

MEXICO IN DILEMMA ON OIL COMPANIES

The Government Hesitates Over Seizure in Showdown as Unions Want Solution

DIPLOMATS ARE ACTIVE

Events in Europe Are Believed to Encourage Settlement Keeping Firms Intact

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Wireless to THE NEW YORK TIMES.

MEXICO CITY, March 16.—Faced with the legal obligation to assume control of the vast United States and British oil activities in Mexico, the government failed to act today, twenty-four hours after the companies' refusal to accept the ultimatum of the Labor Board.

There were growing indications that the government was caught on the horns of a dilemma and was searching frantically for any dignified manner of getting on safer ground. President Lazaro Cardenas and Eduardo Suarez, Finance Minister, conferred with union officials.

Labor Board officials declared today the board was powerless to act to enforce the Supreme Court's oil wage decision unless the unions petitioned it, and the unions issued a statement subsequently saying they were unable to act without consulting their locals.

The Labor Board formally declared the companies "in rebellion." This merely means that the injured party—in this case the unions—is able to petition the board for punitive action.

Situation Without Precedent

For months the oil problem has had the aspects of an international poker game in which the government thought the companies were bluffing. When the showdown came yesterday and the companies refused to bow to the government ultimatum, it left officials in a peculiar position without precedent for action.

Already union members in the oil-fields are indicating they do not want to work under the government because they are aware that it could sell petroleum only domestically and that they are more likely to have wage reductions than increases that way. With gold still leaving the Bank of Mexico the Cardenas regime needs credit more than it wants a financial battle.

Moreover, the Nazi seizure of Austria and the war scare in Europe have made Britain's need for oil from the rich Mexican fields rather than via the Mediterranean doubly imperative. Both United States and British diplomats here are separately increasing their efforts to stress the advantages of a compromise, although no pressure is being brought.

Washington is understood to be discussing payment of \$30,000,000 for the Chamizal section of El Paso, Texas, the only part of Mexico claimed north of the Rio Grande, and also settlement of pending water rights as soon as the oil difficulties are settled. Mexico has asked both United States courts and the World Court for decisions of the Chamizal section, and if it could get the money it would per-

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mit a re-lowering of the tariff barriers.

Two solutions are said to be under consideration. President Cardenas has nailed his flag to the mast on his willingness to enforce the Supreme Court decision if laborers petition for that, but this does not preclude a direct settlement between the unions and companies on another basis that would eliminate enforcement of the Supreme Court's ruling.

Moreover, this never has been exclusively a wage fight. The companies might pay the full 26,000,000

pesos in wage increases, as ordered, if President Cardenas would give guarantees not to enforce those sections of the Supreme Court decision making confidential employes members of unions, as well as other clauses that, the companies fear, would mean the gradual absorption of their businesses.

Such a solution would give President Cardenas and the unions a public victory, since the wage aspect has been the only one publicly discussed. Coincidentally it would make most difficult the gradual Mexican assimilation of the companies. And it would make the government think twice before attacking other United States industries.

There is always the possibility of force majeure to make President Cardenas assume control of the companies, observers concede, but the fact that the government and unions continue to vacillate makes a settlement more likely.