

# MEXICO TO CANCEL OIL GRANT TO JAPAN

Cardenas Acts in Support of  
'Continental Solidarity'—  
Scrap Bid Rejected

By The Associated Press.

MEXICO CITY, Oct. 21—President Lazaro Cardenas has decided as "an act of continental solidarity" to cancel a large oil concession granted last week to Japanese interests in Mexico, it was learned tonight.

A high government official, in disclosing the cancellation decision, said also that "a more than satisfactory bid" by Japanese agents for 18,000 tons of Mexican scrap iron had been rejected because of Japanese-American tension in the Pacific.

"We did not want it to appear that Mexico would sell scrap iron that Japan might conceivably use against the United States, should the present crisis in the Orient end in open hostilities," he added.

#### Cites U. S. Refusal to Assist

He said the government did this, even though United States firms had refused to sell Mexico's petroleum industry badly needed equipment for the repair of several refineries.

The oil concession marked for cancellation, the spokesman said, involved the contract to the Tokyo-controlled Veracruzana Company for exploiting 247,000 acres in Veracruz State and added that it was approved as "routine" after negotiations extending over more than three years. It antedated the 1938 expropriation by one year, since a preliminary agreement was signed May 15, 1937.

"To demonstrate Mexico's adherence to the hemisphere policy of solidarity before the world crisis threatening the continent across both oceans, the President desires that what was actually not only an error of judgment but an illegal act be rectified immediately," the spokesman said.

He explained that a Constitutional amendment prohibiting such concessions, sponsored by President Cardenas after the petroleum expropriation, had been ratified recently by a majority of the State Legislatures but had not yet been formally promulgated. Therefore, he said, the Japanese concession granted after ratification of the amendment was in fact unconstitutional and would be voided on those grounds.

Under the contract granted to the Veracruzana Company, it would have had exploratory rights for five years, subject to extension. Had oil been found, the government would have received a 5 per cent royalty.

#### Japanese Espionage Reported

MEXICO CITY, Oct. 21 (UP)—Japanese espionage activities reportedly are centered in the vicinity of Manzanillo, a port on the Pacific, according to a dispatch published tonight by the Ultimas Noticias, which quoted sources close to the government.

The dispatch said the alleged Japanese espionage principally affected the interests of the United States. Fishermen were said to be possibly acting as the espionage agents.

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