under the administration of Obregon. Persistently the new president struggled to obtain diplomatic recognition from the U.S. government. He realized the need for strong economic ties with the north and wanted to retain foreign capital in Mexico. At the same time he understood the importance of displaying a strong and nationalistic front, true to the ideals of the revolution.

American investors feared Obregon's regime would impose strict adherence to Article 27 of the Constitution of 1917. Negotiations continued for three years before the Mexican and U.S. president could reach an agreement concerning the extent of existing oil concessions. Still, Obregon refused to sign a treaty--he felt to do so would be offensive to Mexican nationalism and dignity. He could not afford to disrupt the fragile, new identity emerging in Mexico. Finally in 1923, the Bucareli Agreement was reached in which Obregon assured U.S. President Warren G. Harding that Article 27 would be neither confiscatory nor retroactive.<sup>8</sup> This pledge would be difficult to keep if the ideals of the revolution were to be realized.

In general, Mexican society experienced a growing sense of nationalistic pride after the revolution. People of all classes began to discover a distinctive Mexican identity, which they expressed in their literature, art, and politics.<sup>9</sup> In order to survive, the post-revolution

government nurtured this new found identity. Various departments within the Mexican government roused the support of the people by restricting foreign businesses, initiating agrarian reform, and encouraging unionization. The Mexican people saw these reforms as corrective to exploitative labor practices, and vital to the redistribution of large tracts of foreign owned land. Although these goals were familiar to the people and idealized by Carranza, improvement in these areas was still far from successful. Post-revolution Mexican leaders fervently vied for political hegemony, but to retain political control they also had to placate the masses and contend with a floundering economy. Each Mexican president from 1920 to 1936 moved the revolution a little further to the left in an effort to accomplish these goals.

The three most important leaders to emerge during this time period were Alvaro Obregon, Plutarco Elias Calles, and Lazaro Cardenas. Each man's commitment to change and the speed at which he believed the country could move toward the goals of the new republic varied. In an effort to appease the people, to implement the ideals of the revolution and to form a cohesive government, all of the presidents, to some degree, tried to quicken the pace of social reforms during their administrations. To retain political power each president went beyond the boundaries

of his predecessor, and made more grandiose promises for change.

Although the restless mood of the nation during the 1920s and 1930s concerned Mexican presidents, the call for tangible results offered them an even greater challenge. An understanding of the problems facing the Obregon regime is vital; the opposition and uncertainties faced by his government continued to plague several of the administrations to follow. Obregon faced many challenges, but two elements were directly related to the oil issue: the influence of radical socialism on labor and the application of the Agrarian Law.<sup>10</sup>

Aware of continuing discontent among peasants and proletariat, Obregon tried marginally to fulfill revolutionary promises.<sup>11</sup> Although, he established an agrarian commission, Obregon did not promote confiscation of large haciendas or foreign owned land. He merely sought to return land to those who could show prior ownership and that their land had been taken illegally. Support for labor and opposition of foreign owned industries also became more intense during Obregon's administration as Mexican society called for fulfillment of the guidelines set forth in the Constitution of 1917. This prompted Obregon to support labor legislation and to encourage the formation of trade unions.<sup>12</sup> Still this was not enough. Proponents of agrarian reform, labor, and those opposed to

foreign interference continued to call for more stringent adherence to the ideals of the revolution.

During the Calles administration of the 1930s, revolutionaries were absolutely in control, and the reforms in which they were most intensely interested were agrarianism, and increased advantage to labor over capital. The U.S. military attaché wrote that it would be ". . . impossible for any leader to stand against these two popular waves of public opinion."<sup>13</sup> Indeed, no leader could slow the progress of radical labor elements, without the risk of being labeled an anti-revolutionary.

By the time Cardenas took office in 1934, a pattern of rhetorical "one-up-manship" was firmly in place. Because the people grew tired of revolutionary theory and demanded true change, Cardenas was compelled to make further promises and to take a more radical political stand. In essence, his administration revitalized the revolution. This is evidenced by his commitment to the Constitution of 1917, especially article 123, which gave workers the right to organize, bargain collectively and strike. "In the Cardenas years there were more than twenty-eight hundred labor strikes--seven times the total of the previous ten years, and more than during any other presidential term."<sup>14</sup> This new commitment to uphold Article 123, made the fate of foreign owned oil companies uncertain, and owners resented

the Mexican government's interference, as well as the new movement to give labor more control.

During the Cardenas regime, the old Regional Confederation of Mexican Workers (CROM), directed by Luis Morones, was replaced by a stronger labor union known as the *Confederacion de Trabadores* (CTM) under the direction of Vicente Lombardo Toledano. Backed by the chief executive, this new organization received occasional subsidies from the government.<sup>15</sup> While government support was an important element in organized labor, several other factors contributed to labor agitation. The influence of socialism cannot be overlooked during the post-revolution period.

Intelligence reports indicated that the United States felt Mexico faced a genuine threat of Communist infiltration as early as the 1920s.<sup>16</sup> This expanding ideology greatly influenced the organization of Mexican labor. The radical Lombardo had strong Marxist leanings.<sup>17</sup> Hence, those opposed to labor reform were quick to name the Cardenas administration as communist. In response to these accusations, Cardenas said:

We must combat capitalism, the liberal capitalistic school that ignores the human dignity of the working classes and their collective rights, but capital which adjusts itself to the new forms of justice and protects the inherent rights of the working classes, merits the full guarantees and encouragement of the government. Communism is not my doctrine or the inspiration of my politics.<sup>18</sup>

This was more than the denouncement of communism; it was a clear warning to foreign capital. Although Cardenas denied communist motivation, the revolution took on a definite socialist flair during this period, and Mexican labor unions continued to benefit from numerous government concessions.

Still, there were those who felt that the revolution had not fulfilled its promises to labor. Some businesses refused to pay higher wages and to concede to other demands made by labor. Society called for an end to the years of presidential, revolutionary rhetoric, and demanded action. Mexican newspapers discussed the difficult position of Cardenas. *El Nacional* felt the only way the president could end the stalemate with labor was by an outright move toward communism.<sup>19</sup>

Oil workers looked to Cardenas for support in their struggle to gain concessions from foreign oil companies. Eventually, Cardenas took the ultimate step in support of labor when he gave the executive order to uphold the ruling of the Mexican Supreme Court in favor of workers over foreign oil companies. Historically, this type of resolute embrace of labor by the chief executive was an anomaly. It meant that years of being sold out by corrupt officials had come to an end, and that the Mexican laborer finally had the support of the executive and judicial branches of the government.

During the early years of the Mexican oil industry, labor problems were virtually non-existent due to the iron hand of Porfirio Diaz. Diaz sought to make investment in Mexican resources as easy as possible for outside capital. He believed that only the United States and the industrialized nations of Europe could contribute the capital necessary to save Mexico from economic stagnation. He gave the owners of the land rights to sub-soil riches, allowed companies to import all equipment tax free, and initially exempted the enterprises from all internal levies except the stamp tax.<sup>20</sup>

The first attempts to exploit Mexico's oil deposits took place before Diaz. Mexican oil fields were a natural geographical extension of those in Texas, therefore Americans were among the first to become involved in the Mexican oil industry. Afraid that the U.S. would soon monopolize the Mexican oil industry, Diaz also encouraged the investment of British capital.<sup>21</sup> Soon British and American oil promoters began buying land concessions from unsuspecting farmers who were unaware they were in possession of liquid gold, and many Mexicans were blatantly swindled.<sup>22</sup> The progress of foreign investors was swift. By 1910 they completely dominated the Mexican oil industry. The oil industry took off between 1877 and 1911 as the internal Mexican market grew due to an increase in railways and mining operations.<sup>23</sup> When the Mexican Revolution



interrupted the domestic market, foreign companies quickly became dominant in oil export. As World War I approached, market conditions supported a frenzy of exploration on the gulf coast. The British company *El Aguila* and American Standard Oil were the two largest oil companies in Mexico when oil prices reached an unprecedented high point in 1916.<sup>24</sup> By 1919, Mexico had become the one of world's largest oil exporter second only to the United States.<sup>25</sup>

After the Mexican Revolution, the position of oil companies became uncertain. The U.S. negotiated with Mexico between 1920 and 1923 to retain control of sub-soil mineral rights. Once this was settled by the Bucareli Agreement, the push for labor reform soon began. A revolutionized society pushed Mexican leaders to confront the oil companies with reference to their social responsibility toward their workers. While Mexican leaders agreed that reform was necessary, and unionization began, improvements for Mexican oil workers and their families were few.

Nelson Rockefeller, a member of the Standard Oil Company board of directors, was appalled by the poor living conditions of Latin American oil workers. After witnessing them first hand during several trips to Latin America during the 1930s, he warned the oil executives that Latin American workers were being exploited. In an address to his board of directors in 1937, he called for change.<sup>26</sup>

However, Standard Oil, as well as other oil companies continued to exploit Mexican workers. They turned a blind eye to allegations that their employees were under paid. The companies maintained that their wages were competitive, if not in excess of other industries within the Republic.<sup>27</sup> While the oil companies admitted that living conditions for Mexican workers did not meet American standards at that time, they argued that conditions were typical for Mexican society.

Mexican oil workers, however, were not fighting for equality with their compatriots. Evidence confirms that they were in fact better paid than most Mexican laborers doing the same type of work. The discrepancy was between the wages of Mexican and American oil workers in Mexico. Cardenas accused foreign oil companies of providing "Comfort for the foreign staff; mediocrity, misery and unhealthfulness for nationals."<sup>28</sup> He suggested that camps contained many amenities for the American staff not available to the Mexican workers. Some "Foreigners made twice as much as Mexicans who worked at similar tasks."<sup>29</sup>

The American Embassy defended the oil companies in reports to the state department. U.S. officials claimed the camps to be well above the general standard of living in Mexico at the time. They stated that while some employees did accumulate more luxuries than others, this was simply due to the pay scale and level of expertise

needed for individual jobs. Americans were better educated and possessed more advanced technical skills in most cases, therefore they were paid higher wages. As in any capitalistic society, this enabled them to purchase more luxury goods.<sup>30</sup>

Post-revolution Mexican society was extremely conscious of their prosperous northern neighbor. Their emotions toward Americans were mixed. They resented the exploitative practices of the oil companies, but they also wanted to emulate the United States' success. Therefore, it is not surprising that Mexican unionization coincided with the same movement in the United States, and quickly gained momentum in the 1930s. Strikes against the foreign oil companies increased, as the economic and political implications of the oil issue reached a critical stage. Yet, oil companies stood fast and refused to accept the demands of their workers.<sup>31</sup> Negotiations moved to the Mexican Supreme Court, where the oil companies lost. Upon the companies' refusal to abide by Mexican law Cardenas gave the order for expropriation.

The call for expropriation was based not only on present negotiations between labor and foreign oil companies, but also upon historical factors. What prompted Cardenas to take such a drastic step? Why did the Mexican people openly celebrate his decision in the streets? The

answer to these questions can be found in a close examination of the history of U.S.-Mexican Relations.

In 1939 Rockefeller contacted Cardenas in an unofficial capacity and tried to settle the dispute at a personal level. While a guest of the Mexican president, he questioned Cardenas concerning the expropriation, its foundation and the possibility of returning the oil properties to American businessmen. Cardenas indicated that the expropriation was not completely prompted by the current behavior or the superior attitude of foreigners, but rather that the roots of the expropriation ran deep into the history of the two countries. With a great sense of Mexican history, the president painted a historical panorama of U.S.-Mexican relations. He cited such injustices as the annexation of Texas, the Mexican-American War, the U.S. Army interventions against Pancho Villa, and the U.S. economic domination of the Mexico as reasons for this action. "The expropriation of oil properties, he continued, was a symbol of Mexican liberation from domination from without. Expropriation restored a sense of dignity and self respect and independence. . ."32 On that basis, according to Cardenas, oil properties would never be returned, and no settlement could be made that would in any way jeopardize Mexican self-respect.<sup>33</sup> Thus, the roots of the oil expropriation can be traced through many years of

commercial, diplomatic, and military relations between Mexico and the United States.

Post-revolution diplomacy between these two countries was not exclusively a twentieth century phenomenon; indeed, relations were shaped during the previous century by varied interaction between the two neighbors. It developed as each country suffered or prospered during devastating events such as the Mexican-American War, the exploitative dictatorship of Porfirio Diaz, and the bloody Mexican Revolution.

During the 1830s, the U.S. was eager to expand its borders from coast to coast. Thus, when friction between Mexico and Texas occurred in 1836, the U.S. government looked the other way. Hostilities between the United States and Mexico mounted after Texas succeeded from Mexico and was admitted into the union in 1845. Disputes over the U.S.-Mexican border, the movement of American settlers into Mexico's California territory, and the failure of Mexico to pay reparations to U.S. citizens for property damaged during the Texas rebellion prompted U.S. president James K. Polk to declare war on Mexico in May of 1846. This act resulted in Mexico losing over half of its territory, and left Mexicans with a bitterness toward the United States that was present nearly one hundred years later.

By the latter part of the nineteenth century the U.S. dollar became the diplomatic tool of choice in Mexico.

Diaz encouraged this policy by welcoming foreign capital. Dissatisfaction with the strong-arm tactics of the Diaz regime, inequitable distribution of wealth and property, as well as exploitation by foreign businesses, all led to the outbreak of the Mexican Revolution in 1910.

The Mexican Revolution added further stress in U.S.-Mexican relations, as Mexican leaders could not guarantee safety to American businessmen and their property. American troops crossed the border three times between 1914 and 1919 to protect U.S. lives and property.<sup>34</sup> Relations between the two countries again became strained, and editorials in several Mexican newspapers speculated about an all-out U.S. intervention.<sup>35</sup> Eventually, U.S. forces were called home, and United States Senator Albert Fall was sent to Mexico to evaluate the situation.<sup>36</sup> Mexicans felt that their fate was being judged by outsiders, and resentment toward the United States continued to grow.

During the post-revolution period of the 1920s and 1930s relations between the United States and Mexico fluctuated. Mexicans viewed the United States as the "Colossus of the North," a country to be feared, yet admired--a country that evoked many emotions--among them a seething thirst for revenge.

The sting of American imperialism and past transgressions still lingered when the idea of expropriation was first considered. The expropriation was

not caused by a single incident. Relations between the two countries were blemished by a history of U.S. infringements against Mexico. This combined with the post revolution hunger for reform became the impetus for the expropriation. In 1938, when Lazaro Cardenas expropriated all foreign owned oil companies in Mexico it was more than an answer to current labor disputes between Mexican workers and the companies. It was a direct result of the Mexican Revolution, the post revolution struggle for political stability and social improvements, the character of the oil industry in Mexico, and the long history of U.S.-Mexican relations.

## Notes for Chapter 1

- 1 Daniels, Josephus. Shirt Sleeve Diplomat. Westport, Connecticut: Greenwood Press. 1947. Reference to the Chapter titled "Bolt From the Blue." p. 227-245.
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- 4 Miller, Dennis Ryal. Mexico a History. Norman and London: University of Oklahoma Press. 1985. p.303.
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- 7 U.S. M.I. Reports. Weekly Report No. 1227. August 20, 1919. Reel I.
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- 11 Miller., p.309.
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- 13 Johnston, Gordon. Military Attaché. U.S. M. I. Reports. Weekly Report No. 2744. February 4, 1930. Reel II.
- 14 Miller., p.319.
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16 U.S. M.I. Reports. "Summary of the Principal Factors Menacing the Obregon Administration in Mexcio and Biographical Sketch of Principal Leaders Involved." March 4, 1922. p.6. Reel I.

17 Miller., p.317. Also several U.S. M.I. Reports including Weekly Report No. 7897. November 20, 1937. Reel IV. This report indicates that Lombardo Toledano attended a Communist Party Meeting in New York City on November 10, 1937.

18 U.S. M.I Reports. Weekly Report No. 6112. April 19, 1935. Interview between Lazaro Cardenas and Senator Egequiel Padillo. Reel IV.

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21 Brown, Jonathan C. "The Structure of the Foreign-Owned Industry In Mexico." The Mexican Petroleum Industry in the Twentieth Century. A collection of essays edited by Jonathan C. Brown and Alan Knight. Austin, Texas: University of Texas Press. 1992. p.3-4.

22 Daniels., p.212.

23 Brown., p.2

24 *Ibid.*, p.8

25 Baker, George. "Mexico and International Oil." Business Mexico. Special Edition 1994. p.76.

26 Morris, Joe Alex. Nelson Rockefeller: A Biography. New York: Harper & Brothers. 1960. p.115.

27 Richberg, D.R. Donald R. Richberg's Story: The Mexican Oil Seizure. New York: Arrow Press, Inc. 1939. p.6. Richberg was an attorney for the American owned oil companies. In his book he offers statistics which indicate that oil company workers were paid at times double what workers doing similar tasks within the republic were paid. He made these comparisons with data taken from the 1936 annual review of wage comparison for 1935 done by the **Mexican Department of Labor.**

28 Records of the Department of State Relating to the Internal Affairs of Mexico 1930-1939. Washington, D.C.: The National Archives and Record Administration. 1985. Declassified State Department Dispatch No.-illegible. October 1, 1938. p.2 Weekly review of Hoy, a Mexican newspaper. Article dealing with "The Social Work of the Oil Companies," by the Institute of Economic and Social Studies, as well as quotes from Lazaro Cardenas.

29 Brown., p.12.

30 Dept. of State Records. October 1, 1938. Review of Hoy. p.10.

31 U.S. M.I. Reports. Weekly Report No. 8077. August 24, 1937.

32 Morris., p.123.

33 *Ibid.*

34 U.S. M.I. Reports. Weekly Report No. 1227. August 20, 1919. Reel I.

35 *Ibid.* Various references to newspaper articles speculating about intervention into Mexico by the United States military in Weekly Reports between August 20, 1919 and September 1, 1919. Reel I.

36 Beelen., p.9.

## Chapter 2

### **The Expropriation: Reaction and Settlement**

In December of 1937 the Mexican Federal Board of Conciliation and Arbitration (JFCA) mediated a series of negotiations between Mexican oil workers and foreign owned companies in favor of labor. The oil companies appealed to the Mexican Supreme Court, and on March 1, 1938, the judicial system also ruled in favor of the workers.<sup>1</sup> The companies rejected the court's verdict further straining their relations with the Mexican government, and compelling Lazaro Cardenas to give an executive order to expropriate all foreign owned oil companies in Mexico. The Mexican people strongly supported the actions of their government; Americans looked to Washington for retaliation. Propaganda from both camps ran rampant. A settlement was not reached until 1942. Even then, American investors were not convinced that the behavior of the Mexican government was

legal, or that just compensation would be made. In order to understand this controversy, the grounds for the expropriation, public opinion in both countries, as well as the actions and attitudes of each government must be examined.

When Lazaro Cardenas became the president of Mexico in 1934, many felt he would follow the course of his predecessors and succumb to the advice and dominance of ex-president Plutarco Elias Calles. Cardenas reinforced these beliefs when he adopted Calles' Six-Year Plan soon after his inauguration. Calles original program underwent drastic changes upon submission to the *Partido Nacional Revolucionario*(PNR) convention. The end product included many of Calles' ideas, but it moved further toward socialism than Calles intended.<sup>2</sup> "In the end it was to become the instrument whereby Calles, not Cardenas, was placed in the subordinate position."<sup>3</sup> What Calles hoped to use as a tool to hold Cardenas in check actually caused the new administration to break with the former Mexican leader soon after the Six-Year Plan was firmly established. Cardenas remained committed to the program, but his loyalty did not extend to the plan's originator, Calles.

Cardenas sought to liberate Mexico from the colonial economic system under which it suffered, and saw the Six-Year Plan as a means to that end. The program proposed the ". . . reorganization of the country's economic structure,

to be directed and regulated by the State . . ."4 It allowed Cardenas to nationalize industries he felt were vital to Mexico's fiscal well-being. A prelude to the oil crisis and the first large scale example of this type of government intervention was the nationalization of railways in June of 1937, an act met with little resistance from the United States. The Mexican government declared that the railroads were run capitalistically, and said that this type of operation did not correspond to the "efficiency and economy" of its users.<sup>5</sup> Cardenas firmly believed in a government policy of ". . . intervention in business, especially extractive industries."<sup>6</sup> His call for the expropriation of foreign owned oil companies was a direct implementation of the Six-Year Plan, and should not have surprised American investors.

Reformers, *campesinos*, and laborers, almost all of Mexican society supported this new nationalistic economic policy. The important *El Nacional* countered accusations that the Mexican government was hostile toward the organizing spirit of foreigners. It stated that, on the contrary, the Cardenas administration supported those industries that sought to unite their efforts with those of the republic.<sup>7</sup> The newspaper also reported, ". . . Those foreigners who adjust themselves to the revolutionary ideology and conform to our laws will enjoy the protection of the State in the development of their activities."<sup>8</sup>

Cardenas felt that the oil companies exemplified undesirable capitalistic characteristics. While he did not oppose capitalism per se, he objected to the oil companies obtaining raw materials and processing them on what he called ". . . a miserable wage scale."<sup>9</sup> Although Conservative opposition to Cardenas' Six-Year Plan existed, the majority of Mexican people saw the president's program as a means of fulfilling the economic and social agenda of the Mexican Revolution.

Cardenas' commitment to the Six-Year Plan and his support for labor unions laid the groundwork for the expropriation. In November of 1936, the government ". . . intervened in the dispute to keep the industry from being paralyzed, for the first time, it took the workers side."<sup>10</sup> The president's objective was to get the two sides to negotiate wages. Initially he was successful, but by May the bargaining became deadlocked, and the president warned industrialists that ". . . if the dispute between labor and management got much worse either the workers or the government would take over."<sup>11</sup> The companies did not think the Mexican government would dare intervene, or become so radical as to nationalize the industry.<sup>12</sup> For the time being, the oil men were right. The strike came to an end when the JFCA declared a national emergency and ordered the strikers to return to work. The board also required the companies to submit their books for an audit

in order to determine whether or not they could indeed meet the wage increases demanded by labor. The government assembled a team of experts to complete this task.<sup>13</sup>

Clearly the fact that this team--made up of Deputy Treasury Minister Efrain Buenrostro, Deputy Minister of National Economy Mariano Moctezuma, and Jesus Silva Herzog--had been established amounted to one step more toward government intervention . . .<sup>14</sup>

The oil companies no longer dealt with Mexican labor unions; they were now directly face to face with the Cardenas administration.<sup>15</sup>

The Mexican government tried to use the labor management dispute to get the oil companies to operate more in accordance with the nation's interests. Growing hostility between the Mexican government and the oil companies became evident by late 1937. The government sought to divide the oil companies by offering attractive concessions to the British company *El Aguila*, while revoking a contract for 350,000 acres of Standard Oil Company land. The British gained the Poza Rica oil beds, which experts felt were the second most important oil deposits in the world.<sup>16</sup> In return for this concession, *El Aguila* agreed to give the republic 15 to 35 percent of the output from these fields. Cardenas hoped that this lucrative deal would dissuade the British from siding with the American oil companies against the JFCA. The Mexican oil concession caused tensions between Great Britain and

the United States. Cardenas exploited this animosity--a tactic he would also attempt to employ after the expropriation. In the end, however, Great Britain realized the best way to protect its interests was to remain on the side of its American counterparts.<sup>17</sup>

On December 18, 1937, with the audit completed, the JFCA handed down its verdict in favor of Mexican labor. The companies felt they were the victims of a blatant miscarriage of justice, refused to comply with the decision, and filed an injunction against the ruling. It soon became clear:

. . . that the eye of the storm had shifted from the question of wages and benefits to . . . the oil firms traditional policy of keeping the Mexican government out of their financial affairs and general policy.<sup>18</sup>

What began as a conflict between foreign oil firms and their workers, rapidly became a battle of wills between the companies and the Mexican president. In his 1938 New Year's message to the nation, Lazaro Cardenas announced that the Mexican government would not stand by and let foreign capital continue in the privileged position it had long enjoyed.<sup>19</sup>

Cardenas approached the situation warily as the companies quickly called for a Supreme Court resolution to the matter. According to the U.S. Military Attaché, William F. Freehoff, American lawyers did not take the



Mexican court seriously. He reported that during the hearing:

. . . the attitude of the attorneys of the oil companies before the Supreme Court was undignified, disrespectful and at times insulting to that body; conduct which in the United States would have been met with punishment for contempt.<sup>20</sup>

The high court handed down its decision in favor of labor on March 1, 1938. The JFCA set March 7 as the deadline for the firms to honor this award. The oil companies expected the Mexican government to insist on compliance, or to subject the industry to an appointed overseer when they ignored the ruling. The firms never seriously feared expropriation; they were confident that the Mexican oil industry could not operate without foreign management, technology, and capital.<sup>21</sup> With this premise in mind, they continued to claim that they were financially unable to fulfill the wage demands of labor.

On March 18, 1938, Lazaro Cardenas gave the executive order for the expropriation of all foreign owned oil companies in Mexico. He called this action an effort to ". . . keep the decisions of highest Mexican courts from being rendered meaningless by a simple declaration of insolvency." Internal opposition to this decision was minimal. Almost all of the newspapers mirrored the overwhelmingly favorable response of the Mexican people to the president's bold act.<sup>22</sup>

Daniels called the Mexican response "a wave of delirious enthusiasm . . ."23 According to the ambassador, the Mexican people praised Cardenas for delivering them from foreign exploitation. Thousands of people across the country joined parades to show their support for the president's action. Women who had long had their political opinions stifled now openly marched to the Palace of Fine Arts to make ". . . an unheard of sacrifice. They took off wedding rings, bracelets, earrings, and put them, as it seemed to them, on a national altar."24 Solidarity transcended social status, age, religious preference, and gender as Mexican society enthusiastically attempted to raise funds for the newly expropriated industry. Expropriation Day became a national Mexican holiday.25

The U.S. had a decidedly different response to the expropriation. Although, the average American was not a proponent of big business, Mexico's overt act of aggression against fellow countrymen shocked most U.S. citizens. They were also incensed by Washington's lack of assertiveness in the matter. Albert L. Marks represented the sentiments of many Americans when he wrote to Secretary of State Cordell Hull:

Why don't we assert ourselves and compel them to pay . . . whilst at times the pen is mightier than the sword in this instance our sword backed with a few battleships, would I think bring some result . . . why not use force, no bluffing . . .26

Although, most Americans were angered by the actions of the Mexican government, a few adventuresome capitalists saw the expropriation as a window of opportunity. Along with representatives from companies in Germany, Japan, and Great Britain some American investors approached the Mexican government offering deals of varying persuasion.<sup>27</sup> Entrepreneurs like William Rhodes Davis, a known Nazi sympathizer, sought to capitalize on the situation and negotiate new concessions for the expropriated oil, offering machinery and pipeline in exchange for petroleum.<sup>28</sup> To the Mexicans Davis appeared to drop " . . . down from the skies, but . . . to the old companies, he came as a devil from other regions."<sup>29</sup>

Still, the oil companies refused to discuss terms for remuneration with Mexico; they felt that mediation was tantamount to acceptance. The firms believed that if they agreed to negotiate payment from Mexico, they would be admitting that Mexico did indeed have the right to expropriate the property in question. They felt that capitulation of this point would jeopardize American holdings throughout Latin America; the Mexican situation could set a precedent in other countries with heavy foreign capital invested.

Outraged by what it felt was an illegal confiscation, Standard Oil Company quickly employed attorney Donald Richberg. The lawyer cited international law which said

that if Mexico could not produce prompt and just compensation the seizure of the foreign owned property was illegal. While Mexico agreed that compensation was due, it was in not in a position to offer timely payment to the oil companies. Therefore Richberg deemed their action confiscation. He argued that ". . . an expressed intent to pay at some time in the future," did not meet the specifications of international law.<sup>30</sup> Under this assumption, the oil companies appealed to the U.S. government asking Washington to force Mexico to return the expropriated properties.

On March 22, 1938, the companies sent a document to Secretary of State Cordell Hull asking that Washington exert the necessary pressure on the Mexican government to insure prompt and adequate indemnification or demand immediate return of their properties. They repeated their position in a personal meeting six days later. Although Hull did not commit himself, the department quickly drew up a three-point plan which stated:

. . . a strong protest would be lodged not against the expropriation itself but over failure to make immediate compensation; the purchase of Mexican silver would be suspended; and the ambassador would be called to Washington for consultation.<sup>31</sup>

Later, another point was added:

. . . which supported the firms' boycott by discouraging potential purchasers of Mexican oil, seeing that it was not used by U.S. government agencies, and keeping Mexico from getting any loans in the United States.<sup>32</sup>

As the authorized voice of the United States in Mexico, Daniels favored the Mexican position over that of the oil companies. When approached by oil men before the expropriation and asked to intervene on their behalf with the Mexican government, Daniels replied:

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 render a certain decision.<sup>33</sup>

He believed that the oil companies should accept the expropriation and focus their attention on the method and amount of compensation to be made. U.S. President Franklin Roosevelt also held this position.<sup>34</sup>

Washington's official diplomatic line concerning Latin America was Roosevelt's "Good Neighbor" policy. The U.S. government wanted to keep relations with Mexico cordial, but it realized that the oil companies would not be put off as easily as Americans bondholders after the Mexican railroad expropriation.<sup>35</sup>

Action had to be taken, but to the oil companies' chagrin, the U.S. response was not as strong as they desired. The United States announced that the oil expropriation was indeed a legal action. Washington

emphasized that payment must be meted out promptly. Since the U.S. knew Mexico could not meet this stipulation, they were able to exert pressure without directly confronting the Cardenas regime.

Washington dispatched the first official U.S. note to Mexico City on March 26, 1938. Prior to the receipt of this correspondence Daniels met with Cardenas and discussed the problem. The Mexican president assured Daniels that Mexico would not shirk its financial obligations to the foreign companies. The letter from the State Department, written in severe tones, arrived days after the meeting between Cardenas and Daniels. Cardenas promptly asked that it be withdrawn, since it made no reference to the verbal assurances he formerly gave Daniels. The ambassador, without authorization from Washington agreed to Cardenas' request.<sup>36</sup>

The Mexican government sent a brief communiqué back to Washington on March 31, expressing appreciation of the U.S. government's understanding in the matter. After this note, the Mexican government insisted that its differences with Washington were minimal, and refused to negotiate through formal written correspondence. Instead, they chose to rely on informal meetings, and ignored several strong notes of protest written between March 26, 1939 and April 3, 1938, by the U.S. Department of State.<sup>37</sup>

The situation in the United States at the time became a decisive factor for Cardenas. The "Good Neighbor" policy promoted several inter-American conferences aimed at settling differences peacefully in the Western Hemisphere. The United States' commitment to this policy " . . . gave Mexico relative assurance for the first time that the 'Colossus of the North' would not dare to use force to defend the oil companies' interests."<sup>38</sup> Historians have said that oil inspired one of Mexico' finest hours. The Mexican government successfully:

resisted foreign attempts to bring the country to its knees following the expropriation of foreign petroleum holdings. Despite lawsuits, maliciously racist propaganda, and primary and secondary boycotts of the industry, the country retained control of its oil sector.<sup>39</sup>

Mexican and U.S. propaganda played an important part in the negotiations as well as the settlement of the expropriation. Propaganda from the United States vilified Mexicans as lawless thieves of a lesser breed. One of the most popular organs of anti-Mexican rhetoric was The Lamp, a newspaper published by the Standard Oil Company of New Jersey. Its purpose was to frighten investors and build up a hatred toward Mexico, strong enough to influence diplomatic policy concerning the expropriation. It used fake date lines and manufactured stories to try to meet this end. Not even this degree of yellow journalism could dissuade Washington from the "Good Neighbor" policy.<sup>40</sup>

Other American propaganda pitted the U.S. against Great Britain. This argument was based on the fact that the British response was much stronger than that of the United States. After England sent three strong notes of protest to Cardenas, the Mexican government broke diplomatic relations with Great Britain. American journalists speculated that this was a ploy by the Mexicans to play the United States against Great Britain and that Mexico was ". . . counting on the Monroe Doctrine to protect it from Great Britain's wrath . . ."41 This may have worked, because once diplomacy between Mexico and Great Britain was completely severed, the British asked the U.S. to negotiate on their behalf. The State Department flatly refused. Washington replied that it would be ". . . inadvisable that Mexico should assume the position of the two powers on the oil question to be one in the same."42

In addition to Great Britain, Germany also became a great source of propaganda for journalists in the United States. While much of the information concerning a Mexican-German alliance was unfounded, there was a significant amount of Nazi and communist activity in Mexico during this period. The U.S. was afraid that Mexico would grease Germany's war machine by selling it the expropriated oil. Cardenas fueled Washington's anxiety when he told foreign newspaper correspondents, "If democratic nations



won't purchase Mexico's oil-- Mexico will be forced to sell its oil to any country which desires it."<sup>43</sup> While evidence does not indicate that Cardenas actually sought to make this deal, it is clear that he played his German card to keep the U.S. on friendly terms. The oil companies also used Germany to assist in their efforts to gain the support of the State Department. The firms warned Washington that the Cardenas administration was riddled with Nazi's, and that the only way to insure U.S. national security was to intervene in Mexican politics and oust Cardenas from office.<sup>44</sup>

This in mind, it is not surprising that when a rebellion in northern Mexico broke out in May of 1938, Cardenas quickly accused the oil companies of backing rebel commander Saturino Cedillo. While Cedillo did approach the oil companies for a loan, there is no substantial evidence to suggest that they struck a deal.<sup>45</sup> Cardenas continued to insist that oil companies were allied with Cedillo, and used this accusation to control and to unite Mexican society. He insinuated that the United States was trying to interfere in Mexican politics by supporting an armed rebellion. In this, the Mexican president offered the masses a common enemy, the imperialist *Yanquis* to the north, thereby insuring the country's continued backing in the expropriation. Any support for Cedillo would automatically be associated with support for the oil

companies and immediately take on an unpatriotic color. Propaganda concerning Cedillo was not one sided: while the oil companies emphatically denied Cardenas' allegations, they too used the rebellion to their advantage.<sup>46</sup> They called Cedillo's movement a wide spread revolution instigated by Nazis, and cautioned Washington about what instability in Mexico would mean for the United States. The oil firms only immediate intervention would insure security of the United States. This tactic, however, was ineffective, and the U.S. response to the expropriation never went beyond the State Department's four point plan.<sup>47</sup>

Although most of the petroleum fleet used to move Mexican oil was registered to either Great Britain or the United States and both countries exerted great pressure on European countries not to buy Mexican oil, actions taken against Mexico by the U.S. and British governments were unsuccessful. The boycotts against Mexican oil did not offer the foreign companies the leverage they hoped to gain in negotiations. Independent businessmen from all countries, including the United States and Great Britain, continued to buy oil from Mexico. In addition, over the next several years Mexico's domestic market increased to consume 81 percent of their oil.<sup>48</sup> Other measures against Mexico were also unsuccessful. Although the United States suspended the purchase of silver from Mexico shortly after the expropriation, most of the Mexican silver mines were

owned by American companies. It soon became evident that the suspension hurt American mining interests far more than the Mexican treasury.<sup>49</sup>

The companies did not wait to see the results of economic pressure on Mexico. Immediately following the expropriation they filed an injunction with the Mexican Supreme Court to have the decree ruled illegal. This was unsuccessful, and in " . . . June the (Mexican) courts upheld the legality of the decree and declared that immediate compensation was not required; Mexico had ten years in which to pay."<sup>50</sup>

The firms were further aggravated once negotiations began. Discrepancies over what assets Mexico was actually responsible for arose. From the outset the firms demanded indemnification for subsoil deposits as well as surface assets. Mexico maintained that according to the Constitution of 1917, subsoil property belonged to the nation, therefore, the oil companies were only subject to compensation for surface property. This point became a source of much contention.<sup>51</sup>

By 1940, the U.S. government was anxious to settle the oil problem. Faced with the threat of World War II, Washington felt that the unresolved matter was a thorn in the side of inter-American solidarity. Daniels told Roosevelt:

If the oil matter drags on, Mexicans will think that pressure is being put on them that is akin to intervention. Unless the oil matter is settled now . . . Mexico and all Pan America will lose faith in the Good Neighbor Policy.<sup>52</sup>

Secretary of State Hull also became impatient with oil companies and urged them to seek a resolution of the matter. The companies, however, remained unyielding. Hull advised them in October of 1941 that the U.S. government was entering into an agreement with Mexico for assessment of the expropriated industry.<sup>53</sup>

In November, 1941, the United States presented a formal agreement to Mexico for approval. Both countries signed it in 1942, against the wishes of Standard Oil Company. The final settlement was twenty four million dollars, one-third to be paid on June 1, 1942, and the rest to be distributed over the next five years. Although the text did not state specifically that the settlement included subsoil assets, Mexico made that concession to gain Washington's support over the oil companies.<sup>54</sup> Once the agreement was reached, The New York Times wrote that Mexico charged dearly for its part in the defense of the hemisphere.<sup>55</sup>

Unwilling to concede to less than new Mexican concessions for re-establishment of British oil concerns, Great Britain waited until Mexico's resolve began to wane before they made a settlement in 1947. The United States

promptly stepped in and cautioned Mexicans that Great Britain had better not get a better deal than they had. They warned that should Mexico allow the return of just one British company, all American companies were to be promptly returned.<sup>56</sup>

The circumstances surrounding the expropriation, internal and external pressures in the United States and Mexico, and the individual personalities involved in the situation all influenced the eventual settlement. Each of these elements also had a profound effect on the diplomatic course of action taken by the United States in regard to the expropriation.

## Notes for Chapter 2

1 Meyer. p.162

2 *Ibid.* p.150.

3 *Ibid.*

4 U.S. M.I. Reports. Evaluation of Cardenas' Inaugural Address. November 30, 1934. Reel IV.

5 Records of the Department of State. Document 812.77. June 23, 1937.

6 Cardenas, Lazaro. Inaugural Address. November 30, 1934. U.S. M.I. Reports. Reel IV.

7 El Nacional. Article from a Mexican newspaper August 31, 1934, as translated in U.S. M.I. Reports. Reel IV.

8 *Ibid.*

9 Cardenas, Lazaro. Inaugural Address. U.S. M.I. Reports.

10 Meyer. p.157.

11 *Ibid.*

12 *Ibid.* p.158. also-- U.S. M.I. Reports attaché comments on the inability of the Mexicans to run the companies DATE; Records of the Department of State. assurances that oil would not follow railroads DATE; Daniels p. 223-4.

13 Meyer. p. 158.

14 *Ibid.*

15 *Ibid.*

16 The New York Times. November 14, 1937.

17 Meyer. p.162.

18 *Ibid.*

19 *Ibid.* p. 166.

- 20 U.S. M.I. Reports. Maj. William F. Freehoff. Report No. 8275. January 25, 1938. Reel IX. It should be noted however, that the oil companies may have had sufficient reason to believe the proceeding to be a mockery. According to the military attaché, the presiding judge, Xavier Icaza, was a close friend of Lombardo Toledano, and a known labor agitator.
- 21 *Ibid.* Correspondence from Lt. Col. H. E. Washburn. Report No. 8077. December 10, 1937. Reel IV.
- 22 *Ibid.* Report No. 8377. Summary of article in the Mexican newspaper *Excelsior*. March 25, 1938. Reel IX.
- 23 Daniels. p.246.
- 24 *Ibid.* p.246-247.
- 25 *Ibid.* p. 261.
- 26 Records of Department of State. Letter to Secretary of State Cordell Hull from Albert L. Marks. September 6, 1938.
- 27 U.S. M.I. Reports. Maj. William F. Freehoff. Weekly Report No. 8349. March 11, 1938. Reel IX.
- 28 *Ibid.* Weekly Report No. 8399. April 8, 1939.-- also Daniels. Shirt Sleeve Diplomat. p. 253.
- 29 Daniels. p. 251.
- 30 Richberg, Donald R. Donald R. Richberg's Story: The Mexican Oil Seizure. p.6.
- 31 Meyer. p. 189
- 32 *Ibid.*
- 33 Daniels. p. 221.
- 34 Roosevelt and Daniels: A Friendship in Politics. Edited by Carroll Kilpatrick. Chapel Hill: University of North Carolina Press. 1952. This is a series of personal letters written between Franklin Roosevelt and Josephus Daniels. Letter to Daniels from Roosevelt. February 15, 1939. p. 185.

- 35 Records of the Department of State. Several letters between June of 1937 and June of 1938, indicate that bondholders in Mexican railways had not yet been indemnified.
- 36 Meyer. p.189-191.
- 37 *Ibid.* Also-- Daniels. p. 250-251.
- 38 Meyer. p. 171.
- 39 Grayson, George W. Oil and Mexican Foreign Policy. Pittsburgh, PA: University of Pittsburgh Press. 1988. p. 4.
- 40 Daniels. p.255-256.
- 41 The New York Times. "Mexico Breaks Off Relations with Great Britain in Oil Dispute: Recalls Her Minister After London Grows Increasingly Sharp in Demands for Payment for Expropriated Companies." May 14, 1938. p.1.
- 42 Meyer. "The Expropriation and Great Britain." in The Mexican Petroleum Industry in the Twentieth Century. Jonathan C. Brown and Alan Knight, Jr., editors. Austin, Texas: University of Texas Press. 1992. p. 157.
- 43 U.S. M.I. Reports. Weekly Report No. 8458. May 13. 1938.
- 44 Daniels. p 250-251 and 255-262.
- 45 Ankerson, Dudley. Agrarian Warlord: Saturino Cedillo and the Mexican Revolution in San Luis Potosi. Dekalb, Illinois: Northern Illinois University Press. 1984. p. 179. Ankerson discusses this topic widely throughout the book-- in his research he interviewed colleagues of Cedillo, and looked at numerous secondary and primary sources, including but not confined to: Foreign Relations of the United States. Diplomatic Papers. 1938; Mexico y Estados Unidos, by Lorenzo Meyer; and Mexico en la enrucijada de su historia, by Anatol Shulgovski.
- 46 U.S. M.I. Reports. Weekly Report No. 8497. June 14, 1938.
- 47 Daniels. p. 259-260. Also- Meyer. p. 180-181.



- 48 Meyer, Lorenzo. "The Expropriation and Great Britain."  
p. 158.
- 49 *Ibid.*
- 50 Meyer. p. 179
- 51 U.S. M.I. Reports. Guereña, M. H. Weekly review of  
Hoy. Topics suggested by the Presidential Message.  
October 10, 1938.
- 52 Daniels. p. 267.
- 53 Meyer. p.223.
- 54 *Ibid.*
- 55 The New York Times. November 20, 1941.
- 56 Meyer. "The Expropriation and Great Britain."  
p. 165.

## Chapter 3

### **U.S. Diplomacy: Complacency or Policy?**

At first glance the U.S. government's response to the nationalization of American oil interests in Mexico appears to be slight. While some economic sanctions were placed on Mexico, Washington seemed complacent. The surface calm during the expropriation, however, does not accurately represent the breadth of diplomacy between Mexico and the United States in the late 1930s. Washington's response to the expropriation was actually part of a larger plan for inter-hemispheric solidarity--a policy which was already firmly entrenched when the expropriation took place. Thus, the expropriation did not cause the policy, rather it became a tangible result of the policy. Certainly United States' reaction to Mexico's nationalization of American oil companies in 1938 was based on a commitment to the "Good Neighbor" policy and a concern for Nazi and communist

infiltration into Mexico, but the impact and relationships of several influential individuals was also significant, most notably the friendship of Mexican ambassador Josephus Daniels and President Franklin Roosevelt.

Soon after Roosevelt took office in 1932, he began working to solidify the Western Hemisphere. This new attitude toward Latin America, became known as the "Good Neighbor" policy. Under this plan the United States called for inter-American meetings to discuss common goals and possible threats to hemispheric security. The Montevideo Conference in 1933 established a firm foundation for friendship between the northern and southern hemisphere.<sup>1</sup> Encouraged by its success, diplomats agreed to hold the next Pan American Conference in Lima, Peru, in 1938. Troubles in Europe and China, however, intensified, and Roosevelt urged Secretary of State, Cordell Hull to schedule a special inter-American convention in 1936. Both agreed that the United States should strengthen its existing agreements in the Western Hemisphere. They felt that a common attitude with Latin America ". . . toward the dangers rising in Europe and the Orient was essential."<sup>2</sup>

Hull arranged for the 1936 Pan American conference to be held in November in Buenos Aires, Argentina. In addition to economic considerations, Washington stressed the importance of solidarity in the Western Hemisphere, discussed how peace among the American republics could best

be safeguarded, and analyzed external threats to the hemisphere.<sup>3</sup>

During the 1936 meeting Hull was shocked by the transformations that had taken place in Latin America since the 1933 conference. He later stated:

. . . axis penetration had made rapid, alarming headway under various guises. Nazi Germany, in particular, was making intensive efforts to gain an ascendancy . . . but Italy and Japan were working feverishly as well.<sup>4</sup>

He felt officials from many Latin American nations were sympathetic to the Nazi cause and too closely linked economically to the axis powers. According to Hull:

. . . Nazi leaders, using coercion where necessary, were organizing the nearly million and a half Germans living in Latin America into segments of the Nazi party. . . German radios were beamed to Latin America, and German news services, purveying news with a strong Nazi slant, were set up.<sup>5</sup>

The Secretary of State did not feel the United States gained any ground during the 1936 meeting and was not pleased with its outcome.<sup>6</sup>

As the 1938 Pan American conference in Lima, Peru approached, the U.S. became more and more concerned with axis infiltration in the Americas. Mexico Today speculated that delegates to the meeting would discuss German exports, which had more than quadrupled in Central America since Hitler took power in 1933.<sup>7</sup> The newspaper examined U.S. objectives and concluded that Roosevelt hoped to use the

impending conference as " . . . a strong weapon to keep Fascism out of the Americas."<sup>8</sup>

Was the Western Hemisphere really faced with danger from ominous outside elements? Roosevelt, believed that it was.<sup>9</sup> The "Good Neighbor" policy was designed to promote inter-American harmony, but it was also a tool for the mutual defense of the hemisphere, which the U.S. felt was directly threatened by Nazi, communist, and Japanese infiltration. Information accessible to those creating diplomatic policy indicates that subversive elements had gained a foothold in Latin America, and more specifically Mexico.<sup>10</sup>

While propaganda played an important part in the diplomatic decisions made after the expropriation, much of the information concerning Mexico's infiltration by Germany and Japan was well founded. In the 1930s Washington received many reports of German infractions of Mexican autonomy. Kenneth B. Warner, of the American Radio Relay League, contacted the International Communications section of the U.S. State Department, to express his concern over the " . . . German influence in the installing and operating of Mexican radio stations."<sup>11</sup>

Mexican newspapers, as well, were under the close scrutiny of concerned U.S. citizens. Hamilton Owens, editor of the Baltimore Sun, wrote to Assistant Secretary of State Francis B. Sayre with regard to German control of

several major Mexican newspapers. Although Sayre assured Owens that the rumors were false, he did concede that two leading dailies were subject to German influence.<sup>12</sup> This is an example of subtle axis infiltration. There were also incidents of contrived German propaganda. Editorials in Heraldo del Yaqui, were openly sympathetic to the German cause. Hull received information from the American Consulate in Sonora, which confirmed that a German agent paid the editor of the newspaper to publish pro-German editorials.<sup>13</sup> Even after close examination of printed matter from the period, fact and fiction are not easily separated. Whether truth or propaganda, however, the rumors and innuendo concerning German infiltration in Mexico affected U.S.-Mexican relations in the expropriation situation by influencing the public opinion, political positions, and diplomatic actions of each nation.

Mexican's were very aware of the United States' apprehensions concerning the axis powers. They used this fear to their benefit in connection with the expropriated oil companies. Gregorio Castillo, a high official of the Mexican Department of Press and Publicity, successfully explained the "understanding" attitude of the United States to a large group of his employees. In a speech shortly after the expropriation, he explained that the mild U.S. reaction to the expropriation was not due to any sentiment

of kindly affection, but rather to the fact that Roosevelt felt it necessary to:

. . . strengthen a democratic government against the penetration of the European and Asiatic Fascist powers such as is happening in El Salvador and Venezuela, where large 'Caproni' airplane factories are being established, and in Brazil, already invaded by thousands of German and Japanese colonists.<sup>14</sup>

Mexico realized the bargaining chip it had with Germany, and to some extent, Mexicans fostered U.S. fears to their own advantage. The question lingers, was Mexico ever in danger of overt or covert fascist infiltration?

According to one of Adolf Hitler's early confidantes, Herman Rauschning, the Fuhrer did indeed have his sights set on Mexico. Rauschning believed that "Mexico played an important part in Hitler's American plans."<sup>15</sup> In fact, Rauschning said that Hitler thought of Mexico as "German Virgin Soil." He was convinced that ". . . Mexico was the best and richest country in the world," but had ". . . the laziest and most dissipated population under the sun."<sup>16</sup> Only the Germans, according to Hitler were industrious enough to make something out of this backward nation. Hitler's plan was not to push Mexico into war with the United States; instead he promoted an economic and defense alliance with Mexico. He felt this would ultimately generate Mexico's dependence on German capital, and enable Germany control to the country. After economic hardship

began to fall on the Reich in 1934, Hitler often spoke of Mexico along these lines. He said:

If we had that country (Mexico) we should solve all our difficulties. . . Mexico is a country that cries for a capable master. It is being ruined by its government. With the treasure of Mexican soil, Germany could be rich and great!<sup>17</sup>

The United States was aware of Hitler's aggressive agenda. Information received from intelligence sources significantly affected policymakers. In a press conference on April 20, 1938, only weeks after the expropriation, Roosevelt alluded to the subversive activities of Germany in Mexico. The president warned that should Mexico become a fascist stronghold, a great strategic and military threat would be placed on the doorstep of the U.S. Roosevelt promoted expansion of the Navy to avoid this pitfall, and he shocked reporters when he asked them:

Suppose they (fascists) were to send planes and officers and guns and were to equip the revolutionists and get control of the whole of Mexico.<sup>18</sup>

The President conceded that it was a long distance across the ocean but, that the possibility of Germany attacking the U.S. from Mexico existed.<sup>19</sup>

Substantial evidence indicated that instability in Mexico would pose a security threat to the United States. This information influenced U.S.-Mexican relations in the late 1930s. Washington's slight response to the expropriation can be attributed partially to security



concerns and external threats to Mexican nationalism. Roosevelt and his foreign policy advisors believed that Mexico's fragile new democracy could not withstand extensive U.S. pressures and continue to resist economic persuasion from Germany.

The mild response to the expropriation can, to some degree, be attributed to the threat of WWII and to subversive elements in Mexico. Historians have readily accepted the idea that the "Good Neighbor" policy and the fear of unwanted external interference in Mexico were the key factors in the U.S. expropriation policy. Yet, these components alone render an incomplete understanding of Washington's reaction. Diplomacy is never based on a single element, and in the case of the expropriation other causes must also be considered.

In addition to the "Good Neighbor" policy, which was already in place by 1938, various personalities also played an important part U.S.-Mexican relations during the expropriation. Some historians have argued that Roosevelt's domestic policies deeply influenced Cardenas' economic and social platforms. On several occasions the policies of Roosevelt were likened to those of the Mexican president.<sup>20</sup> One of the best known American individuals to express this view was George Creel, Chairman of the Committee on Public Information during WWI. Creel gave an

extensive interview to the Mexican newspaper El Nacional in which he compared Cardenas to Roosevelt.<sup>21</sup>

Daniels also acknowledged this idea in a letter to Roosevelt, when he wrote:

. . . your policy of giving a better chance to the average man has had a helpful influence in the same direction in his (Cardenas') and all other Pan American countries.<sup>22</sup>

Daniels believed that Cardenas was to some degree emulating Roosevelt in his actions. After all, the purpose of the New Deal was to help reestablish American private enterprise after the Depression. "This approach, a product of classical liberalism, called for putting an end to some of the more negative and abusive practices of big business."<sup>23</sup> Whether or not the U.S. president was impressed by this imitation, or by the progress Cardenas was making in Mexico is unclear. Roosevelt felt that the U.S. should receive prompt compensation for the confiscated properties, but he did not want to take actions in Mexico that might result in the destruction of the Cardenas administration.

Roosevelt wanted Cardenas to remain in power despite suggestions that the Mexican president and his cabinet had succumbed to Nazi and communist coercion. Roosevelt saw Cardenas as a source of stability in Mexico. He felt that the axis powers would have a better chance of success in Mexico if the country destabilized because of severe economic sanctions or U.S. military intervention.

Roosevelt was not willing to undermine order in the hemisphere--which in the long run would be detrimental to U.S. interests.<sup>24</sup>

Lazaro Cardenas' political platform reached beyond the Mexican border. Changes instituted by his administration caught the eye of Washington policymakers. Rumors, as well as reports from U.S. military intelligence, cast doubt on Cardenas' political ideologies. Opponents said Cardenas allowed fascists in Mexico to go unhampered.<sup>25</sup> In defense of this action, the Mexican president declared ". . .no subversive activities whatever can endanger the democratic institutions of Mexico."<sup>26</sup>

Many in the United States disagreed with this statement; in fact some felt Cardenas himself was communist. Roosevelt, however, was never convinced of this, because of information from his old friend, Daniels, in Mexico. The Mexican ambassador maintained that neither Cardenas, his cabinet, nor the local police departments were under the influence of any alien ideologies.<sup>27</sup> FDR accepted Daniels' assurances. Daniels' opinions played an important role in the settlement of the expropriation.<sup>28</sup>

Roosevelt received information from a number of sources during the expropriation. The president considered data from Military Intelligence, the State Department, and various government officials. Inevitably some sources were given more credence than others. In order to understand

Roosevelt's decisions in the Mexican matter and the formation of the expropriation policy, an examination of the positions of key administrative personnel and the method by which intelligence was processed is essential.

Although, Washington depended on its embassies and naval intelligence for information from Latin America, no one agency was responsible for collection and analysis of data from the various sources. "Prior to WWII America's intelligence heritage can best be seen in terms of individuals rather than agencies."<sup>29</sup> In the late 1930s, several people wanted free reign in Latin America espionage. This led to antagonisms among officials who wanted exclusive intelligence authority in Latin America: Nelson Rockefeller, Chairman of the State Department's Committee to Coordinate Inter-American Affairs, William Donovan, known in Washington circles as "Roosevelt's mystery man,"<sup>30</sup> and J. Edgar Hoover, the head of the Federal Bureau of Investigation (FBI).<sup>31</sup> Eventually, the task of counter-espionage in Latin America fell to Hoover.<sup>32</sup>

Hoover was under direct orders from Roosevelt to investigate subversive activities.<sup>33</sup> Therefore, Hoover's position concerning the Mexican expropriation was based on field work done by the FBI. The director agreed with the oil companies' thesis that the expropriation was the work of communists in the Mexican government. Hoover maintained

that the Cardenas administration was infiltrated by communists and severely tainted by Nazi agents. He also believed that Cardenas had systematically deceived Daniels about his sympathies concerning these two groups. While Hoover's position was given some consideration, Roosevelt and most officials in the State Department felt that Hoover had overstated his case.<sup>34</sup>

Secretary of State, Cordell Hull, was another important individual who influenced U.S. expropriation policy. He was very dedicated to the "Good Neighbor" policy and feared the expropriation would damage his previous work at the Pan American conferences. Therefore, he tried to avoid the topic at the 1938, Lima Peru meeting. Hull wrote that discussion of the "acrimonious diplomatic battle" between Mexico and the United States would be detrimental to the "Good Neighbor" policy.<sup>35</sup> The Secretary of State was very concerned with general U.S. policy in Latin America and the effect that diplomatic action against Mexico over the expropriation would have on Roosevelt's larger plan for hemispheric solidarity.<sup>36</sup> Although he believed that Mexico had the right to expropriate the oil properties, Hull took a firm stand against the expropriation, because he did not want the press or Cardenas to interpret the State Department's position as one of blind acceptance. He was adamant that Mexico make prompt and adequate compensation. Hull's stand against the

expropriation was much firmer than that of Daniels. The tone of State Department's first official note of protest after Cardenas' decree reflected the Secretary of State's tougher position.<sup>37</sup> Daniels, however, usurped Hull's authority, and made an agreement with Cardenas to disregard Hull's initial correspondence.

Although Daniels was pro-Mexican, he was also a staunch supporter of the "Good Neighbor" policy. He acknowledged the place Mexico held in the defense of the United States against axis penetration. He warned Washington:

We are getting what we need here through the co-operation of the Mexican Government. That is better than having to fight a war against a pro-Nazi Mexican government to get it.<sup>38</sup>

He defended Cardenas' integrity as a democratic leader, and cautioned the State Department to urge the companies to come

. . . to an agreement with the Mexican government as soon as possible because the situation was undermining U.S. foreign policy throughout the world.<sup>39</sup>

Daniels conciliatory position was reflected both in his statements to the press and in his reports to the State Department. Career diplomats in the embassy and in Washington were very much against his attitude.<sup>40</sup>

Daniels' career as Mexican ambassador did not have an auspicious beginning. Mexicans were leery of Daniels

because he was Secretary of the Navy during the U.S. attack at Vera Cruz, Mexico in 1914. Soon, however, he proved himself to be a new kind of diplomat.<sup>41</sup> The ambassador promoted a more enlightened, less exploitative form of capitalism. Daniels saw improvements in the distribution of wealth as an ideal way to combat fascism and communism in Mexico. Although he supported Mexico's right to stop the exploitation of its resources and labor, Daniels also felt that the U.S. should be properly compensated.

The ambassador believed Cardenas made a mistake when he called for expropriation, but he realized how firmly the Mexican people and government were behind the president. Daniels tried to make Roosevelt and the State Department see that it was virtually impossible for Cardenas to reverse his decision.<sup>42</sup> He was convinced it would be wrong for the United States to adopt a "hard line" and to call for immediate compensation. In view of the status of the Mexican treasury, Daniels realized it would be impossible for Mexico to meet these demands.<sup>43</sup>

Many historians, such as Lorenzo Meyer, believe Roosevelt's position was somewhere midway between Daniels and the State Department.<sup>44</sup> This was not the case. Roosevelt clearly gave more credence to Daniels' advice than to Hull's.<sup>45</sup> Daniels maintained a close relationship with the president, and in many instances, he passed by the State Department and spoke directly to Roosevelt.<sup>46</sup> The

friendship of Franklin Roosevelt and Josephus Daniels became the most important factor in the determination of U.S. policy toward Mexico after the expropriation.

The Roosevelt-Daniels friendship spanned more than three decades and took on the aspects of a father and son relationship.<sup>47</sup> The two met at the Democratic National Convention in 1912. In 1913, as Secretary of the Navy, Daniels offered Roosevelt a position as Assistant Secretary of the Navy. Over a period of time their relationship grew into one of mutual admiration and trust. In 1938 Roosevelt still referred to Daniels as Chief. Daniels' ideologies greatly influenced the young Roosevelt.

Daniels became a humanitarian and idealist early in his career. His close association with William Jennings Bryan helped to foster these traits.

Bryan was a terror more fearsome to Eastern capitalists than FDR ever became . . . Daniels had crusaded with Bryan long before FDR could vote . . . Daniels was a liberal--a radical--long before FDR was. . . (He) had been fighting the trusts and the economic royalists even before T.R. (Theodore Roosevelt) got into the fight.<sup>48</sup>

The early years of the Roosevelt-Daniels friendship were the most difficult as their ideas were not always compatible. Eventually, however, each man became more tolerant of the others views,<sup>49</sup> respect grew, and Roosevelt began to appreciate Daniels' instincts for reform. Roosevelt's political ideologies were greatly influenced by



Daniels' idealism. This in mind, it is not surprising that Roosevelt acquiesced to Daniels during the expropriation.

During their Navy years, Daniels and Roosevelt had a confrontation with several large American petroleum companies. California oil men tried to gain access to Naval oil reserves as part of the World War I effort. The two men successfully guarded the Navy's fuel during the Wilson Administration,<sup>50</sup> but Daniels remained " . . . keenly interested in oil conservation and suspicious of the big oil companies."<sup>51</sup> This early bias may have affected his opinion of oil companies in Mexico.

Daniels viewed the companies problems with disdain and before the expropriation he refused to intervene on their behalf with the Cardenas administration. Oil company officials accused Daniels of conspiring with the Mexican government. They said that the ambassadors public statements on the expropriation were giving the idea that Washington supported Mexico's action.<sup>52</sup>

Roosevelts's commitment to the "Good Neighbor" Policy influenced the expropriation policy, but his close friendship with Daniels was the most important element in the president's decisions. Roosevelt's faith in Daniels and his respect for the old chief's values and integrity were instrumental in the formation of a favorable Mexican policy after the expropriation.

If U.S. diplomacy with Mexico in the late 1930s is examined within the larger scope of twentieth century U.S.-Latin American relations, it becomes an anomaly. Had the expropriation taken place at any other time, under any other administration, U.S. intervention would have been likely. During the 1930s, however, European actions and ideologies became a great concern for Washington's policymakers. The United States began to feel the first chills of the Cold War. While U.S. presidents after World War II destabilized Latin American countries to battle communism and insure democracy, Roosevelt chose to keep Cardenas in office to maintain stability and discourage the influx of alien ideologies into Mexico.

The U.S. response to the 1938 Mexican expropriation of U.S. oil interests was not complacency. United States' foreign policy in Mexico at this time was, in fact, a well thought out plan based on military intelligence, circumstances outside of the immediate sphere of U.S. control, and the influence of various individuals, most importantly Josephus Daniels. It was an appropriate response for the time and the place. Roosevelt averted intervention in Mexico--adhered to the "Good Neighbor" policy--and trusted the insight of his long-time friend Daniels. It might be wise for today's policymakers to take a lesson in this type of "pseudo-complacent" Latin American foreign policy.

### Notes for Chapter 3

<sup>1</sup> Hull, Cordell. The Memoirs of Cordell Hull. Vol. I. New York: The Macmillan Company. 1948. p.493.

<sup>2</sup> *Ibid.* p. 493.

<sup>3</sup> *Ibid.* p. 494.

<sup>4</sup> *Ibid.* p. 495.

<sup>5</sup> *Ibid.* p. 495.

<sup>6</sup> *Ibid.* p. 501.

<sup>7</sup> Records of the Department of State. Mexico Today. December 6, 1938. p. 1. Reel V. The State Department Records indicate that Mexico Today was a newspaper published by The Society of Friends whose purpose was to promote the Good Neighbor policy.

<sup>8</sup> *Ibid.*

<sup>9</sup> Roosevelt, Franklin D. The Public Papers and Addresses of Franklin D. Roosevelt. 1938 Volume. "The Continuing Struggle for Liberalism." New York: The Macmillan Company. 1941. A special press conference with members of the Associated Church Press. Washington, D.C. April 20, 1938. Roosevelt discusses the possibility of Germany using Mexico as a launching pad for an attack, and or as a base to spy on the U.S.  
Also: Hoover, J. Edgar. From the Secret Files of J. Edgar Hoover. edited with commentary by Athan Theoharis. Chicago: Ivan R. Dee. 1991. p. 181. Confidential memo - August 24, 1936, written by Hoover concerning a meeting with Roosevelt, wherein the President expressed concern about the movement of Fascism and Communism in the United States.

- 10 U.S. M.I. Reports and Records of the Department of State. Numerous entries in both sets of microfilm indicate that U.S. intelligence was alarmed by the growing amount of subversive activities in Mexico. Also: Hull. discusses the fascists threat to Latin America in detail in his memoirs, chapter 35 "Threat to the Hemisphere." and-- Rauschning, Herman. The Voice of Destruction. New York: G.P. Putnam's Sons. 1940. p. 65-67. Rauschning makes several references to Hitler's plans to acquire economic control over Mexico.
- 11 Records of the Department of State. Letter from Kenneth B. Warner, Secretary and General Manager of the American Radio Relay League to Francis Colt de Wolf in the International Communications section of the Department of State. June 5, 1939. Reel I.
- 12 *Ibid.* Correspondence to Francis B. Sayre, Assistant Secretary of State, from Hamilton Owens, editor of the Baltimore Sun. December 9, 1939. Reel V.
- 13 *Ibid.* Correspondence to Secretary of State Cordell Hull, from A.F. Yepis at the American Consulate in Sonora. June 20, 1935.
- 14 U.S. M.I. Reports. Report No.8409 from Major William Freehoff. April 12, 1938. p. 3.
- 15 Rauschning. p. 65-67. Rauschning wrote The Voice of Destruction based on conversations he said he had with Adolf Hitler between 1933 and 1934. He claims much of the material in the book to be a verbatim report.
- 16 *Ibid*
- 17 *Ibid.*
- 18 Public Papers and Addresses of FDR. April 20, 1938. p. 255-257.
- 19 *Ibid.*
- 20 Records of the Department of State. Guerena, M. H. Hoy. September 17, 1938.

- 21 U.S. M. I. Reports. Report No. 8417.  
April 19, 1938. The military attaché, Major William Freehoff, referred to Creel as a member of a leftist organization and a known associate of Father Frank McLaughlin. J. Edgar Hoover briefly mentions McLaughlin in connection with possible subversive communist activities in Mexico and the United States in From the Secret Files of J. Edgar Hoover. p. 180-181.
- 22 Franklin D. Roosevelt and Foreign Affairs. Vol. III. Sept. 1935- Jan. 1937. Memo from Josephus Daniels to FDR. December 22, 1936.
- 23 Meyer. p. 186.
- 24 *Ibid.* p. 182.
- 25 Records of the Department of State. Mexican Newsletter published by the National Revolutionary Party. August 7, 1937.
- 26 *Ibid.*
- 27 Daniels. p. 257
- 28 The Roosevelt Letters. Vol. 3. 1925- 1945. Edited by Elliot Roosevelt. Foreword by Eleanor Roosevelt. London: George G. Harrap & Co. Ltd.
- 29 Corson, William R. The Armies of Ignorance: The Rise of the American Intelligence Empire. New York: The Dial Press/ James Wade Books. 1967. p. 42
- 30 Mattingly, Robert E., United States Marine Corps. Herringbone Cloak --GI Dagger Marines of the OSS. History and Museums Division Headquarters, U.S. Marine Corps., Washington, D.C. 1989. p. 3.
- 31 Ford, Corey. Donovan of OSS. Boston: Little, Brown and Company. 1970. p. 109, 130.
- 32 Jeffreys-Jones, Rhondri. American Espionage: From Secret Service to CIA. New York & London: Collier Macmillan Publishers. 1977. Several references to the power of the FBI in the western hemisphere, clandestine Nazi political operations in Latin America, and Hoover's responsibility for counter-espionage in this area. p. 43-154.

- 33 Hoover. Secret Files of J. Edgar Hoover. Memo-August 24, 1936.
- 34 Meyer. p. 186.
- 35 Hull. p. 610.
- 36 *Ibid.* While Hull discusses the axis threat to the western hemisphere at length in his memoirs, he devotes only one paragraph to the Mexican expropriation, and this is only to briefly analyze its impact on the Lima, Peru conference.
- 37 Meyer. p. 189. Also: Daniels. p. 237-238.
- 38 Daniels. p. 262.
- 39 Meyer. p. 186.
- 40 *Ibid.* p. 186.
- 41 Daniels. p. 261-262.
- 42 *Ibid.* p. 239-240.
- 43 Meyer. p. 185-186.
- 44 *Ibid.* p. 186.
- 45 Franklin D. Roosevelt and Foreign Affairs. Vol. III. September 1935-January 1937. According to a footnote on page 326, Roosevelt asked Daniels to submit a foreign policy statement for the Democratic National Convention. Hull wasn't asked to submit a formal statement, but assumed that several suggestions he sent to the president would be incorporated into the final draft. Later, he learned his input had been totally ignored, in favor of Daniels. The final platform embodied the same ideas in much of the same language as Daniels' draft.
- 46 Meyer. p. 164-164.
- 47 Roosevelt and Daniels: A Friendship in Politics. A collection of letters between Roosevelt and Daniels, edited and with an introduction by Carroll Kilpatrick. Chapel Hill: The University of North Carolina Press. 1952. p. vii.

- 48 Roosevelt and Daniels. Editorial remark. p. ix.
- 49 *Ibid.* Editorial remarks referring to comments by Eleanor Roosevelt.
- 50 *Ibid.* A letter from Daniels to Roosevelt, where Daniels reminisces about the attempt of oil men and the California Chamber of Commerce to tap into Naval oil reserves during the Wilson Administration. July 7, 1943. p. 213.
- 51 *Ibid.* Editorial remark. p. 215.
- 52 Meyer. p. 317. Information in footnote 121.

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