

## CHAPTER V

### ALDRETE, ALEMÁN, AND TROUYET

This chapter investigates Chito's relationships with the State and the continued expansion of Industrias Unidas and other Longoria enterprises begun in the 1950's and the early 1960's.

Chapter V examines Chito's relationship with certain government and PRI officials during this ten year period of industrial growth for IU. It also relates the results of a chance meeting between Chito and Alberto Aldrete. The meeting led to a long-lasting and advantageous friendship with Miguel Alemán, the President of Mexico from 1946 to 1952. It also follows the business and social relationship between Chito and Carlos Trouyet.

The banking operation run by Chito's father and called O.L. Longoria, Banquero was salvaged in 1932 by Chito through political and family connections. Later, Chito's political and social connections with influential members of the PRI and the Mexican government promoted and enhanced his business endeavors. This chapter explores some of these connections.

One of Chito's most fortuitous relationships began by accident, in the early 1940's. A man from Baja California, named Alberto Aldrete owned a malt plant, and as a side-line, imported copra from the Pacific, refined it, and sold it throughout Mexico.<sup>1</sup>

Born in Baja, California, Aldrete had a checkered career. Besides his interests in malt and copra, Aldrete was elected the mayor of Ensenada from 1926-1927.<sup>2</sup> Later, he managed Agua Caliente Race Track and Casino at Tijuana. Prior to World War II, Prohibition and the attraction of legalized gambling just across the border was a magnet to the residents of southern California. During the Cárdenas administration, (1934-1940)<sup>3</sup> gambling was outlawed and the

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<sup>1</sup> Copra is the crushed kernel of a coconut, from which oil can be extracted for cooking or cosmetic purposes.

<sup>2</sup> Camp, Roderic. Mexican Political Biographies, 1935-1981. P. 9.

<sup>3</sup> Interview with Ferro Pagliai, October 7, 1988, Tape 1. T. D. Proffitt, III, in his dissertation The Symbiotic Frontier: The Emergence of Tijuana Since 1769, University of California, Los Angeles, 1988, theorizes that perhaps Cárdenas closed the Agua Caliente track and casino to spite Plutarco Elias Calles, the former president of Mexico, who supposedly owned a percentage of the operation. Pagliai states in his interview that they received a special amparo from Cárdenas which allowed them to keep their casino in operation after Agua Caliente had been forced to close, suggesting that Proffitt's spite theory is correct.

Agua Caliente Race Track and Casino was closed. Aldrete lost his job.<sup>4</sup>

After his short lived career as a track and casino manager, Aldrete invested in a malt plant and an oil refining plant. He imported copra from the Pacific and processed the copra into oil in a duty free area of Baja California. Naturally he marketed the oil throughout Mexico at a lower price than other domestic oil producers who were in competition with him. Aldrete's oil operation did not go unnoticed by his competitors and he was forced to make some concessions. Several of the oil producers had complained to the Federal government that Aldrete's advantage was unfair.

Not long after the oil producers and refiners voiced their complaints, Aldrete on his way to Mexico City stopped in Nuevo Laredo at Industrias Unidas to pay a call on Chito. Commercial air travel was still a novelty in the forties, and the most convenient means of travel was by

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<sup>4</sup> Ibid. Ironically, Aldrete was a competitor of Bruno and Ferro Pagliai, who had opened a hotel and gambling casino in Ensenada, Baja, California. Aldrete had bribed the customs officers at the border of the Californias not to allow the Pagliais to import the gambling equipment necessary to operate the casino at Ensenada. When Aguas Caliente was closed in 1934, Aldrete came to the Pagliais and wanted them to join him in his complaints to the government about the closure of his casino. The Pagliais just laughed at him. It was public knowledge that Aldrete had been instrumental in delaying the opening of their casino.

automobile. To travel from Baja, California to Mexico City, one drove from Tecate to Laredo, turned south through Monterrey, and then to Mexico City, basically following the old wagon trail of the Indians and the Spaniards.

Aldrete introduced himself to Chito, mentioned that he could not stay long, but he had a proposal to make. Aldrete explained that since the oil he imported entered at a duty free port and was processed at his mill in Tecate, the oil became a Mexican product and therefore not subject to taxation. Aldrete had a concession from the Federal Government to this effect, given to him by the Secretary de Gobernacion, Licenciado Miguel Alemán. His proposal to Chito was to sell to Industrias Unidas coconut oil at lower cost since he did not pay any of the usual taxes. I.U. used coconut oil both for the cooking oil and soap plants and they needed a cheap and steady source. Chito accepted Aldrete's offer with alacrity. Aldrete, although previously stating that he was in a hurry, ended by spending the weekend. By his departure, he and Chito had become fast friends and remained so until Aldrete's death.

In conjunction with his malt plant, Aldrete established the Tecate brewery in Tecate, Baja, California. This was fortuitous, because World War II had made beer scarce in the U.S., and being strategically located on the border, Aldrete was in position to sell all the beer he

could produce to U.S. customers. Although U.S. beer cost less, it was hard to buy more than a few bottles. Aldrete priced his Tecate beer much higher, but U.S. citizens could buy as much of it as they wanted because it was not a U.S. product and therefore not subject to rationing. Basically, this was a replay of the situation in World War I along the border. Between his beer business and the copra, Aldrete was considered a very successful businessman.<sup>5</sup>

Over the years, Aldrete passed through Nuevo Laredo many times on his way to Mexico City, and always visited with Chito. Between the brewery and the copra imports, he often had problems with permits and licensing with the Federal government, so Aldrete frequently dealt with the Secretary de Gobernación in the Avila Camacho regime, Licenciado Miguel Alemán.<sup>6</sup> They too, over the years had become the best of friends.

Alemán, once a senator, then governor of the state of Vera Cruz, had risen steadily in the PRM hierarchy.<sup>7</sup> In

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<sup>5</sup> O.L.L. Oral History, Tape 20.

<sup>6</sup> Camp, Roderic A. Mexican Political Biographies. Page 10.

<sup>7</sup> The PRM, Partido Revolucionario Mexicano, as the ruling political party of Mexico was known at this time (1939) was so designated by Cárdenas in conjunction with enlargement of those participating within the party structure. Previously it was created and called the PNR or Partido Nacional Revolucionario by Calles in 1929. In 1946, Alemán again changed the name of the party calling it the PRI, or Partido Revolucionario Institucional and changed

1939, he was the chairman of the electoral campaign of Manuel Avila Camacho, who in 1940, became President of Mexico. As a reward for his dedication and loyalty, Alemán joined Avila Camacho's cabinet as Secretary de Gobernación.

On a visit to Chito, Aldrete announced that he had bought a house in Mexico City for the use of himself, Alemán, and Chito. Aldrete charged Chito for half the cost of the house, and Alemán and his family lived there permanently, while Aldrete and Chito stayed there when they had business in the capital. Later, Chito's share of the house was bought by Aldrete, who gave the house as a gift to Alemán.<sup>8</sup>

Alemán was by simply being in Avila Camacho's cabinet a possible candidate for the next Presidency of Mexico, although at the time, a rather remote one. Often the President of Mexico chooses as his successor, one of his cabinet members. In the case of Avila Camacho, the two favorite candidates for the presidency were Ezequiel Padilla, Secretary of Foreign Relations, and General Enriquez Guzmán. Guzmán, a Mexican general and not a member of the cabinet, was considered likely because he was very close to Avila Camacho's brother, Maximo, who was also a general, and leader of the right wing of the PRN.

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its slogan from "For a Democracy of Workers" to "Democracy and Social Justice".

<sup>8</sup> O.L.L. Oral History, Tape 16.

Padilla was considered the next favored to be chosen. Alemán was given next to no chance because he was disliked by General Avila Camacho.<sup>9</sup>

About one year before the elections, a series of events turned Alemán from the dark horse candidate into the front runner. Padilla, before serving in the Cabinet, had been the Mexican Ambassador to the United States, and was favored for the Mexican Presidency by the United States and the Roosevelt administration. Unfortunately, Roosevelt died in April of 1944, and Padilla lost his U.S. base of support. Meanwhile, General Henriquez Guzmán had the support of the Avila Camacho brothers, but Henriquez Guzmán's wife slighted Sra. Avila Camacho by insinuating that she, not Sra. Avila Camacho, was now the first lady of Mexico. This gaffe occurred well before the "tapado" had been officially chosen, making Alemán the front runner by default.<sup>10</sup>

Shortly after the scandal of "the first lady", Aldrete once again turned up in Nuevo Laredo and told Chito that he promised to help finance Alemán's unofficial campaign. Aldrete had also pledged Chito's financial support.<sup>11</sup>

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<sup>9</sup> Ibid, Tape 19.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid. Chito did not remember how much money he and Aldrete contributed, but he thought at the time that it was considerable. Aldrete had pledged to pay more than Chito.

After Alemán had been declared an official candidate, money for the campaign was readily available, but as an unofficial pre-candidate, money was scarce and Alemán was depending on a few generous men like Longoria and Aldrete to come to his aid. Actually, Chito and Aldrete continued sending money to Alemán after the election.<sup>12</sup>

A newly inaugurated President Alemán appreciated the fact that Aldrete and Chito had helped his candidacy when times had been tough, and he acknowledged this. Two or three days after Alemán had officially taken office, Aldrete and Chito were invited to attend a meeting with the President at Los Pinos.<sup>13</sup> The President asked Chito and Aldrete if there was any favor that he could do for them.

Alemán's offer of any favor was the answer to one of Chito's most annoying problems in Nuevo Laredo. The Chief Customs Officer in Nuevo Laredo who was also in charge of the of the city's electricity was inordinately greedy. For years the official had threatened to cut off the electrical power to Industrias Unidas, hinting that there was not enough power for the town and that I.U. would be one of the

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Aldrete had pledged perhaps 50,000 pesos per month, and expected Chito to pay about 20,000 pesos as his share.

<sup>12</sup> Ibid. Chito recalled that one time he was late sending the money to Alemán. Shortly after, he received a telegram from Rafael Olmos, Alemán's private secretary saying that he had not received Chito's monthly "letter".

<sup>13</sup> Los Pinos is the equivalent of the White House in Washington D.C.



first industries to be shut down if power demands increased. Soon Chito had trouble transporting his soap exports across the Río Grande to the U.S. In order to deal with this man, Chito bribed him to keep the electricity running at the plants and his exports moving across the border. Each year the threats continued and the bribes increased.<sup>14</sup> The notion that Alemán could remove an obstacle to his manufacturing and exports was a god-send.

At their meeting, Aldrete described to Alemán Chito's major headache at the border. The President asked the man's name and Chito told him. Alemán then picked up his telephone and called Ramon Bateta, the Secretary of the Treasury and said "Ramon, I'm talking here with Chito Longoria and he's having problems with the custom collector in Nuevo Laredo. Fire him and get someone else".<sup>15</sup> Aldrete, Chito and Alemán went on talking for a while and then Chito excused himself and left the two men by themselves. This had been previously arranged by Aldrete; that when he gave Chito a signal, he was to ask permission to be excused and to wait for Aldrete outside.

About twenty minutes later, Aldrete emerged from Los Pinos and announced that he had been named governor of the

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<sup>14</sup> O.L.L. Oral History, Tape 20.

<sup>15</sup> Ibid.

territory of Baja California del Norte.<sup>16</sup> Baja California was in 1946 still designated a territory by the Mexican government. Baja was divided into northern and southern districts and did not have the legal status as one of the United States of Mexico until Alemán made it a state in 1947.

Alemán's appointment of Aldrete as governor of Baja Norte was considered by many to be an imprudent but typical action. Strong willed and independent, Alemán did not bother to consult with nor obtain a consensus from his cabinet members on the appointment of the governors of the states of Mexico.<sup>17</sup> He arbitrarily named men that were friends or to whom he owed favors. In fact, often the governors were not even residents of the states to which they were appointed as governor.<sup>18</sup> This did not sit well with the local caciques<sup>19</sup> or the members of the PRI.<sup>20</sup> As it turned out, Aldrete was governor of Baja California for only one year (1946-1947). Apparently he governed the state with an arbitrariness which outraged the populace

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16 Ibid.

17 Brandenburg, Frank. The Making of Modern Mexico, Englewood, Prentice Hall, Inc. 1964. P. 103.

18 Ibid, p.102.

19 A cacique is a local political strong man.

20 Brandenburg, p.151.

and politicians alike. President Alemán was forced to ask his old friend to resign. Aldrete's political career seemed destined to be measured in one year terms.

During his one year as governor, Aldrete's financial empire began to crumble.<sup>21</sup> Included in his empire was Tecate beer, which Aldrete had had phenomenal success selling during World War II. to the U.S. To facilitate this operation, Aldrete had arranged a contract with Balfour-Guthrie, a U.S. based commodities broker, to ship, distribute, and sell his beer through that firm. Although the war was winding down, Aldrete presumed that he could make more money if he cut out Balfour-Guthrie as the distributor and sold the beer directly to U.S. liquor wholesalers. He sold his beer to Balfour for \$3.50 per case and Balfour resold it for \$5.00. Aldrete begrudged the distributor its profit.<sup>22</sup> Yet the war was over, and there was no longer a strong demand for Tecate beer. Instead of earning more money with the exclusion of Balfour-Guthrie, he earned less since he no longer could count on the distributor for a contracted sale of a certain amount of beer. He had expanded the capacity of his brewery several times and then ignored the business. On top of that disaster, the brewer at Tecate made some bad beer which

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<sup>21</sup> Camp, Mexican Political Biographies. P.10.

<sup>22</sup> O.L.L. Oral History, Tape 20.

spoiled so that the meager amounts he was still selling, were shipments of rancid beer. Soon, his other businesses started slipping, some failing completely, while Aldrete refused to curtail his own extravagant mode of living. Checks paid in advance for delivery of Tecate beer were cashed and deliveries never made. Eventually, Aldrete was accused of kiting checks and his beer and oil businesses were put into receivership.<sup>23</sup> The Tecate brewery was eventually taken over by a Monterrey brewery and operations continued under the name of Tecate. By 1947 he had been forced to resign from office and in 1948 he declared bankruptcy. He fled to Spain in 1951 to avoid his creditors after a warrant had been issued for his arrest.<sup>24</sup> He died in obscure poverty several years later.

Although Aldrete was in disgrace both financially and politically, Chito was able to remain on good terms with President Alemán, often traveling with him as he made political tours throughout Mexico. On one of these political trips, Chito accompanied Alemán to his own city of Nuevo Laredo and visited Chito's ranch called Rancherías, which encompassed the northernmost tips of three states: Tamaulipas, Coahuila and Nuevo Leon. As mentioned, Chito had begun the acquisition of his ranch in

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<sup>23</sup> Ibid.

<sup>24</sup> Camp, Mexican Political Biographies. P. 9.

1932, when he bought the main part of it from the Madero estate. Over the years he had added to it as other adjacent parcels of land became available.

One of the drawbacks of traveling to Rancherías was the arrangement of the fences and gates. Although the ranch was not that far from Nuevo Laredo, it took over three hours to pass through one ranch to another, opening and closing the gates of each ranch until the main part of Rancherías was reached. Many of the ranches that had to be passed through were not the property of the Longorias nor was there a public highway which passed near the ranches. After showing Alemán the situation of the ranches, Chito chided the President for not building a road next to the bordering river. Over time Chito suggested that Alemán would be doing northern Mexico a great service if he were to build a road as far as Columbia, which is in the state of Nuevo Leon. Eventually, to the joy of the town of Columbia and Chito, Alemán ordered a road built which paralleled the adjacent river and made travel from Nuevo Laredo to Columbia and, coincidentally the ranch, much shorter.

A method Chito used to assure continued access to President Alemán and other highly placed politicians was to bring their private secretaries and assistants gifts or do them small favors each time he came to see their boss.

Rafael Olmos was President Alemán's personal secretary, and his brother Salvador became the private secretary to Adolfo Ruiz Cortines, during the Alemán administration and continued this position after Ruiz Cortines became President of Mexico in 1952.<sup>25</sup> The Olmos brothers were also from the state of Vera Cruz as was Alemán.<sup>26</sup>

The powers and duties of Private Secretaries in Mexico are very different from those of the United States. In Mexico, most are men while in the U.S. most are women. In Mexico a Private Secretary has absolute control of his superior's appointment book and daily agenda, including his telephone calls while in the U.S. this is rarely the case. Private Secretaries in Mexico especially those of politicians often assume their superior's position when he leaves office or retires. This is not the case on the other side of the border.

In his book Bureaucracy and Development, Martin Greenberg observes that "the waiting room of the Private Secretary is filled with people willing and eager to pay for the privilege of (1) simply seeing the Private Secretary or perhaps the Minister himself, and (2) influencing one or both of these gentlemen. The Private Secretary is the real heart of any ministry although this

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<sup>25</sup> O.L.L. Oral History, Tape 20.

<sup>26</sup> Camp, Mexican Political Biographies. P. 221.

position is not even mentioned on organizational power charts".<sup>27</sup>

Ferro Pagliai recalls that he first met Luis Echeverría when he was the Private Secretary of the Governor Rodolfo Sánchez Taboada of Baja California in 1934'.<sup>28</sup> Sánchez Taboada was also a friend of Alemán, and during his presidency Sánchez Taboada was appointed president of the PRI. Echeverría went on to become President of Mexico in 1970. Ties within the Revolutionary Family on the surface appear to be direct, yet in a real sense they are not. Imagine the twists and turns of fate or friendship that led an inconsequential and obsequious Private Secretary of the governor of the territory of Baja California del Norte to become the President of Mexico.<sup>29</sup>

Political scientists have viewed the changing of the Mexican Presidency in terms of swings from liberalism to conservatism, or to be more precise, statist and nonstatist, that is the imposition of strict government and economic controls upon the state or the relaxing of those controls. Another posit is that as each administration or

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<sup>27</sup> Greenberg, Martin H. Bureaucracy and Development: A Mexican Case Study. P.75.

<sup>28</sup> Interview with Ferro Pagliai, 10-7-88, Tape 2.

<sup>29</sup> Jonathan Kandell's book La Capital, quotes Irma Serrano, mistress of several important politicians as saying that Echeverría's demeanor was servile before he became president in 1970. P. 530.

sexenio (six year presidential term) is completed, the entire upper echelon of government is replaced by the new administration. As can be seen from the Sánchez Toboada and Echeverría examples, this is not always the case. The Revolutionary Family appears to be very large indeed.

As a friend of Alemán's Private Secretary Rafael Olmos, Chito enjoyed the friendship of Olmos' brother, Salvador, who as noted above was the private secretary to Adolfo Ruiz Cortines, and consequently Chito had access to Ruiz Cortines.<sup>30</sup>

The Alemán administration emphasized the development of private enterprise, modernization of industry and urban areas which was achieved to some extent, at the expense of labor.<sup>31</sup> One of Alemán's favored projects was the development of Acapulco as an ultra modern and luxurious resort for seaside vacationers. To this end, a modern, four-lane highway was built which connected Mexico City with the Pacific coast and made the resort more accessible to the residents of the capital. He achieved the same goal on the east coast of Mexico by building a super highway from his home city of Vera Cruz to Mexico City.

Alemán is credited by some historians with the creation of modern Mexico. Great strides were made during

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<sup>30</sup> O.L.L. Oral History, Tape 20.

<sup>31</sup> Brandenburg, p. 102.



the Alemán administration in the industrialization of Mexico, and public projects multiplied at a terrific rate, yet something had to give in an atmosphere of non-stop spending of public funds. Mostly it was the lower and middle classes that suffered. Salaries were purposely kept at a minimum so that profits would be higher.<sup>32</sup> With capital accumulation, forced savings, encouragement of foreign investment and tourism, Alemán acquired the necessary monies to forge ahead with industrialization and refurbishing Mexico's infrastructure. If the workers struck, the army was called in to disperse the men which was the antithesis of the Cárdenas Administration.

Opinions of the Alemán Administration range from brigand to savior, depending on which economic and political philosophy is opined. Historian Frank Brandenburg appeared to side with those who viewed Alemán and his clique as corrupt, but many others saw Alemán as a hero who set Mexico on the irrevocable path of industrialization. Indeed, the Alemán apologists agree that certain segments of the population suffered, but circumstances played a major part of Mexico's industrialization. A mass exodus from rural to urban environment kept the work force plentiful and thus wages

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<sup>32</sup> Meyer and Sherman, The Course of Mexican History. P. 645.

remained low. Nonetheless, the Alemán Administration provided the opportunity for the growth of a strong and private Mexican capitalist class.

The Alemán administration spent millions of pesos on the expansion of Mexico's infrastructure. A major item on Alemán's list was dam construction. The Falcon Dam, the first to be constructed on the Rio Grande was located 50 miles south of Nuevo Laredo. The dam was constructed with the cooperation of the United States to bring more water to both sides of the border. Both countries financed its construction. The advantage of the Falcon dam to Mexico was the irrigation of farming areas between Reynosa and Matamoros on the Mexican side. Mexican cotton farmers morosely watched the construction and noted that on the United States side they were building canals to carry river water to unirrigated areas that would soon become fertile. No similar canals were being constructed on the Mexican side. It appeared that there was no money allocated by the Mexican government for canals and only the dam was to be built.

Cotton growers of the region met to address the problem. If there were no canals, the dam was useless to the farmers who were not adjacent to the river. The dam would also be useless to the cotton merchants, who had originally envisioned a greatly expanded cotton producing

area which naturally would benefit farmers and merchants alike. The upshot of several meetings was an agreement to raise money themselves for the construction of the canals if the government could not find available funds. Cotton prices in 1948 were good and the farmers agreed to buy a bond of 50 pesos for every cotton bale that was ginned. At the time they were baling about 300,000 bales, which added up to a sizable sum for initial canal construction. If the cotton crops expanded and prices remained stable, the canals would be finished in a few years.

President Alemán paid a state visit to Matamoros with several cabinet secretaries, and Chito and his group of merchants and farmers arranged a meeting with them. Since Chito was a personal friend of the President and the largest broker, he was the spokesman for the group. He explained to Alemán the need for canals, and that with the additional water cotton production would be substantially increased. Initially the President was not enthusiastic, but when the plan was fully explained, that the growers and the merchants were going to give the money to the government, Alemán was pleased.

The final plan was to issue government backed bonds of 50 pesos per bale of cotton. The income would naturally expand with the production of more cotton. The government would also make more money because there was a tax on all

exported cotton. The more cotton exported the more revenue. Eventually the farmers were to be paid back by the government with the excess export taxes on the cotton. It was a no-lose proposition. The bonds were redeemable in 10 years at 6% interest. With Alemán's approval, the bonds were issued within 30 days. The venture was a success. The canals were built and cotton farming and exports expanded just as predicted by the farmers. The Falcon dam was completed in 1953.

A devaluation of the peso in 1954 and some bad harvests impelled the farmers to sell their bonds prematurely. Since the 10 years were not past, the bond was not worth the 50 pesos that they had originally paid, probably about 25 pesos. Chito bought the discounted bonds and acquired about 30 million pesos worth. Later, he too needed money on short notice and travelled to Mexico City to see what kind of deal he could make selling his bonds.

Chito checked into the Hotel Ritz, hid his two suitcases full of bonds beneath his bed and went to the lobby to meet some friends. He and his friends ended up dining at the Bankers Club. He was seated next to a man named Carlos Trouyet, Chairman of the Board of Banco Comercial Mexicano, S.A. and Telefonos de Mexico and another good friend of President Alemán.

During dinner Trouyet and Chito talked and the conversation turned to the subject of cotton. Trouyet inquired if Chito were familiar with the canal bonds that had been issued for canal construction on the Mexican side of the Falcon Dam. Trouyet mentioned that he was very interested in acquiring any bonds that were available. Maintaining a straight face, Chito indicated that yes, he had heard of the bonds and might be in a position to help Trouyet obtain some of the canal bonds. Soon they were discussing what price Trouyet would be willing to pay for the bonds, providing that Chito could find a few. In the end, Chito convinced Trouyet that the bonds were worth at least 45 pesos per bond. Trouyet then asked Chito when he thought he could start gathering the bonds; Chito replied that he could get them within 15 minutes; that they were tucked under his bed at the Hotel Ritz and that he had 30 million pesos worth. Trouyet was indeed surprised and Chito was elated that he had made a profit of over 20 million pesos. Trouyet also found the deal profitable. He knew that the bonds were worth more than the previously advertised 6%, because they had been issued by the Bank of Mexico and the bank was paying 12% on its bonds. It was a profitable first meeting for Chito and Trouyet, one of the first of many.

Alemán, at the conclusion of his term as president in 1952, became Minister of Tourism. Although his new position was time consuming, he found time to conduct business outside his political duties and often his partners were Trouyet and Chito. Shortly after the Canal Bond transaction Chito, Alemán, Trouyet and a gentleman named Juan March became involved in the development of Las Brisas, in Acapulco, one of the most famous sea side resorts in the world.

In the mid-1950's March, an officer of the International branch of Bank of America stationed in Mexico City, was fishing off of Acapulco when he noticed an undeveloped hillside that undoubtedly had a panoramic view of Acapulco Bay. The hillside was located at the south-east end of the bay. The area would be a perfect location for an elegant development of vacation homes since Acapulco was fast becoming such a fashionable winter retreat.

March inquired about the ownership of the land and proceeded to purchase the southern slope of the hillside at the far end of the bay. After payment, the title was recorded. When he received the deed, the seller had sold him and recorded the title to the wrong side of the hill. March persuaded the seller to sell him the other side of the hillside for less than he had paid for the first parcel. It was March's idea to subdivide the hillside and

sell lots for vacation homes to discerning and wealthy buyers who wished to live in an exclusive and elegantly planned subdivision.

An acquaintance of Alemán, March knew that Alemán had recently built a large hacienda on the road that led past the land that March had just purchased. This meant that a modern throughfare which would connect Alemán's new home and March's development to the city of Acapulco could not be far off. To publicize the new development, March persuaded the editors of Town and Country magazine to come to Acapulco to photograph and write a feature article on the new resort called Las Brisas. Financing for the initial development of the property was handled by Banco Comercial Mexicano, Trouyet's bank.

The subdivision was an international success and the lots sold quickly. With such immediate success, Trouyet persuaded March that the development of a luxury hotel in conjunction with the residential development would be lucrative. In this business proposal, Banco Comercial did not loan the monies to build the hotel, but March in partnership with Trouyet, Alemán, Chito, and a few other Mexican investors used their personal funds to build the hotel and thus became stockholders.<sup>33</sup> There was one slight

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<sup>33</sup> Telephone interview with John Henry Houze, Houston, Texas. 10-27-88. Houze was one of Juan March's oldest and best friends.

hitch to their hotel development. The land in which they were interested was in part ejido land<sup>34</sup> and partially the property of the Mexican Navy, a naval base called Icacos.

With Alemán as a silent partner of the hotel, the obstacles to ownership of the ejido land and the naval base were resolved. It was Mexican government policy to try and compensate campesinos and ejitarios for their land if their properties were so situated that it was an obstacle to development, and this was certainly such an obstacle. In return for cessation of their land, the ejitarios were given other lands away from Acapulco Bay.<sup>35</sup> A portion of the naval base was condemned and ceded to the hotel partnership.

Ten million pesos was required to build the hotel. At its inception the hotel was planned as a modest one composed of casitas, or small houses which would be rented to guests. By its completion, the hotel had become an elaborate complex of casitas cascading down the hillside to the bay. Almost every casita had its own swimming pool.

After the hotel was completed, March and his wife Jane tried to run it while March continued to work for Bank of America in Mexico City. It was too complicated to run from long distance. For the first two or three years the hotel

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<sup>34</sup> Ejido land is peasant communal farming land.

<sup>35</sup> National Geographic, Vol. 126, No.6, p. 871.



lost money. The Hilton Hotel group was brought in to manage the hotel and did so for ten years from 1954 to 1964. The hotel was a great success especially when air travel became more efficient with the introduction of jet airplanes. By 1962, the airport at Acapulco had a runway long enough to accommodate commercial jet airliners and access to Acapulco became more convenient to North Americans escaping cold winters.

As the original investors lost their enthusiasm and started selling their stock, Carlos Trouyet and Miguel Alemán began buying all that they could acquire. March wanted to keep his shares and refused to sell to Alemán and Trouyet as he believed in the future of Acapulco and Las Brisas. While March and his family were in Europe, he received a wire indicating that his shares of Las Brisas had been transferred to Trouyet and Alemán. He had never signed a deed of sale, nor had he ever planned to sell his stock yet somehow the shares had his signature. He returned to Mexico and tried to institute legal proceedings, but was advised by his lawyers and friends that it was better to say nothing since he had no chance of winning a court battle against Alemán and Trouyet.<sup>36</sup> Chito would not sell his stock either. Later Trouyet invited him

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<sup>36</sup> Telephone interview with Jenny March, Juan March's daughter. 10-16-88.

into another partnership in Las Brisas for an additional investment of 1 million pesos and a 40% interest. Chito declined the offer, since Trouyet would then have the advantage of paying off his own original loan obligation, and having a larger share of the Las Brisas stock.<sup>37</sup>

Las Brisas was eventually sold to the El Camino Real Hotel chain in the late 60's. March retained title to the residential section of Las Brisas until all the land was sold. He was transferred to Cuba by the Bank of America in 1959 and remained there until Fidel Castro drove capitalism from the island in 1961. The hotel and the residential area next to it has remained the exclusive winter play ground of the elite.

During Alemán's presidency, Chito often saw the President both socially and for business. Most of Chito's time was occupied by his cotton and wheat operations in the northern part of Mexico, but a substantial amount of time had to be spent in Mexico City as his businesses grew more complicated and sales and distribution problems became more complex. At the end of World War II the United States limited the import of cotton in order to protect its own cotton farmers whose products were no longer needed for the war effort. Tariffs were placed on the cotton exported from Mexico to the United States and Chito found to his

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<sup>37</sup> O.L.L. Oral History, Tape 30.

dismay that there was no longer as large a profit in this field. In order to sell his cotton and effectively compete with Anderson-Clayton and Mc Fadden, (another U.S. based cotton concern), the major cotton suppliers to the textile mills in central Mexico, Chito established offices in Mexico City.

While Chito put together the odd but lucrative deal in Mexico City, most of his time was spent in Nuevo Laredo running the various Longoria interests. Federico, the next eldest Longoria brother ran Banco Longoria on a day to day basis, the finance company and Inversiones y Terrenos, a real estate holding company, while Chito remained the chairman of all the Longoria enterprises. Shelby the next eldest brother, oversaw the operation of their cotton gins around Matamoros. Eduardo ran two automobile agencies and several movie theaters. Alfredo, the youngest of the brothers, worked directly under Chito at Industrias Unidas in Nuevo Laredo. Chito's function in the family and the businesses was that of an engine of a railroad train with the brothers as the railroad cars; if the engine did not pull, the cars did not move.

By 1950, Longoria interests consisted of Banco Longoria, a finance company, Industrias Unidas, Inmuebles y Terrenos, Chevrolet and Ford automobile agencies in the major cities of Tamaulipas, lumber and hardware businesses,

ice plants, a butane gas company, motion picture theaters and a furniture factory with retail stores to handle its production. They also had opened a series of provision stores which primarily carried their own products from Industrias Unidas: margarine, cottonseed oil, flour, soap, and insecticides.

Under the umbrella corporation of Industrias Unidas were 33 other companies. Included were 33 cotton gins in the states of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora, Sinaloa, and San Luis Potosí. The oil mills were located at Nuevo Laredo, Gomez Palacio, Durango, and Culiacan, Sinaloa. By 1951 there were two partnerships with Anderson-Clayton in two oil mills, a compress and an insecticide plant located in Matamoros.<sup>38</sup>

Inmuebles y Terrenos held title to all properties purchased by Chito and later, by his brothers. The titles to all their properties were registered in the names of members of the extended Longoria family. Chito was also president of Banco Continental which was located in Mexico City and a director of Banco Comercio, one of the largest banking institutions in Mexico. Because of his position of director, Chito began commuting to Mexico City on a regular basis. While in Mexico City to attend the marriage of his

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<sup>38</sup> Laredo Times, Sunday December 23, 1951. Chito was named by the newspaper as "The Most Outstanding Man of the Year".

daughter Gloria to Mario Padilla in 1951, Chito became involved in another profitable real estate venture which came to be known as Bosques de las Lomas.

Chito's daughter Gloria was married to Mario Padilla in a small chapel on the Padilla estate which was located just above Mexico City on a lovely hill. At the wedding reception Chito spoke to a fellow guest named Juan Torres Vivanco, who pointed to the green hills on the opposite side of the valley and asked if Chito would like to own land as beautiful as that. Chito made a joke about the impossibility of owning such a large tract. Torres Vivanco said he was serious, that he was the owner of the land, and it was for sale. Torres Vivanco wanted 250 pesos per meter for the land. Chito asked for a few days to raise the money and to research the price of land in the Lomas area. Torres Vivanco gave him two days. Chito immediately consulted his friend Carlos Trouyet both for price and interest in the purchase of Torres Vivanco's land. Chito did not necessarily need Trouyet as a partner for financial reasons but he did need him for his social and political connections in developing the land and getting the proper permits. Besides, spreading the cost of the land among partners lessened the personal financial risk.

The land purchase was completed in 1951, but it took almost 16 years until they could develop the land because the Mayor of Mexico, Ernesto Uruchurtu refused to issue the necessary water permits and without them, it was impossible to obtain building permits for the land.<sup>39</sup> Uruchurtu contended that Mexico City was overpopulated as it was and that water was already too difficult to obtain, since it was shipped through viaducts from mountain lakes at least eighty miles distant.

Chito and Trouyet paid Torres Vivanco seven million two hundred thousand pesos for the land. The name of the land company they bought was called Inversiones Mer-Mex, and the actual transaction was the purchase of all of the shares of Mer-Mex, which was the legal owner of the land. Directly after the sale, Trouyet insisted that a business associate, Luis Salcedo Bermojillo be included in the partnership. Chito consented and the partnership was redivided 40-40-20 with Bermojillo receiving 20% and Trouyet guaranteeing that Bermojillo would not sell his shares to another or do anything untoward. During their long wait for the permits, the partners were constrained to hire police to guard the land for fear that the agrarians might squat on the land and claim it for their own.

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<sup>39</sup> O.L.L. Oral History, Tape 22.

The land was roughly 315 hectares<sup>40</sup> located in the western sector of the Federal District and adjacent to Lomas de Chapultepec, which was considered the top residential area of Mexico City. In 1966 the partners organized an umbrella engineering and development company to sub-contract the construction of streets and underground services such as water, storm drains, sewers, electricity, telephones and gas.<sup>41</sup> The sites ranged from 1/12 to 1/2 hectares and prices started at 600 pesos per meter. This made the total value of the area potentially worth 1.7 billion pesos. The partners had also set aside land for commercial development.

In 1967, the shares of Mer-Mex were converted to shares of Bosques de las Lomas, S.A., capitalized at 60 million pesos. Chito's share was 24,000,000.00 pesos. Unknown to Chito, Bermojillo sold his shares of Mer-Mex to Trouyet and was replaced as a partner by Eustaquio Cortina, 3% and Miguel Alemán, 17%. By his covert action, Trouyet had gained control of Bosques de las Lomas.

Shortly after incorporation, Bosques de las Lomas received the necessary water and building permits. In 1968, worried about the investment, Alemán withdrew from the partnership and sold his shares to Trouyet for twelve

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<sup>40</sup> A hectare is equivalent to 2.4 acres.

<sup>41</sup> Bank of America, Loan Credit Report, p.2, 3-27-72.

million five hundred thousand pesos. In the same week, Trouyet turned around and sold 5% of the returned shares to Manuel Senderos for the same twelve million five hundred thousand pesos. This is an indication of how much the value of Bosques had increased over the years even though the development was not complete. It was also an example of Trouyet's wily business practices. Chito was annoyed by his loss of control of Bosques, but by this time he was involved in personal problems and disputes with his brothers. Also, there was not much he could do to change the situation.

Another example of the wily ways of Carlos Trouyet was the manner in which he handled a subcontractor of the Bosques development. The pipe company was a supplier of sewer pipe for the development and the company went broke. Trouyet bought the company for a few pesos. He sold the remaining sewer pipes of the defunct company to Bosques at an inflated price and demanded a kick-back on the sales. By 1970 Trouyet controlled Bosques with 52% of the stock and was calling the shots. It paid to stay alert when doing business with Carlos Trouyet.

By 1962, Chito's position as a powerful industrialist and entrepreneur was firmly established. An indication of his eminent position was an invitation to join as a founding member of the Mexican Council of Businessmen,



commonly known as CMHN. Created in 1962, the group is considered by discerning observers of the Mexican economy to be the most powerful group of businessmen in Mexico. Roderic Camp describes the group as semisecret, and the real power behind the throne.<sup>42</sup> Actually, the group often meets with the President and his cabinet to give and receive information about the conduct of business and the Mexican economy.

Probably the most important aspect of the CMHN is the relationships between the members themselves. Most of the members were life-long friends of Chito, men that Chito saw socially over a period of thirty years, especially Bruno Pagliai, Manuel Espinosa Yglesias, Jorge Larrea, Augustin Legorreta, and Rómulo O'Farrill. Chito resigned from the CMHN in 1977, but remained friends with the members of the group.

Important political and social relationships aided Chito in his business successes, especially his friendship first Alberto Aldrete and then with Miguel Alemán. The odd but profitable land and business transactions which took place in Mexico City were quite glamorous, but the backbone of the success of Industrias Unidas was cotton and oil based products which continued to expand. It seemed for a

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<sup>42</sup> Camp, Roderic A. Entrepreneurs and Politics in Twentieth-Century Mexico. P. 167.

time shortly after the war that whatever opportunity presented itself, Chito could make it a success and make a profit. Chito's induction into the powerful CMHN was an indication of his importance to Mexican industry. Alemán and Trouyet remained Chito's good friends until their respective deaths. Trouyet died of cancer in 1971 and Alemán died in 1983.