

# **DIPLOMATIC CLAIMS**

## **Latin American Historians View the United States**

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## VIII

Lorenzo Meyer

### THE APPLICATION OF THE GOOD NEIGHBOR POLICY TOWARD MEXICO

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Lorenzo Meyer is an historian at the Colegio de Mexico. He has written extensively on Mexico's international relations during the twentieth century. His monograph on the Mexican petroleum industry has been translated by Muriel Vasconcellos as Mexico and the United States in the Oil controversy 1917-1942. (Austin, TX: University of Texas Press, 1977). He has also written a political history of Mexico from 1928 to 1977, and a two-volume history of the period 1928 to 1934.

The article that follows provides some idea of the obstacles thrown in the path of autonomous Mexican oil development. At the same time it questions the sincerity of the Good Neighbor Policy, a diplomatic initiative generally regarded reverently in United States history books. The interference then engaged in by the United States was a critical factor in pushing Mexico's politics to the right, where they have more or less remained ever since.

From the viewpoint of the present, it might appear that the Mexican oil nationalization also represented a critical chapter in the historical rise of the multinational corporations. The international

oil companies as will be seen, not only brought monopolistic pressure to bear on their customers, but also managed to exert leverage on the United States government. This was an impressive display of force, considering that the United States needed Mexican cooperation at that moment, as a matter of national security.

The difficulties faced by Pemex in trying to market its products also display the hazards faced by Latin American governments in trying to launch a state-controlled company to compete with the multinationals. Pemex presented a considerable threat to the oil companies because of its size and potential for taking a share of the world market, and because its birth, the product of expropriation, was brazenly illegitimate. In this respect the chapter provides strong evidence in support of dependency theorists.

The degree to which the United States is ready to adhere to a policy of non-intervention is, it must be admitted, still a lively issue, nearly fifty years after Franklin D. Roosevelt's envoys signed the Montevideo accords. The United States' need for Mexican good will, however, has grown apace with Mexico's proven reserves. A recounting of the measures taken to restrain Pemex's developments at its inception goes a long way to explaining why that good will is nowadays so hard to come by.

\* \* \*

At the end of World War I, the political power of the United States was for the first time in history without an important rival in the Western Hemisphere. Great Britain had irretrievably lost the hegemony it had held in much of Latin America during the nineteenth century. Thereafter, as Bryce Wood has pointed out, the United States began to view its national security in another light. Gradually, it came to the conclusion that direct intervention in the countries of the Caribbean was unnecessary, for after 1918 it was no longer possible for any extracontinental power to take advantage of the internal problems of any country in the area in order to establish its influence at the expense of North American influence. This change in the relations of Latin America with Europe, along with the high costs of North American interventions in the region and the difficulties and strain they caused in the inter-American community, necessarily brought about, at the end of the 1920's, a re-examination by Washington of its Latin

American policy. To a considerable degree precipitated by the difficulties the United States experienced in its petroleum legislation, agrarian reform, external debt, etc.--directly with the President of Mexico rather than resort to armed intervention. The results of this decision were immediate and satisfactory.<sup>2</sup>

This new attitude toward North American armed intervention in Latin America, to be maintained for three decades beginning in the 30's, was formalized during the presidency of Franklin D. Roosevelt in two ways: a) The inter-American agreements of 1933 and 1936, in which the United States agreed to renounce the unilateral use of force in Latin America, and its repeal of the Platt Amendment, subscribed to with Cuba at its independence; b) the declaration of a "Good Neighbor Policy" by Roosevelt in his inaugural address in 1933. At first an attempt was made to give the ideas outlined in this speech a world-wide application, but very soon they were limited to the hemisphere.

The declarations emanating from Washington beginning in 1933 (confirmed in 1942 in a series of statements by Roosevelt), induced the belief that the new Latin American policy had as its object not only the abandonment of armed intervention as a means of resolving differences between the United States and its neighbors, but also, more ambitiously, to create for the first time a spirit of cooperation and solidarity with the other governments of the continent. Therefore the United States renounced not only the use of force in its relations with the other governments, but also financial pressure.<sup>3</sup> The record shows that in the 1930's and 1940's the United States did not--as in the past--employ force to safeguard the interests of its citizens in Latin America, and it entered into agreements which committed it to renounce the unilateral use of force in the hemisphere. But, as the cases of Bolivia and Mexico demonstrate, financial and economic pressure were employed abundantly in the 1930's as a means of obliging those governments not to take measures against the interests of American nationals in their territories, especially when petroleum was involved. Therefore Roosevelt's Latin American policy in practice fell short of its promise.

In March 1938, the President of Mexico, General Lázaro Cárdenas, announced that his government had just nationalized the assets of sixteen North American and Anglo-Dutch oil companies, in order to resolve a labor dispute that had begun in 1936. Mexican legislation allowed a deferral of compensation for ten years. In any

case the country did not have the resources to pay the "immediate, adequate and effective" compensation demanded. Thus the companies insisted upon the restoration of the expropriated properties. Nevertheless there was no fear that the North Americans would use force to defend their companies' interests. This situation contrasted sharply with that of 1926 and 1927, when, due to minor changes in petroleum legislation, President Calvin Coolidge appeared to be at the point of invading Mexico.<sup>4</sup> On this point, the confidence of the Mexican government was confirmed. Not only did the United States never give the slightest sign of attempting to employ force against Mexico, but in June 1939, in a particularly heated moment during the dispute over compensation, the Undersecretary of State, Sumner Welles, assured his Mexican colleague, Ramón Beteta, that under no circumstances would the United States seek to impose its point of view through violence.<sup>5</sup>

Nor were the North Americans partisans of indirect intervention against the Cárdenas government. In 1938, at the start of the Cédillo uprising, the United States Ambassador to Mexico, Josephus Daniels, made it known that neither that nor any other subversive movement would have the support of his country. In fact, neither Cédillo nor, later on, Almazan was successful in obtaining interviews for their representatives in order to present their points of view, much less in obtaining support.<sup>6</sup> To prevent the oil companies from acting on their own in this field, as they had since 1911, President Roosevelt expressly warned them to refrain from promoting any armed movement in Mexico.<sup>7</sup> The information available shows that the companies may have provided aid to the anti-Cárdenas forces, but it was minimal.<sup>8</sup>

This scrupulous observation by the United States of an anti-interventionist position in Mexico was due to several factors. In the first place, in Latin America the petroleum controversy with Mexico was, from the beginning, considered the most important test of the new policy of hemispheric solidarity. If force were used in its solution, the Good Neighbor Policy would lose its viability just when tension in Europe and Asia demanded a solid antifascist front in the Western Hemisphere. North American armed intervention in Mexico in defense of petroleum interests, in 1938 or later, would have been contrary to the priorities imposed by the national interest as it was then envisioned in Washington. Hemispheric good will counted for more than the loss by Standard Oil or Sinclair of a few properties which, furthermore, represented only a fraction of their interests worldwide and no longer possessed the strategic

nature of twenty years earlier.<sup>9</sup> Indirect intervention also involved great danger. As Ambassador Daniels pointed out, any anti-Cardenas movement would be led by the extreme right, which was very much influenced by Spanish and German profascist elements.<sup>10</sup>

As has been mentioned, the Good Neighbor Policy implied more than the avoidance of armed intervention of any kind by the United States in Latin America; it also implied an absence of economic pressure as a means of resolving differences between the hegemonic country and the twenty peripheral republics. This aspect of the Mexican experience does not seem to have been sufficiently explored by students of the Good Neighbor Policy. Washington's economic pressures against Cardenas were constant between 1938 and 1940, and extremely varied. It is fair to state that Ambassador Daniels systematically opposed their employment, precisely because he thought them contrary to the spirit of Roosevelt's Latin American policy. Nevertheless, as will be shown later on, Daniel's opposition was ineffective, because Roosevelt did not restrain Secretary Cordell Hull from taking the various measures of economic pressure to which Daniels objected.

Chronologically, the first employment of economic pressure, after the expropriation of March 18, 1938, was the suspension of negotiations on a commercial treaty between Mexico and the United States, which supposedly was to include several clauses very advantageous to Mexico.<sup>11</sup> The second was the North American refusal to continue to purchase Mexican silver at a price somewhat higher than the world market.

The first purchase of silver was negotiated in 1934, at a time when Mexican-American relations were normal. This contract, between the Treasury Department and the Bank of Mexico, was valid for one year, and was renewed in following years. At the end of 1937, when the petroleum question entered its critical phase, the North American government decided to renew, but only on the basis of monthly renegotiations. The implied threat did not go unnoticed in Mexico. As if it were not sufficient, the North American Secretary of the Treasury, Henry Morgenthau, Jr., informed his Mexican counterpart, Eduardo Suárez, that if his government wanted to resolve its acute balance of payments problem, it would have to give assurances to foreign capital operating within its borders.<sup>12</sup>

The suspension of the silver contract represented a

considerable loss to Mexico. In 1936, for example, North American purchases of the metal had risen to \$30.5 million. Daniels sent Roosevelt and Hull his objections to this form of pressure, but the opinion of the State Department prevailed. Mexico was able to go on exporting silver, but its price dropped on the world market as a foreseeable result of the policy of the Treasury Department.<sup>13</sup> From 45 cents per ounce of silver--the price fixed by the United States in the contract with Mexico--it fell to 42 cents by the end of March, and in less than a year to 40 and then 38.5 cents. It should be noted that the decision of the Treasury Department diminished not only Mexican government revenues, but also the earnings of the silver producers, many of whom were North Americans. Their interests were sacrificed by Washington in order to defend another group apparently more influential--the oil companies.

The suspension of the silver purchase contract and of the commercial treaty negotiations were only the first steps in a more ambitious plan of economic pressure, prepared by the economic counselor of the State Department a few days after the expropriation. This plan's objective was to achieve a diminution of Mexican government revenue, a weakening of its currency, and, finally, a general worsening of the economic crisis which the country had been experiencing for some time. The plan was structured in such a manner that third countries would not be affected by the adoption of measures which apparently would have a general character.<sup>14</sup> The plan was centered on the exportation of silver and petroleum, and in practice it was a success. In 1938 export of Mexican silver dropped 50 percent compared to the previous year, and in 1940 it amounted to one-sixth of that exported in 1937.<sup>15</sup> At the end of the Cardenas regime exports rose again. That the export of silver was not totally suspended, as the oil companies demanded, was due in part to the lobbying of North American silver interests in Washington.<sup>16</sup>

The United States suspended the silver contract at a time when the Mexican economy--at least its modern sector--was very vulnerable. This was known in Washington, since at the end of 1937 Mexico had had to turn to the United States for help in maintaining monetary parity. The aid was not readily forthcoming, and it was attempted to condition it upon a decision favorable to the oil companies.<sup>17</sup> Since 1935 Mexico had been experiencing inflation, as a result of government expenditures needed to carry out the reformist programs of President Cardenas. In 1937, and especially the follow-

ing year, an increase in the deficit and a decline of private investment because of a lack of confidence in the regime put an end to the economic recovery that had begun in 1933. The drop in exports of silver and petroleum for some months in 1938 created a fiscal and general economic crisis. Nevertheless, the relative backwardness of the Mexican economy, plus other positive circumstances, made it possible to begin overcoming this critical stage by 1939. When in that year it became apparent that Cardenas's successor would be General Manuel Avila Camacho, a person identified with the moderate wing of the official party, and not General Francisco Mugica, who was expected to continue the radical policies of Cardenas, confidence again began to flourish among private investors.

The partial loss of foreign markets for petroleum was as hard or harder a blow for Mexico than the drop in silver exports. Petroleum production had reached its highest point in 1921, with more than 193 million barrels. From then on, because of the exhaustion of the deposits, production fell rapidly. Metals again came to occupy first place among export products. By 1937--the Poza Rica field having recently been discovered--the production of crude oil was only 46.8 million barrels. Of these, more than half were exported, amounting to 18.2 percent of the total value of exports. In 1938 petroleum exports fell from 24.9 million to 14.5 million barrels. By 1939 the worst of the petroleum crisis had passed, and production rose once again. Nevertheless, the recovery was interrupted, and in 1942 production again declined. The level of 1937 was only reached nine years later, in 1946.

The difficulties in the petroleum market were principally the result of pressure by Standard Oil (N.J.) and Royal Dutch-Shell on potential customers and on suppliers of oil field equipment, tank-ships, tank-cars, etc. Nevertheless, the low prices at which Mexico was willing to export its oil, as well as its willingness to accept part payment in kind, permitted a partial rupture of the blockade. In 1938 and most of 1939 sales to Germany and Italy, through independent American companies, constituted the bulk of Mexican petroleum exports. Standard Oil tried to get Germany to reconsider its decision to acquire Mexican oil, but after a series of negotiations between high officials of the Third Reich and representatives of the world petroleum consortium, Standard's petition was rejected.<sup>18</sup>

Although it is certain that the boycott of petro-

leum exports was directed by the expropriated companies, it is also certain that the State Department provided emphatic, although discreet, collaboration in order to increase the effectiveness of the pressure. The first step in this regard was to ask all United States governmental agencies to refrain from buying Mexican oil. Even United States vessels anchored in Mexican ports had to abstain from loading fuel. In Washington it was decided to give all possible preference to Venezuelan and Dutch Antillean oil.<sup>19</sup> A second method employed by the State Department was to quietly dissuade any North American group interested in distributing the Mexican product in the United States or elsewhere. When several representatives of these interests appeared at the State Department to find out about the possibility of dealing with Mexico, its officers told them that they had no authority to prevent transactions from taking place, but that in their opinion it was not prudent to enter into agreements with Mexico, for anyone who did would be "fishing in dangerous waters."<sup>20</sup> As was to be expected, most of these businessmen accepted that advice and desisted. Only two companies decided to run the risk: Davis and Company, of New York, and Eastern States Petroleum.

Those who disregarded Washington's suggestions were subjected to intimidation, as much on the part of the great oil companies as from United States government agencies. Eastern States Petroleum, which was acquiring Mexican fuel for the European market, and whose finances were not very solid, had to deposit a considerable sum as a bond, while the United States Commerce Department conducted an audit to try to verify whether the company was violating the anti-dumping laws. This investigation was opened at the request of Standard Oil, which accused Eastern of acquiring the oil below cost. The Mexican government had to agree to a visit by an official United States delegation to PEMEX (Petróleos Mexicanos) in order to extract Eastern from the situation.<sup>21</sup> On the other hand, the State Department made certain representations to the governor of the state of New York, so that he would not grant the Mexican government's request to allow PEMEX to store oil in its ports, to enable them to export to Europe via Eastern.<sup>22</sup> When a group of financiers made contact with Eastern to negotiate a loan, and in the process asked the State Department its opinion on the advisability of granting the funds requested by the company, the Department suggested to them that it was not advisable.<sup>23</sup>

In November 1939, Washington took another step in

its plan of economic pressure designed to oblige Mexico to come quickly to an agreement with the companies. Import quotas were fixed for oil that could enter the United States with a tariff reduction of 50 percent. Most of the quota was given to Venezuela, and only 3.8 percent was not assigned to specific countries. Mexico was permitted to compete with the rest of the world for that quantity. In 1940, after long negotiation, the United States slightly increased Mexican participation in the reduced-tariff oil quotas, but not before the State Department had vetoed the quote increase which the Mexican ambassador had asked for. Mexican protest of the veto was in vain.<sup>24</sup>

Although most of the oil exported after March 1938 went to Europe, and in a lesser measure to the United States, Mexico tried to open the Latin American market. The undertaking was difficult and the results quite meager. To the offers of the Mexican diplomats and agents of PEMEX, the representatives of the expropriated companies in the various Latin American countries answered with price reductions or veiled threats. But most interesting from a political point of view was the fact that the State Department invariably instructed its representatives in Central and South America to inform those governments interested in acquiring Mexican oil that Washington did not look favorably upon such projects. It was perhaps in the countries of Central America and the Caribbean that the official pressure from Washington was most open and effective. For example, in 1938 Mexico made Nicaraguan President Anastasio Somoza an offer to supply the Nicaraguan market at a very attractive price. The American embassy in Managua found out about the offer and, after visiting Somoza, the ambassador was able to notify Washington that the Mexican offer had been rejected.

But to the surprise and indignation of the State Department, Nicaragua acquired, in January 1939, 1,200 tons of Mexican asphalt for road construction. Most grievous, in the eyes of the State Department, was the fact that the Nicaraguan highway construction program was partly financed by the United States, and the company importing the asphalt was made up of high officials of the regime. Unexpectedly for the Nicaraguans, the United States embassy sent a protest which emphasized that the action of the Nicaraguan government constituted disloyalty to the United States. Somoza justified the purchase as a means of keeping the Mexican government from supporting the enemies of his regime. The excuse was very weak; Washington saw it as such, and insisted on its point of view. The Nicaraguan government had no

choice but to yield, and did not again buy Mexican asphalt. Nevertheless, the low prices continued to be attractive, and a new Nicaraguan company was formed which purchased Mexican oil and began to displace West Indies oil, which dominated the local market. Again the United States embassy intervened, insisting that Somoza commit himself to prohibit henceforth the entrance of Mexican petroleum under any circumstances. In the face of such a direct demand, the Nicaraguan leader had no way out, and the market of that Central American country was definitively lost to Mexico.<sup>25</sup>

The case of Nicaragua was not unique. A similar situation presented itself in Cuba, when a group of army officers close to President Fulgencio Batista formed a company which began to import Mexican oil. From the beginning Washington opposed the company's plans; nevertheless this company persevered, and for some time managed to import and distribute Mexican petroleum in Cuba. Nevertheless, after a series of interviews with the United States ambassador, Batista was forced to accede to the wishes of the State Department, and imports of Mexican fuel ceased completely.<sup>26</sup> Similar situations occurred in Brazil, Argentina, Uruguay, and other countries of the continent. In some cases, like Brazil, the pressure was less open than in Central America. In spite of the opposition of the Brazilian Minister of Foreign Affairs, Mexican petroleum entered that country for some time; the suspension of the shipments was due more to distribution problems than to pressures from Washington.<sup>27</sup>

Guatemala was perhaps the only country in which Mexico was able to maintain its presence, in spite of pressures from Washington and the oil companies. Eventually that market was also lost but, as in the case of Brazil, it was because of problems between PEMEX and the local distributors, and not because of external pressures. In 1938, when the first shipment of petroleum was about to arrive in Guatemala, political difficulties arose. The Guatemalan government, pressured undoubtedly by the petroleum interests and perhaps also by the United States government, tried to obstruct the entrance of the fuel. The Mexican embassy then exerted strong pressure on the Guatemalan government, until it decided to cease hampering imports. The fuel then began to arrive by railway. In 1939 PEMEX opened its Guatemalan distributorship in the capital city where it functioned for several years.<sup>28</sup> Chile never bought important quantities of Mexican petroleum, but its conduct is interesting because it was the government itself which acquired, from

1939 until 1942, Mexican oil for its navy. Apparently, Washington never interfered in these dealings, and they ended for purely economic reasons.<sup>29</sup>

Outside of Latin America, North American support of the boycott of the international oil companies seems to have been minor, but real. For example, when Switzerland showed some interest in importing Mexican petroleum, the United States diplomatic representation in Bern expressed to the government its concern that the transaction might take place.<sup>30</sup> It is not possible to affirm categorically that Mexico did not sell its oil in the Swiss market because of Washington's opposition, yet it must have been taken into account by the political authorities of that country.

Finally, it is appropriate to point out that the State Department not only interfered with Mexico's main exports, but also opposed several loans requested from EXIMBANK by private Mexican companies for industrial projects. The reason was that these loans might alleviate the economic crisis which Mexico was suffering, thereby making it less urgent for the Cárdenas government to reach an agreement with the oil companies. Thus the State Department opposed, for example, the extension of credit to Fundidora de Fierro y Acero de Monterrey and to a rayon-spinning mill in Guadalajara. It also opposed financing of purchases of North American equipment for three government projects: one in the electrical industry, another in sugar milling, and a third--for the construction of an oil pipeline.<sup>31</sup> Whenever possible, the State Department also made known to North American bankers its opposition to the extension of credit to Mexico for its economic development.<sup>32</sup>

Washington finally ceased its economic and diplomatic pressures because of the outbreak of war in Europe and in Asia, and because of the willingness of Avila Comacho, Cárdenas' conservative successor, in 1941, to cooperate in the North American war of effort. The need for a solid anti-fascist front and for military cooperation in the defense of the Caribbean led the United States to sign in 1942, a series of agreements with Mexico which liquidated that part of the Mexican external debt owed to North Americans, along with other claims, on terms very favorable to Mexico.<sup>33</sup> On that same date, a Mexican-American inter-governmental commission proposed the terms of an agreement with the North American oil companies which still hadn't been compensated--principally Standard Oil (N.J.), for in 1940 an agreement had been arrived at with the Sinclair

group. These terms were later accepted by the companies. At the same time, the United States government granted Mexico a series of loans to resolve financial problems and for the rehabilitation of its transportation system, which was hard pressed by the wartime demand for Mexican raw materials. The United States was also interested in achieving a rapid recovery of the nationalized petroleum industry. A delegation of North American technicians was sent to Mexico to inspect PEMEX's installations, and President Roosevelt himself proposed to the Mexican government the joint construction of a refinery in Mexico capable of producing hundred-octane gasoline, used in airplane engines. At the same time, the United States again began to suggest that Mexico readmit the expelled companies in order to revitalize the petroleum industry.<sup>34</sup> Neither of these proposals were acted upon, but no economic pressures were employed this time.

An examination of the principal economic measures taken against Mexico by the United States between 1938 and 1942 to oblige it to readmit the expropriated companies or grant them immediate compensation leads to the conclusion that the spirit, and even the letter, of the Good Neighbor Policy, was not fully observed in the case of Mexico, as many observers have suggested. It is true that the certainty that the United States would not use force to resolve the conflict with the oil companies determined President Cárdenas's decision to take over their properties in March 1938.<sup>35</sup> In this sense, it must be admitted that Roosevelt's policy was a decisive factor which finally permitted the Mexican government to implement the nationalist dispositions concerning fossil fuel resources, contained in paragraph IV of article 27 of the 1917 Constitution. It had been, since 1918, the government's intention to put them into practice, but North American pressures had frustrated them. On the other hand, it is certain that with the exception of military intervention or the support of subversive movements, the United States government did all that was within its power to pressure the Cárdenas government to accede to the demands of the oil companies. When the Mexican government decided in March 1938, to take charge of the petroleum industry, it was thought that, given the new North American policy, the difficulties would be minimal. Documents from the Secretary of Foreign Relations suggest that Mexico did not foresee the economic pressures which were to be unleashed as much by the expropriated companies as by the United States government after the expropriation.<sup>36</sup> The new rhetoric of American policy in the thirties--especially after the Fascist and Japanese danger became evident--seems to have been taken



seriously by the Mexican leaders before March 1938. At first glance it would appear that the consequences of this miscalculation were not very serious, since the nationalized industry survived. Nevertheless, it is important to remember that, beginning in 1938, Cárdenas's reformism was halted and gave way to a sudden turn to the right, which culminated in the election of Avila Camacho to the presidency and the eventual destruction of the Cardenista plans to lead Mexican society along a road other than capitalism. This turn to the right cannot be explained exclusively as a function of external pressure, but there is no doubt that it had a significant influence.<sup>37</sup>

#### FOOTNOTES

<sup>1</sup>Bryce Wood, The Making of the Good Neighbor Policy (New York, 1961), pp. 3-10.

<sup>2</sup>The effects of the changed attitude in North American policy toward Mexico in 1938 can be seen in, among others: Lorenzo Meyer, Mexico and the United States in the Petroleum Conflict (1917-1942) (Austin, TX, 1978); Harold Nicolson, Dwight Morrow (New York, 1935).

<sup>3</sup>Wood, op. cit., pp. 130-131.

<sup>4</sup>Ibid., pp. 18-23; Meyer, op. cit., pp. 172-175.

<sup>5</sup>National Archives, Washington [hereafter NAW], memorandum of conversation between Lawrence Duggan, of the Division of American Republics [hereafter DAR] of the Department of State [hereafter DS], and Ramon Beteta, Undersecretary of Foreign Relations of Mexico, June 19, 1939; 812.6363/5862.

<sup>6</sup>E. David Cronon, Josephus Daniels in Mexico (Madison, WI, 1960), p. 212; NAW, personal letter, Pierre Boal, counsellor of U.S. Embassy in Mexico/Duggan, July 11, 1939, 812.00/30774½.

<sup>7</sup>Cronon, op. cit., p. 212.

<sup>8</sup>In fact, the Mexican government's only accusation of subversion against the companies was their purchase of six Howard airplanes for Cedillo. El Nacional (June 17, 1938). The petroleum companies informed the U.S. embassy in Mexico that they had tried to dissuade Cedillo from confronting Cardenas. NAW, Boal to DS, May 17, 1938, 812.6363/4017. Nevertheless, the Sec. of Foreign Relations of Mexico reported to the U.S. in May 1938 that Pres. Cardenas had reliable reports of the companies' support for the subversive activities of Cedillo; NAW, Internal memorandum of the DAR, DS, May 20, 1938, 812.6363/4025.

<sup>9</sup>On repeated occasions, Daniels pointed out to Pres. Roosevelt that the success of the Good Neighbor Policy depended upon the preservation of harmony with Mexico, and that it couldn't be sacrificed for the sake of the inflexible positions of the oil interests, Josephus Daniels Papers, Library of Congress, Washington, letters to Roosevelt, Mar. 22, 1938 and May 4, 1940, boxes 16 and 17.

FOOTNOTES

<sup>10</sup>Josephus Daniels, Shirt-Sleeve Diplomat, (Chapel Hill, NC, 1947), p. 230; Wood, op. cit., p. 221.

<sup>11</sup>Archive of the Secretary of Foreign Relations of Mexico [hereafter AREM], Amb. Francisco Castillo Najera/ Sec. of Foreign Relations, Mar. 21, 1938, III/628 "938"/ 2 L-E-558, Estados Unidos, f. 19.

<sup>12</sup>Wood, op.cit., 224.

<sup>13</sup>New York Herald Tribune (Mar. 29 and 30, 1938).

<sup>14</sup>Cronon, op. cit., pp. 190-191.

<sup>15</sup>Francisco Cuevas Cancino, Roosevelt y la buena vecindad (Mexico, 1954), p. 155.

<sup>16</sup>NAW, Report of the U.S. Consul General, Mexico City to DS, Jan. 30, 1939, 812.6342/36.

<sup>17</sup>Cronon, op. cit., pp. 175-177.

<sup>18</sup>NAW, U.S. embassy London to DS, Sep. 15, 1938; 812.6363/4903.

<sup>19</sup>NAW, DS to Department of Navy, Apr. 25, 1939; 812.6363/3736.

<sup>20</sup>The examples are many, as attested by an internal document of the DS from its Adviser on International Economic Affairs, NAW 812.6363/5454.

<sup>21</sup>NAW, memoranda from the DAR, DS/undersecretary of that agency, Dec. 5, 8, 22, and 28, 1938 and Jan. 9, 1939; 812.6363/5282, 5283, 5286, and 5323.

<sup>22</sup>See the letters exchanged between the mayor of New York City and Undersec. of State Sumner Welles, Dec. 12 and 14, 1938; NAW, 812.6363/5240.

<sup>23</sup>NAW, memorandum of conversation between Bursely of the DAR and a banker connected to Eastern States Petroleum., Apr. 28, 1939; 812.6363/5727.

<sup>24</sup>AREM, Amb. Francisco Castillo Najera to Sec. of Foreign Affairs, Dec. 13 and 30, 1940; III/628 "938"/2 L-E-591, Estados Unidos, ff. 440-467, 471-472.

FOOTNOTES

<sup>25</sup>NAW, U.S. embassy, Nicaragua to the DS, Sep. 13, 1938, July 14 and Aug. 7, 1939; memorandum from Beauloc and Bursley of the DAR, DS, Feb. 2 and June 6, 1939; 812.6363/4764, 5937, 6008, 5393, and 5937; AREM, Mexican Consul in Nicaragua to Sec. of Foreign Affairs, Feb. 10, 1939, III/628 "938"/2 L-E-594, Nicaragua, ff. 32-35.

<sup>26</sup>NAW, U.S. embassy in Havana to the DS, May 18, 1939 and Ambassador Daniels in Mexico to the DS, Feb. 1, 1940; 812.6363/5823 and 6477.

<sup>27</sup>NAW, Internal memorandum from Duggan of the DAR, DS, Oct. 5, 1938, and U.S. embassy, Rio de Janeiro to DS, Dec. 13, 1938 and May 6, 1940; 812.6363/4780, 5260, and 6860.

<sup>28</sup>AREM, Amb. of Mexico in Guatemala to Sec. of Foreign Affairs, Sep. 3, 1940, and to the Pres. of the Republic, Mar. 5, 1942; III/628 "939"/2L-E-592, Guatemala, ff. 106 and 178-183.

<sup>29</sup>AREM, Mexican embassy in Santiago, Chile to the Sec. of Foreign Affairs, Oct. 14, 1939, Apr. 8 and Oct. 23, 1940, Aug. 4, 1941, and Mar. 18, 1942; III/628 "938"/2 L-E-584, Chile, ff. 74, 132, 150, 184, and 272.

<sup>30</sup>NAW, Sec. of State Cordell Hull to the U.S. Embassy, Switzerland, June 24, 1930; 812.6363/5861A.

<sup>31</sup>NAW, memorandum from Duggan, of the DAR, DS to the Adviser on International Affairs of the DS, July 7, 1938; memorandum of the latter, of July 11, 1939, and from the former to the Undersec. of State, Oct. 31, as well as a report from the Undersec. of State to Amb. Daniels in Mexico, Nov. 13, 1939; 812.6511/9, 812.6565 Rayon Yarn/2 and 812.51/2406.

<sup>32</sup>NAW, memorandum of conversation between Duggan of the DAR, DS and the representative of National City Bank, June 23, 1939, and internal memorandum of the same Division, signed by Duggan, June 24; 812.51/2378-2379.

<sup>33</sup>See the documents on this subject published by the U.S. DS, Foreign Relations of the United States, Diplomatic Papers, 1940, Volume V, The American Republics (Washington, DC, 1961), pp. 133-145 and Wood, op. cit., p. 251.

## FOOTNOTES

<sup>34</sup>NAW, Internal memorandum signed by Bursley of the DAR, DS, Sep. 11 and Oct. 20, 1941, and report by the same author, by then counselor of the embassy in Mexico, to the DS, Jan. 6, 1943; 812.6363/7325 5/11, 7362 and 7826. The documents regarding the projected joint construction of a refinery can be seen in: 812.6363/7802, 7854, 7867, 7932, 7968, 7969, and 7989.

<sup>35</sup>"Diario personal de General Cárdenas," El Univer-  
sa I, Oct. 22, 1970.

<sup>36</sup>AREM, Undersec. of Foreign Affairs Ramón Beteta, to diplomatic missions abroad, Mar. 9, 1938; III/628 "938"/2 L-E555, part I, f. 4.

<sup>37</sup>Lorenzo Meyer, "Los límites de la política cardenista: la presión externa," Revista de la Universidad de México, XXV (May 1971), pp.1-8.