

## **Document No. 7. The Nationalization of Mexican Oil**

### **President Lázaro Cárdenas, Speech to the Nation, March, 18, 1938**

*Lázaro Cárdenas (1895–1979) came from a lower-middle-class family in the state of Michoacán. He served as governor of that state from 1928 to 1934, when he was tapped by Plutarco Elías Calles to become president. During his six-year term in office, he oversaw a radical extension of the land reform program, one of the promises of the Mexican Revolution, and led nationalist sentiment against foreign economic interests operating in the country. Following labor disputes with international oil companies, he announced the nationalization of Mexico's petroleum reserves and the expropriation of all foreign companies' equipment. He also founded Petróleos Mexicanos (Pemex), a state-controlled oil company, which continues to be a major source of income for the government. As a result of his actions, Great Britain severed diplomatic relations with Mexico, but the Roosevelt administration, concerned about having an unfriendly government on its southern border on the eve of World War II, did not move against the Mexican government. This speech reflects the strong nationalist sentiment in Mexico at the time that Cárdenas was in power.*

In each and every one of the various attempts of the Executive to arrive at a final solution of the conflict within conciliatory limits, . . . the intransigence of the companies was clearly demonstrated. Their attitude was therefore remediated and their position deliberately taken, so that the Government, in defense of its own dignity, had to resort to application of the

Expropriation Act, as there were no means less drastic or decision less severe that might bring about a solution of the problem. . . .

It has been repeated *ad nauseam* that the oil industry has brought additional capital for the development and progress of the country. This assertion is an exaggeration. For many years throughout the major period of their existence, oil companies have enjoyed great privileges for development and expansion, including customs and tax exemptions and innumerable prerogatives; it is these factors of special privilege, together with the prodigious productivity of the oil deposits granted them by the Nation often against public will and law, that represent almost the total amount of this so-called capital.

Potential wealth of the Nation; miserably underpaid native labor; tax exemptions; economic privileges; governmental tolerance—these are the factors of the boom of the Mexican oil industry.

Let us now examine the social contributions of the companies. In how many of the villages bordering on the oil fields is there a hospital, or school or social center, or a sanitary water supply, or an athletic field, or even an electric plant fed by the millions of cubic meters of natural gas allowed to go to waste?

What center of oil production, on the other hand, does not have its company police force for the protection of private, selfish, and often illegal interests? These organizations, whether authorized by the Government or not, are charged with innumerable outrages, abuses, and murders, always on behalf of the companies that employ them.

Who is not aware of the irritating discrimination governing construction of the company camps? Comfort for the foreign personnel; misery, drabness, and insalubrity for the Mexicans. Refrigeration and protection against tropical insects for the former; indifference and neglect,

medical service and supplies always grudgingly provided, for the latter; lower wages and harder, more exhausting labor for our people.

The tolerance which the companies have abused was born, it is true, in the shadow of the ignorance, betrayals, and weakness of the country's rulers; but the mechanism was set in motion by investors lacking in the necessary moral resources to give something in exchange for the wealth they have been exploiting.

Another inevitable consequence of the presence of the oil companies, strongly characterized by their anti-social tendencies, and even more harmful than all those already mentioned, has been their persistent and improper intervention in national affairs.

The oil companies' support to strong rebel factions against the constituted government in the Huasteca region of Veracruz and in the Isthmus of Tehuantepec during the years 1917 to 1920 is no longer a matter for discussion by anyone. Nor is anyone ignorant of the fact that in later periods and even at the present time, the oil companies have almost openly encouraged the ambitions of elements discontented with the country's government, every time their interests were affected either by taxation or by the modification of their privileges or the withdrawal of the customary tolerance. They have had money, arms, and munitions for rebellion, money for the anti-patriotic press which defends them, money with which to enrich their unconditional defenders. But for the progress of the country, for establishing an economic equilibrium with their workers through a just compensation of labor, for maintaining hygienic conditions in the districts where they themselves operate, or for conserving the vast riches of the natural petroleum gases from destruction, they have neither money, nor financial possibilities, nor the desire to subtract the necessary funds from the volume of their profits.

Nor is there money with which to meet a responsibility imposed upon them by judicial verdict, for they rely on their pride and their economic power to shield them from the dignity and sovereignty of a Nation which has generously placed in their hands its vast natural resources and now finds itself unable to obtain the satisfaction of the most elementary obligations by ordinary legal means.

As a logical consequence of this brief analysis, it was therefore necessary to adopt a definite and legal measure to end this permanent state of affairs in which the country sees its industrial progress held back by those who hold in their hands the power to erect obstacles as well as the motive power of all activity and who, instead of using it to high and worthy purposes, abuse their economic strength to the point of jeopardizing the very life of a Nation endeavoring to bring about the elevation of its people through its own laws, its own resources, and the free management of its own destinies.

With the only solution to this problem thus placed before it, I ask the entire Nation for moral and material support sufficient to carry out so justified, important, and indispensable a decision.

...

It is necessary that all groups of the population be imbued with a full optimism and that each citizen, whether in agricultural, industrial, commercial, transportation, or other pursuits, develop a greater activity from this moment on, in order to create new resources which will reveal that the spirit of our people is capable of saving the nation's economy by the efforts of its own citizens.

And, finally, as the fear may arise among the interests now in bitter conflict in the field of international affairs that a deviation of raw materials fundamentally necessary to the struggle in

which the most powerful nations are engaged might result from the consummation of this act of national sovereignty and dignity, we wish to state that our petroleum operations will not depart a single inch from the moral solidarity maintained by Mexico with the democratic nations, whom we wish to assure that the expropriation now decreed has as its only purpose the elimination of obstacles erected by groups who do not understand the evolutionary needs of all peoples and who would themselves have no compunction in selling Mexican oil to the highest bidder, without taking into account the consequences of such action to the popular masses and the nations in conflict.

### **Suggestions for Further Reading**

Bantjes, Adrian A. *As if Jesus Walked on Earth: Cardenismo, Sonora, and the Mexican Revolution*. Wilmington, Del.: Scholarly Resources, 1998.

Becker, Marjorie. *Setting the Virgin on Fire: Lázaro Cárdenas, Michoacán Peasants, and the Redemption of the Mexican Revolution*. Berkeley: University of California Press, 1995.

Dawson, Alexander Scott. *Indian and Nation in Revolutionary Mexico*. Tucson: University of Arizona Press, 2004.

Fallow, Ben. *Cárdenas Compromised: The Failure of Reform in Postrevolutionary Yucatán*. Durham, N.C.: Duke University Press, 2001.

Hall, Linda B. *Oil, Banks, and Politics: The United States and Postrevolutionary Mexico, 1917–1924*. Austin: University of Texas Press, 1995.