CURRENT ASPECTS OF THE OIL CONFISCATION IN MEXICO

The attention of all the world has recently been directed to the exchange of notes between the United States and Mexico concerning the confiscation of American private property by Mexico. The United States has insisted that expropriation without the prompt payment of fair, effective and assured compensation is in fact confiscation, and "it is no less confiscation because there may be an expressed intent to pay at some time in the future". Mexico, on the other hand, has defended confiscation, if justified by a social policy of distributing land, when it is "general and impersonal in character", and when Mexico is too poor to make payment either to expropriated Mexicans or foreigners. On August 22nd, in a second note, Secretary Hull reiterated even more vigorously the view that confiscation is an unqualified violation of international law and that neither the United States nor international relations could tolerate such a doctrine and such a practice.

Thus the issue between the two countries is squarely joined. It transcends in importance the particular facts out of which it arose, for upon its correct solution the safety of all foreign-owned property and investments depends.

While the notes exchanged dealt primarily with the seizures of agricultural lands, the United States protest has equal application to the oil seizures made by the Mexican Government on March 18, 1938, under an Executive Decree of President Cardenas. Inasmuch as the oil seizures cannot be defended by Mexico even on the inadequate pretexts advanced for the uncompensated seizure of agricultural land, and inasmuch as the oil question has a special history of its own, it may be of interest to examine the development of Mexico's efforts to confiscate the foreign-owned oil properties from the beginning down to their present stage.

I Discovery and Exploration

Discovery and development of the known oil fields in Mexico were the achievement of British and American pioneers, who came into this region at a time when it was a little-known, pest-infested, tropical wilderness. They came at the turn of the century at the express invitation of the Mexican government to explore for and to develop oil fields, and bought and leased privately-owned land for the purpose.

In the face of almost insuperable obstacles, they made remarkably rapid progress. In less than ten years Mexico had begun to attract world-wide attention as an oil producer. Development of the fields around Tampico placed Mexico in the first rank among oil-producing countries.

The transformation was profound. Tampico, a sleepy little fishing port, became almost overnight a thriving city, with great ship and pipe line terminals, oil storage and shipping facilities, a vast tonnage of exports and imports, and banking, commercial, and financial resources. In the oil fields, where formerly the tropical jungle supported only a few Indians, 50,000 oil field workers, largely Mexicans, found immediate, continuous employment.
World War demand, re-enforced by the simultaneous, rapid conversion of shipping and power plants to oil fuel, hastened the development of Mexico's petroleum resources. Foreign investment multiplied. By 1926, more than $500,000,000 had been spent for leases, exploration, drilling, pipe line construction, tank farms, camp facilities and tank ships. Payrolls reached an average level of $37,500,000 annually, from 1916 to 1926 inclusive. Taxes alone amounted to $25,000,000 a year in the same period. Over the past twelve years (1926 to 1937), although the period of greatest activity and heaviest disbursements was over, expenditures still reached an estimated total of $352,000,000 pesos, or $340,000,000.

In contrast to this development the Mexican Government, which for twenty years has owned the great bulk of the potential oil lands of Mexico and has created government corporations for exploration, has not discovered a single new oil field.

Development of oil fields entails enormous risks. Most exploratory ventures fail and the resultant losses are heavy. Hence, Mexican capitalists were wholly unprepared to participate in such speculative enterprises as the initial prospecting for oil. Appreciating the national public interest in the prospective exhaustion of American oil reserves, the Wilson Administration and subsequent administrations urged and encouraged American citizens to participate in the discovery of foreign, including Mexican, oil fields. Nevertheless, the Mexican people shared, along with their government, in the prosperity which flowed out of the investment of foreign capital in the development of Mexico's oil resources. Wages and social benefits accrued to the worker; taxes, direct and indirect, accrued to the government. Freight paid to local carriers, rents and royalties to Mexican land owners, with numerous other expenditures, meant further and wide distribution of the new wealth that came to Mexico with the discovery of oil.

The foreign oil companies brought to Mexican workers their first experience with high wages and continuity of employment; enabled them and their families to adopt higher standards of living; introduced the benefits of modern medicine, sanitation, housing, and schooling. Not only did the people directly engaged in the industry prosper, but every small merchant throughout the oil region felt the impetus of new and greater purchasing power.

The petroleum industry always has paid wages as high as - usually higher than - the scale of other industries. Both official and private data reveal that the companies were paying the highest wage scale in Mexico. The working week had been reduced to an average of 45 hours, pay extended to cover 56 hours. The entire wage scale was raised approximately 26 percent during 1936 and 1937.

The petroleum wage scale, however, presents only a part of the workers' benefits. In addition to the basic wages paid, the oil companies and other large industrialists furnished many necessities free. Included were medical and hospital care for the entire family; housing, or cash allowance in lieu thereof; fuel and light; schools; transportation; recreation facilities; and other benefits such as company contributions to saving funds, pensions and annuities, and wage payments covering Sundays, holidays, vacations and other rest periods when no work was done.
In its early stages, Mexico's petroleum industry escaped hampering action by government. However, as soon as production reached major proportions, government officials and politicians began to prey upon it and to lay plans to take it out of the hands of the foreigners who had built it up.

II MEXICO'S EFFORTS TO CONFISCATE FOREIGN OIL PROPERTY

Mexico's attempt to confiscate American and other foreign-owned oil properties goes back to 1917, when the Constitution of that year purported to "nationalize" the petroleum under private lands. Inasmuch as this would have confiscated property acquired in good faith under the law, the United States protested; and down to March 18, 1938 Mexico, in spite of efforts at evasion, recognized the validity of the American position and the right of privately owned companies to explore and develop oil lands acquired prior to May 1, 1917, the date of the Constitution.

Notwithstanding the provisions of the Mexican Constitution for the respect of private property, for the payment of indemnification in case of expropriation and for the non-retroactivity of any law to the prejudice of the owners of private property, Mexico nevertheless made persistent efforts to confiscate these oil values by attempting to apply retroactivity the 1917 change in the Constitution. As already observed, these oil lands were not obtained by concessions from the Mexican Government. They were owned in fee or leased from private landowners by the companies, and taxes were paid thereon to the Mexican Government. Under the laws of 1884, 1892 and 1909, in force when these properties were acquired in the early twentieth century, subsurface petroleum belonged to the owner or lessee of the surface. In 1921 the Mexican Supreme Court in five successive decisions constituting therefore established jurisprudence, ruled that the "nationalization" could not be retroactively applied to divest these owners or lessees of their previously acquired rights.

In a further series of decisions between 1917 and 1937, cited and quoted by Mr. Roscoe B. Gaither in the June, 1938, issue of the United States Law Review, p. 322, the Mexican Supreme Court maintained that under the Mexican Constitution private property could be taken for public use only against compensation, simultaneously paid in cash.*

Yet the attempt to confiscate the foreign-owned oil properties persisted in various ways, largely by regulations designed to make operations difficult, if not impossible. Yet assurances were freely given that no confiscation was intended. In October, 1922, Secretary of State Hughes stated, "we are not insistent on the form of any particular assurance of American citizens against confiscation, but we desire in the light of experience of recent years the substance of such protection". In 1923 Secretary Hughes requested for expropriated property in

* After the Expropriation Law of November, 1936, which undertook to pay compensation for expropriated property within ten years, the Supreme Court, in a dictum, conveniently remarked that: "It should be manifest that those cases should be excepted in which, because of the amount of the operation, it is impossible for the Government to make immediately the payment of indemnification." But international law and the Mexican Constitution make no such exception.
Mexico, "actual, fair, and full compensation." In 1923 the United States made the recognition of these rights of American citizens under Mexican and international law a condition of American recognition of the Obregon government. In the so-called Bucareli negotiations which led to such recognition the United States asserted that "American citizens cannot be deprived of their ownership or interest in such lands ... by the Government of Mexico for any purpose or utility without indemnification in cash being made; that is, without payment in cash for the just value thereof at the time of taking." The Mexican Commissioners assured the representatives of the United States that "in ordinary cases of expropriation for reason of public utility, the Mexican Constitution provides for a general system of expropriation on the basis of immediate compensation in cash." As both sides recognized, these statements merely confirmed an established rule of international law. These assurances were subsequently approved by the Presidents of the United States and of Mexico.

Yet, only two years later, in 1925, the Mexican Government renewed its attempt to confiscate by a proposed petroleum law. The bill reiterated that the petroleum in the subsoil belonged to the State, thus purporting to set aside the decisions of the Mexican Supreme Court and the agreement with the United States confirming the non-retroactivity of such confiscatory provisions. The bill undertook to substitute a 50-year concession for a legal title.

Mexico sought to evade the charge that she was violating an agreement with the United States by contending that the Bucareli commitments did not constitute a treaty. That is true. But it constituted a binding record of the understanding of both countries of the construction given by Mexico to the Mexican constitution and international law, then and "in the future". It was an Executive agreement, like the Root-Takahira Agreement and many others, which neither party is privileged to repudiate. Besides, Mexico is estopped to deny the binding character of its commitments because the United States extended recognition on the assurances given. This doctrine of Estoppel has been applied by many international tribunals. See Shufeldt (U.S.) v. Guatemala, Arbitration Series No.3, (1932) pp. 870 and 57 and cases quoted.

On October 30, 1926, Secretary of State Kellogg addressed Senor Saenz, Mexican Minister of Foreign Affairs, as follows:

"My Government reasserts that it expects the Government of Mexico ... to respect in their entirety the acquired property rights of American citizens ... and expects the Mexican Government not to take any action under the laws in question and the regulations issued in pursuance thereto, which would operate ... to deprive American citizens of the full ownership, use and enjoyment of their said properties and property rights.

My Government likewise notes the unqualified adherence of the Mexican Government to the fundamental principle that rights of property of every description legally acquired are to be respected and guaranteed in conformity with the recognized principles of International law and of equity."
On the basis of a decision of the Mexican Supreme Court which reaffirmed the decisions of 1921, President Calles recommended an amendment to the Mexican bill by which existing rights were to be confirmed without time limitation. The Chamber of Deputies' report on the bill stated that the confirmation of a right was its express recognition, so that no restrictions could be established in regard to the length of term or the conditions imposed. Thereupon, the Morrow-Calles agreement of 1927 was concluded.

Thus, the issue between the two countries was thought to have been settled, notwithstanding the fact that the Mexican Government continued to impose harassing restrictions upon the companies which not only materially reduced Mexico's production, but made operations extremely difficult. So that, while the international agreements of 1923 and 1927 were ostensibly circumvented, they were in reality repudiated.

The completion of this process followed the accession to power of President Cardenas, who, on his inauguration on December 1, 1934, announced a six-year program of "nationalization" and economic "reform", in which he would "transform and replace" capitalism. The "nationalization of the subsoil" was to be made effective, the continuation of mining by foreigners was to be prevented and the petroleum industry was to be operated by a national corporation. Nine months later (September 16, 1935) the Government fixed the domestic price of gasoline so that the price to the consumer, ex-tax, was the lowest in any country in the world, except Roumania. Five months later (February 11, 1936), following severe strikes in which the Government showed marked bias for labor, President Cardenas declared that industrialists who were "weary of the social struggle" could "turn their industries over to the workmen or to the Government." Yet six months later (September 1, 1936), immediately after the enactment of a law enhancing government control of commerce and industry, he enunciated the rule that industrial compliance with labor union demands should be limited only by "economic capacity" to bear the burden. In less than two months (November 23, 1936), on the heels of extravagant labor demands upon the petroleum companies and threats of a general strike, a radical expropriation law was enacted which, departing from the Constitution, permitted expropriation for practically any reason and provided for compensation within ten years; and this was soon followed (January 30, 1937) by the establishment of the National Petroleum Administration.

In carrying out this confiscatory policy, it was only natural that the Supreme Court of the Republic should be authoritatively advised that it was expected to play a helpful part, the performance of which, since General Cardenas became President, had been facilitated by reducing the tenure of the justices from life to six years, so as to coincide with that of the Chief Executive. It is, therefore, not strange that, as reported in the press of May 8, 1937, the Attorney General of the Republic made a formal call upon the Supreme Court after which he announced that he was received in friendly fashion, and that he felt sure that the court, as "a helping element", would cooperate with his department in showing that, under President Cardenas, there existed "a public administration dedicated only to the service of all social sectors of the nation."

Thus was the stage completely set for the period of turmoil and confusion; of confiscatory demands attended with strikes and threats of strikes; of vain appeals to the law and the courts, and of administrative concessions immediately followed by administrative reversals - all appropriately culminating in the signing by President Cardenas on the evening of March 18, 1938, of the Executive Decree under which the properties of the oil companies were seized and taken over and their lawful owners ousted from their possession and operation, without any compensation whatsoever, either actual or assured.
In 1930, the Mexican Government enacted a labor code, designed to promote unionization of labor, collective bargaining, stabilizing contracts, and labor courts for the settlement of disputes arising therefrom. There were also provisions for government investigations and conciliation in the event of certain types of strikes and in the event that employers sought relief from onerous conditions due to outside economic circumstances, provisions which went far beyond like dispositions in other labor laws, not excluding those of Russia itself.

From the beginning the new Labor Code was unfairly and unilaterally applied against capital but it was not until the advent of President Cardenas and his anti-industrial and anti-foreign policies that this unfair interpretation and application became more acute. In 1935 beginning with the Mata Redonda strike, a new policy became evident. Close cooperation between extremist labor agitators and a radical government turned the Labor Department and the Labor Section of the Supreme Court into instruments of national policy for the strangulation of foreign industry through what Governor Allen in his article in the Herald-Tribune of September 1, 1938, calls "the labor squeeze". The operation of this policy in the oil industry, a policy which differed from outright expropriation in the fact only that it was more subtle, is described as follows by Governor Allen:

"The net closes around the industry until it becomes just as inevitable a process of confiscation as that of a Presidential decree . . . ."

Despite most favorable working conditions, the petroleum syndicate met in Mexico City in August, 1936, to frame a demand for a proposed new general collective contract. At the end of three months of closed sessions, the syndicate transmitted to oil company managements demands for the formulation of a standard collective contract embodying new conditions. The proposed contract was to be applicable to all companies, regardless of the fact that several existing individual company contracts still had an effective life of from six months to almost two years, and had the supposed protection of the Labor Code.

The draft of the proposed contract demanded wage increases and enlarged social and economic benefits which would have raised labor costs approximately by 500 percent, or a round sum of 300,000,000 pesos per annum. Of equal, or greater, importance to the companies was the inclusion of proposed clauses which would have practically transferred the management of the industry to the labor leaders and unions and deprived the companies of effective control of their own businesses.

There ensued six months of tedious and fruitless negotiations, during which, at the insistence of the Mexican president, the companies offered to increase wages and benefits by 20,000,000 pesos over labor costs in 1936. Considering that the companies' profits for the three years, 1934, 1935, 1936 had averaged 22,500,000 pesos per year, this was generous. Compromise offers on wages, benefits and clauses were refused, and the syndicate called a strike for May 28, 1937.

After ten days of suspended operations, the syndicate was apparently advised to stop the strike and file before the Labor Board a suit of an "economic order". This action enabled syndicate leaders to send the strikers back to work, and made it possible, as an "economic" suit, for government agents to investigate the industry and to recommend such new conditions as they saw fit. The Labor Court or board would then pass on these recommendations.
Suits of an "economic order" originally were provided for in the Labor Law solely to protect employers against changed economic conditions which rendered continued compliance with existing contractual obligations to labor impossible and made new contracts necessary. However, in a strike case previously brought before the courts, the purpose of the law had been distorted in such a way as to give the Labor Board freedom to impose new labor conditions at the behest of the workmen limited only by the financial ability of employers to meet the cost of syndicate demands - a precedent of which the petroleum syndicate sought to take advantage.

The companies protested the legality of the proceedings, for an "economic" conflict looked to labor department intervention as distinguished from an ordinary litigation on the interpretation of a contract. Since conditions in the industry had not materially changed, there was no ground for an "economic" issue. Actually, the only change was the syndicate's illegal demand for a new contract - during the life of existing contracts - designed to carry out a social-political theory not contemplated by the Labor Law.

The companies objected to the designation of Group No. 7, of the Labor Board, to sit in the case, protesting that the issue should be considered by the full Labor Board as required by law when an industry is engaged in more than one State. Objection was filed also to the irregular designation of a special tribunal, wrongly called, Group No. 7, and to the appointment of a special chairman, Attorney Corona, an avowed labor partisan, to act in place of the regular chairman or his legal substitute designated in the Labor Law.

These procedures obviously were illegal, and the bias of the new chairman notorious. The appointments were political in character and gave the radical political group seeking to take over the petroleum industry the assurance that their wishes would be fully carried out. However, all objections filed by the companies were over-ruled.

A commission of three government officials then was appointed by this special tribunal to investigate the economic condition of the companies and to ascertain if, in the commission's opinion, the companies were financially able to meet the demands of the syndicates, regardless of whether such demands were reasonable. Within 30 days the commission reported its findings and recommendations. Arbitrarily, it fixed 26,329,000 pesos as the amount which the companies, as a whole, could afford to pay. The commission also prescribed wage increases and economic benefits, as well as administrative clauses transferring essential managerial functions to syndicate leaders.

While the commission estimated that its recommendations would increase the companies' costs over 1936 by 26,329,000 pesos, these additional wage increases and benefits on the most conservative estimate actually would have increased these annual costs by approximately 41,000,000 pesos. Accordingly, as permitted by law, the companies then filed documentary evidence of experts in refutation. They protested the hastily prepared report as presenting arbitrary conclusions based largely upon limited studies, unreliable estimates, and theoretical sales realizations inferred from trade journals without considering true operating costs and other pertinent data furnished by the companies and by the Mexican Consul General in New York.
Nevertheless, the special tribunal of the Labor Board accepted and approved the commission's findings and recommendations. Only 72 hours were allowed for study and submission of objections, a period which was insufficient in the light of the voluminous nature of the report. Thereafter, on December 10, 1937, the terms of the award were announced. By its principal terms the companies were compelled to accept union members in "confidential" positions of management, to prohibit any reduction in personnel without consent of the union, to discharge any worker expelled from the union - thus giving the labor leaders an absolute control over the employees - to make practically all temporary positions permanent, to permit absences with full pay for three day periods in unlimited number, for any personal or family reason, to pay full wages during the unjustified strike of ten days in May-June 1937, on the alleged ground that the strike was imputable to the companies - and to make the award retroactive to May, 1937, a burden which, based on prior commitments, would amount to about 28,000,000 pesos.

In the way of social and economic benefits, any workmen discharged was to receive 90 days' pay plus 20 days' pay for each year of service; in case of illness or injury, regardless of source or cause, the companies were to furnish medical, surgical, dental and hospital services free of charge to workmen and their families, with trifling limitations; in case of vocational accidents or illness, full salary for a maximum of 18 months was to be paid. In non-vocational cases, 80% of salary was to be paid, for a maximum of 120 days in any one year. For death, arising out of vocational causes, 1280 days' salary was due. Total permanent disability called for 1460 days' salary, with reductions for limited disability. The companies were to pay one-half of the premium on life insurance policies of 4,000 pesos for each permanent employee. On reaching the age of 55, employees could retire and receive, after 25 years' service, 70% of their last wages, and after 30 years, 80%, for life.

A 40-hour week, with 56-hour pay, was decreed. Vacations with pay and free transportation were ordered, ranging from 21 working days to 30 working days, really four weeks to six weeks. Besides vacations and Sundays, there were to be four national holidays and 12 feast days, all to draw full pay. Thus, the working days in the year were 223, the vacations and rest days, 142.

The companies, in addition to considerable wage increases, were to add 10% toward the creation of a savings fund. Extra pay, double for overtime, triple for holidays and rest days, and quadruple when they coincided, was included. Increased housing, recreation and schooling facilities were imposed. Union delegates were to receive free transportation and full salary and expenses when attending union conventions, without time limit. Labor leaders were to receive special privileges. Dozens of additional burdens were imposed.

The companies petitioned the Supreme Court to set aside the award. They pointed out the mass of evidence which the Investigating Commission and the Labor Board had ignored. The Court, on March 1, 1938, rendered a decision upholding the Labor Board and denying every point in the companies' appeal. During the pendency of the appeal, the labor unions and Government officials conducted a propaganda campaign to influence the Supreme Court to uphold the award. To do that, the companies had contended, would require a distortion of numerous provisions of the
Labor Law. Judge Icaza, one of the members of the Supreme Court and an avowed Labor partisan, excused himself after challenge from joining in the opinion, stating that he did not consider it morally reprehensible to decide this matter in the light of dominant political rather than legal considerations.

The Supreme Court purported to limit the cost of the increased wages and benefits to 26,329,000 pesos. However, no practical means was suggested for holding within this limit imposed expenses estimated at 41,000,000 pesos.

After the Supreme Court decision, the Labor Board notified the companies to put the award into effect. The companies, faced with the loss of the effective management of their properties, replied they were physically unable to comply with all the terms of the award. They did not refuse to comply. They had offered to bear an increased burden of 22,000,000 pesos, hoping by efficient operations to earn it, and on March 7th reluctantly offered to assume the whole 26,329,000 pesos, if the burdens could be limited to that amount, as the Mexican authorities had insisted they were limited, and company management restored. But the Government had already decided on the policy of expropriation, and the offer was declined.

The syndicate then asked the Labor Board to declare the existing collective contracts broken. The Board promptly complied. Then, instead of carrying out the procedure established by the Labor Law of appointing receivers or decreeing compensation amounting to three months' wages, the Mexican Government proceeded immediately to seize the oil companies' properties for itself.

1. It is interesting to note that at that time the banana companies in Tabasco and Chiapas were experiencing the same difficulties as the oil companies. In the face of extravagant labor demands and a strike, a decision was left to the Chief of the Labor Board. His award was so extreme that the companies asserted their inability to comply and the necessity of suspending operations. Thereupon negotiations were re-opened by the Labor Department and the award was substantially modified. Although the workmen protested, the Labor Department "under the full authorization of the President," exerted pressure to compel acceptance. "El National" (Mexico) March 13, 1938.

IV. The Expropriation and its Alleged Justification

The Expropriation Decree of March 18, 1938, is a curious document. As already observed, it followed a long contest before the Mexican Labor Board which undertook, in violation of Mexican Law, to impose upon the 17 foreign-owned oil companies a labor contract which not only would have compelled them to operate at a loss, but which practically took the administration of their business out of the hands of the management and placed it in the hands of the labor leaders.

President Cardenas justified his Expropriation Decree by stating, erroneously, that the companies had refused to obey the order of the Mexican Supreme Court, a fact which imposed on him the duty of seeking effective means to prevent evasion. He further charged the companies with engaging in an underhanded campaign
to wreck the economic interests of Mexico; hence, that ordinary legal procedure for the execution of the Court's judgment would not suffice, because the companies had "withdrawn their funds" from Mexico and an attachment of their production and installations "would involve elaborate legal proceedings and would only prolong a situation which called for immediate solution. President Cardenas maintained that the companies would "block the course of normal production". He then stated that, inasmuch as the national sovereignty would be subjected to the "maneuvers of foreign capital", expropriation was necessary to forestall a paralyzation of the oil industry, inasmuch as existing collective contracts had been annulled by the Labor Board. He reiterated the false accusation of interference in politics by the companies, charges, which after protest, he no longer makes, and called for sacrifices from the people in order to achieve "the economic liberation of Mexico." He also conjured up a picture of national chaos that would ensue from a stoppage of the industry, which, without the slightest foundation, he assumed would occur. These are President Cardenas' words:

"and in such a situation, which would be highly delicate in itself, the public power would be besieged on all sides by the social interests of the Nation, necessarily the ones most seriously affected, for conditions such as insufficient production and lack of fuel for the various activities of this country, some of them highly important, like the transport industry, or else stoppage of production or sale of same at a price enhanced by these difficulties, could not but give rise, in a short time, to a critical situation, incompatible not only with our progress but also with peace within the Nation; it would paralyze banking activities; commercial existence in most of its main aspects; public works, of such general interest to all, would become almost impossible and the existence of the Government itself would be seriously jeopardized, for if economic power passed from the hands of the State political power would follow suit, and chaos would ensue."

These misleading and unjustified statements indicate that the Expropriation Decree, though the culmination of an established national policy of confiscating the oil properties, was in the nature of a criminal penalty for alleged misconduct. There is ground to believe that the Government did not expect the award to be accepted. *

* In a speech delivered in New York City, June 24, 1938, Vicente Lombardo Toledano indicated clearly that the excessive labor demands were used as a means to provide action on which to hinge the expropriation decree when he said, "A few hours before the climax of the controversy between the companies and the government, the companies offered to pay the 26,000,000 pesos, the same amount demanded by the government during the controversy . . . ."

"However, this offer Cardenas refused. If we had accepted, it would have been a victory of labor over capital within the Mexican oil industry, but by refusing the offer it was a great victory of the Mexican people against foreign imperialism."
The companies did not refuse to carry out the decree of the Supreme Court. Mexican law provides methods for bringing about the execution of a judicial decree. This the President recognized, but he undertook to circumvent the law. The Court's judgment was limited to a declaration that the award handed down by the Labor Board was not contrary to the terms of the Constitution. It left to the Labor Board the execution of the award. The Court ordered nothing. The companies had indicated that the award could not physically be carried out, partly because it treated 17 companies as if they were one unit. The Mexican law provides that when an award is not carried out, three months wages may be ordered by the Labor Board as indemnification or government receivers may be placed in charge. Instead of that the Labor Board, with approval of the Supreme Court, cancelled the existing labor contracts, on March 18th thus affording a pretext for the Executive Decree of that same evening expropriating the properties of the companies on grounds not provided for in the law and on the assumptions constituting figments of the imagination.

In fact, much property of the companies was seized, including cash and records, which was not listed in the Decree, as well as the property of many companies not even mentioned in the Decree. It was all done without court order, with military forces present, and in disregard of even the unconstitutional provisions of the Expropriation Law of 1936.

In his speech of March 18th, the President, to incite public opinion against the companies he was about to despoil, made vague, unproved and false charges that the companies had supported "rebel bands" and intervened in the political affairs of Mexico. The charges are totally untrue. The nearest approach to such a condition is the payment, under duress, of taxes and tribute to military leaders in de facto control of their fields and properties in 1923, payments made with the knowledge and acquiescence of the Government which was unable to afford protection to the companies. The only "intervention" in the affairs of Mexico has been a series of loans made to the Government at its earnest solicitation during the past 15 years, some of which loans have not yet been repaid to the companies. The oil companies were called upon more than once to finance the Mexican Government in its time of stress. No other intervention can validly be claimed.

As to the withdrawal of funds, President Cardenas ought to have mentioned the fact that Mexican business men, beginning in August, 1937, with a shipment abroad of 85,000,000 pesos, started the flight of capital. The oil companies did not withdraw balances until after the Labor Board's award of December 18, 1937, when Mexico's confiscatory purpose became clear. Those balances, never large, did not amount to four percent of the amount sent out by Mexican business men; what remained was confiscated as anticipated.

There was in fact no paralysis of the industry which required or justified expropriation. The only change that occurred was the ejection of the
companies' managers from their occupations and houses on March 19th and the substitution in their place of the labor leaders and government officials. There was no danger of paralyzation of the oil industry or any other industry because there was on hand a four to six weeks supply of all products, and had any shortage developed there was adequate time for imports. There was, in fact, no interruption in production, so that the alleged grounds for expropriation, either present or conjectural, were without foundation in fact.

The best evidence of the impracticability of the Labor Board award of December 1937, is the fact that the Government, since taking over, has been unable to give the workmen the benefit of any of its provisions, but on the contrary, the position of the workmen has become very much worse than it was before March, 1938.

In an attempt to justify expropriation or to escape its consequences a wide-spread propaganda in the United States and in Latin-American countries is being conducted by the Mexican Government. That intervention which it so vigorously opposes in Mexico even when it is based on violations of fundamental international law, it has no hesitation to undertake itself, in order to mould the domestic policy of other countries. The Mexican President regards himself as the leader of the Latin world in obtaining "emancipation" from foreign capital. In the progress of this campaign, Minister of Finance Eduardo Suarez, undertook to state, quite erroneously, that the United States Supreme Court does not require prompt payment of indemnity in case of eminent domain and that the expropriation of English coal mines was to entail compensation only in a period of ten years. In fact, the United States practice is to pay or immediately insure the prompt payment of indemnity in all cases and the English Coal Act provides that title is not to vest in the Coal Commission until payment in cash has been made.

Mexico's vague suggestions of paying a percentage of their oil profits over ten years or to set aside an unstated percentage of the oil for sale to the companies at a discount is a mere invitation to the companies to contribute to their own spoliation. The current Mexican practice of selling the companies' oil to Germany on barter agreements is to use the confiscated property of one group of American citizens to deprive other groups of American citizens of an established market for their products in Mexico. It also disrupts the companies' markets for their own oil.

V Mexico's Inability to Pay Compensation

Mexico is manifestly unable to make any serious compensation for any property expropriated. It has admitted its inability to pay the $10,000,000 due to the American owners of expropriated agricultural land. Since 1914, Mexico has been in default on practically all its foreign obligations. It is now in default on its foreign bonds, on the railway expropriation, on the agricultural expropriation, and on the payment of the claims of the General Claims Commission, United States and Mexico. In January, 1938, the foreign default was estimated at approximately one billion dollars and the internal default at four hundred million dollars. Dr. Luis Cabrera in a series of articles in Hoy, a Mexican magazine, published during July and August, 1938, concluded that whether the value of the oil properties be regarded as a minimum of 262 million dollars or a maximum of 500
million dollars, they cannot be paid for either in ten or twenty years, whether out of the oil produced - paying for a tree by its apples - or out of budgetary appropriations, which could only be done at such sacrifices of salaries and other public needs as not to be politically feasible.

An internal loan of 100 million pesos which President Cardenas in April bravely opened to subscription as a first payment on the oil properties, was so poorly received that the proposal has been withdrawn.

The requirements of law, however, Mexico purports to observe by promising "future" payments. When it is recalled, however, that Mexico has entered into a vast number of agreements for future payments and that these promises have proved to be worthless, it is comprehensible that the United States' Secretary of State should declare that "it is no less confiscation because there may be an expressed intent to pay at some time in the future." Indeed, if Mexico could bring the United States to the position of accepting a promise of future payments, it would have achieved its entire purpose, for it would have accomplished condonation of the confiscations and the substitution for real values of a paper claim which, added to the existing astronomic debt, there would be no opportunity or means to redeem. Were Mexico in a position to make payments even now, six months after the expropriation, compensation could be discussed, even though the expropriation took place not on social grounds, but on alleged penal grounds and contrary to law. But to accept a promise of future compensation from a Government already in default to thousands of helpless creditors would be merely to legalize the original wrong. The Department of State has insisted that those victims of confiscations do not become "voluntary creditors" of Mexico.

VI The United States and the Mexican Contentions

The Secretary of State's notes of July 21st and August 22nd and the Mexican reply of August 3rd, President Cardenas' speech of September 1st and the note of September 2nd, while primarily confined to the agricultural expropriations, inferentially or expressly cover the oil confiscations as well.

Contesting the right of Mexico to take property without compensation, Secretary Hull stated in his note of July 21st:

"If it were permissible for a government to take the private property of the citizens of other countries and pay for it as and when, in the judgment of that government, its economic circumstances and its local legislation may perhaps permit, the safeguards which the constitutions of most countries and established international law have sought to provide would be illusory.

"Governments would be free to take property far beyond their ability or willingness to pay, and the owners thereof would be without recourse. We cannot question the right of a foreign government to treat its own nationals in this fashion if it so desires. This is a matter of domestic concern. But we cannot admit that a foreign government may take the property of American nationals in disregard
of the rule of compensation under international law."

In answer to this contention, Mexico asserts in its note of August 3rd that there is no principle in international law "which makes obligatory the payment of immediate compensation nor even of deferred compensation, for expropriations of a general and impersonal character like those which Mexico has carried out for the purpose of redistribution of the land". Apart from the fact that this conflicts with Mexico's understanding of international law as expressed in the Bucoreli negotiations of 1923, in which immediate payment of cash was promised for all post-1923 expropriations, this statement presents a fundamental conflict with United States views of international law and with the decisions of international tribunals. The whole Mexican note is based on the premise that there is nothing in international law to bar confiscation of foreign-owned private property, provided a social excuse is advanced and provided it be general and impersonal in character. In taking this position Mexico purports automatically to rid itself of the restrictions of international law upon her revolutionary policies, and thus reaches the conclusion that Mexican law alone may determine what compensation if any shall be paid to expropriated owners and "the time and manner of such payment". It sustains this theory by the statement that foreigners must take the risks of confiscation with nationals and cites in support Article IX of the Buenos Aires convention concerning aliens, which reaffirms the jurisdiction of states over nationals and foreigners within their own territory and provides for an equality of rights.

If, then, Mexico makes any payment - and the note admits that Mexico "finds itself unable to pay indemnity immediately to all those affected by the agrarian reform" - it would in effect exceed in Mexico's opinion the obligations of international law. As an incident of the discussion of value the Mexican note suggests without offering proof, that probably very few of the owners have a good title and states that the tax assessments, even in the case of good titles, determine value. Mexico also admits that in 1930 it suspended the payment of interest on the agricultural bonds, showing that not even the interest on admitted obligations could be paid.

It is thus the Mexican position that whenever a country thinks it desirable in the public interest to confiscate foreign property, it may do so provided it also confiscates national property. This is the precise reverse of the established rule of international law that a country may not excuse the confiscation of foreign property merely because it also confiscates national property. This, Secretary Hull, in his note of August 22nd made very clear. We have no means of knowing to what extent nationals have been affected by the Mexican confiscations. For them, foreign nations cannot speak. But the attempt to set up Mexican law as a justification for violating what the rest of the world has considered an international obligation has been unmistakably challenged by Secretary Hull. In 1887, Secretary of State Bayard, opposing the attempt of certain Latin American countries to pass upon the scope of their international duty, remarked:

"If a government could set up its own municipal laws as the final test of its international rights and obligations, then the rules of international law would be but the shadow of a name, and would afford no protection either to states or to individuals. It has been con-
stantly maintained and also admitted by the Government of the United States that a government cannot appeal to its municipal regulations as an answer to demands for the fulfillment of international duties."

(Mr. Bayard, Secretary of State, to Mr. Gonnery, Nov. 1, 1887, For. Rel. 1887, pp.751, 753.)

With respect to the Mexican contention that equality of treatment or mistreatment with nationals is all that the alien can ask, Secretary Hull replied on August 22nd:

"The doctrine of equality of treatment, like that of just compensation, is of ancient origin. It appears in many constitutions, bills of rights and documents of international validity. The word has invariably referred to equality in lawful rights of the person and to protection in exercising such lawful rights.

"There is now announced by your government the astonishing theory that this treasured and cherished principle of equality, designed to protect both human and property rights, is to be invoked, not in the protection of personal rights and liberties, but as a chief ground of depriving and stripping individuals of their conceded rights. It is contended, in a word, that it is wholly justifiable to deprive an individual of his rights if all other persons are equally deprived and if no victim is allowed to escape."

Mr. F. K. Nielsen, in his dissenting opinion in the International Fisheries Company case, makes certain statements concerning the power of a country to determine its international obligations for itself and the impropriety of measuring its duty toward aliens by its mistreatment of nationals. A few passages from that opinion warrant quotation:

"Ignacio L. Vallarta, a distinguished Mexican Jurist in an interesting report to his Government, said, in part, with respect to the right of protection:

"If there are truths which are universally accepted among Nations, one of those is that the State owes its protection to its citizens who are located in other countries. From Grotius to Bluntschli all publicists have taught that an offense to a citizen is indirectly an offense to the State whose duty it is to protect that citizen . . . the learned and contemporary German publicist epitomised thus, the doctrine which in our time governs this matter: "A State has the right and the duty to protect its citizens who live abroad by all the measures authorized by international law". Exposicion de Motivos del Proyecto de Ley sobre Extranjeria y Naturalizacion; 100 (Dr. Vallarta was Mexico's great Chief Justice, occupying a position in Mexico comparable to that of John Marshall in the United States)

Mr. Nielsen continued:

"Domestic laws cannot destroy rights secured by international law . . . .
"Conformity by authorities of a Government with its domestic law is not conclusive evidence of the observance of legal duties imposed by international law, although it may be important evidence on that point. Acts of authorities affecting aliens cannot be explained to be in harmony with international law merely because the same acts are committed toward nationals. There is of course a clear recognition in international law, generally speaking, of plenary sovereign rights with respect to matters that are the subject of domestic regulation within a nation's dominions. But it is also clear that domestic law and the measures employed to execute it must conform to the supreme law of members of the family of nations which is international law, although there are certain subjects the domestic regulation of which can in no wise contravene that law." (F. K. Nielsen, International Law Applied to Reclamations, (1933), pp. 531-533.)

The United States has always taken the position that one who acquires a residence in a foreign country does not do so at his peril or assume the risk of ill treatment (Mr. Bayard, Secretary of State, to Mr. Buck, Minister to Peru, Aug. 24, 1886, Moore's Dig. VI, 252). That he does so would indeed be a novel doctrine. Certain Latin American and other weak states did advance such a doctrine at the Hague Conference on Codification of 1930. It brought about the breakdown of that commission of the Conference, inasmuch as the overruled minority would not proceed with the convention unless their unjustified and unprecedented demands were accepted by the majority. One reason why the alien is not bound equally with nationals to submit to unjust treatment, against which the national has no judicial redress, is because the latter is presumed to have a political remedy whereas the alien's inability to exercise political rights deprives him of one of the principal safeguards of the rights of the citizen. For this reason diplomatic inter-position may be invoked by the alien for the enforcement of his rights. If the Mexican views were correct, no denial of justice, no matter how flagrant, would warrant inter-position provided nationals are also denied elementary rights. The tentative convention arrived at in The Hague in 1930 provides in Article V, "A State cannot avoid international responsibility by invoking its municipal law."

If the Mexican view were correct, it would warrant Mexico in proceeding indefinitely to confiscate American-owned property and make payment for it if and when Mexico so decides. Secretary Hull on August 22nd demanded that Mexico cease further confiscations; President Cardenas, in his speech before the Mexican Congress on September 1st and in the note of September 2nd, insisted, on the contrary, that these confiscations would not be stopped, and sales from the confiscated oil properties are proceeding without interruption. The present ten-year limitation for payment included in the Expropriation Law of 1936, need not be observed, for that law may be changed by Mexico at any time. Mexico's willingness to pay for confiscated property would seem therefore altogether gratuitous, for international law in the Mexican view has no relation to the question, unless presumably foreigners are discriminated against. Indeed, President Cardenas on September 1st asserted that he considered the "rights of man" which he admitted included the right of private property, subject to Mexican law and policy and without protection from international law in the case of foreigners. The "standard of civilized justice" which has included protection against confiscation, President Cardenas would thus
disregard when it suits his purpose. But an established international jurisprudence denies President Cardenas this privilege. The President professes not to perceive the distinction between the operation of the police power which necessarily limits the rights of private property, as in the control of the currency, and eminent domain, which is an appropriation of the property by the State.

As to valuing land by tax assessment, it is notorious that Mexico, like the United States, assesses land for taxes at less than its full value. Mexico now seeks to take advantage of that fact to deprecate the value of land for expropriation. There is a clear difference, however, between expropriation of land and that of oil properties. The assessment for taxes against lands is done by the respective states and not by the national government. The federal government assesses a surface tax on oil lands held under concessions, as well as production and export taxes on the oil produced from the lands. The subsoil in these lands does not come within the jurisdiction of the state but is exclusively within that of the national government, and its value is not entered upon any tax rolls. Consequently, tax roll values can have no application in ascertaining the value of producing or potential oil lands.

The Mexican note of August 3rd suggests that the "conquests of justice" and "the uplift of an entire people" should not be deterred by the "purely pecuniary interests of certain individuals." The only people who have been "uplifted" by the oil expropriations are the labor leaders like Lombardo Oledano, who alone have benefited. Mexican labor, the Mexican people, the Mexican treasury and the ousted owners of the oil properties have all suffered and are likely to continue to suffer so long as the expropriation stands. Mexico admits that its agricultural program was embarked upon "in order to try out new doctrines". The Mexican people have probably suffered rather than benefited. But whether they have or not, Mexico takes advantage of its poverty and its revolutionary fervor in order to assert that those who invested their money in Mexico in reliance upon Mexico's good faith and a constitution which still purports to respect private property must surrender their property without compensation whenever Mexico thinks that a social experiment should be undertaken. This presents a square issue between the hitherto accepted conceptions of international law and the new revolutionary doctrines initiated in Soviet Russia and in Mexico.

In seeking to justify the confiscation of the property of American citizens Mexico must perforce deny that international law prohibits confiscation. Yet, as recently as April, 1938, in the Mexican reply to Great Britain's protest against the oil seizures, Mexico still seemed to associate itself with the rest of the world in recognizing that "there is a universally accepted principle of international law which attributes to all sovereign and independent countries the right to expropriate in the public interest with the payment of adequate compensation."

VII The Oil Seizures as Distinguished from the Agricultural Land Seizures.

President Cardenas for some months misconstrued the attitude of the Department of State in withholding publication of the protests against the oil expropriation in order to convey to the Mexican people the impression that the
United States acquiesced in or was not greatly interested in the oil seizures. That misleading impression appears to have been corrected, for the unpublished communications to Mexico as well as the notes of July 21st and August 22nd manifestly included the oil confiscations in their condemnations of Mexico's action.

But strong as is Secretary Hull's position on the agricultural issue, it is even stronger on the oil question.

The oil investment was invited by Mexico and encouraged by the United States. The oil seizures do not involve concessions recently made by Mexico but properties owned and leased by American and British companies long prior to May 1, 1917, when Mexico undertook to "nationalize" the subsoil petroleum. After long diplomatic negotiations Mexico and the United States agreed - in the Bucareli negotiations of 1923 and in the Morrow-Calles Agreement of 1927 - and five Mexican Supreme Court decisions confirmed the fact that this subsoil petroleum was the property of the surface owner. In May, 1925, incidental to the effort to confiscate these properties, Mexico alleged that this subsoil petroleum belongs to the nation and therefore need not be paid for. This was openly announced by President Cardenas on September 1st. He also proclaimed the novel theory that oil "concessions" - possibly he meant the confirmatory concessions issued under the terms of the Morrow-Calles Agreement of 1927 - were granted only to enable the "concessionaires" to recover the amount of their investments; that the "rebellious attitude" of the oil companies invalidated their right to make use of their concessions to recover their investments, and hence that Mexico owes only the amount of the investment not yet recovered. Thus, as in the land question, Mexico proposes a scheme of valuation which in itself is confiscatory.

Apart from the confiscatory character of the whole expropriation, it seems proper for the Department of State to protest Mexico's repudiation of agreements concluded between the two countries and of its own long-standing decisions to the effect that the subsoil petroleum under lands exploited or denounced for oil purposes prior to May 1, 1917, belong to the surface owners. Until Mexico recognizes the validity of the agreements reached, there is little purpose in any discussion of valuation or compensation. Speaking to this very point of Mexico's attempt retroactively to take from the surface owners their right to the subsoil petroleum under their owned or leased land, the United States said, in 1918:

"The Government of the United States is firmly of the opinion that the great weight of international law and practice supports the view that every nation has certain minimum duties to perform with regard to the treatment of foreigners, irrespective of its duties to its own citizens, and that in default of such performance, it is the right of the foreign government concerned to enter protest. Not the least of such duties, as the Government of the United States believes, is to refrain from measures resulting in confiscation of the vested property rights of foreigners acquired in good faith and in accordance with the laws of Mexico in which the property is situated. While the Mexican Government may see fit to confiscate vested property rights of its own citizens, such action is in equity, no justification for the confiscation of such rights of American citizens" - (Mr. Polk, Acting Secretary of State, to Ambassador Henry P. Fletcher, December 13, 1918.)

(See also Mr. Bayard, Secretary of State, to Mr. Buck, Minister to Peru, January 19, 1888, Moore's Dig. VI, 253; Mr. Root, Secretary of State, April 28, 1910, quoted in Hyde International Law, p. 466; Borchard, Diplomatic Protection of Citizens Abroad, pp. 29, 39, 178, 181, 218.)
The calm repudiation by President Cardenas of the treaty and diplomatic arrangements between the two governments, is an indication that Mexico has no intention, even if she had the ability, to pay for real value.

While the Mexican note of August 3rd doubtless intended to defend the oil seizures by implication, the fact is that the arguments advanced for the agricultural confiscations have little relation to the oil seizures. The principal excuse of Mexico in agricultural matters is the fact that the land seizures and the refusal to pay interest on the agricultural bonds affect nationals and foreigners alike, and that foreigners hence have no legitimate complaint.

In the case of the oil seizures the measure was directed exclusively against foreign-owned companies and was intentionally discriminatory in its application.

The land seizures are justified by Mexico as "expropriations of a general and impersonal character" affecting impartially both Mexicans and foreigners. This may be doubted.

A law of general application like currency devaluation or liquor prohibition affects every citizen without designating any individual and without knowledge of whom it will strike. This is the familiar operation of the police power. But the agricultural seizures were of quite different character. An administrative official or board determined just whose property was to be taken. Students of the subject report that in most cases particularly well developed property has been taken, whereas the vast undeveloped public lands of Mexico which could readily be given to landless peons are left untouched. The policy seems to be to appropriate the fruits of the labors of others and not to encourage pioneering initiative. Moreover, there are reports, as in the New York Times of August 29, 1938, that favored individuals like Cabinet members, can obtain prompt payment for their lands.

But the oil seizures were not general and impersonal in character. On the contrary, they were special and personal, directed exclusively against certain foreign-owned oil companies as a culmination of a campaign of extermination beginning in 1917 with various indirect methods of confiscation, successfully opposed by the United States, and ending with impositions of labor conditions under which the companies found it impossible to operate. At various times President Cardenas reveals Mexico's desire to squeeze out the foreign companies in defiance of Mexican law and to "turn their industries over to the government or to the workers".

The agricultural seizures are justified as an incident of a large social policy designed to redistribute the lands to the peons, allegedly the central point of the aims of the Mexican revolution.
No such purported social policy can be advanced to excuse the oil seizures. That expropriation, though long premeditated, was undertaken by President Cardenas as a penalty for the failure of the companies, due to inability, to accept a biased and extravagant labor award which would not only have compelled the companies to operate at a loss but would practically have required them to turn the management over to the labor leaders.

There is a further distinction between the two cases. The agricultural lands have either been divided into small holdings or else have been incorporated into ejidos. Segregation of the seized properties would often be difficult. Hence the only course open to the Secretary of State was to demand prompt compensation for the lands taken. In the case of the oil seizures, made less than six months ago, the properties are still intact, though subject to progressive ruin by maladministration. Inasmuch as compensation admittedly cannot be paid by Mexico and according to the note of August 3rd will only be paid in "the time and manner" that Mexico decides, the only remedy which is still feasible is an integral restitution of the properties wrongfully seized.

The agricultural seizures of land owned by American citizens are said to involve about $10,000,000. Even this amount Mexico confesses its inability to pay within a measurable time. The oil properties of American citizens alone involve a value estimated at approximately $200,000,000 in the aggregate, which Mexico obviously cannot pay for decades, even were there a genuine intention to pay.

While the Secretary of State admitted that Mexico could expropriate for public purposes on condition of prompt payment of fair effective and assured compensation, President Cardenas seems to believe that the condition is irrelevant because Mexico cannot pay. The British Government, realizing the impecuniousness of Mexico and its inability to pay, now confessed by Mexico, demanded directly the restitution of the properties. Inasmuch as Secretary Hull's condition confessedly cannot be met by Mexico, restitution remains the only possible alternative.

So far as concerns social policy, it can be demonstrated that the disorganization of Mexico's economic life which the oil seizures and Mexico's policy have caused has already produced social deterioration in Mexico altogether disproportionate to the supposed benefits that Mexico might derive from confiscation.

Mexico's acquiescence in the arbitration of the agricultural land values, without agreeing to stop further takings and without posting any funds to assure a modicum of payment, as demanded by Secretary Hull, may, while rendering such an arbitration abortive, remove the issue from current diplomatic discussion. Such an arbitration of the oil seizures would be unfortunate, for while purporting to arrive at a value it would leave the possibilities of payment as remote as ever. By the time the arbitration was concluded, the injury to the properties might well have become irreparable and the oil markets of the world definitely impaired.

VIII Conclusion

The oil companies have never suggested, in any form, the adoption of a drastic policy of any impairment of the integrity of the Cardenas Government.
They have merely urged the Secretary of State to rely upon the rules of law in calling Mexico's attention to the necessity of observing the agreements reached during the past fifteen years.

But the companies are well aware of the crucial importance of the issue presented by the Mexican confiscations and the purported defense thereof by Mexico. If Mexico succeeds in despoiling American investors of their lawfully acquired rights, an investment which operated to the great advantage of the Mexican Government and people, then every foreign government may freely proceed in the same way to confiscate American private property without compensation. Such confiscations deprive those countries of foreign capital indispensable to their development and thus create, both for them and the United States, economic and political problems of infinite complexity.

No country can permanently advance its interests by a policy of confiscation. It would, therefore, be a service both to the people of Mexico and to all people to make it clear that American-owned private property, lawfully acquired, cannot be confiscated.

From the very beginning the oil companies have offered conditional upon a return of the properties to the management of their rightful owners, to enter into a new agreement with Mexico which shall safeguard the interests of the oil workers, of the Mexican Government and of the thousands of American stockholders of the oil companies, upon terms which will permit the development of Mexican oil resources to the advantage of all parties concerned. But the present spoliation must be resisted, for it can only lead to the deterioration of economic and political relations on the American continent.

October 4, 1938.