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Mexico and Expropriation: The Case of the German-American Coffee Company

Angela Winters

Introduction

There are many books that have dealt with agrarian issues in Mexico in general terms, five of which I have used for this paper. However, we lack knowledge of the practice of these critical issues, even to this day, and how they were enacted differed from state to state.

The discovery of this source base in the U.S. State Department archives offers a first remarkable look at the state of Chiapas. I located fifty previously unseen records from Record Group 59 for this paper. Their critical analysis reveals a complex reality at the border of Mexico and Guatemala.

One book by Thomas Benjamin, *A Rich Land, A Poor People: Politics and Society in Modern Chiapas*, promised insights into agrarian reforms, but it did not deal with the region where coffee was grown.

During the 1880s and 1890s, Porfirio Díaz allowed numerous foreign companies to set up plantations and businesses in Mexico, namely German entrepreneurs who successfully cultivated the coffee beans and the plantations and marketed the coffee in Soconusco, selling it to North America and Europe.¹ United States capital began

¹ Thomas Benjamin and William McNellie, *Other Mexicos: Essays on Regional Mexican History 1876-1911* (Albuquerque: University of New Mexico Press, 1984), 133.

pouring into Chiapas between 1900 and 1910, and eventually the value of the capital began surpassing the value of the German capital in all of Chiapas.² By the 1920s, American-owned land in Mexico was valued at around \$140 million.³ One of the companies included in that value was the German-American Coffee Company, which owned four different tracts of land throughout Chiapas.

In 1910, agrarian reforms were put into place to prevent foreign companies from taking the lands belonging to the local people. Once in office, President Lázaro Cárdenas launched his Six-Year Plan, which promised to distribute lands to everyone until the needs of all the rural populations had been met.⁴ He propelled forward land reform policies and accelerated studies of land petitions that had already begun. In fact, he quadrupled the amount of land that the government redistributed.⁵ This caused foreign companies, like the German-American Coffee Company, to lose land when the Mexican government decided to seize it. The United States and Mexico's attempt to settle the agrarian matters facing the coffee company would seem like a matter of diplomacy. Instead, it became a showcase of how a company as unimportant as the coffee company could get caught in the implementation of a revolutionary new law that was foreign to them, and the professional hesitancy and disregard by the United States government, who was supposed to be representing them.

² Thomas Benjamin, *A Rich Land, A Poor People: Politics and Society in Modern Chiapas* (Albuquerque: University of New Mexico Press, 1989), 83.

³ John J. Dwyer, *The Agrarian Dispute* (Durham, NC: Duke University Press, 2008), 23.

⁴ Dana Markiewicz, *The Mexican Revolution and the Limits of the Agrarian Reform, 1915-1946* (Boulder, CO: Lynne Rienner Publishers, Inc., 1993), 86.

⁵ Ann L. Craig, *The First Agraristas* (Los Angeles: University of California Press, 1989), 123.

Agrarian Reform Changes the Business Environment

There are three types of land-grants that the Mexican government offered and that people sought: restitution, expansion, or dotation.⁶ Restitution grants were rarely given out, because they required some type of proof of Spanish royal land grants given to Indian communities.⁷ The second type of grant was that of expansion. That grant was given to communities who already had an *ejido*⁸ in their community but did not have a sufficient amount of land for all of the eligible *ejidatarios*⁹ to work. The final type of grant was the dotation grant. A majority of the *ejidos* received this grant.¹⁰ The government gave it out to communities that were not eligible for the restitution grant, but then in later years, it was granted “to communities of landless agricultural laborers with no history of communal landownership.”¹¹

The German-American Coffee Company experienced the problems of the dotation grant. The main office was located in Omaha, Nebraska, in the United States,¹² but the company itself was physically located in Triunfo, Salto de Agua, in Chiapas, Mexico, in the district of Palenque.¹³ In most correspondences, the property was referred to as simply “Triunfo” or “El Triunfo.” The plantation was

⁶ Craig, *The First Agraristas*, 249.

⁷ *Ibid.*, 249-250.

⁸ An *ejido* is an area of communal land holding that is used for agriculture, where each community member farms on a small parcel of land.

⁹ These are people who do not actually own the land they cultivate. They are allowed to use it indefinitely, and they can even pass that allowance on to their children.

¹⁰ Craig, *The First Agraristas*, 250.

¹¹ *Ibid.*

¹² NAUS, RG 59, M1370, Internal Affairs of Mexico 1930-1939, Reel #103, 812.500-German-American Coffee Company/1 (hereafter cited as M1370/103, 812.500-German-American Coffee Company/1).

¹³ *Ibid.*

managed by a William (Guillermo, Wilhelm) Fahrholz¹⁴, who lived on the plantation and oversaw the various duties.¹⁵ The Mexican government had taken plantations that were similar in size to the German-American Coffee Company, but until then, it had left that company alone.¹⁶ Once the Mexican government seized the property, Fahrholz gained the help and support of the US Embassy.

The German-American Coffee Company was incorporated in 1903, before the dispute arose between the Mexican government and the company. This newly incorporated company was the second most important North American capital investment in Chiapas.¹⁷ Like most other plantations in Chiapas, it was owned solely by American investors. The only one who owned shares in the company who was not American was Fahrholz, who was a German national.¹⁸ Because of the name of the company, in the beginning, both governments doubted that it was an American company. When Jaime Torres Bodet, the future Secretary of Public Education in Mexico, inquired about its nationality, he was informed "... that the name probably had its origin in the fact that some of the organizers were persons of German origin . . . and that practically all of the owners . . . were American citizens."¹⁹ It is clear that the United States government wanted to make sure that this was truly an American company before they got involved with it. Once the company's vice-president produced evidence of the one hundred seventy bondholders, their residency, and the amount of money they had invested,²⁰ the government agreed to help them out.

¹⁴ Unfortunately, the only other information on William Fahrholz is a lawsuit from 1950. All other traces of him remain elusive.

¹⁵ M1370/103, 812.500-German-American Coffee Company/1.

¹⁶ Ibid.

¹⁷ Benjamin, *A Rich Land, A Poor People*, 83.

¹⁸ M1370/103, 812.500-German-American Coffee Company/1.

¹⁹ M1370/103, 812.500-German-American Coffee Company/9.

²⁰ M1370/103, 812.500-German-American Coffee Company/1.

One person who had a vested interest in the case of the German-American Coffee Company was Karl Stefan²¹, a Congressman from Nebraska, where the main office was located. Many of the people who invested in the company lived in the district that he represented, so it only stands to reason that he would be willing to help protect their investments, especially if he wanted to get reelected.²²

He also received the information about the stock and bondholders and he submitted the proposition as one that involved the property interests of citizens of the United States.²³ Stefan insisted in his letters to various people that Fahrholz was doing his best to protect the interests of US citizens.²⁴ As a result, Sumner Welles, the Deputy Secretary of State, told Stefan that he would instruct the American Embassy to help the company in any way possible on behalf of the American citizens who held stocks and bonds in the company.²⁵ However, the Embassy wrote that Fahrholz informed them that he would not seek the help of the American government except as a last resort.²⁶

The Government Offers Its Help

Eventually, Fahrholz decided he needed help from higher authorities. He began calling the Embassy on a regular basis about his problems. They were prepared to help him, as Welles had asked them to be. He asked them numerous questions about ways to resolve his

²¹ Karl Stefan moved to Omaha, Nebraska, with his parents in 1885, from what is now the Czech Republic. He moved to Norfolk, Nebraska, in 1909 to be a telegrapher. He was first elected to Congress in 1934, and remained in office until his death in 1951 (“Karl Stefan.” *Wikipedia*. 29 November 2013. www.wikipedia.org).

²² M1370/103, 812.500-German-American Coffee Company/1.

²³ M1370/103, 812.500-German-American Coffee Company/4.

²⁴ M1370/103, 812.500-German-American Coffee Company/5.

²⁵ M1370/103, 812.500-German-American Coffee Company/4.

²⁶ M1370/103, 812.500-German-American Coffee Company/1.

case. He continued to try to get an appointment with President Cárdenas, insisting that if he could just explain his predicament, the president would agree with him and put a stop to all expropriations on the El Triunfo land.²⁷ On June 4, 1937, Fahrholz met with Pierre de L. Boal, an undersecretary to Josephus Daniels, to discuss with him some thoughts on how to solve everything.²⁸ One of his ideas was in regards to the Bucareli Treaties and if there were any possible provisions in them that might be able to provide any type of assistance.²⁹

The treaties derive their name from the location in which they took place in 1923 between Mexico and the United States: Bucareli Street in Mexico City.³⁰ Representatives from both countries drafted two claims agreements: the “Special Claims Convention” and a “General Claims Convention.”³¹ The treaties assured that American lands would remain intact and untouched in exchange for support of Obregón’s government, which quickly improved relations between the two countries.³² The two conventions were signed at different times: the General Claims Convention was signed in Washington, D.C., in September of 1923, and became effective in March of 1924.³³ The Special Claims Convention was signed in Mexico City, in September of 1923, and went into effect in February of 1924.³⁴ The treaties were short-lived, however, because once Calles came into power, he began expropriating American-owned property, and refused to give it back, saying that they would not change their agrarian

²⁷ M1370/103, 812.500-German-American Coffee Company/5.

²⁸ M1370/103, 812.500-German-American Coffee Company/6.

²⁹ Ibid.

³⁰ M1370/103, 812.500-German-American Coffee Company/8.

³¹ Ibid.

³² Dwyer, *The Agrarian Dispute*, 37-38.

³³ M1370/103, 812.500-German-American Coffee Company/8.

³⁴ Ibid.

policy.³⁵ Therefore, there were no provisions that could help Fahrholz in his time of need.

Not to be deterred, Fahrholz continued with his questions. He wanted to know if it was possible to have a presentation of a diplomatic claim on behalf of the company. Unfortunately, that was not possible, either, because claims for expropriations occurring after 1934 “could not be dealt with by any existing claims commission.”³⁶ Boal did tell him that he could ask the Department of the Embassy if a diplomatic claim could be provided for now or at some point in the future, but that it might be extremely difficult to accomplish a lot for the company.³⁷ Author Ann L. Craig writes that in practice, the government rarely reimbursed owners for expropriating the land, but when they did, it was mainly to foreign landowners and not to the natives.³⁸

The company hired a legal firm in Nebraska to help with their case, hoping it would speed things along. The main attorney from the firm, Charles E. Abbott, had had an interest in the company for over twenty years.³⁹ Sources do not give a reason for his interest. Fahrholz wrote to Abbott, telling him that they needed to get their expropriation case through to the American Embassy quickly. Someone from the State Department had arrived at El Triunfo with the intention of turning the Triunfo land over to the Indians.⁴⁰

“This is just what I intended to avoid by seeing the President in time, whereof unfortunately I did not get a chance,” Fahrholz wrote in his letter to Abbott,⁴¹ in regards to his attempts to get a meeting with President Cárdenas.

³⁵ Dwyer, *The Agrarian Dispute*, 38.

³⁶ M1370/103, 812.500-German-American Coffee Company/6.

³⁷ Ibid.

³⁸ Craig, *The First Agraristas*, 129.

³⁹ M1370/103, 812.500-German-American Coffee Company/17.

⁴⁰ M1370/103, 812.500-German-American Coffee Company/1.

⁴¹ M1370/103, 812.500-German-American Coffee Company/3.

In response, Abbott sent a letter to Stefan, requesting that the American State Department ask the Mexican government to stop all of the activities that were being used to take away the El Triunfo land until the property had been fully considered.⁴² Abbott pointed out to Stefan that the company was a working business, and that if it was hindered in any way, the losses would be considerably large,⁴³ especially since El Triunfo was the main coffee plant.

The other lawyer they hired, Harvey A. Basham, formally represented the company and was a prominent American lawyer who had set up his practice in Mexico City and had good ties to the American Embassy.⁴⁴ When Fahrholz consulted with Basham, the lawyer told him that he had had other similar cases as the coffee company's taken up with the Embassy, but he'd had no positive results.⁴⁵

At one point, Fahrholz informed Boal that a "coyote"⁴⁶ had approached him and said he knew all about the case of the German-American Coffee Company. The coyote attempted to bribe Fahrholz, saying that he would take care of things for 15,000 pesos.⁴⁷ Even though Fahrholz said he declined the offer, it is not surprising that an attempt at bribery was made. John Mason Hart (as cited in John J. Dwyer's book *The Agrarian Dispute*) said, "Fraud and corruption were inherent in the process."⁴⁸ He was informed by Boal that the Embassy could not have any part in anything illegal, whether directly or indirectly. Fahrholz reassured him that he just wanted the offer to

⁴² M1370/103, 812.500-German-American Coffee Company/1.

⁴³ M1370/103, 812.500-German-American Coffee Company/6.

⁴⁴ M1370/103, 812.500-German-American Coffee Company/17.

⁴⁵ M1370/103, 812.500-German-American Coffee Company/4.

⁴⁶ A "coyote" is a term that generally refers to one who smuggles immigrants into the United States.

⁴⁷ M1370/103, 812.500-German-American Coffee Company/6.

⁴⁸ Dwyer, *The Agrarian Dispute*, 23.

be on record as having been suggested.⁴⁹ It is hard to know if Fahrholz made that arrangement with the coyote in the beginning, but then backed out at the last minute and reported it to the Embassy to cover his own tracks.

Fahrholz continued to insist on seeing President Cárdenas. In a letter to Joel M. Roberts, the vice president of the German-American Coffee Company, Fahrholz wrote, “When staying in El Triunfo on his propaganda trip in 1934, he [Cárdenas] voluntarily offered me to call on him on any matter and at any time, as he would gladly attend me.”⁵⁰ Taking possible deception into account in the entire process, it is not hard to believe that Cárdenas’s words to Fahrholz were nothing but empty promises. Fahrholz was convinced that the expropriation of land from the El Triunfo plantation was a made-up job by lesser authorities.⁵¹ In his letter to Roberts, he writes, “It seems just like being done intentionally to raise trouble where none are.”⁵²

In his quest to help Fahrholz obtain a meeting with Cárdenas, Stefan petitioned to the Secretary of State, Cordell Hull, to see if the United States Ambassador to Mexico, Josephus Daniels, would be willing to make an exception in requesting an appointment between Cárdenas and Fahrholz, but the ambassador was not willing to make any exceptions.⁵³

Daniels felt sympathy for the peasantry of Mexico. He and President Roosevelt of the United States both felt that land redistribution was a great way to help the poor.⁵⁴ This sympathy towards the people of Mexico really allowed the Mexican government to string the US government along, because Cárdenas kept telling Roosevelt what he wanted to hear: that the American people were

⁴⁹ M1370/103, 812.500-German-American Coffee Company/6.

⁵⁰ M1370/103, 812.500-German-American Coffee Company/4.

⁵¹ Ibid.

⁵² Ibid.

⁵³ M1370/103, 812.500-German-American Coffee Company/5.

⁵⁴ Dwyer, *The Agrarian Dispute*, 165.

going to be paid for their land. Mexico never followed through with the promise, though.

Finally, Stefan wrote to Hull, telling him that the situation with the company seemed to be getting worse. The people representing the company were beginning to feel that the officials at the Embassy were not doing anything to help them.⁵⁵ In a way, the company was correct. The officials did not really want to get involved in the whole process. President Roosevelt had other things to worry about, such as the United States emerging out of the Great Depression, and the threat of World War II. The last thing Roosevelt and others in his administration probably wanted to deal with was something as small as agrarian matters. As it turned out, the US government stated that it was their understanding that the delay was because of Fahrholz's attempts to see Cárdenas.⁵⁶ Once they cleared that issue up, Boal immediately sent off a letter to General Eduardo Hay, the Minister of Foreign Affairs in Mexico.

In his letter, he requested that the issues of the German-American Coffee Company be investigated, and if the company was in danger of losing everything, then a new resolution be written so that the company would be allowed to remain in operation and not lose all of its investments.⁵⁷

In an effort to remind Hay of the other reasons for his letter, he outlined a few of the facts as he understood them in regards to the coffee company. He stated that the *ejidos* of Tumbala, San Felipe⁵⁸, and other areas that existed when the company purchased lands already had more than enough land than they needed or could completely cultivate.⁵⁹ He also understood that a census had been

⁵⁵ M1370/103, 812.500-German-American Coffee Company/7.

⁵⁶ M1370/103, 812.500-German-American Coffee Company/8.

⁵⁷ M1370/103, 812.500-German-American Coffee Company/9.

⁵⁸ San Felipe is a part of Tumbala.

⁵⁹ M1370/103, 812.500-German-American Coffee Company/9.

taken after a new petition for lands had been made by the village of Tumbala. The census stated that there were 277 individuals, which included heads of households and families, and that all of these people were entitled to land.⁶⁰ However, wrote Boal, “it is reliably reported that at the place there have never existed even one-fifth as many persons entitled to lands.”⁶¹ He felt that the census of Tumbala was inflated by bringing in people from the other surrounding areas.⁶²

Author Ann L. Craig has pointed out that there were ways to misrepresent the amount of people that needed land.⁶³ Some ways to do this included forging signatures, listing non-residents of a community, and having laborers and craftsmen apply on the petition instead of just *campesinos*.⁶⁴ In order to be considered for a land grant, a community had to have at least twenty signatures. Craig points out that the same number of individuals on the petition would also be judged to determine if they were eligible to receive land when the government took census of the area.⁶⁵

Reports Create Frustration and Suspicion

In August of 1937, the Foreign Office of Mexico sent a report from the Agrarian Department in the Mexican government stating their findings on the issues with the German-American Coffee Company. When Boal forwarded the report to Hull, he mentioned that Fahrholz was shown the report and he said that it was an inadequate refutation of the company’s case, and that he planned to prepare counter-arguments.⁶⁶

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Craig, *The First Agraristas*, 96.

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ M1370/103, 812.500-German-American Coffee Company/11.

The Foreign Office of Mexico stated in their findings that the agrarian census that showed the 277 individuals included areas around Tumbala, because they were politically and economically dependent upon the area requesting dotation of the lands expropriated.⁶⁷ In response to the claim that the *ejidos* had more than enough land, the report points out that it was necessary to grant those people land, because they, in fact, did not have sufficient land. Each area around Tumbala had a share in 1,454 hectares of pastureland with fifty percent workable communal land. The tillable land was enough for ninety parcels, so that each person was granted eight hectares.⁶⁸ Thus, it was deemed that the area did not have enough land for those who lived there.

Of course, Fahrholz did not agree with the findings of the Mexican Agrarian Department, and insisted to Karl Stefan that it did not state the facts correctly or truthfully, nor did it offer any type of settlement or remedy for the situation.⁶⁹ Stefan suggested to Hull that maybe the company could submit a claim to the General Claims Commission for the US and Mexico. Unfortunately, by that time, it was too late to submit any claim. Under the existing treaty between the two countries, the jurisdiction of the General Claims Commission only extended to claims that had arisen between July 4, 1868, and August 30, 1927.⁷⁰ There was not even a way to lengthen or broaden the jurisdiction of the Commission, since there was a provision in the General Claims Convention that did not allow the Commission any jurisdiction to claims after 1927.⁷¹

In addition to that, the German-American Coffee Company was denied any opportunity to *amparo* proceedings. *Amparo* means

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ M1370/103, 812.500-German-American Coffee Company/12.

⁷⁰ Ibid.

⁷¹ Ibid.

“protection” in Spanish, and refers to the protection of human rights, or a constitutional protection lawsuit.⁷² Article 10 of the Agrarian Law of January 6, 1915, reads, “Land owners affected by resolutions heretofore or hereafter issued for the purpose of endowing towns with, or restoring to them, “ejidos” or waters shall not have the right or ordinary legal remedy or the special remedy of amparo.”⁷³ Transitory Article 2 of Article 10 also states that “all amparo suits pending decision either before district courts or on appeal . . . shall be forthwith dismissed.”⁷⁴

As a result, Harvey A. Basham, lawyer to the company in Mexico City, advised the company that even if they had begun *amparo* proceedings, they would have been for naught, since the Agrarian Law clearly stated that the suit would have been dismissed by the government.⁷⁵ He also told them that in his opinion, as long as Cárdenas was to remain president, there would be no modification of any importance that would be beneficial to the plantation owners.⁷⁶

In a sit-down conference between Basham, Fahrholz, Abbot, and two other men, of whom sources do not speak except for this source, Basham said that El Triunfo would have to cease operations because of the way the properties were divided up.⁷⁷ According to Mexican officials, the Mexican government also had no intention of paying any just compensation to Americans whose property they had confiscated. Basham felt that their attitude toward the entire ordeal was pretty cavalier, that since the Mexican government saw America as a great

⁷² Norma Gutierrez, “Mexico: New Amparo Law is Enacted,” *Global Legal Monitor*, Apr. 30, 2013, http://www.loc.gov/lawweb/servlet/lloc_news?disp3_1205403575_text.

⁷³ M1370/103, 812.500-German-American Coffee Company/16.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*

⁷⁷ M1370/103, 812.500-German-American Coffee Company/17.

and wealthy nation, they would not press for any type of compensation.⁷⁸

Despite that, Basham submitted a proposal to the others in the conference. The proposal included payment, in cash, to American citizens with money invested in the company on the taxable value of the land that had been expropriated, plus ten percent.⁷⁹ He was of the opinion that the Mexican government would consider the proposal if they submitted it properly and, should it actually have a fair chance at being accepted, it could be a formal agreement between the United States and Mexico.⁸⁰

At first, the proposal was doubted by many, but in Josephus Daniels' view, the plan had some merit, especially since Harvey Basham had come up with it. Basham had considerable prominence in the Mexican community, was familiar with Mexico and its dealings, and had a lot of experience in Mexico. In view of those qualities, Daniels thought it was something to be considered by the Embassy.⁸¹ Had anyone else suggested the idea, he would have been dismissed and the idea thought of as absurd.

The idea was raised with the Minister of Foreign Affairs, and also to President Cárdenas himself, but when questioned by the American Embassy as to the progress of the idea, Daniels was always told that the Mexican government was studying ways of how to pay for the lands.⁸² This was one way in which the Mexican government managed to string the US along. Cárdenas and his cabinet members would drag an issue out as long as they possibly could, by evading questions and giving vague answers. Finally the Embassy was told that the best person to answer the question was the Minister of the

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ M1370/103, 812.500-German-American Coffee Company/18.

⁸² Ibid.

Hacienda, Eduardo Suarez. It was said that he knew more about his country's financial position and whether or not Mexico could afford to make payments to the citizens whose lands had been taken away.⁸³

The Agrarian Code of Mexico stated that the landowner whose land was expropriated could apply for compensation, provided that he did it within one year of the publication of the presidential resolution in the *Diario Oficial*.⁸⁴ The presidential resolution is a decree signed by Cárdenas to give the land to the *ejidos*. Once it is published in the *Diario Oficial*⁸⁵, the rest of the land distribution can be carried out.

Fahrholz applied for that compensation within the time frame; however, when he filled out the paperwork sent to him by the American Consul, he wrote down the wrong date of the publication of the presidential resolution. The consul brought it to his attention, suggesting that he get his facts right before filling out the new paperwork they were sending him.⁸⁶ Since he wrote down the wrong dates, it is difficult to be clear if he actually got his application in on time. It would seem that he did, because none of the evidence indicates otherwise. Fahrholz also happened to write down the wrong number of hectares contained in his properties of Machuyil and Revancha, prompting the consul to inform him that his numbers did not match up with the numbers of the Agrarian Department.⁸⁷ It appears that later in 1938, Fahrholz's numbers again do not match up, this time with the amount of hectares taken by the Tax Collector in Salto de Agua. The Consul states that it is possible that they made a mistake, but after seeing all of the mistakes that Fahrholz had made thus far, it is unlikely.⁸⁸

⁸³ Ibid.

⁸⁴ Craig, *The First Agraristas*, 252.

⁸⁵ The *Diario Oficial* is the official main publication of the Mexican government that is published daily.

⁸⁶ M1370/103, 812.500-German-American Coffee Company/20.

⁸⁷ Ibid.

⁸⁸ M1370/103, 812.500-German-American Coffee Company/26.

The Agrarian Department sent their report to the American consul to refute Fahrholz's arguments. The report addresses all four of Fahrholz's main arguments, including the one regarding census inflation. It states that a census was first taken in 1926 and the Local Agrarian Commission announced the results in public, so that any parties interested could present objections within thirty days, and the German-American Coffee Company made no such objections.⁸⁹ Despite no arguments or objections, the Agrarian Department took another census in 1936, along with a representative of the company, Juan Tello, and he agreed with the department that, indeed, there existed 284 people who were eligible to receive lands, even though the department only gave land to 272 of those people. Tello even signed the census saying that he agreed with the numbers.⁹⁰

The department also pointed out that in October of 1936, the German-American Coffee Company told the Agrarian Delegation that they had never, and would never, interfere with the carrying out of any agrarian laws. All the company was asking, according to the report, was for a change in the *ejidal* lands.⁹¹ The company told the delegation that it owned better land on its other properties and that the land on the El Triunfo plantation was not as good as the other properties. They said that El Triunfo was rocky and uneven.⁹² Their argument was that the delegation should take land from the other properties and give it to the people, since it was much better, and let the company keep El Triunfo, because that land was not as good.⁹³

It is interesting to note, as does the Mexican Agrarian Department in their report, that if the Triunfo land was as bad as the company claimed, it would be beneficial to the company to get rid of

⁸⁹ M1370/103, 812.500-German-American Coffee Company/19.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Ibid.

it.⁹⁴ However, it makes one wonder whether the Triunfo land was as bad as they said. The plantation owners said it was uneven and rocky. Yet, if that were the case, why did they make Triunfo their main coffee plant? If the other properties had *better* land, why did they not make one of those properties the main plant? It seems as if the German-American Coffee Company did not want to give up Triunfo. In a letter to the company's vice-president, Fahrholz wrote, "If the Government wants to harm us any way, I mean take some more land from us, let them take from our Chuctiepa land, but not from Triunfo!"⁹⁵ It stands to reason that they would want to keep Triunfo, since it covered about 43,000 acres and employed about 3,000 Indians.⁹⁶ Looking at all of the evidence, it appears that the company was employing some type of deception to keep what they deemed to be the best land.

As if to remind Fahrholz of the amount of land the Mexican government took from them, the American consul sent several letters to Fahrholz, urging him to keep the consulate informed of any other properties that might be mentioned in presidential resolutions that might possibly have American investors.⁹⁷ He was also reminded several times by the office of the Secretary of State to carefully observe all of Mexico's laws and to document and keep all evidence available in case they could possibly file any future claims.⁹⁸

In response to the Secretary of State, Abbott told him that since his clients did not have any rights under Mexico's agrarian laws, what were they to do? He also mentioned that the German-American Coffee Company had been a working plantation, and since the seizure of its lands, its value had pretty much diminished due to lack of care

⁹⁴ Ibid.

⁹⁵ M1370/103, 812.500-German-American Coffee Company/4.

⁹⁶ Benjamin, *A Rich Land, A Poor People: Politics and Society in Modern Chiapas*, 83.

⁹⁷ M1370/103, 812.500-German-American Coffee Company/22.

⁹⁸ M1370/103, 812.500-German-American Coffee Company/21.

and neglect.⁹⁹ Eventually, conditions became so bad for the company that it was extremely difficult for them to meet basic expenses and other obligations.¹⁰⁰

The Final Ultimatum

The American government finally told Mexico that the American citizens whose land had been taken away from them, needed to be paid compensation.¹⁰¹ Mexico replied that they would make the arrangements, but that they needed to discuss the manner of payment.¹⁰² In Boal's opinion (as cited in John J. Dwyer's book, *The Agrarian Dispute*), "The possibilities of immediate cash compensation are so remote as to be negligible."¹⁰³ It is clear that this was simply another attempt by the Mexican government to stall in the negotiations for any type of payment to American citizens.

Shortly thereafter, Fahrholz received a letter from the American consul regarding all of the German-American Coffee Company's properties that had been affected by the Agrarian Laws. The consul pointed out that Fahrholz's numbers, once again, conflicted with a presidential resolution regarding El Triunfo.¹⁰⁴ The consul requested a copy of the source where Fahrholz had gotten his numbers, which he sent to them. He told the consul that it would probably be best to not bring the Mexican government's attention to their mistakes in areas, and "avoid therefore more difficulties."¹⁰⁵ One has to wonder if the copy that Fahrholz had was, indeed, the original resolution, especially after all of his previous mistakes.

⁹⁹ M1370/103, 812.500-German-American Coffee Company/27.

¹⁰⁰ M1370/103, Le 412.11 C 7311/3.

¹⁰¹ M1370/103, 812.500-German-American Coffee Company/28.

¹⁰² *Ibid.*

¹⁰³ Dwyer, *The Agrarian Dispute*, 214.

¹⁰⁴ M1370/103, 812.500-German-American Coffee Company/30.

¹⁰⁵ M1370/103, 812.500-German-American Coffee Company/31.

Finally, in November of 1938, Fahrholz received a letter stating that the two governments had come to an agreement regarding appraisals of affectations of land and an annual payment that was of a satisfactory amount to liquidate them over a number of years.¹⁰⁶ The letter encouraged him to begin filling out paperwork for his claim as soon as possible, so that the company could submit the claim to the Commission right away.¹⁰⁷ The agreement would enable agrarian claims that had arisen since August 30, 1927, to get a settlement.¹⁰⁸ A second letter he received gave the deadline for submitting all claims as March 1, 1939.¹⁰⁹ The day that Fahrholz received that letter gave him two months to get all of his evidence and mailings together to send to the American Consulate.

At some point between January and May of 1939, the two governments extended the submission deadline to May 31, 1939, and then the Secretary of State announced in the end of April that they had agreed to extend the deadline until July 31, 1939.¹¹⁰ It was stated that the Mexican government agreed to pay one million dollars as a first payment and that they would have to make the payment to the United States on or before May 31, 1939, and the US government would distribute the payments to those whom the money belonged to.¹¹¹

It seemed that the German-American Coffee Company had some difficulties getting their paperwork in order, because Abbott asked Green H. Hackworth, a legal advisor in the office of the Secretary of State, on July 6, 1939, wanting to know if there was any possibility that the deadline might get extended out further.¹¹² Unfortunately for them, Hackworth told them that there was no extended time, nor

¹⁰⁶ M1370/103, 812.500-German-American Coffee Company/31B.

¹⁰⁷ Ibid.

¹⁰⁸ M1370/103, Le 412.11 C 7311/3.

¹⁰⁹ M1370/103, 812.500-German-American Coffee Company/31B.

¹¹⁰ M1370/103, Le 412.11 C 7311/3.

¹¹¹ Ibid.

¹¹² M1370/103, Le 812.5200-German-American Coffee Company/33.

would there be any extended time anywhere in the future.¹¹³ Finally, on July 22, the company sent off their paperwork, where it was filed on July 28, 1939.¹¹⁴ One would think that the company would have had their paperwork in sooner, since they had gone to all the trouble to gather up evidence since 1937. However, they reported having some difficulties preparing their papers due to the bad conditions on the plantation, so this may explain the situation.¹¹⁵

Conclusion: Property Expropriation Comparison in Latin American Countries

After several years of diplomatic foot-dragging, the US and Mexico finally reached a settlement, called the 1941 Convention between the United States and Mexico. It provided indemnification to those landowners whose land had been expropriated. The Mexican government ended up paying out \$40 million for both agrarian and general claims.¹¹⁶ Whether the German-American Coffee Company saw any of that money is not known, for there are no other sources indicating any compensation or solutions for the agrarian problems. They are just one example of many during the years when Cárdenas began carrying out his agrarian reforms. Not only did large American companies have their land taken away, but so did the average American citizen who had gone to Mexico to farm.

As it would seem, expropriation of property is not unique to Mexico. US property owners in Cuba and Chile experienced expropriation, as well. In Mexico, the value of all the property taken was \$300 million. In Cuba and Chile, it was \$1.8 billion and between \$747 and \$833 million, respectively.¹¹⁷ Even though international law

¹¹³ Ibid.

¹¹⁴ M1370/103, 812.5200-German-American Coffee Company/34.

¹¹⁵ M1370/103, Le 812.5200-German-American Coffee Company/33.

¹¹⁶ Dwyer, *The Agrarian Dispute*, 258-259.

¹¹⁷ Baklanoff, Eric N., *Expropriation of U.S. Investments in Cuba, Mexico, and Chile* (New York: Praeger Publishers, 1975), 131.

stated that any properties expropriated needed to be given prompt payment, both Chile and Cuba ignored it. Similarly to Mexico's *amparo* proceedings, the governments refused to allow the owners of expropriated property to go through the courts in an attempt to collect payment.¹¹⁸ In Chile, if an expropriation case did manage to make it through court and the court happened to rule in favor of the case, the Chilean government acted as if the decision had never been made.¹¹⁹

In all three cases, the State Department responded in some way economically when negotiations fell through. With Mexico, they put an import quota on Mexican oil, which nearly brought their oil exports to a halt.¹²⁰ The State Department also kept large public and private loans from reaching Mexico.¹²¹

In Cuba, the government simply declared a general trade embargo against them and also got rid of the island's sugar import quota.¹²² In Chile's case, the government was not quite so harsh. They just stopped giving Chile economic assistance and began "withholding support from loans under consideration by multinational financial institutions."¹²³ In each instance, the economic situations helped the US get what they wanted, even though it took years to reach a conclusion.

Author George M. Ingram writes, "There would seem to be a flaw in a process where the U.S. Government is seldom involved in the initiation of a foreign business activity but is always called upon when trouble arises. [It] should develop a more precise policy toward

¹¹⁸ Baklanoff, *Expropriation of US Investments in Cuba, Mexico, and Chile*, 133.

¹¹⁹ Ibid.

¹²⁰ Dwyer, *The Agrarian Dispute*, 243.

¹²¹ Ibid., 245.

¹²² Baklanoff, *Expropriations of US Investments in Cuba, Mexico, and Chile*, 136.

¹²³ Ibid.

U.S. foreign investment.”¹²⁴ The coffee company did nothing wrong to have their land taken away, but had the US had a more definitive policy regarding agrarian matters, the situation might not have dragged on as long as it did. If there had been a preset policy, then all parties would have moved down the same path in unison and they would all be in compliance as they completed the negotiations.

Now that we have seen that Mexico is not the only Latin American country the United States has dealt with in regards to land expropriation, it would make an interesting study to look at how the State Department took action in other Latin American countries that took up expropriating American-owned land, such as Bolivia and Uruguay. Both of those countries also targeted American-owned land in their agrarian reforms. To look at how the government dealt with those reforms in Bolivia and Uruguay might give us some insight on how the government views foreign policy in regards to foreign investments, especially when it comes to their own investments.

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¹²⁴ Ingram, George M. *Expropriation of U.S. Property in South America* (New York: Praeger Publishers, 1974), 368.

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