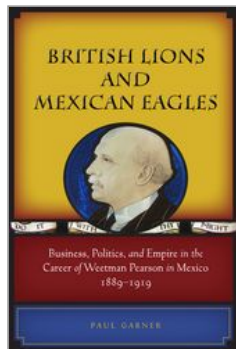


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British Lions and Mexican Eagles: Business, Politics, and Empire in the Career of Weetman Pearson in Mexico, 1889-1919

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Weetman Pearson in Historical and Historiographical Context

British-Mexican Relations, Informal Empire, Mexican National Development, and the Rise of Global Business in the Late Nineteenth Century

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[−] Abstract and Keywords

This chapter examines the historical and historiographical context of Weetman Pearson's arrival in Mexico from the perspective of British-Mexican relations in the nineteenth century. It explains that Pearson was able to take advantage of the opportunities made available to British businessmen by the reestablishment of British-Mexican diplomatic relations in 1884 and the settlement of outstanding debts to British bondholders in 1886. This chapter also highlights the role of the Mexican political elite in the process of state- and nation-building and in harnessing overseas capital, technology, and expertise.

Keywords: Weetman Pearson, Mexico, British-Mexican relations, British bondholders, political elite, nation-building, overseas capital

“If the Mexican Republic is prepared to conform to the usages common between civilised nations, this country will be the first to welcome her re-appearance among them. It may prove beneficial to England. It must perforce be an immense boon to Mexico.”

—The *Times*, London, 14/08/1884.

This chapter explores the historical and historiographical context of the emergence and consolidation of the global business empire of Weetman Pearson in Mexico after 1889. It begins with an overview of the historiography of British capital, trade, entrepreneurial endeavour, and “informal empire” in the nineteenth-century Atlantic World, and its impact on national development in Latin America and, specifically, on Mexico. It also reflects on the relationship between the globalisation of international business and imperial expansion in the latter half of

the nineteenth century, in order to place the strategies adopted by multinational companies (such as Pearson's firm S. Pearson and Son) into context.

Even a cursory examination of the frameworks of interpretation hitherto adopted to explain the impact of Latin America's external relations on the region's development reveals a fundamental schism. Throughout most of the second half of the twentieth century, the explanation of Latin American economic "underperformance" and "underdevelopment" was to (p.7) be found in the negative impact on the region of the structure and function of the international economy favoured by the nationalist/dependency schools of interpretation, and broadly shared by those imperial historians who sympathised with the view that Latin America formed part of Britain's informal empire. These more negative interpretations contrasted with the liberal/developmentalist interpretation of progressive state and nation-building peddled and promoted by contemporary political and social elites of Latin America in the late nineteenth century as they sought to entice and to harness foreign expertise, technology, and capital in the execution of their strategy. By the late twentieth century, the historiographical wheel appeared to have turned almost full circle, and these more positive (and now more empirically based) interpretations of the role of overseas investors and entrepreneurs in host economies have been revived and revamped, and now themselves form part of a powerful critique of the nationalist/dependency paradigm.

The chapter also provides an overview of British-Mexican relations since independence in order to set the context for Pearson's arrival in Mexico in 1889. It examines the consequences of Mexico's persistent confrontation with British bondholders over the course of the century, and the rupture of formal relations in 1867 following British support for France's abortive imperial adventure in Mexico (1862-67). Particular attention is paid to the resumption of diplomatic relations (1884) and the settlement of the "English Debt" (1886), and the new opportunities for British business in Mexico created as a consequence. It was this favourable conjuncture which provided the context for Weetman Pearson's first public works contract from the Mexican government in 1889.

Informal Empire and Global Business

Throughout most of the twentieth century, especially during the latter half when nationalist and structuralist historiography dominated the academy on both sides of the Atlantic, it was generally supposed that British commercial preeminence in the nineteenth-century Atlantic, and the evolution of Britain's "informal empire" in Latin America (*pace* Robinson and Gallagher), was an adequate explanation in itself of British business success.¹ The thesis is familiar. Most textbooks and general histories on Latin American history written before (and some after) the 1990s described a region enslaved by a process of neocolonial exploitation and distorted development which resulted in a serious loss of economic and political sovereignty. As the predominant maritime power in the nineteenth-century Atlantic World, and as an advocate of free trade, low tariffs, and **(p.8)** "sound money" in a distinctly asymmetric and "divergent" global economic environment, British complicity in the perpetuation of Latin American underdevelopment has always been central to the thesis.²

The double orthodoxies of dependency and informal imperialism have, of course, never had the field entirely to themselves, and have come under sustained attack. Initially—and, perhaps, predictably—there was a defensive response from empiricist British economic historians who argued not only that export specialisation followed naturally from comparative advantage rather than imperial coercion, but also that the British government consistently refused to intervene to protect the interests of British businessmen or bondholders.³ More recently, economic historians in the United States who are advocates of the empirical "growth economics" school of economic history have attempted to deliver the *coup de grace* to dependency analysis by dismissing it as untestable, unscientific, and counterfactual.⁴

At the same time, the exponential growth of the business history of Latin America in the United States, Britain, and, most recently, Latin America itself during the past two decades has provided detailed analysis of the fate of individual enterprises and entrepreneurs whose fortunes were not always exclusively determined by the structures imposed by formal or informal Western imperialism.⁵ As Geoffrey Jones has recently argued, business enterprises were, in fact, the "key to globalization."⁶ During the period under study, which Jones calls "first globalization" between 1850 and 1929, business enterprise put in place a global banking and trading infrastructure and global transportation and communication networks (railways, shipping, cable, and telegraph). In search of the raw materials and foodstuffs in demand in the industrialised and urbanised West, unprecedented levels of foreign direct investment relative to the size of the world economy were channelled into developing countries. In these ventures global business in this period enjoyed a number of advantages and benefited from a very favourable set of circumstances: in terms of political economy, overseas entrepreneurs were assisted by the policies enacted by colonial and noncolonial governments on the periphery of the world economy (in the latter case, the independent states of Latin America) to create a more business-friendly environment—including exemption from taxation—to improve their institutional and legislative environment, and to develop their economic and social infrastructure, with the fundamental goal of protecting their economic and political sovereignty. At the same time, overseas entrepreneurs faced little (or no) competition from local entrepreneurs, who had limited expertise and limited access to technology or capital. Nevertheless, as Jones makes clear, overseas entrepreneurs faced considerable logistical obstacles in the execution **(p.9)** of their projects and enterprises, which could only be overcome with technology, organisational and managerial skills, flexibility, and adaptation to different legal, market, political, and cultural contexts. For example:

Finding oil when exploration techniques were primitive: transporting oil from where it was found to where it could be shipped to consumers; building bridges and railroads in inhospitable and physically-dangerous terrains; turning malaria-infested tropical lands into banana plantations, were all massive technological, financial, and organizational tasks.⁷

The businesses which succeeded in developing countries in this period, therefore, combined political, financial, and cultural awareness with organisational and managerial skills in order to overcome major logistical problems. These were precisely the challenges faced by Weetman Pearson in Mexico, and the talents he would exploit to solve them. He would also be the beneficiary, as explained further below, of a particular configuration of circumstances in the 1880s which would give him distinct advantages over his potential rivals. But it is precisely the importance of individual agency and business acumen which is crucial to explaining Pearson's success. Pearson shared, and more important, understood many of the values and preoccupations of the Porfirian political elite. In particular he fully understood their commitment to a project of state-and nation-building which he fully endorsed. He also understood their fears of becoming over-dependent on capital and investment emanating from the United States, and the opportunities this created for European entrepreneurs. In addition, Pearson would offer his services in a number of ways as both official and unofficial agent of the Mexican government in the implementation of its developmentalist strategy—because he saw that it was clearly in his interests to do so. In short, Pearson possessed the technological expertise, the business acumen, the commitment, the confidence, the empathy, the personal skills, the political sensitivity—and even the nationality—which suited the needs of the Porfirian political elite in the 1880s. His relationship with the Porfirian elite was, in short, based less upon cultural or class affinity than on hard-headed (and perhaps even cold-blooded) calculation of the business opportunities available, and the profits to be made. He was, therefore, pursuing far more personal goals than those of grand (or even subconscious) imperial design. He was not, therefore, to paraphrase Jones, merely a “free rider” on the coattails of British imperialism.⁸

(p.10) Gentlemanly Capitalism and Mexican National Development

An important and refreshing contribution to the debate on the impact of British imperial expansion on the development of host economies across the globe was made in the 1990s by Peter Cain and Anthony Hopkins's *British Imperialism*.⁹ In the case of British contact with Latin America in the late nineteenth century, Cain and Hopkins generally found themselves in sympathy with the structuralist or *dependentista* camp, but their interpretation was more nuanced. They examined the specific cases of Argentina, Brazil, and Chile in the nineteenth century—countries where, by 1914, 85 percent of British trade with Latin America and 69 percent of British investment were concentrated. While the authors recognised the positive contribution made by overseas trade investment to the development of an economic infrastructure and to the construction of statehood and nationhood in late nineteenth-century Latin America, they nevertheless concluded that British control of trade and finance in these countries was such that it “infringed” national sovereignty. Britain therefore exercised an “honorary dominion”—a slightly diluted version, it seems, of “informal imperialism”—in these countries during the second half of the century.

Significantly, Cain and Hopkins refused to “lump” British-Latin American relations into a single structural paradigm, emphasising instead, as Latin American historians have always known, that Latin America in the nineteenth century did not constitute—and never has constituted—an undifferentiated market for British trade and investment. Even more significantly in the context of this study, Mexico was absent from Cain and Hopkins's imperial paradigm. Although Mexico's

absence was never explained or accounted for, it was a significant omission, since the evidence suggests that Mexico does not fit the paradigm very well.¹⁰ In fact, it might be argued that it fails to fit it at all. According to Cain and Hopkins, in order to “qualify” for the status of subjection to British imperialism, host economies had to be “heavily dependent upon British trade and credit” and “obliged to accommodate to British political and economic liberalism.”¹¹ This was clearly not the case of Mexico at any time in the nineteenth century, and especially not during the high tide of British imperial power after 1850. This was for two fundamental reasons. The first was Mexico's enforced isolation from sources of capital and credit in European financial markets from the 1830s until the late 1880s; the second was the development after 1867 of ever-closer economic ties with the neighbouring United States.¹²

Aside from Britain's brief support for France's abortive imperial “incursion into the sovereignty” of Mexico in 1862, discussed further (**p.11**) below, there is precious little evidence to suggest that that Britain was ever successfully able to use either what Cain and Hopkins define as its “structural” power (financial or military/naval power) or its less formal “relational” power (pressure, coercion, intimidation) to force the Mexican political elite to conform to the interests of the City of London, still less to “copy aspects of British constitutional procedures,” and certainly not to “adopt the cultural values of Britain's gentlemanly elite.”¹³

As shall be argued below, and in subsequent chapters, despite the demonstrable Anglophilia of some of the members of the social elite of late nineteenth-century Mexico, the latter were generally more impressed by French than British culture. More significantly still, they were even more interested in discussing the nature of Mexico's own emerging national culture and identity, and the path that the development of the nation should take. The most influential group within the Mexican political elite was committed to a strategy of national infrastructural development and industrialisation as fundamental components of a project of state- and nation-building. In pursuit of that strategy, it is certainly true that Mexico adopted a series of measures to place (to quote Cain and Hopkins) “monetary and fiscal policy on a sound footing” in this period, in order to be able to raise funds for infrastructural projects in London and other European financial markets. But this was certainly not exclusively because the City of London or the British Foreign Office determined that they should do so. In pursuit of the elusive goal of national development, the Porfirian regime in Mexico sought to respond to new economic opportunities and to capitalise upon the structural and technological changes taking place in the international economy in the last decades of the nineteenth century. In other words, the agency for the structural changes in the Mexican economy in the period under study was as much domestic as it was global.

One of the most influential, and at the same time most controversial aspects of Cain and Hopkins's hypothesis has been their use of the term “gentlemanly capitalism” to describe the set of behavioural patterns and cultural and moral values which linked landed interests, the political establishment, and the City of London to constitute the beating heart of imperial expansion. Crucial in this context is the pervasive influence of a behavioural code which underpinned what they describe as the “gentlemanly ethos,” and which operated on the basis of the “*doux*” values of order, duty and loyalty, honour, and obligation in the business transactions of the City, and in the political interactions and encounters in the corridors of Whitehall and Westminster.

The notion of “gentlemanly capitalism,” and the argument that a “gentlemanly ethos” pervaded the minds, conditioned the attitudes, and (**p.12**) determined the actions of Britain's social and political elite, is clearly relevant to a study such as this, which aims to comprehend and explain

the *modus operandi* of one of Britain's most successful overseas entrepreneurs, who had himself been assimilated into the ranks of the nobility, in a period in which British imperial power, influence, and prestige were at their height.

But how and to what extent does Weetman Pearson fit the mould of a “gentleman capitalist”? There is no doubt that there is a reasonable “fit” between the archetypal “gentleman” and the figure of Weetman Pearson, especially at the height of his career after the mid-1890s. But it was status he had to graft for throughout his life, and certainly not one which came to him by dint of birth. The “fit” is, therefore, far from perfect. Pearson's middle-class origins, and his provincial, Yorkshire birthplace, his minor public school education, and the original manufacturing base of the family firm might well in fact exclude him from consideration as a “true” gentleman, given the emphasis placed within the “gentlemanly” model on the metropolitan base in London, the importance of the “old school tie,” and the prejudice exercised toward the joint “vulgarity” of trade and manufacturing.¹⁴ It appears, then, that Pearson faced a number of obstacles in the acquisition of gentlemanly status, some of which were never successfully overcome.

It could be argued that the first obstacle was removed as a consequence of the transformation of the family firm into a contracting business, rather than one based on manufacturing, after Pearson joined the family firm as a partner in 1879. However, it might also be argued that the contracting business, by its very nature, retained its links both to “services” (through access to financial networks) as well as to the manufacturing sector (on which the contractor relied for his equipment, machinery, and the tools of his trade). Whether the cutthroat competition within the contracting business curbed or stimulated some of Pearson's “rougher” edges in the conduct of his business affairs is open to question. That Pearson was single-minded and ruthless in the defence of his business interests is unquestionable. The motto he attached to his heraldic coat of arms in 1910 was “Do It with Thy Might,” which suggests, aside from the clear reference to the support of Divine Intervention, a more brutal ethos than that associated with a gentlemanly code of behaviour.

The second, major obstacle to the acquisition of gentlemanly status was more successfully overcome by Pearson's successive moves up the rungs of the British social ladder. The first stage was his access to the corridors of Westminster, following his election to the House of Commons as Liberal MP for Colchester in 1895, and two subsequent successful defences of his parliamentary seat before 1910. The confirmation of his **(p.13)** “gentlemanly status,” however, was not achieved until the award of a knighthood in 1894, although this honour, according to Cain and Hopkins, apparently represented only the bottom rung on the ladder of British upward social mobility. His promotion to the House of Lords as Baron (1910) and subsequently Viscount Cowdray (1917) may well have satisfied any lingering doubts about his noble status, although, if Cain and Hopkins's account is accurate, there would have been many within the ranks of the more aristocratic of the “gentlemanly capitalists” who would always have dismissively and condescendingly described Pearson's credentials as those of “trade” and “new money,” and would have treated Pearson as a provincial parvenu who was, as one contemporary commentator noted, “animated with all the avarice of the age.”¹⁵

Where the model fits best is in Pearson's relationships with leading politicians, City financiers, bankers, and brokers. As a Liberal Member of Parliament from 1895 to 1910, and subsequently as a Liberal peer after 1910, and through his sponsorship (and subsequent ownership) of the Liberal Party newspaper, the *Westminster Gazette*, he was very well connected to the upper echelons of the Liberal Party, especially to the conservative group of “Liberal-Imperialists” led

by Prime Ministers Rosebery and Asquith.¹⁶ Even though Pearson was a contractor and not a financier, he clearly had excellent connections with City banks and bankers. A good example of the strength of these political and financial connections came, for example, in 1903 when Pearson organised a reception for Mexican Finance Minister José Yves Limantour in London which was attended by Prime Minister Balfour and the presidents of the Bank of England, William Deacons, Glyn Mills and Co., the Chartered Bank of India, the Dresdener Bank, the London Bank of Mexico, Lord Rothschild and Messrs. G. Baring, and D. A. Seligman.¹⁷

Conversely, where Pearson deviates significantly from the model is his relationship with the “guardians of empire”—the overseas representatives of the British imperial elite, and those members of the Mexican political elite with whom he established his business relationships. According to Cain and Hopkins, the very functioning of gentlemanly capitalism as a global system was predicated on the establishment of alliances with “sets of like-minded rulers and congenial states which were designed to be dependable allies in a global campaign to subdue republicanism and democracy by demonstrating the liberal ideal of improvement.”¹⁸ This requires further reflection.

First, it is important to point out that the political and social elite of Porfirian Mexico did indeed share the liberal development ethos of material and social improvement which predominated in the increasingly globalised world of the 1880s. However, while integration into the world (p.14) economy was seen as a prerequisite for Mexico's development as a modern nation, rather than expressing blind faith in markets and the free movement of capital, Mexico's modernity was to be constructed within a programme of state-and nation-building which required the state to protect economic and political sovereignty and to keep in check the market's most dangerous tendencies. As the representatives of a modern, liberal, republican, and secular nation-state which, as they saw it, had conquered by 1867 the domestic obstacles to progress—the combined demons of imperialism, monarchy, and conservative clericalism—Mexico's late nineteenth-century political leaders had precious little interest in the promotion of monarchy or the suppression of republicanism. If anything, the opposite was the case.

The Mexican political elite with whom Pearson developed such a close relationship broadly endorsed the goals of nineteenth-century Mexican liberalism—the removal of absolutist monarchy, corporate privilege and colonial restriction, and the creation of a federal republic based upon popularly elected, representative institutions which would foster and protect citizenship, legal equality, and the secularisation of civil society. At the same time, it is true that they preferred a more conservative, developmentalist, and authoritarian form of liberalism—a Mexican adaptation of the version espoused by Comtean positivism—which advocated the principle of “scientific” political administration by an educated elite over the more metaphysical and abstract notions of “pure” democracy for a country such as Mexico with very low levels of literacy and equally high levels of social and ethnic stratification.¹⁹ At no time, however, did they endorse the notion of suppressing democracy—they argued, instead, that, as President Díaz himself famously put it in 1908, “democracy was the only true principle of just and true government,” while at the same time, and, of course, conveniently for their own interests, arguing that “in practice, it is only possible for nations with a sufficient degree of development.”²⁰

Second, it is also true that the regime of Porfirio Díaz, in keeping with an overall policy of pragmatic political reconciliation with the former enemies of liberalism—especially *vis-à-vis* the Church—took full advantage of the linguistic, social, and cultural talents of the rump of Mexico's

aristocrats in the diplomatic corps to represent the Mexican Republic overseas, and, therefore, to present an image of a serious and “respectable” face to the aristocratic courts, and to the financial markets of Europe.²¹ But this does not mean that the Porfirian political elite universally shared, or aspired to share, the habits of deference toward aristocratic values expected of colonial elites according to the model described by Cain and Hopkins. The incorporation of Mexican aristocrats into the ranks of the regime's **(p.15)** allies and supporters, like that of other former enemies of liberalism such as the Mexican episcopate, was part of a successful political strategy to subordinate all political and social actors to presidential authority, or, as Jose Valadés accurately described it many years ago, “to the will of the patriarch.”²² It represented, therefore, a strategic political alliance rather than ideological or cultural affinity—although it does not, of course, necessarily preclude the latter.²³

On reflection, Pearson appears to have occupied an intermediate position on the fringes of the gentlemanly capitalist elite. He undoubtedly certainly shared their ethos and values, and was able to function effectively within these elite circles, especially within Westminster and the City. At the same time, as subsequent chapters will show, his ability to influence, even less to dictate British foreign policy toward Mexico within Whitehall and the Foreign Office, was limited in the extreme. He also retained a degree of distance from the inner circle of the elite groups, partly by dint of his Liberal Party affiliations, but mainly because he resolutely remained an independent and opportunistic businessman who lived by his wits, experience, and entrepreneurial talents. These allowed him to exploit both the opportunities which were made available to him, and those which he was able to engineer for himself. What he crafted in Mexico was a remarkable personal business empire which clearly took full advantage of prevailing circumstances: first, the desire of the Mexican political elite to modernise their material and social infrastructure; second, the opportunities which were made available to British businessmen overseas in an era of unprecedented globalisation; and, finally, by the rapid rise in demand for oil after 1912 as a consequence of global technological change and wartime demand. The case of oil, in which he had absolutely no prior experience prior to 1901, is, in fact, a classic example of his ability to identify and exploit new business opportunities.

It is therefore very difficult to argue that it was Pearson's membership of a gentlemanly elite which gave him the social connections and the business opportunities which made him one of Britain's most successful overseas entrepreneurs. It was, if anything, an inversion of the process. It was his business success which allowed him to become assimilated into the ranks of the British political and social elite, which in turn provided him with new business opportunities which he would exploit to the full. And while his relationship with the Mexican social and political elite was undoubtedly based in part upon social, class, and political/ideological affinities, these did not constitute the only, or the most important, aspect of the relationship. Much more important to his business success in Mexico, as we shall see in subsequent chapters, was his role as an agent of late nineteenth-century Mexican modernisation and nation-building.

(p.16) An Overview of British–Latin American Relations, 1860–1914

One of the unfortunate consequences of the adoption of “informal imperialism” or “honorary dominion” as models to explain the nature of the relationship between Britain and Latin America in the nineteenth century has been to oversimplify what were, in reality, complex and variegated forms of interaction. In fact, British “interests” in Latin America over the course of the nineteenth century, whether strategic, commercial, or political, were neither homogeneous nor consistent. Given the geographical, political, commercial, and demographic variables within the

region, and Britain's other imperial commitments, levels of British presence or influence in the region varied considerably according to time, place, and circumstance.²⁴

Nevertheless, it is a fact that, in the period which concerns us here—from the 1860s until the outbreak of the First World War in 1914—British trade and investment in Latin America increased exponentially. As has already been highlighted, a number of factors contributed to this significant shift: *inter alia*, increased demand in the industrialising world for foodstuffs and raw materials, the revolution in global communication and transportation, Britain's commitment to free trade, Latin America's commitment to export-led growth, and the restoration of Latin America's credit on the London bond markets. Britain was particularly well placed to take advantage of these international trends. It dominated worldwide commercial shipping, and London's preeminence as a financial centre meant not only that it was the principal source of capital, but also that sterling was the principal medium of international trade.²⁵

As a result, between the middle years of the nineteenth century and the First World War, Britain supplied more manufactured and capital goods, more loans, and more capital investment to Latin America than any other single nation.²⁶ By 1913, 10 percent of total British exports went to Latin America, and Britain received a similar proportion of total imports from Latin America. To put these figures into perspective, these market shares were larger than any other continent or country within the British Empire, with the exception of India.²⁷ These impressive levels of British-Latin American trade were even more significant from the perspective of the major Latin American republics, representing an average of between 25 and 35 percent of their total imports and exports.

At the same time, the proportion of British foreign investment which found its way to Latin America was even more spectacular. In a region where Britain had very few formal colonial possessions, British investments amounted to a remarkable 25 percent of total British overseas investment. **(p.17)** vestment. These investments were both direct—in land, mines, mills, refineries, public utilities, banks, and, above all, railways—and portfolio—in bonds issued by both national and provincial governments, and, increasingly after 1895, in minority holdings in non-British joint-stock companies. Until 1895, portfolio investment (the bulk of which consisted of loans to national governments) was far more significant than direct investment. Between 1895 and 1913, when the sharpest growth of British investment was registered, direct investment accounted for some 40 percent of the total. Total investment, both direct and portfolio, rose from £80 million in 1865 to over £1.1 billion by 1913.²⁸

On the eve of the First World War, British “preeminence” in Latin America appeared to be unchallenged. A closer examination, however, reveals that, even with British trade and investment at their peak, Britain's position as the principal international capital market, and as the principal supplier of manufactured and capital goods, was under threat. The development of international capital markets in New York, Paris, Berlin, Amsterdam, Brussels, and Hamburg during the latter half of the nineteenth century was reflected in the increasing levels of direct foreign investment from the United States and other parts of Europe. Most significantly, while levels of British investment increased rapidly between 1895 and 1913, they failed to match the rate of increase in US direct investment, which rose dramatically from \$308 million in 1897 to \$1.6 billion by 1913. It would be wrong, however, to conclude from this that the rise of competition was symptomatic of a loss of “business nerve” by British investors before 1914, since it is clear that, faced with new market opportunities, British investors made direct

investments in overseas enterprises, most significantly in free-standing companies, but also in minority holdings of North American (US and Canadian) and European enterprises.²⁹

In the case of trade, however, it was unequivocally true that Britain had begun to lose its market share in those regions which were the principal commercial and strategic targets of US merchants, manufacturers, and politicians—Mexico, the Caribbean, and Central America. This had happened long before 1914. At the same time as the United States was tightening its grip on areas which bordered the Caribbean—subsequently perceived as a region of crucial geopolitical significance popularly known as the “American Lake”—Germany also began to focus its attention on Latin American trade after the 1870s in an attempt to practice its own version of “informal imperialism” and to break what was seen as Britain's commercial and financial stranglehold in the region. German exports to Latin America increased rapidly—they trebled between 1873 and 1889, and trebled again between 1889 and 1913.³⁰

(p.18) In response to this increased competition, British investors and exporters concentrated their efforts and their attention to the countries in the region where Britain had by far the largest market share—Argentina, Brazil, and Chile. By 1914, these three markets accounted for 85 percent of British trade to Latin America, and 69 percent of British capital investment.³¹ It is precisely the extent of British direct and indirect influence as the principal creditor of these three countries—vastly greater than British influence elsewhere in the continent—that led Cain and Hopkins to argue that Britain was guilty of exercising an “honorary dominion” and of “infringing” Argentinian, Brazilian, and Chilean sovereignty as a consequence.³²

In general terms, there can be no doubt that British presence and influence in Latin America was at its most profound in the two decades prior to 1914. The contrast with the period after 1914, and especially after 1929, could not be starker. During the course of the twentieth century, a combination of structural changes in the domestic economies of both Britain and the Latin American states, prompted and conditioned by the impact of a series of “external shocks”—two World Wars and the Great Depression—profoundly altered British-Latin American relations. The severing of former ties with Britain over the course of the century contrasted sharply with the strengthening military, diplomatic, and economic relations between Latin American governments and the United States in the same period. As Eric Johnson, president of the US Chamber of Commerce, commented at the end of World War II, if the nineteenth century had been “a ‘British century’ in Latin America, the next would be an American century.”³³

In retrospect, the scale and scope of Britain's postwar restructuring (including the demise of its “formal” empire), the rise of US influence, and the consolidation of Latin American economic nationalism give an air of inevitability to the decline of British presence in Latin America in the second half of the twentieth century. It is therefore possible to identify an overall, if not a precise symmetry to the history of British-Latin American relations over the past two centuries. The slow climb to “preeminence” in the nineteenth was, if not a mirror image, then certainly a counterpart to the steady decline over the course of the twentieth century.

In short, the two decades which preceded the outbreak of the First World War provided new and extensive opportunities for British businessmen in Latin America. Weetman Pearson would be direct beneficiary. In fact, as will be explained below, he was presented with a particularly favourable conjuncture of circumstances in which to develop his interests in Mexico.

(p.19) British-Mexican Relations in the Nineteenth Century

It is possible to identify three phases in the evolution of British presence in Mexico from independence (in 1821) to 1889, the year in which Pearson embarked upon his first Mexican venture. The first (1821–c. 1850) corresponds to the period of frenzied speculation and “bubble-mania” in the 1820s which followed, and was intimately related to the extension of British diplomatic recognition masterminded by Foreign Secretary George Canning in 1823. The crash which followed this early speculative boom required pragmatic readjustments by British merchants, the London bondholders, and their agents in Mexico to the harsh realities of postindependence political life in Mexico.

The second phase (c. 1850–c. 1880) represented the low point of British-Mexican relations in the nineteenth century. Three years of bitter civil war (the Wars of the Reforma 1858–61) were followed by the decision of the government of President Benito Juárez in 1861 to suspend payments on all outstanding foreign debts, in order to allocate what was left of the Mexican Treasury's meagre funds toward repairing the damage to domestic infrastructure. It provoked a predictably angry reaction from all of Mexico's overseas creditors. In addition, some of the outstanding compensation claims made by British subjects against the arbitrary actions of the Mexican government since 1826 were now (after the 1840s) supported by a series of diplomatic conventions. The breach of those conventions prompted France, Britain, and Spain to approve joint military action to occupy Mexico's principal ports and customs houses in order to force the Mexican government to meet its obligations. This decision had far-reaching effects on British-Mexican relations. Although Britain (and Spain) withdrew from military action once France's imperial ambitions became clear, the damage had been done. Formal diplomatic and commercial relations were severed in 1867, and remained so for the next seventeen years.³⁴

The final phase (1880–1889) corresponds to the resumption of diplomatic relations in 1884 and the final settlement of the English debt in 1886. The restoration of Mexico's international credit allowed new loans to be negotiated for the first time since 1825. These new loans formed part of an emerging domestic strategy of national development and coincided with the resurgence of international efforts (including those from British merchants and financiers) to incorporate Mexico's economic resources and raw materials into a growing international network of world trade and finance. Mexico's restored relations with Britain laid the foundation for the recovery and expansion of British trade and investment in the 1880s. They **(p.20)** were crucial in determining the context in which Pearson first arrived in Mexico in 1889.

The broad pattern of British–Latin American relations in the nineteenth century applies equally well to British-Mexican relations. There were, nevertheless, some significant differences. First, British presence in Mexico was more immediate, and certainly more profound than in other Latin American states. The extent of the early loans (and their prompt conversion into debt), the level of British investment in Mexican mines, and the concentration of over fifty British merchant houses and agencies by 1835 are testimony to the strength of British presence.³⁵ One estimate suggests that more than half of Mexico's imports in the period 1821–60 came from British ports, and more than three-quarters of Mexican exports (70 percent of which was bullion) went to Britain.³⁶ British investment in Mexican silver mines in the same period represented more than half of British mining investments in Latin America.³⁷

Second, the impact of Mexico's prolonged indebtedness to British bondholders throughout most of the nineteenth century was also arguably more pernicious for Mexico than for Mexico's sister republics in Latin America. Not only did it deny Mexico access to new sources of capital for a period of more than sixty years—with an important hiatus during the years of French

intervention—it also led to a full-scale military invasion in 1862. Moreover, Mexico's postindependence vulnerability made it a particular target for postcolonial retribution from its former colonial master, Spain, and neocolonial ambition from the United States and France. No other nation in Latin America experienced the foreign invasions to which Mexico was subjected to in the middle years of the century. This had profound, if paradoxical implications for Mexico's erratic progress in state-and nation-building throughout the nineteenth century. On the one hand, it had a clearly detrimental impact on Mexico's ability to defend and protect its sovereignty, or to implement the ultimate goal of the liberal project—the construction of a secular state and a cohesive nation. On the other, it gave a conflictive character to Mexico's international relations and, in response, contributed to the early growth and articulation of Mexican nationalism. Mexico's isolation from international trade and finance until the 1880s thus contrasts with the “rediscovery” and integration of other parts of the continent into the international economy and the resumption of international trade after 1850.³⁸

Third, when the thaw in diplomatic relations with Britain—suspended between 1867 and 1884—and the settlement of the long-standing English Debt finally occurred, there was a notable confluence of business, commercial, and diplomatic interests which was arguably uncharacteristic of British practice elsewhere in the region.³⁹ Fourth, despite the fact that the **(p.21)** restoration of financial and diplomatic links prompted a substantial boom in British trade and investment in Mexico after 1886, it would be mistaken to presume that Britain ever exercised “honorary dominion,” let alone “informal imperialism” over Mexican affairs during this period. Not only were British trade and investment on a different scale, and of a different character, to investments elsewhere in Latin America, but British presence in Mexico after 1880 was always less significant than that of Mexico's northern neighbour, the United States. These factors played a significant part in determining the parameters and constraints—but also the advantages—under which British interests, including Pearson's, operated in Mexico over this period.

The Restoration of Diplomatic Relations in 1884

The consequences for British-Mexican relations of Britain's participation in the military invasion of Mexico in 1862, and Britain's subsequent support for the abortive restoration of French imperial power until 1867, had been little short of disastrous. Even though British troops had withdrawn once Napoleon III's ambitious plans to add Mexico to France's imperial adventures in Indo-China and North Africa had become clear, the triumphant Liberal government of the Restored Republic under Benito Juárez was unforgiving. Mexican determination to resist the imposition of neocolonial rule had been symbolised by the execution of the Emperor Maximilian in 1867.⁴⁰ Even moderate or conservative Liberals, such as Minister of Finance Manuel Payno, who before 1860 had been assiduous in attempting to honour Mexico's obligations to European creditors, now adopted a much more critical view of the crude and self-interested actions of the European monarchies in pursuing their claims regardless of the financial or political difficulties faced by successive Mexican governments. Profoundly shocked by the experience of the French intervention, Payno, Juárez, and Mexican liberals of the Reforma generation now adopted a more radical and nationalist approach to the solution of Mexico's domestic problems, and refused to subordinate Mexico's finances to diplomatic discussion.⁴¹

As a result, all debt repayments, and all diplomatic relations and treaties with those European powers which had recognised, supported, and funded Maximilian's empire, were suspended in 1867. The governments of the Restored Republic were especially resistant to recognising the legitimacy or legality of the loans made to the imperial regime. *Faute de mieux*, Mexico

responded, not without some trepidation, to the growing clamour **(p.22)** of voices from both sides of the border which argued for closer financial, commercial, and diplomatic relations with the United States.⁴²

As British trade and investment expanded rapidly elsewhere in Latin America after 1850 (especially in Argentina, Chile, and Brazil), in Mexico it failed to develop as rapidly or extensively. Between 1867 and 1876, no more than six British merchant houses and four limited companies were actively conducting business in Mexico.⁴³ To judge from the evidence of the financial papers published in London, investors now considered Mexico to be beyond the pale and, frequently, beneath contempt. As an editorial from the London financial newspaper *Money* commented on yet another suspension of bondholder negotiations in 1883: “We never had any belief in the alleged Mexican prosperity, nor did we ever entertain for a moment any confidence in the integrity of the officials of the Republic ... for all the world knows how poverty-stricken and faithless Mexico is.”⁴⁴

In a similar vein, the financial editor of the *Times*, on the eve of the resumption of diplomatic relations in 1884, referred to Mexico with only thinly disguised contempt: “the renunciation of its debts by a state can never be actually excused. Under any circumstances it must be an international offence of the first magnitude.” He concluded on what he must have considered an optimistic and conciliatory note, inadvertently highlighting the fundamental inequalities which had always existed, and would continue to exist in British-Mexican relations: “However, ... If the Mexican Republic is prepared to conform to the usages common between civilised nations, this country will be the first to welcome her re-appearance among them. It may prove beneficial to England. It must perforce be an immense boon to Mexico.”⁴⁵

The arrogance and insouciance of the *Times's* correspondent reflected the major stumbling block to the resumption of British-Mexican relations after 1867—the satisfactory settlement of what was referred to in Mexico as the “Deuda Inglesa” (English Debt). Scant progress was made for over a decade after 1867. The strategy adopted by the Committee of Mexican Bondholders (CMB), which represented the bulk of British (London) bondholders, also did little to improve the situation, and their activities only served to exacerbate the problem. Not only did they consistently (and unsuccessfully) press the British government to intervene on their behalf, they actively (and successfully) sought to deny Mexico's access to capital markets throughout Europe by protesting to the stock exchanges of London, Paris, and Amsterdam against the flotation of any new loans by a “defaulting nation.”⁴⁶ The CMB's success in blocking the flotation of railway bonds served to emphasise to the Mexican government that new sources of European finance for developmental projects—above all, the **(p.23)** railway projects which represented the main plank in Mexico's strategy of national development—would not be forthcoming until the debt question was settled. They also reminded the British government that British business was in danger of missing out on potential new markets which were emerging as part of Mexico's developmentalist project.

While the Foreign Office was not prepared to take action on behalf of the London bondholders—whose claims they now insisted were a private matter—they continued to uphold the defence of the Convention bondholders whose agreements negotiated in the 1850s with the Mexican government had been afforded treaty status. British diplomats thus maintained the position that no renewal of relations would be possible until Mexico agreed first to settle these claims—the

original cause of the conflict. They also insisted that, since Mexico had broken off relations, the Mexican government was obliged to make the first move toward reconciliation.

The Mexican government, on the other hand, while not seeking to repudiate Mexico's debt obligations, insisted instead that negotiations to settle the Convention bondholders' claims—and those of other private citizens—should be kept separate from those concerning the restoration of diplomatic relations. In addition, as far as the Mexican Liberal governments of the Restored Republic were concerned, British support for France's imperial adventure constituted a hostile act and the fundamental cause of the rupture of relations. Britain would therefore have to take the initiative in restoring them.

By the early 1880s, however, circumstances had changed considerably, and pressures were brought to bear on both governments, which eventually resulted in the settlement of the long-standing impasse. One very significant factor was the growth of British trade with Mexico. British merchants and chambers of commerce now pressed for commercial treaties and diplomatic protection for British subjects doing business in Mexico, and persistently reminded the Foreign Office that new business opportunities were being lost. As early as 1876, fifty-five branches of the Association of Chambers of Commerce of the United Kingdom had pointed out to the Foreign Office the participation of British merchants in the recent growth in Mexican trade. They claimed that some 200 British ships were annually registered at Mexican ports—more than any other European power—but that the lack of diplomatic representation made British merchants very vulnerable to fines and other arbitrary impositions of Mexican customs officials.⁴⁷

Seven years later, in March 1883, the same organisation (which, perhaps significantly, included a representation from the Chamber of Commerce in **(p.24)** Weetman Pearson's home town of Huddersfield, and one from his business base in Bradford) informed the Foreign Office that the disadvantages to the “merchants, manufacturers and ship owners of Great Britain” as a result of the absence of formal British representation had reached a critical stage. In the intervening period, Mexico had “made enormous strides in material prosperity ... 2,500 miles of railway are now in operation, and a further 1,000 miles may be opened this year.”

The Association's main concern was that Mexico's burgeoning prosperity would be exploited by Britain's commercial rivals. Mexico had strengthened its diplomatic and commercial relations with the United States and Germany, restored its relations with France, and was in the process of negotiating similar treaties with Spain and Italy. The Association placed special emphasis on the Treaty of Reciprocity between the United States and Mexico recently ratified by the US Senate. This would allow the free admission into Mexico of all materials and equipment required for railway construction, mining, and agriculture, the effect of which “will be largely to exclude British goods from Mexico.”⁴⁸ They argued, in short, that “while other commercial countries are arranging fresh Treaties of Commerce with a nation consisting of 10,000,000 people, Great Britain is the only State precluded from the possibility of availing herself of so large and advantageous a market for her goods by being prevented from entering into any negotiations on equal terms with other Powers in consequence of having no diplomatic relations with the Republic of Mexico.”

From the Mexican perspective, there were also very tangible and pressing domestic reasons in the early 1880s for restoring Mexico's diplomatic relations with London and its creditworthiness in the eyes of London's financial markets. As Silvestre Villegas has argued, the desperate economic crisis in the latter years of the government of Manuel González (1880–84) prompted a

desperate search for new sources of finance in order to meet basic government expenditure, including the cost of the subsidies and the generous terms promised in the large number of contracts and concessions awarded by the González administration to a number of railway companies.⁴⁹

At the same time, there was growing consensus among the Mexican political elite that the courtship of increased commerce and investment with the United States carried with it real danger for Mexico's economic and political sovereignty. The constant fear of the political elite in Porfirian Mexico was the same fear which had preoccupied Mexican conservatives throughout the whole of the nineteenth century—that Mexico was in danger of being engulfed by the Anglo-Saxon, Protestant, and materialist “Caliban” of the United States. By seeking to stimulate European links with Mexico, this would not only provide access to alternative sources of **(p.25)** capital, but also create a counterbalance to excessive dependence on US capital.

These concerns were rarely expressed in public, given the fear of upsetting the continued flow of US capital and commerce. But they were widely held in private and can be found in diplomatic correspondence of the period. They were articulated with the utmost clarity by the Mexican minister in Paris, Emilio Velasco, who had been appointed following the restoration of Mexican relations with France in 1880, in his correspondence with the British ambassador to France, Viscount Lyons. The informal conversations between these two diplomats after 1880, subsequently relayed to the British foreign secretary, Earl Granville, were important in establishing a semiformal channel of communication between the British and the Mexican governments, which eventually led to formal restoration in 1884.

In a confidential and revealing dispatch sent by Lyons in January 1882, the Mexican government's fears over the protection of its sovereignty were made explicit. It is worth quoting at some length:

The one consideration, the one anxiety which overruled all others in the minds of Mexicans was, he (Velasco) said, the maintenance of the independence of their country against encroachments from their all powerful neighbour. The United States' Government was not, in general, inclined to war, and the Mexicans did not apprehend any actual invasion or attempt at conquest, unless important commercial or other material interests should be at stake. The object of the Mexicans had therefore been to endeavour to ward off interference from the United States' Government by giving it full satisfaction with regard to commerce and to the employment of the capital of its citizens in enterprises in Mexico. They had, in particular, encouraged the construction of railroads between the two countries, and had endeavoured in various ways to give United States' citizens an interest in the preservation of the existing state of things in Mexico. They had even gone so far as to denounce their Commercial Treaties with other countries, in order that the most-favoured nation clauses in them might not be an obstacle to granting special advantages to the United States.

However ... it had become apparent to the more reflecting among the Mexicans that this policy was being carried too far, that the magnitude and predominance of United States' interests in Mexico were growing into a serious danger to the independence of the country, and that endeavours should be made to redress the balance by attracting European sympathy and fostering European interests.... Mexico had already resumed diplomatic relations with France, and was now anxious to renew them with England ... (because) ... they should derive very great moral support from the mere fact of the existence of friendly political relations and of active commercial and other intercourse with the great nations of Europe. They were, consequently, most particularly desirous to resume diplomatic relations with England, and to attract English commerce and English capital to Mexico.⁵⁰

(p.26) The strategy of diversifying the sources of foreign capital and investment and therefore creating rivalries between competing overseas interests (whether in mining, industry, or, as will be explained in subsequent chapters, in the emerging oil business) between the “Great Powers” was also central to the Díaz government's policy of protecting national sovereignty. José Yves Limantour, finance minister in the government of President Díaz between 1893 and 1911, and one of the main protagonists of the story which follows, explained the strategy of playing off the competing interests of foreign governments against one another in order to defend (and enhance) Mexico's security: “The security of the (Mexican) Republic will, above all, be the result of the competing claims between the Great Powers who are keen to keep a protective eye over their citizen's business affairs.”⁵¹

The evidence suggests that pressure from British business interests was a vital element in convincing the Foreign Office to modify its position—that, in actively seeking the resumption of full diplomatic relations, commercial considerations, and not the protection of creditors, would henceforth be paramount.⁵² This was confirmed by the positive reaction to the reports sent to London by Lionel Carden, the British vice consul in Havana, Cuba, who was sent on a “fact-finding” mission to Mexico in 1883 to report on commercial conditions.⁵³ The financial papers in London subsequently published statistics to show that the British manufacturing exports to Mexico had more than tripled between 1879 and 1881.⁵⁴ Between 1876 and 1884, sixteen new British companies had been organised in London.⁵⁵ These reports were, no doubt, a further

encouragement to potential investors, and generated a more receptive climate in London to the reestablishment of relations.

The shift in the Foreign Office's position also reflected its recognition that Mexico was not going to compromise on its basic demands. Mexico's position had been consistent throughout. An interview in the *New York Herald* with Porfirio Díaz following his first reelection as president in 1884 underlined the central fact—that the renewal of relations was more in the interests of Britain than of Mexico. Díaz explained that Mexico had always been willing to recognise the English debt but “most assuredly” would not do so in order to bring about the renewal of diplomatic relations. “This,” he explained, “was of more interest to England than to Mexico, for they are the producers, and we the consumers, and they should certainly be more anxious to sell us their goods than we to buy them.”⁵⁶ The president-elect failed to mention, however, the increasingly desperate plight of the Mexican Treasury, and the fact that the railway concessions he and his predecessor Manuel González (1880–84) had signed were unlikely to succeed without the restoration of Mexican credit (p.27) in the London market, given the recent uncertainties in the New York capital markets.⁵⁷

As a result, both the Foreign Office and the Mexican government now showed renewed enthusiasm for negotiations. An important step forward was the recognition by both sides of the principle of “simultaneity” of negotiations between sovereign states.⁵⁸ Carden's mission was upgraded by the Foreign Office in 1883 to allow him to engage in informal discussions with Ignacio Mariscal, the Mexican minister of foreign affairs, over the possibilities of a renewal of formal relations. Special envoys were appointed—Mariscal for the Mexican government, and career diplomat Sir Spencer St. John for Her Majesty's Government. It would hardly be true to say that they were concluded with any great haste, but by August 1884, formal diplomatic relations between Britain and Mexico had been officially restored.⁵⁹

In the final protocol, the Mexican government had been successful in achieving its main aim that the issue of restoration should be kept separate from the renegotiation of debts to the London bondholders, and from the settlement of private claims from British citizens. The final version, in fact, made no reference to debt, and concentrated instead on establishing mechanisms for the settlement of the claims of private citizens, both British and Mexican, and for the negotiation of regulations governing tariffs and trade.⁶⁰

One of the most disputed areas of disagreement was the settlement of the claims made by British subjects against the Mexican government for damages or losses since 1842. The concession made by Mariscal led directly to the establishment of the Anglo-Mexican Claims Commission in 1884. The commission sat for the next eleven years, until 1895, deliberating on a total of 281 claims from British citizens. In a report in 1889 by Lionel Carden, now British consul in Mexico, no fewer than 224 of the British claims were dismissed either for lack of evidence or because they had been withdrawn by the claimants themselves. By 1891, the Mexican government had paid out a total of \$125,275 in government bonds to the successful claimants. Some \$70,000 of this total remained unclaimed when the commission closed its books in 1895. However, the significance of the Anglo-Mexican Claims Commission was, as Alfred Tischendorf suggests, political rather than financial. It provided tangible evidence that Mexico was now, in contrast to the previous history of default, capable of honouring its treaty obligations toward British subjects.⁶¹ Those same subjects could now have more confidence in risking their capital and undertaking business ventures in Mexico.

(p.28) The Settlement of the English Debt, 1886

The final act in the drama of British-Mexican relations in the 1880s (and, perhaps, the final proof of Mexico's deliverance from its former "faithlessness") was the most important—the final settlement of debt obligations to British bondholders, the cause of so much aggravation throughout the century. Negotiations between the Committee of Mexican Bondholders (CMB) and the Mexican government had been going on for nearly sixty years on a more or less permanent—and, for the bondholders at least, permanently frustrating—basis. Although its critics frequently accused it of incompetence, the CMB could certainly not be accused of inactivity. Following its reorganisation and incorporation into the Corporation of Foreign Bondholders in 1876, it met almost once a month. Despite its best efforts, and despite the elaboration of a number of draft agreements with a variety of representatives of the Mexican government, little or no progress was made.⁶²

The restoration of diplomatic relations was crucial in giving new direction and purpose to the negotiations. Equally important was the establishment of the Banco Nacional de Mexico in 1882, which provided the institutional mechanism through which future payments to Mexico's overseas creditors would be channelled. Of similar significance was the reelection of Porfirio Díaz to the presidency in June 1884. Díaz had made it clear to Spencer St. John that, while he would honour any agreement which had been approved by both parties, he did not personally approve of any arrangement between the bondholders and the administration of his predecessor, General Manuel González. Given the financial crisis which had befallen the González government in the early months of 1884, Díaz suspected that the outgoing president would attempt to hastily construct a deal with the bondholders, and then negotiate a new loan on unfavourable terms which his own administration would then have to repay.⁶³

Almost immediately following the resumption of diplomatic relations, a draft agreement was signed in September 1884 between the chairman of the CMB and Mexico's representative, Edward Noetzlin. This agreement, however, fell foul of the escalating economic crisis in Mexico, which provoked demonstrations against the terms of an agreement perceived to be too favourable to foreign capital. In November 1884 riots broke out on the streets of Mexico City against the devaluation of the currency, in which a number of protestors were killed.⁶⁴ The Mexican Congress immediately suspended its discussion of the ratification of the Noetzlin treaty.⁶⁵

Once González had left office, Díaz proceeded to act on his commitment to reorganise Mexico's public finances, reduce public expenditure, **(p.29)** and reach a final settlement of the debt. First, in accordance with his new minister of finance, Manuel Dublán, he appointed a commission (*Junta Consultiva de Crédito Público*) to examine the whole question of public debt, both internal and external. The committee's report led to a proposal in June 1885 for the gradual consolidation of Mexico's entire public debt incurred since independence, to be serviced from customs revenue from the port of Veracruz, and supervised by the newly created Banco Nacional. Second, the Díaz government established a financial agency in London in January 1886 under the stewardship of General Francisco Mena (then the Mexican minister in Berlin, and later appointed Mexican minister in London), whose first and principal task was to carry out the conversion and liquidation of the English Debt.

Despite some internal dissent and wrangling within the CMB, and unfavourable comments in the London financial press, the London bondholders eventually (and unanimously) accepted the

proposals of what became known as the *Dublán Conversion* at what was to be their last public meeting, in June 1886. The bondholders agreed to accept the issue of new bonds of the consolidated debt at a fixed rate of interest. Thereafter the CMB was disbanded, its work finally completed after a period which spanned no fewer than fifty-eight years.⁶⁶

With hindsight, the *Dublán Conversion* can be interpreted as a significant triumph for the Díaz regime. The London bondholders accepted not only that obligations incurred by the Conservative and Imperial governments of 1857–60 and 1863–67 would not be recognised, but also that the accumulated interest on the unpaid debt between 1866 and 1886 was to be fixed at only 15 percent of its nominal value. This meant that the London bondholders had effectively accepted the “punishment” which the Juárez government had wanted to impose on those overseas creditors who had supported Maximilian's empire. It also meant that the level of Mexico's acknowledged foreign debt had been significantly reduced.⁶⁷

Most significantly of all, the universally favourable response which greeted the Conversion in the financial markets of London and Berlin allowed the Díaz government to raise a new loan (*Deuda Consolidada Exterior Mexicana*) in March 1888 for a nominal amount of £10.5 million.⁶⁸ Although most of these new funds were hypothecated to payments on the internal, or floating debt, and to the redemption of the 1886 bonds, the new loan—the first since 1825—showed above all that Mexico's reputation in the eyes of international financial markets had begun to be restored.⁶⁹ The second loan (the “Municipal Loan” of 1889) would be raised specifically to fund the Gran Canal Project, which brought Pearson to Mexico.

(p.30) Although the renewal of diplomatic relations in 1884 was undoubtedly significant in determining the future character of British-Mexican relations under the long regime of Porfirio Díaz, the settlement of Mexico's debt obligations was even more so. The effect on British trade and investment was immediate. According to one estimate, already by 1890 levels of direct and portfolio investment from investors in London had quadrupled in comparison to the level of 1880.⁷⁰ And whereas only 20 businesses working in Mexico had been registered in the Company Registration Office in London prior to 1884, a further 283 would be incorporated between 1884 and 1910.⁷¹ As the *Mexican Financier* commented with obvious enthusiasm in September 1889, only two months before Weetman Pearson's first visit to Mexico, “In Mexico, English capital is clearly in preponderance, and almost every week sees a new company organised in London.”⁷² Hyperbole aside, it was clear that the opportunities available for energetic and ambitious British entrepreneurs in Mexico after 1886 were better than they had been at any time over the course of the nineteenth century. There was one young British entrepreneur in particular who would benefit spectacularly from this favourable conjuncture of circumstances.

Notes:

(1.) J. Gallagher and R. Robinson “The Imperialism of Free Trade” *Economic History Review* Vol 6, no. 1 (1953).

(2.) F. H. Cardoso and E. Faletto *Dependency and Development in Latin America* Berkeley: University of California Press, 1979; K. Pomeranz *The Great Divergence: China, Europe, and the Making of the Modern World Economy* Princeton, NJ: Princeton University Press, 2000.

(3.) D. C. M. Platt *Finance, Trade and Politics in British Foreign Policy 1815–1914* Oxford: Oxford University Press, 1968; D. C. M. Platt *Latin America and British Trade 1806–1914* New York:

Harper & Row, 1973; D. C. M. Platt (ed.) *Business Imperialism 1840–1930: An Enquiry Based upon British Experience in Latin America* Oxford: Oxford University Press, 1977.

(4.) S. Haber “Economic Growth and Latin American Economic Historiography” in S. Haber (ed.) *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico, 1800–1914* Stanford, CA: Stanford University Press, 1997, pp. 1–33.

(5.) R. Miller and C. Dávila (eds.) *Business History in Latin America: The Experience of Seven Countries* Liverpool: Liverpool University Press, 1999. The growth of the discipline in Latin America is one of the most notable of recent developments. There have been three editions of the leading journal in the field, the *Business History Review* (published by Harvard), devoted exclusively to the business history of Latin America (1965, 1985, and 2008). Whilst the topics covered indicate that the study of foreign enterprises rather than domestic businesses operating in the region still predominate, the most noticeable change over this period is that Latin American academics working in Latin American universities now share the platform on a more equal basis with their counterparts in the United States and Europe; M. I. Barbero “Business History in Latin America: A Historiographical Perspective” in *Business History Review* 82:3, 2008, pp. 555–75.

(6.) G. Jones “Multinational Strategies and Developing Countries in Historical Perspective” Working Paper 10-076, Harvard Business School, 2010. I am grateful to the author for granting me permission to cite this paper.

(7.) Ibid.

(8.) Ibid.

(9.) P. J. Cain and A. G. Hopkins *British Imperialism 1688–2000* London: Longman, 1993 (2nd ed., 2001).

(10.) Significant because it is absent, and significant given the importance of Mexico (New Spain) as the jewel in the Spanish imperial crown.

(11.) P. J. Cain and A. G. Hopkins “Afterword: The Theory and Practice of British Imperialism” in R. E. Dumett (ed.) *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire* Harlow: Longman, 1999, pp. 196–220.

(12.) P. Riguzzi “México, Estados Unidos, y Gran Bretaña, 1867–1910: Una difícil relación triangular” *Historia Mexicana* XLI:3, 1992, pp. 365–437.

(13.) Cain and Hopkins “Afterword,” pp. 196–220.

(14.) Cain and Hopkins *British Imperialism 1688–2000*, p. 39.

(15.) Quoted in *ibid.*, p. 45.

(16.) H. C. G. Matthew *The Liberal Imperialists: The Ideas and Politics of a Post-Gladstonian Elite* Oxford: Oxford University Press, 1973. Pearson's participation in British politics is examined in the next chapter.

- (17.) V. M. Macías-González "The Mexican Aristocracy in the Porfirian Foreign Service" Unpublished paper, pp. 25-26; I am grateful to the author for permission to cite this paper. Pearson's connections to the City brokers Greenwood, Henderson, and Company, and in particular to Alexander Henderson (Lord Faringdon), were also of vital importance in obtaining stock exchange quotations for the bonds which Pearson received as partial payment for his early Mexican contracts: see next chapter.
- (18.) Cain and Hopkins *British Imperialism 1688-2000*, p. 56.
- (19.) C. Hale *The Transformation of Liberalism in Late Nineteenth-Century Mexico* Princeton, NJ: Princeton University Press, 1989.
- (20.) Díaz quoted in Garner *Porfirio Díaz*, p. 214.
- (21.) Macías-González "The Mexican Aristocracy."
- (22.) Valadés quoted in Garner *Porfirio Díaz*, p. 98.
- (23.) There was no doubt that some members of the Mexican elite were proud of their provisional acceptance into Britain's aristocratic social networks. General Francisco Mena, Mexico's former financial agent in London, wrote proudly to Finance Minister Limantour that he was "the first foreigner to have been admitted to the Warwickshire Hunt Club since its foundation in 1826." Archivo José Yves Limantour (hereafter AJYL) 1a serie R9 Mena to Limantour 03/02/1892.
- (24.) R. Miller *Britain and Latin America in the Nineteenth and Twentieth Centuries* Harlow: Longman, 1993; A. Knight "Britain and Latin America" in W. R. Louis (ed.) *The Oxford History of the British Empire* 5 vols, Oxford: Oxford University Press, 1999, Vol III, pp. 122-45.
- (25.) R. Miller "British Trade with Latin America (1870-1950)" in P. Mathias and J. A. Davis (eds.) *International Trade and British Economic Growth: From the Eighteenth Century to the Present Day* Oxford: Blackwell, 1996, pp. 118-45.
- (26.) Leslie Bethell "Britain and Latin America in Historical Perspective" in V. Bulmer-Thomas (ed.) *Britain and Latin America: A Changing Relationship* London: Royal Institute of International Affairs, 1989, pp. 1-24.
- (27.) Cain and Hopkins *British Imperialism*, p. 249.
- (28.) This represented a thirteen-fold increase; I. Stone "British Direct and Portfolio Investment in Latin America Before 1914" *JEcH* Vol XXXVII 1977, pp. 690-722.
- (29.) Stone "British Direct and Portfolio Investment" pp. 721-22; the importance of free-standing companies to British overseas entrepreneurship in this period is discussed in the next chapter.
- (30.) I. L. D. Forbes "German Informal Imperialism in South America Before 1914" *Economic History Review* 2nd ser. XXXI, 1978.
- (31.) Stone "British Direct and Portfolio Investment."
- (32.) Cain and Hopkins *British Imperialism*, p. 273.
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- (33.) Quoted in Bethell "Britain and Latin America," p. 18. By the early 1980s, diplomatic, commercial, and financial relations had reached their nadir, whereby only 2 percent of Latin America's imports came from Britain, and a similar level (2.2 percent) of British exports went to Latin America. And whereas British investment in Latin America had represented 25 percent of British overseas investment before 1930, by the 1980s it represented less than 6 percent; V. Bulmer-Thomas *British Trade with Latin America in the Nineteenth & Twentieth Centuries* London, Institute of Latin American Studies, Occasional Papers No.19, 1998, p. 12
- (34.) A. Tischendorf *Great Britain and Mexico in the Era of Porfirio Díaz*, Durham, NC, 1961, pp. 3-8.
- (35.) H. J. Heath "British Merchant Houses in Mexico, 1820-60: Conforming Business Practice and Ethics" *Hispanic American Historical Review* 73:2, 1993, pp. 261-90.
- (36.) I. Herrera Canales *El comercio exterior de Mexico 1821-1875* Mexico: El Colegio de Mexico, 1977, p. 84.
- (37.) Stone "British Direct and Portfolio Investment in Latin America," p. 708.
- (38.) C. Marichal *A Century of Debt Crises in Latin America: From Independence to the Great Depression 1820-1930* Princeton, NJ: Princeton University Press, 1989, pp. 68-97.
- (39.) It is interesting to note that such a confluence of interests also occurred in 1830 with the appointment of British consular officials in Mexico as the representatives of London bondholders in the renegotiations over defaulted debt. The negotiations were coordinated by Robert Manning of the principal British merchant house in Mexico City, Manning and Marshall; see B. A. Tenenbaum "Merchants, Money and Mischief: The British in Mexico 1821-1862" *The Americas*, Vol 35, 1979, pp. 317-39.
- (40.) B. Hamnett *Juárez* Harlow: Longman, 1994.
- (41.) B. A. Tenenbaum "Manuel Payno, Financial Reform and Foreign Intervention in Mexico 1855-1880" in V. C. Peloso and B. A. Tenenbaum (eds.) *Liberals, Politics and Power: State Formation in Nineteenth-Century Latin America* Athens: University of Georgia Press, 1996, pp. 212-34.
- (42.) Riguzzi "México, Estados Unidos, y Gran Bretaña, 1867-1910." German-Mexican trade also increased at a rapid rate in this period. One estimate suggests that German merchants had two-thirds of Mexico's export trade under their control by 1878; F. Katz *The Secret War in Mexico* Chicago: Chicago University Press, 2 vols, 1982, Vol I, p. 72.
- (43.) A. Tischendorf "The British Foreign Office and the Renewal of Anglo-Mexican Diplomatic Relations 1867-84" *Inter-American Economic Affairs* Vol XI, 1957, pp. 37-58.
- (44.) Council of Foreign Bondholders, Mexican Extracts, Guildhall Library, London (hereafter CFBME, followed by volume number) Vol VII, 14/11/1883.
- (45.) *Ibid.*, 14/8/1884.
- (46.) M. Costeloe *Bonds and Bondholders: British Investors and Mexico's Foreign Debt 1824-1888* Westport, CT: Praeger, 2003, p. 190.
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(47.) Tischendorf *Great Britain and Mexico*, p. 9.

(48.) *Memorandum from the Association of Chambers of Commerce of the United Kingdom to the Foreign Office* 12/3/1882 Public Record Office (PRO) Foreign Office Papers (FO), Series 50, Vol 443/ 4945/76.

(49.) Eighty-nine such contracts were negotiated between 1880 and 1884. S. Villegas *Deuda y Diplomacia: la relación México-Gran Bretaña 1824-1884* México: UNAM, 2005, p. 234.

(50.) Viscount Lyons to Earl Granville 10/1/1882 PRO-FO, Series 50, Vol 440/4945/41.

(51.) Limantour cited in A. Hernández Chávez "Origen y ocaso del ejército porfiriano" *Historia Mexicana* XXXVII, 1998 pp. 257-97. This theme is explored more fully in Chapter Three.

(52.) V. C. Dahl "Business Influence in the Anglo-Mexican Reconciliation of 1884" *Inter-American Economic Affairs* Vol 15, 1961-62, pp. 33-35.

(53.) Further details of Carden's activities in Mexico, and of his relationship to Pearson, are to be found in Chapter Six.

(54.) CFBME Vol VII, *The Bullionist* 16/08/1884. The increase was attributed mainly to the export of railway materials.

(55.) Tischendorf *Great Britain and Mexico in the Era of Porfirio Díaz*, p. 22.

(56.) CFBME Vol VII, *New York Herald* 19/08/1884.

(57.) Villegas notes that the path toward the resumption of relations was smoothed by the fact that the election of González in 1880 had been regarded by the Foreign Office as legitimate and *de jure*, in contrast to the doubts as to the legitimacy of the first administration of Porfirio Díaz in 1876, which had emanated from a military coup; Villegas *Deuda y Diplomacia*, p. 234.

(58.) *Ibid.* pp. 243-46.

(59.) Tischendorf "The British Foreign Office and the Renewal of Anglo-Mexican Diplomatic Relations 1867-84," pp. 37-58.

(60.) S. St. John to Earl Granville, 28/04/1884 PRO-FO 50, 445/5019/19: Britain's insistence on the inclusion of a commitment to nondiscriminatory tariff policies is in keeping with what Cain and Hopkins describe as British policing the "rules of the (imperial) game" in the late nineteenth century—but it must be said that Mexico was agreeing to no more than had been previously agreed in commercial treaties with France, Germany, and the United States; see Cain and Hopkins "Afterword," pp. 196-220.

(61.) A. Tischendorf "The Anglo-American Claims Commission 1884-1895" *Hispanic American Historical Review* Vol XXXVII, 1957, pp. 471-79; for the favourable reception of the commission in the London press, see CFBME Vol VIII, *Times* 6/3/1886.

(62.) Costeloe *Bonds and Bondholders*, pp. 221-37.

(63.) S. St. John to Earl Grenville 03/09/1884 PRO-FO 50/5109/84.

(64.) CFBME Vol VIII, *Times* 20/11/1884.

(65.) There had been strong reservations expressed in Mexico over the Noetzlin agreement, not only over the level of “douceurs,” or commissions to be paid to the negotiators, but rumours that the deal was “part of an elaborate plan by French financiers to obtain control over the entire finances of Mexico and of her banking business”; CFBME Vol VIII, *Standard* 15/12/1884. For Jan Bazant, the controversies surrounding the Noetzlin project provoked “the greatest scandal which the debt problem had ever produced”; J. Bazant *Historia de la deuda exterior de México 1823–1946* Mexico: El Colegio de México, 1968, p. 119.

(66.) Costeloe *Bonds and Bondholders*, pp. 221–37.

(67.) L. Ludlow “Manuel Dublán: La administración puente en la Hacienda Pública Porfiriana” in L. Ludlow (ed.) *Los Secretarios de Hacienda y sus Proyectos* México: UNAM, 2005, 2 vols, Vol II, pp. 141–74.

(68.) The German bank of Bleichroeder was the principal broker (62 percent) alongside the London Bank of Glynn Mills (20 percent); Ludlow, *ibid.*, p. 167.

(69.) Bazant *Historia de la deuda exterior*, pp. 110–35; E. Turlington *Mexico and Her Foreign Creditors* New York, 1930, pp. 203–11.

(70.) L. N. D'Olwer “Las inversiones extranjeras” in D. Cosío Villegas (ed.) *Historia Moderna de México*, 10 vols, Mexico, 1955–72, Vol VII, 1965, p. 1158.

(71.) Tischendorf “The British Foreign Office and the Renewal of Anglo-Mexican Diplomatic Relations 1867–84,” p. 37.

(72.) CFBME Vol XIII, *Mexican Financier* 07/09/1889. To support its argument, the *Financier* published statistics which showed that British capital invested in Mexico in the first nine months of 1889 (£ 130,243,000) was nearly double the figure for the twelve months of 1887 (£ 72,015,000).



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