

Allied Policy toward Germans, Italians and Japanese in Mexico During World War II

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There are a number of different perspectives that the historian may use in examining the Axis presence in Mexico. It is useful to understand how world politics and strategic consideration affected both Allied policies and Mexican reactions to global pressures. Beyond the grand themes of war and peace, each participating state merged efforts with traditional agendas, sometimes in ingenious ways. Major corporate interests also became involved in matters of high wartime strategy. Therefore this paper consists of several parts: it explores the broad level of participation in Mexican society of citizens and companies associated with the Axis powers; it then looks at the use that several key political and economic figures made of that reality, and or the fear of Axis influence in Mexico; finally the paper explores the treatment of the Axis nationals after Mexico entered World War II.

German Interests in Mexico

U.S. officials had long been aware that there was German influence in Mexico. German business interests were significant in such areas as iron hardware, chemicals, pharmaceuticals, aviation and electrical equipment. There was also a political and propagandistic presence of the Axis presence. On the eve of World War II the evening newspaper, Ultimas Noticias, was virtually an organ of German propaganda. U.S. embassy officials suggested that the United States should use the power of its advertising to try to shift the newspaper's attitude, and to a lesser degree the parent publication, Excélsior, toward the allied cause. Not only did this foreshadow the wartime propaganda effort that Nelson Rockefeller would mount; Vice-President Wallace was already talking about plans for agricultural cooperation between the two countries.¹

As members of the U.S. Chamber of Commerce in Mexico argued, U.S. businessmen were suffering from German competition. The most immediate problems they needed to address were: a stabilized exchange rate; the fact that too many U.S. firms in Mexico that were represented by German nationals; and increased access to additional capital. The problem, in the view of the American Chamber of Commerce, was that German capitalists had access to capital from the Reichbank and they were able to mobilize their funds quickly and effectively through the German bank in Mexico City. In contrast, U.S. banks suffered from the extreme reticence of bankers to lend money to firms operating in Mexico for longer than 90 days, especially after the petroleum expropriation and given the possibility of a European war.²

Concern over the lack of U.S. investment capital in Mexico was a severe problem.

If the United States was not helpful in providing investment funds for Mexico, Nazi investors would be forthcoming. Thus, the role of the Export-Import Bank was expanded beyond merely facilitating sales to also provide capital for key industrial and agricultural projects.³

Mexico faced a strategic threat after the nationalization of its petroleum in 1938. As is well known, the US government attempted to discipline Mexico by means of restricted silver purchases and the private oil companies organized a political campaign aimed at convincing the Roosevelt administration to support their blockade of Mexican petroleum. That campaign was unsuccessful and the US and Mexican governments came to an historic settlement of their differences on the eve of Pearl Harbour.

To make matters worse, from the perspective of the petroleum companies, Mexico came to an agreement with Sinclair Oil, the first of the US independents to break ranks with the majors. Mexico also found some formidable outlets for the sale of the crude petroleum that had formerly been going to the United States and the Britain. For example, Mexico bartered oil with Italy for rayon yarn. Eduardo Suárez took pains to show U.S. officials that Mexico was successfully selling oil and accumulating the dollars with which to compensate the oil companies for the expropriation of the oil fields. This amounted to a warning not to push Mexico too far into Axis hands.⁴

The New Deal had to resist considerable domestic opposition to the Cárdenas administration. In the Senate, Texans Tom Connally and Morris Sheppard worked for a bill to exclude Mexican products from the United States and at one point the secretary of the navy rejected low bids from Sinclair Oil to punish Mexico. Adolf Berle eventually convinced the State Department not to back these moves.⁵ And other businessmen like Curtis E. Calder, President of American and Foreign Power Company, agreed with Ambassador Daniels that there was no danger of expropriation of their industries.⁶

In spite of countervailing pressures, the two countries moved toward an accommodation for a number of reasons. The New Deal diplomats calculated that accommodation was better than confrontation on the eve of war. They knew that to push too hard for the interests of the major oil companies would jeopardize other investments in Mexico, most notably the mining interests which were more important than the petroleum interests. In addition, there was a domestic reason to downplay the major oil companies's interests. Not only were many of the New Dealers opposed to the oil majors but during the 1940 election, in which FDR faced his most serious challenge, but the Democratic Party found that a young congressman from Texas, Lyndon B. Johnson, was very useful in tapping funds from the independent oil and construction interests.⁷ Therefore, a policy that offended the Seven Sisters was not a tragedy to the New Dealers such as Secretaries Morgenthau and Ickes, especially since it was in line with President Roosevelt's thinking.

Ultimately, the Roosevelt administration was less interested in helping the major oil companies than securing a firm southern flank in the event of a war. However, there was a long period of negotiations before the final settlement was achieved. On

the Mexican side, Cárdenas played a well conceived hand. He used the anti-Mexican press campaign, all the while realizing that it mattered little. He believed that FDR could bring the campaign to an end if he so desired, but that FDR allowed it to go on to increase his bargaining position.⁸ Ramón Beteta kept a list of U.S. firms that openly opposed Mexican policy so that business could be directed away from them. The entire process was facilitated by a widely shared fear Axis agents were making headway in Latin America and that the region might become a theater in the coming war.

In the United States there were fears that Axis secret agents were operating in Mexico. J. Edgar Hoover produced a stream of alarmist reports purporting to see Axis agents in many quarters.⁹ Hoover entertained fears of the Mexican Right cooperating with Germany. In one report he stated that a revolution led by General Almazán and “most of the army officers of the Mexican Army...” was “... likely to break out at any moment” with the purpose of keeping petroleum from reaching the Allies or even obtaining that resource for the Axis powers. The U.S.’s top crime fighter passed along undigested rumors from businessmen operating in Mexico. Hoover reported the alarming news that not only was a new revolution brewing in Mexico, but that the Mexican Army was about to attack the British Empire: “This confidential source also indicates that information has previously been obtained that there is a large concentration of [Mexican] troops on the British Honduran border and it has been suggested that this is synchronized with the [German] attack on Scandinavia.”¹⁰

Hoover’s reports were full of factual errors (FBI agents frequently confused the names of individuals and places) and replete with hearsay. The great “G-Man” became the object of jest among such State Department figures as Adolf Berle, Laurence Duggan and others who were familiar with Mexico.¹¹ At one point, Hoover passed along a report from the postmaster of Cottonwood, Arizona, who when on holiday at Guaymas in 1938 was told by an acquaintance that the Japanese had been fortifying a hill near Empalme and would not allow Mexicans to go near the place. Apparently in the intervening two years, J. Edgar Hoover had not sent agents to check on the Japanese forces. However, that too became classified intelligence information.¹²

If there was a grain of truth behind the FBI’s alarming intelligence reports, it was due to resentment of the U.S.’s-- and to a lesser degree the UK’s--long history of intervention in Mexico. There was a residue of sympathy in Mexico for the enemies of one’s enemies. When Adolfo León Osorio and others founded the Pro-Neutrality Patriotic Committee it tapped, in addition to support from the German Embassy, an understandable current of opinion. As the American consul in Mexico City explained: “There appears to be no doubt that up until two months ago public opinion was, to say the least, decidedly influenced by German sympathy, probably the result of subtle and effective German propaganda in Mexico and a natural anti-American attitude. However, there now appears to be no doubt that the attitude of the administration and the army as such in endeavoring to follow the policy of Washington in support of Great Britain and her allies is causing an apparent swing of attitude in favor of the last-mentioned powers.”¹³

There were about two dozen German agents operating in Mexico. Rather than

relying upon solid intelligence information, Hoover reflected fears generally extant within the United States. Scrap iron, for example, provided a comfortable explanation for the enemy's strength in the early stages of World War II, since a few years before U.S. suppliers of scrap iron had sold major quantities of that material to Japan. It was a convenient belief that this error had enabled the Japanese, and to a lesser degree Germany, to threaten the Allies so effectively. So reports of the sale of scrap iron from Mexico to the Axis powers not only reflected former business practices but also confirmed U.S. fears.

Fear of conspiracies abounded on the Left as well as on the Right. Hoover processed rumors from Joe W. Mayberry and William L Brunt of the Metals Conservation Corporation in Seattle to the effect that Fred Olney, who Hoover identified as an American communist, was working with the PCM to prepare a communist revolt in Mexico: "Olney also gave Mr Mayberry the impression that the Communists were storing munitions in Mexico to be used against the United States at the proper time."¹⁴

While there were some significant German interests in Mexico, some branches of U.S. intelligence seriously over-rated the threat. Military intelligence was even less sophisticated about Mexico than the FBI. As World War II approached, the State Department maintained a much better sense of proportion on Axis influence in Mexico. Those prone to seeing secret agents everywhere even pointed to a Japanese exhibition of art at the German Casino, in October, 1939, to support their fears.¹⁵

It is important not to project that postwar situation, which assumed that Latin America played a small role in world affairs, back into the period before Pearl Harbor. Before World War II, there was a three-sided ideological conflict between the great powers of the day and Latin America was seen by Washington as part of the front line against fascist expansion. The Allies opposed communism and fascism, however, the latter was the more immediate threat in the hemisphere. New Deal diplomats hated the outrages perpetrated as Germany, Italy and Japan expanded. The very day that Secretary of State Hull and the U.S. delegation arrived at the 1936 Pan American Conference at Buenos Aires, Hitler announced the Anti-Comintern Pact with Japan. President Roosevelt and Secretary Hull viewed a strengthened Pan American system as a response to events in Berlin.

The Pan American Conference at Lima at the end of 1938 went even further. Parties identified as being akin to the National Socialist Party in Germany, caches of German arms, Axis propaganda efforts, and German barter-based trade deals were all viewed by U.S. diplomats as "Axis penetration" and part of a grand design to convert the Latin American republics into "virtual dependencies" of the Axis powers.¹⁶ The U.S. idea at these conferences was to cooperate to sever financial links between the fascist powers and business interests in Latin America. Moreover, German, Italian and Japanese populations in Latin America created an ethnic base for the fascist powers, in a way that no parallel business or ethnic base existed for Soviet influence.

After war broke out in Europe, a Pan American Conference in Panama in September 1940, the Declaration of Panama called for further measures including:

the prohibition of the use of American territory by belligerents; a 300 to 1000 mile zone of maritime neutrality; the forbidding of Axis radio stations; economic cooperation to offset the disruption of trade from war zones; and the closer cooperation of intelligence efforts. Many Latin Americans as well as U.S. officials took the Axis threat seriously.¹⁷

U.S. policy makers also remembered their long term interests. The Council of Foreign Relations was active in planning for the postwar period, even in the early stages of the World War II. The CFR had been formed as a think tank for foreign policy after U.S. diplomats floundered in Paris, in the complexity of the settlement of the Great War, 1914-1918. As historians of the CFR explained: "Less than two weeks after the outbreak of the war, Hamilton Fish Armstrong, editor of Foreign Affairs, and Walter H. Mallory, the executive director of the council, travelled to Washington D.C., meeting with assistant secretary of state and council member George S. Messersmith on September 12, 1939. They outlined a long-range planning project which would assure close council-Department of State collaboration in the critical period which had just begun."¹⁸

Under the guiding eye of President Roosevelt, several study groups were initiated. Hull and Welles were active and the group arranged for a Rockefeller Foundation grant to support detailed work.¹⁹ So immediate issues and opportunities arising from the war were to be kept within the perspective of long-term U.S. interests. Furthermore, in the immediate wake of the outbreak of war in Europe, President Roosevelt stated that he intended to create a \$2,000,000,000 cartel to stockpile commodities from Latin America in case of war. After some opposition from Senator Borah, the president turned to Jesse Jones of the Reconstruction Finance Corporation (RFC) to oversee the effort. Jones believed that it was necessary to expand the Export Import Bank's role (the original idea in 1934 was to trade only with the USSR; however, the bank's charter had been rewritten after two months when that trade proved to be illusory). After the outbreak of war, the RFC and the Export-Import Bank further expanded their roles to include loans to governments. However, there was still a tension between the president's idea of using loans as a mechanism to assure stockpiling and the RFC's commitment to policies of "Business, not Santa Claus, in South America" as Jesse Jones put it in his memoirs.²⁰

The great settlement between the two countries on the eve of Pearl Harbor had ameliorated the old divisive issues of oil, debt, and the nationalization of property. A rapidly changing world order emerged as the prospect of world war became ever more obvious. Mexico assumed a new importance as the logic of accommodation grew. Fear that the long and painful history of relations between the U.S. and Mexico might generate an alliance between Mexico and the Axis powers, especially if the petroleum conflict escalated too far, led the United States to temper its attitude toward its neighbor.

Germany had enjoyed a greater degree of influence in Mexico earlier in the century and memories of the Zimmerman Telegram conspiracy made policy makers ponder the relationship between Mexico and Germany. Moreover, there were still significant German business communities in Mexico City and in Monterrey. Important German

firms dominated the chemical and pharmaceutical industries.²¹ In some industries, the impact of a break with the Axis powers would be harsh.²² The Mexican government wanted to control German nationals and German capital without destroying important production.²³ The Ministry of the Interior, (gubernación), estimated that there were about 6,500 Germans, 6,900 Italians and 4,300 Japanese citizens living in Mexico on the eve of the war. Many of them exercised positions of importance in business.

When President Roosevelt designated Vice-President Wallace as his representative at the inauguration of Manuel Avila Camacho, in December 1940, he utilized a member of his administration with an established interest in Mexico. The most pressing item of business that Wallace conducted at the inauguration was to facilitate the Joint U.S.-Mexican Defense Commission. At the same time, Wallace informed his government that the new administration was convinced that President Cárdenas had moved too far, too fast on its reforms. Wallace reported to his boss that the new Mexican president was steering a middle course between Cárdenas and the capitalists: "I am convinced from talking with Avila Camacho that he is fully aware of the economic and political importance of the United States to Mexico and that he is anxious to move in our direction as fast as political necessities permit him to do so."²⁴

Discussions of Mexico's experience after nationalizing its petroleum resources have frequently centered upon the issue of the settlement of claims with the United States, in November of 1941, and later with the UK. Alternatively, from an industry perspective, the question of Mexico's efficiency in processing its petroleum has received attention. Yet it may well be that the petroleum issue was most important in increasing Mexico's bargaining position vis-à-vis the United States. Immediately after the nationalization of petroleum in Mexico, the major oil companies initiated a boycott of Mexican oil. The majors tried to use their clout to convince other corporations and the U.S. government to punish Mexico and force a favorable settlement of outstanding claims. Secretary Hull initially took a hard line against the Mexican expropriation and Daniels worked to soften his approach.

In spite of their profoundly different ideological orientation, there was a logic of rapprochement between Germany and Mexico. Indeed, President Cárdenas and Minister Rüdts explored the possibility of improved relations and petroleum sales.²⁵ The Mexican president was keeping this possibility open should the U.S. government adopt too hard a line.

In addition to their errors in Mexico, the Seven Sisters had also made mistakes north of the border. Firm in their belief, in the second and third decades of this century, that there was no oil in Texas or Oklahoma, they allowed a number of independent speculators, or wildcatters, to establish themselves in what might have been expected to be a preserve of the majors. Famous Texas oilmen like Clint W. Murcheson, Sid Richardson, J. Paul Getty and many others shared with Mexico a mixture of fear and contempt for the major oil companies.²⁶

Yet Mexico's problems with petroleum went considerably beyond the immediate dislocation caused by the nationalization and even the problem of debt. In the oil

industry, supply and demand only influence price levels to a degree. In an industry dominated by oligopoly, existing patterns of distribution and supply can tie up markets. Such was the case with petroleum. The oil majors wanted to boycott the sale of Mexican crude as punishment for nationalization and they controlled many traditional markets. The Allies' problem was that there were three important energy poor, but recrudescing powers on the eve of World War II (Germany, Italy and Japan), and one source of uncommitted petroleum (Mexico). There was a natural tendency for these powers to draw together.

Vice President of the French branch of Standard Oil, W.D. Crampton, provided an account of the major oil companies's response to early Mexican efforts to sell its newly nationalized petroleum. He reported how high quality Mexican petroleum was being sold to independents in France for low prices. As Crampton described the working of market forces: "... at our next Commission Paritaire Meeting, October 1st, the Mexican competition will be taken into account in the figuration [sic] of the October selling prices and this in itself may have a direct tendency to lower prices on the French market to the detriment of the distributing companies in France."²⁷

Standard Oil officials were frustrated with the State Department for not helping them enough. Even though some outlets for its crude existed, Mexico still found it difficult to sell all of the petroleum that had formerly been going to the United States and the Britain. Consequently, in the wake of the disruption to the Mexican petroleum industry that inevitably followed the expulsion of the foreign oil companies, it was to one of these independent operators that the Cárdenas administration turned.

William Rhodes Davis, who claimed direct descent from Cecil R. Rhodes and Jefferson Davis, was a minor wildcatter who got his start in the oil business in 1929 when Standard Oil and Peru were in conflict. By the eve of World War II, Davis owned a small number of oil wells (fifty) in the U.S. but more importantly, he had acquired oil pipelines, terminals, storage tanks and refineries in Texas and Louisiana. In addition to minority interests in Poza Rica in Mexico he also owned a refinery in Hamburg, an oil storage terminal in Malmo, Sweden and distribution facilities in Sweden, Norway, Denmark, and Finland, the latter transshipping to the Baltic states. So Davis was well positioned to take advantage of the events of March, 1938.

Using his friendship with John L. Lewis to gain a favorable introduction to Lombardo Toledano, Davis again prospered in the wake of Standard Oil's troubles by offering market outlets for Mexican oil.²⁸ After first trying to undercut the oligopolistic price of petroleum in Europe with only minor success, Davis began to deal with Germany, Italy and Japan. By the end of September, 1938, he arranged a series of sales of Mexican petroleum to Japan's Department of the Navy via Mitsui and Company, Asando Bussan Kabushiki Kaisha and the Mexican Export Oil Company, which the State Department suspected to be a front operation.²⁹ Davis tapped a \$3,000,000 dollar line of credit from the Reichbank to export petroleum from Mexico to Germany.³⁰ He tried to cover the politically sensitive nature of his business by claiming that he was personally friendly with President Roosevelt. He even boasted of having lunch with him, thus implying the president's imprimatur in his business dealings, something that U.S. officials vehemently denied.³¹

The U.S. consulate general in Hamburg discovered that immediately after the Mexican expropriation of petroleum the major British and U.S. oil companies were able to cut off the supply of Mexican oil to the Deutsch-Amerikanische Petroleum, a subsidiary of Standard Oil of New Jersey.³² State Department functionaries were worried that the Mexican oil, cut off through Standard Oil's German subsidiary from the commercial market, was finding its way into the new German Navy's reserve storage tanks at Nordenham and Bremerhaven. Those tanks were not for the use of commercial shipping and their importance to Germany in the case of war was great.

According to one source in the Swedish petroleum business, the outbreak of war in Europe was followed by a number of rapid deals in the European oil business. Davis sold his English and Irish oil interests and, in conjunction with his interests in the Eastern States Petroleum Company of Houston, Texas, and entered into an agreement with the Mexican government to barter ten million dollars of Mexican oil in Germany in return for German manufactured goods. Davis enjoyed a monopoly on the sale of Mexican oil to Germany, Scandinavia, the Baltic countries and Czechoslovakia at the end of 1938. In return Davis could take his profit in German goods that could be disposed of in Mexico or elsewhere. Describing his Eurotank operations in Germany as "a perfect dream for a money maker" one Swedish oilman reported that Davis was buying Mexican oil at rock bottom prices and making massive profits by taking German industrial products in return. Davis then secured a contract from the Mexican government to produce petroleum products for northern Mexico through his Eastern States Petroleum Company in Houston. So oil from Veracruz was being supplied to the new and efficient Eurotank Refinery in Germany, which had been built by engineers from Wichita, Kansas in 1934-5, for the use of the German Navy.³³

The broad outline of these events was generally confirmed to the U.S. government by Finance Minister Suárez. Davis had a contract to sell nineteen million barrels of Mexican crude in 1939 for which fifteen million dollars of credit would be provided overseas. Davis would bring in German refining equipment in order to renovate a Mexican refinery, and he was also arranging sales of Mexican petroleum to the Azienda Generale Italiana Petroli, S.A. in exchange for heavy tankers. The U.S. government was subjecting the Eastern States Refinery Company of Houston to anti-dumping investigations, a ploy that was "about to strangle the company financially." Further, Mexico bartered its oil with Italy for rayon yarn. Suárez took pains to show the U.S. officials that Mexico was successfully selling its oil and accumulating the dollars with which to compensate the oil companies for the expropriation of the oil fields and also as a warning not to push Mexico too far into Axis hands.³⁴

Davis expanded his role as intermediary considerably by offering to facilitate trade and by working to increase German exports to Mexico. Having signed an agreement with Germany, and boasting of his relationship with Dr. J.G.A. Hertslet of the German Economic Ministry and Eugen Brieschke of the German Oil Import Board, Davis proceeded by offering firms including General Motors and British American Tobacco Company cash rebates if they would funnel their business with Mexico through him. In effect Davis was offering a three percent rebate to any firm that would help him get his petroleum credits out of Germany by purchasing German equipment.³⁵

However, a less sympathetic interpretation of the matter emerged from Drew Pearson's column, "Washington Daily Merry-Go-Round," when the journalist charged Davis with "selling oil to Hitler".³⁶ John L. Lewis reacted to the adverse publicity by calling on President Roosevelt for action and the British detained Davis in Bermuda. When Davis was stopped by FBI men upon his return to Washington he was found with correspondence from Hitler in his possession. Clearly the sensitive nature of Davis's business emphasized the importance of Mexican petroleum and undercut Standard Oil's desire to have the United States implement the National Stolen Property Act against Mexico.³⁷ Ambassador Daniels also worried that Mexico would build a pipeline across the Tehuantepec Isthmus to supply petroleum to the Pacific coast. In order to get petroleum products to the West Coast of Mexico it had been necessary to load vessels at Minatitlán and to proceed through the Panama Canal. Storage tanks were being built at Salina Cruz, but Daniels thought that this might be the forerunner of sales to Japan when Davis reported that he was negotiating with Mexico over the construction of such a pipeline. There were even rumors that a German-Mexican treaty was in the offing.³⁸

After war started in Europe, W.R. Davis and Company found their position more difficult. In discussions with Pemex, Davis and Company claimed that Davis had a personal investment of fifty million marks in Germany, of which 10 million was in cash and was lost. He claimed that he had ordered \$50,000 dollars worth of refinery machinery for Mexico's account and that was now lost with the outbreak of war. Davis immediately inquired of Suárez if German ships in Mexican waters could be seized in lieu of payment, but the United States and Mexico viewed that as incompatible with international law.³⁹

There were even rumors that a German-Mexican treaty was possible.⁴⁰ At one point, Dr. J.G.A. Hertslet, of the German Economic Ministry, and Eugene Brieschke, of the German Oil Importation Board, visited Mexico. U.S. diplomats viewed Hertslet as the "right-hand man of Hitler" in economic and trade matters. Discussions ranged widely and covered such topics as the petroleum, chemical industries, and matters of finance. Suárez was at pains to deny to Daniels that Mexico would enter into formal agreements; however, the possibility of German-Mexican cooperation was suggested.⁴¹

President Roosevelt was sufficiently concerned about the possibility of a German-Mexican rapprochement to call a joint session of Congress in May, 1940. At the conference he warned that, in the event of a war, Mexico might fall under German influence. As he reminded his listeners, "Tampico is only two and a quarter hours away [by air] from Saint Louis, Kansas City and Omaha."⁴²

The British kept track of Mexican sales to the Axis forces. N.K. Butler, counsellor of the British Embassy in Washington and A.K. Helm, the first secretary, complained to Adolf Berle in the State Department that W.R. Davis and Company was selling oil to Spain even after the outbreak of WWII. The tanker, Spencer Kellog, was scheduled to sail from Brownsville with 6,500 tons of oil, with another 10,000 tons to follow at the end of June, ultimately bound for Italy or Germany, via Spain.⁴³ Davis avoided the U.S. Maritime Commission's regulations on shipping to Spain by chartering foreign

ships in his own name. Needless to say, Roosevelt's State Department was sensitive to criticism over policy towards Spain. Davis eventually died in mysterious circumstances in June 1941. Most serious students of the wartime espionage networks think there is at least a significant chance that William Stephenson's agents of the British Security Coordination "... may have acted to quicken Davis' journey into the next life".⁴⁴ Whereas Davis's death solved a strategic problem for the Allies, his career aided Mexico in its strategic bargaining with the United States.

Mexico's position was also aided by the fact that many U.S. firms were favorably disposed toward the Nazis before Pearl Harbor. Spruille Braden, the extremely conservative U.S. diplomat and heir to a copper corporation in Chile, complained about the pro-Nazi disposition of such firms as International Harvester. For ideological reasons, and in defense of their seventeen million dollar plant in Germany, IH was not cooperating with U.S. measures to reduce Nazi influence in Latin America. As Braden explained: "In many of these cases I do not know whether I am more shocked by the lack of patriotism or the dangerous short-sightedness."⁴⁵

Japanese Interests in Mexico

Japan did have some economic interests in Mexico. According to W. Richardson, head of the National City Bank in Mexico City, Japanese investments in Mexico were concentrated in three firms. The Cia. Mexicana de Petróleos "La Laguna" S.A. which had been formed in 1935. Its board of directors were: Ing. Carlos Almazán, president; Kiso Tsuru, Agustín González Palavicini, Jesús M. Villaseñor and Pablo O. Alarcón directors. A close political ally of Portes Gil, Carlos Almazán had been Mayor of Tampico and he had also been a Congressman. No relation to General Juan Andreu Almazán, he entertained lavishly at a residence rented for him by the Japanese in the posh suburb of Lomas.

The second center of Japanese investment in Mexico was the Cia. Petrolera Veracruzana S.A. formed in 1934 with the board of directors originally consisting of: Ing. Modesto C. Rolland, president and general manager; Rafael Murillo, treasurer; Rafael Pous Cházaro, secretary and Luis Flores Esponda comptroller. The board was reorganized in 1937 with Dr. Kiso Tsuru added as a director at the time that Cia. de Petróleo "La Laguna" S.A. ceded the rights to drill on 1454 hec. at Puerto Mexico, and at Panuco, Ver. to the Cia. Petrolera Veracruzana S.A. The fact that Modesto C. Rolland was under-secretary of the Department of the National Economy in the Avila Camacho administration caused concern. Richardson believed that the Japanese were paying Rolland and General Barragán \$800 pesos per month "for obvious reasons".

The issue of the trans-isthmian oil pipeline assumed strategic importance on the eve of the U.S. entry into World War II. John A. McCone, the future director of the CIA, at that time was a manager of the Bechtel-McCone-Pearson Corporation of Los Angeles. He worked his way up from being a sales manager in the Llewellyn Iron Works of Los Angeles in 1931 to a partner in Bechtel-McCone Corporation in 1937; the firm began to put together complete construction packages for petroleum refineries. McCone's firm had been a member of a consortium called International Contractors, under the direction of Maxwell M. Upson, President of Raymond Concrete Pile Co. McCone reported that the consortium built a pipeline over 100 miles

in Veracruz. The consortium had then been approached by an entrepreneur named Gregory Linder (who had established himself in Mexican circles by means of a letter of introduction from U.S. Senator Robert R. Reynolds, of the Committee on Military Affairs) to organize a twenty inch pipeline from Minatitlán to Salina Cruz. The obvious strategic importance of this pipeline was that it would make it possible to export Mexican crude to Japan.

Linder was a promoter and a banker. He had been living in Mexico City for five years, although he maintained offices in Hollywood. Linder had been unable to complete the project, in spite of Vicente Lombardo Toledano's help. He stated that: "he has a lot of dealings with these lawyers [the Lombardo Toledano brothers]; that the association has been lucrative for them all". However, the problem was not on the Mexican side, in spite of the fact that Lic. Suárez would not accept his bribes. Linder had tried to buy steel from U.S. Steel, Bethlehem Steel and from Youngstown Steel. None of the U.S. steel mills would sell to the consortium since they viewed the Mexicans as paying in "stolen oil".

It was proposed that the new pipeline should be financed by selling scrap Mexican steel to the Houston firm Deitcher Brothers, after which new pipes would be shipped to Mexico. Suárez had just commissioned a study showing that there were 200,000 tons of good scrap iron in Mexico that could be exported. The fact that Linder had married the niece of Manuel Avila Camacho did not seem to be hurting McCone's project. J. Edgar Hoover already reported the signing of a contract between Mexico and Japan in May, 1940 for two million barrels of crude oil at prices below those in California. In short, the episode neatly highlighted the ambiguities of the period. By treating Mexico as an outlaw nation for having confiscated the petroleum industry, U.S. corporations created conditions that pushed Mexico toward the oil hungry Axis powers.

U.S. diplomats periodically worried over the fact that the Japanese engineers associated with the petroleum companies appeared to be unfamiliar with petroleum engineering. Speculation was rife that these Japanese firms were really trying to prepare the ground for Japanese bases in Northwestern Mexico. There were other Japanese firms directly active in Mexico, such as the Cia. Internacional de Drogas, S.A., an offshoot of Kokasai Seiyaku Kabushiki Kaisha of Toyama, Japan. With Kisso Tsuru as president and general manager, it soon was renamed the Cia. Internacional de Comercio S.A. The firm became active in trying to buy Mexican mercury, another product of wartime significance in short supply in Japan. Furthermore, Japanese interests dominated fishing off the West Coast of Mexico before the war, and this created concern within the intelligence community since fishing boats could easily be used for purposes of military intelligence.

With the fall of France and the rapid Nazi gains in Europe, some feared that the Axis powers might gain control of Mexican institutions through the control of assets held in conquered Europe. Josephus Daniels reported that French holdings in Mexican firms amounted to \$160,000,000 pesos. French investors controlled eight commercial houses, seven factories and a bank (The Banco Nacional de México, now called Banamex). In all cases other than Banamex and El Boleo Copper Company in Baja California effective control rested in Mexico. The Embassy's information was that

even in these cases the controlling shares had been removed from France before the Nazi conquest. In any case Mexican banks did not deal in conquered currencies, only by trading in Swiss francs via New York could Mexican firms do business with conquered Europe.

Similarly almost all Dutch investments in Mexico had been in the Cia. Mexicana de Petróleos, El Aguila, S.A. which had been expropriated in 1938. Most of the stock was in England and was owned by: Shell Royal Dutch, 17 per cent; Viscount Pearson, 18 per cent; with 60 per cent scattered amongst private investors in the US, the UK, and Holland. Only 5 per cent was in France. Belgian investment in Mexico was confined to the Mexican Light and Power, (Mexlight). No direct dividends had been paid to the company since 1913 but that much publicized fact did not take into account interest that had been paid regularly on first and second mortgage bonds that were held by the parent Belgian company called Sofina. The firm got out of Belgium before the occupation and was relocating in Toronto. So Daniels did not see any possibility that significant funds would be shifted from Mexican investments back to Germany. He counted on friendly banks to continue to monitor the situation closely.

There were additional ways that the war provided a political windfall for the Avila Camacho administration. Mexico used the war to force a highly beneficial settlement of its foreign debt and to force the registration and vesting of some \$60,000,000 to 70,000,000 dollars of bonds held in Switzerland and the occupied countries.⁴⁶ German, Japanese and Italian businesses had been important in Mexico before 1941. After Mexico entered World War II, the government seized all firms that were controlled by Axis citizens and corporations. In total the Junta de Administración y Vigilancia de la Propiedad Extranjera vested 346 firms, of which they divested 59 and sold or disposed of 38. That left 249 enterprises subject to their direct control. The Junta ran these companies at a profit of 16.55 percent in 1945-6. Since these firms included many in the chemical, pharmaceutical, hardware and manufacturing industries it gave the government a considerable amount of largess to spread around, and that meant political muscle for the administration.⁴⁷

The Treatment of Axis Nationals in Mexico

The treatment of Axis nationals in Mexico by the Avila Camacho administration is an uneven story. German and Italian nationals were vulnerable to pressures generated by the United States's creation of the "Black List" and some 346 properties were seized. The fate of individual Axis citizens rested in the hands of the Minister of the Interior. U.S. diplomats concluded that businessmen frequently "... bought their way out".⁴⁸ The worst moments for individuals of Axis citizenship were probably experienced by some 500 German and Italian seamen who had the misfortune to be in Mexican waters as the war started. They were sent to a desolate detention camp, which was set up at Perote, Veracruz.

By contrast, the fate of the Japanese in Mexico appears to have been quite different. They were treated as a group more than the Europeans; however, their treatment was possibly less severe.⁴⁹ The number of Japanese in Mexico was very

small. Japanese emigration to Mexico had been a trickle until the first decade of the twentieth century, however, that grew between 1904 and 1907 as some 10,497 left Japan for Mexico, a figure that plummeted to zero in the next year and rarely reached three figures after that. Some of these Japanese viewed Mexico as a stepping stone to the United States and moved on. The experience of those who stayed varied considerably. Contract laborers arrived and by 1907 it was estimated that some 8,706 Japanese worked on mines, plantations and railroads, mainly in Northern Mexico. Conditions were difficult, as they were for a group that went to work of plantations in Oaxaca, where there were many deaths and a strike in 1906. By contrast, a small group settled in Chiapas and made a place for themselves. Indeed, their success-based on socialist ideals- and their contributions to Chiapas were recognized by the state government during World War II.

Although a 1907 gentlemen's agreement between Japan and the United States for Japan to discourage emigration had some effect, by 1925 a Japanese legation was established at Mazatlán. After the revolution, many Japanese started families and settled into the community, and the percentage of Japanese business and professional people increased significantly by the 1930s. Estimates of the number of Japanese in Mexico for 1936 were that 4,691 lived in Northern Mexico, with 602 in the D.F. In addition, 3,634 lived in the territory of Baja California.⁵⁰

The community in the territory became significant as another war approached. The cotton boom of World War I had attracted many Japanese to Baja California, where they formed the largest concentration of Japanese in Mexico by the eve of World War II. It was the existence of this relatively large Japanese community which fuelled fears that Japan might use Baja California as a launching pad for an attack on the large and undefended naval base at San Diego. This Japanese community worried U.S. and Mexican leaders because it was: "... the largest concentration of unacculturated Japanese" in the country.⁵¹

As World War II came to North America, the Japanese- unlike the German and Italian nationals- were ordered to relocate in Mexico City or Guadalajara. The idea was that it would be easier for the authorities to keep tabs on them. The evacuation of Baja California was completed by Jan 14, 1942, and it was "... the most massive, hasty, and strictly enforced in Mexico".⁵² By contrast, the Japanese in Chiapas were not relocated until 1944, and only then for two months, whereas in other states the relocation order took place in the winter of 1941-42. Governor Rafael Gamboa negotiated a deal, whereby the state government guaranteed their loyalty and they were left alone.

The Mexican authorities made no preparations for the displaced Japanese, who were ordered to go to Mexico City or Guadalajara- much less did they create detention camps, as happened in the United States. The Japanese were allowed to continue their own economic activities in the two cities. Only a few individuals who did not surrender were arrested and only four were sent to the high security prison at Isla Maria Madre or other high security prisons. U.S. authorities monitored Axis citizens from the OSS headquarters in the Hotel Maria Cristina, where 200 "G-men"

worked under diplomat Raleigh Gibson and FBI chief Gus T. Jones throughout the war.

Mexican authorities were surprisingly sympathetic to the Japanese. Ex-presidents Ortíz Rubio and Cárdenas intervened with the president to protect them, and Maximino Avila Camacho was friendly to them, even becoming a godfather to the sons of several community leaders. Their schools were allowed to remain open throughout the war. President Avila Camacho's presidential secretary and future governor of Jalisco, González Gallo took twenty-five Japanese families onto his estate, as did the director of the lottery.

Realizing they were on their own in Mexico City and Guadalajara, the Japanese organized a Committee of Mutual Aid and quickly gained access to a large building to house some 900 new arrivals from the provinces. In addition, a wealthy member of the community turned over a ranch near Batán near Contreras. Community leaders met with the president who agreed to their establishing farms at Temixco, Morelos, for self support of another 350 people.

Undoubtedly, some individuals suffered difficult times, facing personal hostilities and swindles, but there appears to be no record of violence against them. As Watanabe put it: "... the government's treatment of the Japanese was considerably milder and more benevolent than in other American countries."⁵³ There was certainly nothing like the U.S. record for interment of 110,000 individuals. Sending the Japanese to the D.F. probably protected them. At one point, the government even acted to protect the Japanese farm at Temixco against peasant demands to occupy their land, under the provisions of the land reform, as frequently happened to Spanish nationals.

Fundamentally, the Japanese were viewed as harmless, even a curiosity. "Many Issei, who have lived in Mexico over half a century, testify that Mexico is a pro-Japanese country and that they have been well received."⁵⁴ This is was a strikingly different pattern from the anti-Chinese pogroms during the Revolution that Alan Knight discovered.⁵⁵

After the war, a majority of the Japanese stayed in the D.F. and Guadalajara; over the years, the Japanese community grew to 12,545 by 1980. Although the Japanese maintain a strong sense of self-esteem and a separate identity, and retained their own educational system, they also merged into the broader Mexican community, married and adopted such local customs as the compadrazgo. For its part, the government felt certain it had neutralized any threat from Axis nationals for the duration of the war.

Conclusion

Several conclusions seem clear. Mexico and the U.S. both pursued their immediate wartime goals with a sub text that was quite important. U.S. interests wanted to use wartime cooperation as a lever to regain corporate advantage that had been lost or diminished during the period of economic radicalism under Lázaro Cárdenas.

Mexican leaders, by contrast wanted U.S. aid to mount a rapid post-war push for economic development.

In terms of the treatment of Axis nationals in Mexico during World War II, prewar perceptions and understandings of the Axis communities in Mexico seemed to mould attitudes, policies and the direct treatment of individuals of those countries during the war.

Germans, and to a lesser degree, Italians were fundamentally perceived as representing their nations' business interests in Mexico. Therefore, prominent individuals were included on the U.S. black list. Mexican officials viewed this as an invitation to seize the properties of these individuals, place those properties under the control of Luis Cabrera's Junta de Administración y Vigilancia de la Propiedad Extranjera. U.S. officials were quite convinced that Minister of the Interior, Miguel Alemán, was responsible for a revolving door policy that saw these figure buy their way out of detention, although not generally regain control of their former properties.

By contrast, in dealing with the Japanese, Mexico appeared to be following the U.S.'s lead in treatment of the Japanese in Mexico. Fears that the Japanese in the Northwest could somehow aid their compatriots from Northeast Asia to gain a toehold in Baja California led to a policy that seemed superficially similar on the surface. Japanese in Mexico were ordered to move into Mexico City or Guadalajara; however they were not ordered into internment camps, as in the U.S.

Inadvertantly this policy made the Japanese ban together in informal cooperative policies to make room for the newcomers to the two cities. Here the similarity ends. Mexican officials from the president down demonstrated sympathy for the Japanese as hard-working and diligent people -- a significant difference from the perceptions of Chinese. The governor of Chiapas, Rafael Gamboa, even the provided a guaranty of the good behaviour of the Japanese in his state and arranged an exemption for them from the general requirement to move to Mexico City.

Not only the exigencies of geopolitical pressures, but stereotypes relating to these various nationalities significantly influenced their treatment during World War II.

Notes

¹. Castillo Nájera to Padilla, January 16, 1941, Secretaría de Relaciones Exteriores (SRE,) 29-30-6.

². Memorandum from the U.S. Chamber of Commerce in Mexico City to Vice-President Wallace entitled "Camacho, Manuel A.," December 6, 1940, USNA/59, 812.001.

³. One of the most useful studies of Mexico's position as the war started was a confidential study by the Board of Economic Warfare, The Mexican Economy, Washington D.C., U.S. Government Printing Office, 1942.

⁴. Report entitled "W.R. Davis: barter of Mexican oil for machinery and goods" from Josephus Daniels to the secretary of state, December 8, 1938, USNA/59, 812.6363 Davis and Company/152.

⁵. Russell D. Buhite, Hurley and American Foreign Policy, Ithica, Cornell University Press, 1973, pp. 96-7.

⁶. Daniels to the secretary of state, December 6, 1938, USNA/59, 812.6463 Electric Bond and Share Company/37.

⁷. Robert Caro, The Years of Lyndon Johnson: The Path to Power, New York, Alfred Knopf, 1982, pp. 606-617.

⁸. Cárdenas to Castillo Nájera, February 8, 1939, SRE, 39-10-2.

⁹. Hoover's reports actually read like the television series of the 1950's dealing with the FBI, for example: J. Edgar Hoover to Adolf A. Berle, Jr., USNA/59, 812.00/31065-1/2.

¹⁰. J. Edgar Hoover to Assistant Secretary of State A. Berle, April 29, 1940, USNA/59, 812.00/31011-1/2.

¹¹. Berle observed: "He [Hoover] transmits to us anything that comes along, good bad, and indifferent". Berle to Hull, October 17, 1940, USNA/59, 812.00/31504-1/2.

¹². Hoover to Berle, July 26, 1949, USNA/59, 812.00/31263.

¹³. Report from George Shaw to the secretary of state, "Resume of the Political Situation in Mexico City... during June 1941", June 28, 1941, USNA/59, 812.00/31715.

¹⁴ Ibid.

¹⁵. Novedades, October 6, 1939. After the outbreak of war, the German Casino was turned over to the CNC to use as its headquarters. Diario Oficial, September 11, 1942.

¹⁶. Cordell Hull, Memoirs, New York, Macmillan 1948, vol. 2 pp. 601 & 814.

¹⁷. Castillo Nájera was regularly sending reports on the Axis influence in the region to President Cárdenas by 1938. SRE, 30-3-10 (I), April, 1938.

¹⁸. Laurence Shoup and William Minter, Imperial Brain Trust, New York, Monthly Review Press, 1977, pp. 119.

¹⁹. Some of the individuals involved in post-war planning included: Hull, Welles, Lauchlin Currie, and Messersmith at the State Department; John F. and Alan Dulles, corporate lawyers already with close ties to the intelligence community; economists Alvin H. Hansen, and Jacob Viner; historians William L. Langer, Crane Brinton, A. Whitney and R. Griswald; the businessman, Whitney H. Shepardson, who had advised Wilson at Versailles. There were also key lawyers, financiers, military figures and journalists.

²⁰. Jesse H. Jones, Fifty Billion Dollars: My Thirteen Years with the RFC, New York, Macmillan, 1951, pp. 220 & 225-29.

²¹. Among the more important German firms were: Beick Felix y Cia., Casa Bayer S.A., Merck-Mexico S.A., Instituto Behring, Laboratorios Codex S.A., Química Schering Mexicana, Gran Drogería del Refugio, Beick Felix, Carlos Stein y Cia., Drogería Stein, Cia Gral de Anilinas, Casa Lammers S.A., Cia Explotadora de Gas Carbonico, Union Química S.A. and Gas Carbonico, S.A. AGN, RP/MAV, 705.1/108.

²². According to one Mexican estimate, a break with Japan would hurt a number of textile firms including: Seda Natural, Textiles Lyon, Hilos Torcidos, and Mafisa. SRE, 29-30-6, Castillo Nájera to Padilla, May 12, 1941.

²³. The administration was especially concerned with such German firms as Casa Bayer, and Casa Carlos Stein & Cia. AGN, RP/MAC, 434.1/624.

²⁴. Camacho Manuel A, Wallace to Hull. December 16, 1940, USNA/59, 812.001.

²⁵. Cole Blasier, The Hovering Giant: U.S. Responses to Revolutionary Change in Latin America, 1910-1985, Pittsburgh, University of Pittsburgh Press, 1985, pp. 125.

²⁶. Anthony Sampson, The Seven Sisters: The Great Oil Companies and the World They Shaped, New York, Viking Press, 1975, pp. 36-40.

²⁷. W.D.Crampton, vice-president of Standard Française des Petroles to Edwin C. Wildon, counselor of the American Embassy in Paris, September 21, 1938, USNA/59, 812.6363 Davis and Company/133.

²⁸. New York Times, August 2, 1941. W.R. Davis was the father of Myron Davis the oilman and media magnate (Dynasty, etc.) of the 1980's.

²⁹ Joseph C. Grew, American Embassy in Tokyo, to the secretary of state, "Mexican Oil Activities of W.R.Davis" September 21, 1938, USNA/59, 812.6363 Davis and Company/134.

³⁰. L.B. Rout and J.F. Bratzel, The Shadow War: German Espionage and United States Counterespionage in Latin America during World War II, Frederick, Md., University Publications of America, 1986, p. 53.

³¹. Duggan to Welles, October 29, 1938, USNA/59, 812.6363 Davis & Co./145.

³². The petroleum export to Germany fell from 168,000 metric tons in the first half of 1937 to 90,518 tons for the same period in 1939. Report from Wilbur Keblinger, consul general in Hamburg to the secretary of state, entitled "German Imports of Mexican Oil", September 21, 1938, USNA/59, 812.6363-Davis and Company/135 .

³³. Wilbur Keblinger, American consul general in Hamburg, to the secretary of state, October 28, 1938, USNA/59, 812.6363 Davis and Co./148 . The industry source of this information was J. Holger Graffman, managing director of the oil company, Transfer A.B. in Stockholm.

³⁴. Josephus Daniels to the secretary of state, Report entitled "W. R. Davis: Barter of Mexican Oil for Machinery and Goods", December 8, 1938, USNA/59 812.6363 Davis and Co./152.

³⁵. Daniels to the Secretary of State, "Practices on the Part of W.R. Davis and Company..." June 17, 1939, USNA/59. 812.6363 Davis and Co./186.

³⁶. Washington Times-Herald, February 18, 1940.

³⁷. Davis's role was becoming a public scandal. The New York Post, for example, reported these events under the banner "Davis Firm Sold Nazi Goods" January 6, 1941 and Henry Wallace delivered a speech linking Davis to Nazi agents, Washington Times-Herald, January 1, 1941.

³⁸. Daniels to the secretary of state, August 8, 1938, USNA/59, 812.6363 Davis and Company/194.

³⁹. Telegram from Pemex to the secretary of state, September 5, 1939, USNA/59, 812.6363-Davis and Company 201.

⁴⁰. Daniels to the secretary of state, August 8, 1938, USNA/59, 812.6363 Davis and Company/194.

⁴¹. Daniels to the secretary of state, August 23, 1939, USNA/59, 812.6363 Davis and Company/199.

⁴². Congressional Record, 86 (May 16, 1940):6, 234.

⁴³. Memorandum of conversation between Butler, Helm and Berle, June 18, 1940, USNA/59, 812.6363 Davis and Company/264.

⁴⁴. Rout and Bratzel, The Shadow War, 55.

⁴⁵. Spruille Braden to Adolf Berle, March 4, 1941, Columbia University Manuscript Collection, Braden Manuscripts.

⁴⁶ Memorandum of conversation, Thomas H. Lockett and Eduardo Suárez, August 31, 1943, USNA 812.51/2703.

⁴⁷ Luis Cabrera to the president, AGN, RP/MAC, 432.2/42 and July 24, 1944, AGN, RP/MAC, 564.5/355; "Economic Report", July 14, 1946, USNA/59, 812.50/7-2446. As late as 1950 the drug companies were still struggling with the government over the ownership and control of these industries. "Economic Developments in Mexico", February 10, 1950, USNA/59, 812.00/2-1050.

⁴⁸ Stephen R. Niblo, War, Diplomacy and Development: The United States and Mexico, 1938-1954, Wilmington, Scholarly Resources, 1995, pp. 101-104.

⁴⁹ This account of the Japanese in Mexico comes from Chizuko Watanabe, "The Japanese Immigrant Community in Mexico: Its History and Present". M.A. thesis, California State University, Los Angeles, 1983. I am grateful to Professor William Beezley for calling this important, but little-known work to my attention.

⁵⁰ Watanabe, "The Japanese Immigrant Community in Mexico" p. 48 cites figures from the Japanese Ministry of Foreign Affairs in 1936 which up-dated a survey conducted by the Japanese Legation in 1927.

⁵¹ Watanabe, Ibid., p. 189.

⁵² Ibid., p. 65.

⁵³ Ibid., p. 77.

⁵⁴ Ibid., p. 82.

⁵⁵ Alan Knight, The Mexican Revolution, Vol. 2. Counter-revolution and Reconstruction, Cambridge, Cambridge University Press, 1987, pp. 331 & 416.