

# American Capital in Mexico

## Probable Effect of Intervention Upon the Status of Undertakings Financed by this Country and Upon the Debt of the Much Troubled Republic

(New York Annalist).

What would be the effect of war between the United States and Mexico on American investments across the Rio Grande? What would be the effect of war on Mexico's debt, internal and external?

Capital is timid proverbially and seeks to flee from threatened danger. Timorousness avails nothing as regards the investments of foreigners in Mexico, however, because the bulk of them are fixed—they cannot fly if they would. But they may well have much more to gain than to lose by intervention by the United States in Mexican affairs.

Under present conditions there seems to be small chance of the rich resources of Mexico being developed much further. Many mines owned by Americans are either closed down or running on a minimum scale. Oil men have hesitated for many months about expanding their facilities. Intervention, no doubt, would assist in the early resumption of work in industries now nearly at a standstill and a thorough cleansing of the country of marauders and the establishment of a firm Government would encourage fresh capital to go into Mexico. There might be considerable destruction and depreciation of existing investments in the process, but unrestricted operation of mine or refinery or ranch would probably soon make up the losses.

### Mexico's Obligations.

By the same taken Mexico's obligations to other countries would be strengthened by the sweeping away of lawlessness, the establishment of proved methods of government, and the return of the people to their natural tasks. In normal times Mexico's trade, her railroads, and her industries bring in an income sufficient to meet her annual accounts with a substantial margin of safety. If normal conditions should be re-established it would be difficult to see how her conditions could be worse than it is now, and if precedents count for anything her credit should be greatly improved by renewed stability in government and industry.

Mexico's external debt a little more than a year ago amounted to \$292,660,000, or £38,531,920 as the Council of the Corporation of Foreign Bondholders figured it. A report made upon the debt was as follows:

External Debt.			
	Original Amount.	Present Amount.	Total.
Five per cent external consolidated gold loan of 1899 . . . . .	£22,700,000	£9,957,290	.....
Coupons in arrear July 1, 1914, to Jan. 1, 1916, inclusive. . . . .	.....	871,263	£10,828,553
Four per cent external gold loan of 1914 . . . . .	\$230,452	7,620,773	.....
Coupons in arrear June 1, 1914, to Dec. 1, 1915, inclusive . . . . .	.....	609,662	\$,230,435
City of Mexico 5 per cent sterling loan of 1899	2,400,000	1,385,500	.....
Coupons in arrear April 1, 1914, to Jan. 1, 1916, inclusive. . . . .	.....	138,550	1,524,050
Four per cent, external gold loan of 1910, £22,200,000 of which there has been issued. . . . .	11,100,000	10,563,780	.....
Coupons in arrear July 1, 1914, to Jan. 1, 1916, inclusive. . . . .	.....	845,102	11,408,882
Six per cent ten-year Treasury bonds of 1913, £20,000,000 of which there has been issued . . . . .	6,000,000	6,000,000	.....

Coupons in arrear Jan. 1, 1915, to Jan. 1, 1916, inclusive. . . . .	540,000	6,540,000
Total . . . . .	£42,530,925	\$384,900

The country's internal indebtedness, amounting to more than \$130,000,000 in silver currency, was set forth in this manner in the Mexican Year Book for 1914:

Internal Debt.		
	Outstanding June 30, '13.	Amortization in Fiscal Year 1912-13.
Three per cent consolidated internal loan . . . . .	\$42,530,925	\$384,900
Five per cent redeemable loan, 1st series . . . . .	.....	.....
Five per cent, redeemable loan, 2nd series . . . . .	.....	.....
Five per cent redeemable loan, 3rd series . . . . .	91,219,400	431,000
Five per cent redeemable loan, 4th series. . . . .	.....	.....
Five per cent redeemable loan, 5th series. . . . .	.....	.....
Monterey and Mexican Gulf Railway bonds . . . . .	2,000	.....
Vera Cruz and Pacific Railway bonds . . . . .	60	.....
Vera Cruz Port Works bonds . . . . .	25	.....
Kansas City, Mexico and Orient Railway scrip. . . . .	445,000	.....
Total principal. . . . .	\$134,197,810	\$815,900

### An Unused Issue.

The Mexican Congress enacted a law in 1914 authorizing the President to issue 6 per cent amortizable bonds, bearing 6 per cent interest, to a total of 60,000,000 pesos. The proceeds were to be used in paying interest on railway bonds falling due in the second half of this year, as well as the interest on various Government issues, according to a bulletin issued by the Pan-American Union, but available records do not show whether any of these bonds were sold.

In regard to the extent of American investments in Mexico, various estimates, based on the most recent reports of an official nature, are necessary to form a composite picture. Consul Letcher reported from Chihuahua in July, 1912, that approximately \$1,058,000,000 would compromise the total. Since that time, however, petroleum operators, braving the dangers of revolution, have taken many millions into the country. In Mr. Letcher's report, from which the accompanying figures are taken, the oil business is credited with \$15,000,000. It was said last week in oil refining circles that \$175,000,000 would more nearly cover the American capital employed in the industry, with probably \$75,000,000 for the English and Dutch interests.

The Mexican Petroleum Company's latest balance sheet shows assets in Mexico which approach \$60,000,000 exclusive of about \$3,000,000 invested in ships. The Pierce Oil Corporation, with refineries at Tampico and Vera Cruz and a number of distributing stations, has approximately \$15,000,000 in its properties. The Penn-Mex Fuel Company, controlled by the South Pen Oil Company, a former Standard Oil subsidiary, has capital stock amounting to \$10,000,000, which is said in well-informed quarters to stand for properties owned or leased.

In the mining industry a few big American companies have a heavy stake in Mexico, mostly in the heart of the region where fighting has been going on for more than a year, and there are scattered holdings of smaller concerns which are worth many millions. The Greene-Cananea Copper Company estimates its investment at \$50,000,000, substantially the same as its outstanding stock, and the American Smelting and Refining Company hold that \$30,000,000 would no more than cover its five refineries and its mines. Phelps, Dodge and Co. have \$10,000,000 or more invested in their Montezuma property at Nacozari.

The Southern Pacific Company has seen for three years its Mexican property pass from the hands of one fraction to another. Part of the line was kept operating for a time after Villa broke out against Carranza, but for many months income from its investment has been slight. The Southern Pacific spent some \$33,000,000 on this line.

### Our Investments in Mexico.

These are the figures quoted in Consul Letcher's report of 1912. Some of them evidently are subject to modification. It is highly improbable that much American money has been left on deposit in so troubled a country, and the par value rather than the market value of securities seems to have been taken in some cases as the measure of the amount of money invested. Moreover, many Mexican securities nominally placed here were actually taken up by European capital. On the other hand, some of the estimates in this table are much to show, as in the cited case of the investments in oil properties. The total here shown may be somewhere near the actual figure.

Railway stocks . . . . .	\$235,464,000
Railway bonds . . . . .	408,926,000
Bank stocks . . . . .	7,850,000
Bank deposits . . . . .	22,700,000
Mines . . . . .	223,000,000
Smelters . . . . .	26,500,000
National bonds . . . . .	52,000,000
Timber lands . . . . .	8,100,000
Ranches . . . . .	3,150,000
Farms . . . . .	960,000
Live stock . . . . .	9,000,000
Houses and personal property . . . . .	4,500,000
Cotton mills . . . . .	.....
Soap factories, etc. . . . .	1,200,000
Tobacco factories, etc. . . . .	.....
Breweries . . . . .	600,000
Factories, miscellaneous . . . . .	9,600,000
Tramways, power and electric light plants . . . . .	760,000
Stores:	
Wholesale . . . . .	2,700,000
Retail . . . . .	1,680,000
Oil business . . . . .	15,000,000
Rubber industry . . . . .	15,000,000
Professional outfits . . . . .	3,600,000
Insurance . . . . .	4,000,000
Theatres . . . . .	25,000
Hotels . . . . .	260,000
Institutions, public and semi-public . . . . .	1,200,000
Total . . . . .	\$1,057,770,000

### HOW GERMANY GETS COFFEE FROM ENGLAND.

An interesting sidelight in Britain's exports of coffee is contained in the following report from London:—

If the blockade of Germany had been complete the food supply of the Dutch people would have been unusually abundant. Coffee provides one instance of how great their supply would have been if their imports from us had really been received for themselves.

Holland got from Britain in 1913 144,957 tons of coffee.

In 1914, 124,950 tons.

In 1915, 207,920 tons.

Last year's total was 60,000 tons in excess of the total in the highest year of the last five. But Dutch export figures show that this coffee went to the Germans. Belgium, occupied entirely by Germany, obtained 32,822 tons from Holland, whereas in 1912, when the whole Belgian population was in its own country:

Belgium received 5,81 tons, and in 1913 9,484 tons. Germany received from Holland in 1913 47,864 tons of coffee.

In 1914, 67,057 tons.

In 1915, 129,568 tons.

Holland imported 80,000 tons more than in 1914. Germany took from Holland 60,000 tons more than in 1914.

There are no official figures since those for April of this year, but they are significant in comparison with other years:

In April, 1914, we sent Holland 833 tons of coffee.

In April, 1915, 1,936 tons.

In April, 1916, 2,102 tons.

A means of decreasing greatly the waste incurred in the process of marble quarrying has been experimented with and found successful by the United States Bureau of Mines. In the past there has been great tendency for the marble to break into irregular fragments owing to internal strain. This strain is removed by the new method of drilling holes through the rock, thus leaving room for expansion.