

MEXICAN EXPROPRIATION RAISES GREAT QUESTIONS

Where Will Movement Stop? Can the Government Succeed? What Will Be the Effects Upon Trade?

By FRANK L. KLUCKHOHN

MEXICO CITY, March 26.—President Lazaro Cardenas is going to stake the success of his administration on the outcome of Government-labor operation of Mexico's huge oil industry. Despite diplomatic efforts and economic difficulties, Mexico's strong man has determined to hold the vast United States and British companies which were expropriated last week.

Despite its radical Constitution and laws, this is the first time since the revolution started in 1910 that Mexico has gone all the way in expulsion of a group of large active foreign corporations. With labor triumphant, thrilled and eager, the Mexican regime is now committed to a far Leftist course.

What will the outcome be? The question has Mexico breathless, and the outside world seriously perturbed. There is no telling how far the regime will go. The government is restricting other such moves at present because of financial difficulties, but Mexican labor has been officially informed that this is only a temporary check because of the magnitude of the step taken.

Hailed by Paraders

The soldier-President who took the bold step of expropriating one of the country's two basic industries by decree against the counsel of many advisers who urged that the moment was inopportune was hailed by paraders this week as "the man who is freeing Mexico economically as Father Hidalgo did politically." Whether Mr. Cardenas will go down in history as a liberator or as a man who quixotically destroyed what a year ago was mounting prosperity depends on the outcome of the ensuing economic storm. That there is "danger" in his course Mexico's enigmatic strong man publicly concedes, although he says he is confident that Mexico will draw tighter its collective belt and survive the difficulties precipitated.

If Mexico can succeed economically and diplomatically in holding the vast foreign industry expropriated, then it is logically to be expected that the government will gradually take over other foreign industries and probably follow an increasingly Leftist course. If the more conservative and other segments of the population refuse to make "sacrifices" when the present spurt of intense nationalist excitement quiets, then a dangerous schism looms, many observers believe. This is something more than an oil war now.

Speaking frankly of the economic difficulties in telling on the radio of his determination to expropriate the oil companies for the nation, President Cardenas declared, "if

ordered." (The companies refused to accept the administrative clause of the decision giving unionists hand in the companies' management in addition to a large increase in wages.)

Economic Handicaps

While some might question the independence of Mexican courts there is no doubt as to the economic difficulties presented. Thousands have recently been laid off on public works programs in various parts of the country, and how the former road and railroad builders and others manage to live is a matter of conjecture. For some time the government has been unable adequately to support or finance farmers on newly divided land. Food shortages in some districts are reported. The falling off of farm production owing to drought and the upsetting of the basis of Mexico's agrarian economy has necessitated heavy imports of the peasants' staple foods, corn and wheat, putting more strain on the already harried Bank of Mexico. Further reduction of aid to the farmers at this advanced point in the agrarian program when much land has been divided is held capable of causing a complete collapse.

Sharp increases in prices caused by the prohibitive January tariffs have sharply reduced business, as has the withdrawal of funds from banks, forcing rigid restriction of credit. Thus the growing middle class in the cities is hard hit.

Much depends, of course, on whether the government can sell the oil it produces. If it cannot the oil workers for whom the action has been taken will not, it is generally conceded, get even their former wages, let alone increases. Normally between 80 and 85 per cent of Mexican petroleum is exported. The companies assert that they will embargo shipments abroad, an effort which probably could be effective only in democratic countries. The problem of oil sale is urgent, since Mexican storage tanks are now virtually filled.

Cardenas Adamant

Despite conditions and despite the United States State Department's hope, expressed to President Cardenas by Ambassador Daniels, of an "amicable settlement between the oil companies and the government," Mr. Cardenas has shown no signs of considering the withdrawal of his expropriation decree.

The State Department now has a red-hot poker in its hand, according to critics. It must face the probability that the expropriation of the oil companies will ultimately endanger not only other United States industries and commercial companies in Mexico but trade as well. The drop in the peso, coupled with

or agrarian debts, however, although payment within ten years is required by law for railroads recently expropriated and, although the Constitution calls for payment for land nationalized and divided among the peasants. Oil company executives have expressed doubt that any payments to them would be continued, asserting also that the government should not have sole right of appraising properties which Mexican labor holds valued at \$275,000,000 exclusive of oil concessions.

There were indications here this week that the companies would petition the courts for an injunction against the Expropriation Law of Nov. 3, 1936, under which President Cardenas acted. This would be a purely formulary action, oil executives said, explaining that under international law all legal recourse within a country should be exhausted.

CAPPING THE OIL WELLS OF MEXICO



Duffy in The Baltimore Sun

Expropriation by Mexico brings up grave questions.

necessary we will make sacrifice of all constructive activities of the nation that the government has undertaken. We must accept the fact that our own individual economy will also suffer inevitable readjustment."

Why Action Was Taken

The President asserted that the action which forced the nation to face such serious difficulties was taken because the oil companies "presumed to nullify legal determinations in the oil wage controversy. He also said that the companies had been "developing a campaign against the government inside and outside of Mexico." He knew full well when he expropriated the companies that 1 out of every 15 pesos of Federal income had come directly from oil taxes, as well as an important portion of the States' revenues.

The American Ambassador, Joseph Daniels, saw no impelling need for the expropriation, remarking, "The government and the oil companies should have got together after the companies agreed to pay the amount the Supreme Court

extremely high tariffs, is bound to injure private trade, according to United States company representatives here. The Mexican Government, it is said, no longer is likely to be a sizable purchaser of American machinery. There is also the consideration that large American companies have supplied much of their needs from the United States, whereas after expropriation the government may buy elsewhere.

The government's first preoccupation this week was for the peso, and Mexican banks fought to support it. The drop in the exchange rate in relation to the dollar has been less than many expected, showing that the psychological attitude of the people is as yet not seriously disturbed. The fight has been aided by the fact that the government has just collected taxes from mining and other industries and that the full economic effects of the oil seizure naturally are not yet felt.

Steps also have been taken, following Mr. Cardenas's conference with Mr. Daniels on Tuesday, looking toward repayment for the expropriated properties. Mexico is not paying on its foreign, railroad