

# MEXICO MAY SELL OIL TO JAPANESE

Aid in Building Pipe Line Said  
to Be Offered in Return  
for 500,000 Barrels

## VIOLATION OF POLICY SEEN

President Had Stated Sales  
Would Be Made Only to  
Democratic Nations

By FRANK L. KLUCKHOHN

Special Cable to THE NEW YORK TIMES.  
MEXICO CITY, March 25.—

Mexico today seriously considered selling part of her oil production to Japan as the need for outside markets became increasingly imperative. The government was forced to draw on the Bank of Mexico for money to pay 18,000 oil workers tomorrow after six days' operation of plants expropriated from American and British companies.

Tokyo reports said that the Japanese were offering to contract for half a million barrels of oil annually from Mexico in return for technical aid in building a pipe line across the Isthmus of Tehuantepec from Minatitlan to Salina Cruz. Mexican spokesmen said they preferred to sell oil to democratic nations, but did not close the door to sales to Japan, which were reliably stated to be seriously considered.

United States Ambassador Josephus Daniels conferred with Secretary of Foreign Affairs Eduardo Hay with regard to the reported Japanese offer, subsequently remarking that Señor Hay said that if any such offer had been made it had not come through the Foreign Office.

### Envoy Confirms Deal Is Possible

Sachiro Koshida, the Japanese Minister to Mexico, confirmed that private interests in Japan were considering buying Mexican oil. He also confirmed that the Japanese tanker Itsu Kushima Maru was due at Tuxpan to take on an oil cargo next Monday, coming from Europe, where it loaded whale oil.

He said he understood the Tehuantepec pipeline would cost 25,000,000 pesos, explaining that a British firm had been considering building it. The Japanese, as far as he knew, had made no gestures toward the construction. Shipment of oil from Mexico's east coast through the Panama Canal is now a necessary but expensive process, said Mr. Koshida.

Since Mexico's oil production last year was 46,000,000 barrels, a Japanese contract for 500,000 barrels would not help the government greatly. There is an urgent need for markets, however, since 80 to 85 per cent of Mexico's oil is normally exported.

Some observers have always feared that Mexico could not sell oil to democratic nations, as President Lazaro Cardenas has publicly asserted he wants to do, but would be forced to deal with fascist nations as a matter of self-preservation.

It is rumored that the Mexican Government has approached the Anglo-Persian Oil Company as a possible purchaser.

### Tokyo Confirms Proposal

TOKYO, March 25 (P).—Authoritative sources said today that Japan was preparing to offer Mexico through private companies a huge oil contract for purchase of nearly 500,000,000 gallons of crude oil annually. [Mexican reports mentioned 500,000 barrels. There are 42 gallons of oil to a barrel.]

Official quarters did not comment on the proposal, which would provide for Japanese technical assistance in construction of pipe lines

and improvement of some of Mexico's Pacific Coast harbors.

### Washington Parley Monday

Special to THE NEW YORK TIMES.

WASHINGTON, March 25.—The position of the United States Government toward the expropriation by Mexico of American oil properties may be revealed when Sumner Welles, Under-Secretary of State, receives representatives of the American companies Monday. Mr. Welles conferred today with Ambassador Francisco Castillo Najera.

There are indications that this government may direct its efforts not to recovery of the properties, but toward assuring that the companies shall receive adequate compensation for the seized properties. Compensation has been promised by Mexico, but presumably the United States would want to be satisfied that payment would not be in a form or on terms that would be illusory.

Whether there should be a change in the program of silver purchases by the United States from Mexico apparently has not entered actively into the deliberations. It might arise for definite consideration after there have been further developments.

### British Are Worried

Having apparently exhausted all remedies available in the Mexican courts, executives of oil companies whose properties have been seized by the Mexican Government have determined, at a series of meetings here, that virtually their only hope for recovering these properties rests with the State Department.

The British and Netherland Governments, the others involved, it is understood, are working closely with our State Department in the matter.

The situation of the European nations involved is rather difficult from the standpoint of any direct interference with Mexico. It is understood, however, that the British Government is rather exercised over the turn of developments in Mexico and is going to use a lot of influence to effect the return of British oil properties. In view of Britain's traditional friendship with the United States it is believed that the two governments will work more or less closely together.

The oil holdings of British nationals in Mexico and Venezuela are important to the British Navy. Because of the Mediterranean situation, Great Britain now has only one source of uninterrupted petroleum supply owned by its citizens, and that is Venezuela. If the Mexican Government is permitted to expropriate British oil properties there, Venezuela may be encouraged to do the same. In that event the British Navy might be seriously handicapped.

