

Policy Faces Crucial Test

Mexican Oil Seizure Strains Good-Neighbor Stand of Roosevelt

WASHINGTON, April 9. (Exclusive)—With the Mexican Congress meeting on Monday to make provision for compensating American and British interests for \$450,000,000 worth of expropriated oil properties, and with Japan negotiating for Mexican oil concessions, United States officials are opining that a test of the Roosevelt "good-neighbor" policy is at hand.

From motives not only of good neighborliness, but of sympathy with the economic and social new deal that President Cardenas is giving Mexico, Mr. Roosevelt declined to take the British course of demanding restoration of American-owned oil wells and refineries which are valued at \$200,000,000 by their former owners.

RIGHT CONCEDED

He conceded the right of Mexico to expropriate the properties and merely requested just compensation.

The American Treasury, to be sure, did retaliate for the seizure of the oil properties by suspending the purchase of Mexican silver which has profited the Mexican Treasury at the expense of the United States and also bolstered up the peso. By this action the good-neighbor policy was dented a bit as it had been by the action of the Mexican government a few months ago in raising the tariff on commodities imported chiefly from the United States.

JAPAN THREAT SEEN

If the Mexican Congress makes no more impressive provision to compensate the American oil companies than it has to indemnify the American owners of 3,000,000 acres of expropriated agricultural lands since 1917 the good-neighbor policy will be rather badly bent.

And if Mexico gives Japan a foothold in that country for the development of oil resources in pursuance of pending negotiations the question will arise whether Franklin Roosevelt's good-neighbor policy is as efficacious as Theodore Roosevelt's big-stick policy.

THWARTED PREVIOUSLY

The adoption of the Lodge resolution by the Senate more than two decades ago thwarted a Japanese scheme to establish a foothold in Magdalena Bay, Lower California. The American government at that time could not tolerate the thought of Japan possessing a base within striking distance of the Panama Canal, jugular vein of American national defense.

With a foothold in the Mexican oil fields, however, Japan would be even closer to the canal.

In signing the decree providing for expropriation of the entire foreign petroleum industry, March 18, President Cardenas touched off the latest in a series of controversies over foreign exploitation of Mexico's oil resources which began in 1917 with the promulgation of a new constitution providing for nationalization of the country's petroleum deposits.

Past efforts to apply the oil nationalization provision had twice—in 1919 and 1927—brought Mexico and the United States to the brink of war.

FULFILLS PROGRAM

Mexico's action in expropriating foreign oil properties represents only the most recent step toward fulfillment of a long-term program to place control over the nation's natural and industrial resources in the hands of Mexicans.

This program, embodying fundamental economic and social reforms, was outlined in the revolutionary constitution of 1917, but little progress was made in carrying it out until the advent of the Cardenas administration in 1934. During the last three years the policies of the Cardenas government — in particular, the widespread expropriation of agricultural lands, the gradual extension of State socialism, and the enactment of labor legislation—have undermined the position of foreign capital