Air Mail

Mexico, November 6, 1942

My dear Collado:

I have your personal and confidential note of November 4th with regard to the desirability of sending an economic mission or whatever we choose to call it, to Mexico. I note that this has been brought up in discussions which you have had recently with Mr. Suárez and Mr. Espinoza de los Monteros.

As you say, the Mexican Government formally requested such a mission about a year ago, following the conclusion of the claims and petroleum settlements. Shortly after my arrival here, it was I believe Larry Duggan who wrote me at considerable length, or it may have been Mr. Welles, asking my opinion concerning the desirability of sending such an economic mission to Mexico. I naturally gave the matter a great deal of thought before I replied, and I had a certain amount of reserves in being as categorical as I was in my final recommendation, as after all I had not been in Mexico very long. My recommendation was that such a mission should not be sent at the time and not in the then immediately foreseeable future.

Some months afterwards the question arose again through an inquiry, I believe from Mr. Duggan, and I again said that I did not believe that such a mission was then desirable. This correspondence is either in the Department's files or in the personal files of Mr. Welles or Larry Duggan.

I have now been here since February and you know how carefully and intimately I have been in touch with every phase of our program of political, economic, and military cooperation with Mexico. This program, in my opinion, in view of all the factors involved, is developing in a very satisfactory way. A year ago none of us would have believed that it would have been possible for us to have the situation develop as well as it.
it has. If in some ways we have not been able to reach everything in every phase of our program that we or the Mexican Government desire, I am sure that the responsible people in our Government as well as in the Mexican Government realize that we have made much more progress in that than we would have thought possible a year or even a few months ago. Under the circumstances, I think it would be very unhappy for us to inject anything into the situation which we are not almost certain will be constructive. It is my definite opinion and conviction that for us to send such a mission to Mexico now would not be constructive and would give rise to difficulties rather than ironing them out.

One of the things which I think some of our people forget - and this is true of other agencies of our Government, not the Department of State - is that not many months ago we were still uncertain as to what kind of Mexico we would have to deal with. We certainly did not expect to have Mexico as an active ally and open partner in the war. The fact that Mexico is in the war and that she is collaborating with us so whole-heartedly does not mean that everyone here is happy with this policy of the Mexican Government. Just at the moment the Government is passing through a period of criticism because of the attitude which it has taken to the effect that Mexicans domiciled in the United States should serve in our army forces in accord with our Selective Service Laws. This is merely an indirect way which those opposed to the program of collaboration have of attacking that policy of collaboration. Their efforts to injure the Government will not be successful, but I only mention it as indicative that we have a long way to go here still to consolidate the position which we are at present enjoying, and developing. It requires the most careful and constructive effort and handling on the part of our own people at home and on the part of those responsible in Government here.

The original reasons which prompted the Mexican Government to ask for such a mission have really disappeared. A great deal of water has run under the bridge since then. We have arrived at the metals agreement through the constructive labors of Dr. Bateman and others. The Altos Hornos project is no longer a project but is under way. Almost every week we enter into some new agreement of some kind or other in our procurement program or in our program for economic
economic collaboration. We are about to complete an exchange of notes which will place the rehabilitation of the Mexican Railways system on a good basis. We think we have found an agreement for the construction of the Lower California highway. Both these latter are extremely important projects.

Many of the things of which the Mexican Government was thinking when it proposed this mission have already been realized or are being adequately taken care of. In the meantime, the staff of the Embassy has developed in numbers and in efficiency and this organization has become much more effective. The staff of the Embassy now is able to take care of practically every problem which arises and we have people here who can handle these economic matters from the technical as well as from the broader aspects. We have an procurement office of our Government which acts for all of the procurement agencies at home and it is under the direction of a very good man here, Ransom, and it works under the close supervision and in close collaboration with the Embassy. During the coming visit of Mr. Rosenthal of the EEU to Mexico City, I feel sure that we will be able to arrange for the decentralization of export control so far as Mexico is concerned, and this will mean a considerable further increase in our staff and responsibilities. As the Embassy and as the procurement office have progressively functioned more effectively, it has been increasingly obvious that these hordes of so-called experts from various agencies in Washington are not necessary and that they complicate rather than help the situation here. I do not mean to say that some of the people who have been here from the Department and from other agencies have not been helpful. Some of them have been most helpful and we could not have done without them. As we may need them in the future, suggestions for their coming here will arise from home or from us here.

When I heard about the sending of the mission under Mr. Morris Cooke to Brazil, I crossed my fingers and I feared that we should find we will only awaken, through such mission, enthusiasms and hopes which we will not be able to fulfil. I think we must avoid the mistake of sending such a mission to Mexico, where I am sure it is even less needed than in Brazil.

The situation is that we are currently able to take care of the problems which are arising. I and the members of my staff and certain members of the procurement
procurement office have constant and daily contact with all the leading people in the Mexican Government, and of course with many in Mexican industry. This contact is on an understanding basis and such that we can discuss any problems which arise, having in mind all the vast background which you know is essential for proper discussion of economic problems. If any special problem arises and the staff which we have here is not competent or adequate to take care of it, then I think we have to consider the sending of experts from home or of special missions on temporary detail to look into these things. This is the form in which I think we should seek the solution for the present: that is, to use to the full the Embassy staff and organization and our procurement office, and whenever necessary supplement our efforts by experts or missions sent on temporary and special detail.

General Rodríguez has been named as a sort of coordinator of Mexican industry. He is a very fine person. He is a very capable business man. He is a good organizer. His way of doing things, however, is to get things started and then step out. This is what he has done constantly in all the private businesses which he has built up from nothing. As soon as possible he has disassociated himself from them as much as possible. For your private and confidential information, I can tell you that he is now thinking of actually accepting to run as Governor of the State of Sonora. There are sentimental considerations behind this. My first thought was that he would not even consider doing this, but I now learn that he is actually thinking of it and it is his intention, at least his present intention, after he has organized this board which is to look after industrial coordination, to step out of the picture. He and I are very good friends and it is my hope that I may convince him to remain in his present position; but I know how strong this sentimental urge is to take the Sonora governorship, and I rather fear that we have to count on his following his long-continued practice, rather than listening to any considerations which I may bring to his attention. It is my considered opinion that if General Rodríguez leaves this to a Junta over which he himself does not continuously preside, the thing will not work very well, but I believe this is what we must look forward to.

If we send a mission here now, no matter how well-selected the men on it may be, and no matter how sound they are, it is going to give rise to all sorts
sorts of discussions here and to all sorts of hopes, and we will be pressed with the immediate consideration of a number of projects which you and I know it is quite impossible for us to do anything about during the next phases of the war - and some of them at least until after the war. In other words, by sending a mission here now we will only complicate the situation for ourselves and for the Mexicans. I frankly do not see a single constructive thing which such a mission could accomplish. I can see a score of things which the very naming of the mission would complicate for us.

I think some of our Mexican friends would be prepared to see such a mission because they think it would be a means of bringing greater pressures on us for doing certain things I am confident we cannot do. As there is the hope that through these pressures something more can be got out of us than will be got otherwise, they are willing to take any risks involved. I frankly do not think that our Mexican friends who are still interested in the mission are interested in it from the long-range constructive points of view which some of us at home have in mind.

I realize that there is much to your argument that unless we do something of this kind an agency such as the BEW may try to get some organization into the picture, of the Brazilian type. All I can say is that I would have to object to this with all my resources. Whatever the composition and whatever the definition of purpose of such a mission would be, it could not serve a useful purpose in the Mexican picture at this time. As I have said, while our position here is good it is not one that we can take liberties with. There is much in the position that has to be consolidated. Every single thing we do in the picture here has to be very carefully considered. The unwise initiatives of certain agencies of our Government will have to be repressed. We have so far been able to take care of most of these unwise initiatives, so far as Mexico is concerned. We must continue to do so. I am sure there are people in our Government who are strong enough to prevent these unwise things by certain agencies, no matter what the pressures may be. So far as I am concerned here, you know I do not set myself up in any way as omniscient; but I have been here long enough to have, I believe, an adequate idea of what we should and should not do. As long as I remain in charge of this mission, our procedure here with regard to the organization of our activities in Mexico
Mexico will have to be determined by the Department and by this Embassy and not by other agencies of our Government. Once we surrender the control of any aspect of our relationships with Mexico to another agency of our Government or to other agencies of our Government, someone else will have to be in charge of this mission, for I would not be willing to assume the responsibilities in such a state of affairs. I am making the foregoing observation only because I wish you to know how strongly I feel about these organizational problems and their importance in our relationships with a country like Mexico.

I quite realize that there is a definite field in which we are not making very much progress so far as Mexico is concerned, and that is the study of the possibilities for the conversion of Mexican industry to war purposes, and of such substitutions or expansion with idle machinery at home which are feasible in the present period of zero materials for export. I know also, however, that so far as the conversion of industry here to war purposes is concerned, there is very little that can be done without supplying material and equipment from home, which we are quite unable to supply for the foreseeable future, and I doubt during the period of the war. I see no reason, therefore, for studying a problem through a mission which we cannot solve so far as Mexico is concerned. Her contribution to the war effort will have to be almost entirely in the supplying of strategic materials. This is just a fact we have to accept and in that field we are making all the progress that we could expect; and a mission could not help at all, but rather the contrary. So far as the conversion of Mexican industry to war purposes is concerned we find even great difficulty in getting the equipment which is necessary for the well-equipped General Motors plant here to transform itself into a plant for the manufacture of a machine-gun in which we are very much interested. If we find difficulty in getting equipment from home for an industry already so well equipped as General Motors, you can see how little feasible it is and little profitable to consider the transformation of other phases of Mexican industry. But even in this field we are making progress by tackling the problems separately. I think we are going to complete very shortly a contract through the Inter American Navigation Company for the construction of some 700-ton boats in Mexico. We can do this
this in the relatively poorly equipped yards as compared with those in the United States. Although I have not gone fully into this, it is my considered opinion that it would not be wise or profitable to undertake studies through a mission for the possibility of converting Mexican industry to war purposes.

That such a mission could plan quietly with certain Mexican officials for further development in a later or post-war period is, I believe, not feasible for the moment. We are dealing with a country which has had many problems forced upon it. Our program of collaboration is placing a greater burden on the existing facilities of the Mexican Government and Mexican industry. They are so busy trying to increase production in certain strategic materials, and with road-building and other programs that I do not believe we should endeavor to study these later or post-war problems through a mission. In this respect I think we should continue to keep the high officials of the Mexican Government informed of the studies which we are making at home in post-war problems. This is, I think, as far as we can get in this phase of the matter at this time.

I agree thoroughly with Undersecretary Welles and what I believe is the Department's general opinion that it would be desirable to put the long-range planning of the development of projects as much as possible under the inter-American cooperative mechanism and thus make use of the Inter-American Development Commission and its country committees. It is true that these country committees have so far played a minor role, but I believe that that role can be developed and that this solution should be sought rather than trying to do these things through a special commission.

I realize that we constantly live under the threat that the BEW and other agencies of Government may raise this question of a mission if we do not; but as I have said before, I do not believe that this should force us or lead us into taking any action which we do not believe wise or prudent, or opportune. If these other agencies then try to push this matter, I still have confidence that there is adequate weight in our Government at home in high and responsible place to prevent this unwise action from being taken.

I hope this letter may prove useful to you, and
you may wish to bring it to the attention of Undersecretary Welles and of Larry Duggan and Philip Bonsal.

Although I am taking this first opportunity to answer your letter, which has just reached me, I wish to assure you that the views expressed herein are well-considered ones based entirely on what, out of my past knowledge of the Mexican problem, I think our action for the present should be.

With all good wishes, and assuring you that I shall be glad to give you any further information which you may wish in reply to specific questions, I am

Cordially and faithfully yours,

G S MESSERSMITH

GSM:KCT

P/s-

I find after reading this already very long screed before signing it that I should nevertheless make the following further comment to complete the picture here:

I am sure that some of our friends, in some of the other agencies of Government particularly, feel that we ought to do something about transforming Mexican industry to a war basis and that a mission would be helpful in this respect. So far as Mexico is concerned, this conception would be based on an inadequate knowledge of the facts. Mexico is more highly industrialized than some of our people think and we can thank God that it is, for the fact that industrialization has made as much progress as it has here is a great help to us during the war, as it relieves the pressure on us for many articles which are necessary for the maintenance of the economy of the country of twenty million people and which we would find it very difficult to supply during the war. This is particularly true of the iron and steel industry and in the textile field, On the other
other hand, we must remember that industrialization has taken place within a limited field of performance and in limited areas of the country. Such industries as are here are for the most part not of a character that they can be transferred to the manufacture of articles of importance in our war program. To transform some of these industrial plants here to a war basis would require much more effort, much more material, and much more readjustment than is necessary at home in order to transform some of our smaller plants in war production. You know that it is only recently that we have made any progress towards using smaller plants at home for war production. There is still a good deal of difference of opinion among people who know at home as to whether it is wise for us to go very far on the transformation of small industries. I think the most responsible opinion still is that we will go further in the actual production program in concentrating on large plants rather than trying to use smaller ones. If we have this difficulty in using smaller plants at home in war production, you can conceive how much more difficult the task would be here to use the plants for war production when the equipment of the best plants here, with a few exceptions, is much below that of what we call small plants at home. I believe it is industrially unwise to endeavor to do much in the way of transformation of plants in Mexico to war production.

More important than the foregoing consideration, however, is the long-range factor. The economy of this country is being very much disturbed by the war, as is inescapable. The post-war problems we shall have to face will be serious and broad enough. I do not see why we should complicate our post-war problem at home, and why, by trying to bring about the transformation of certain industries here for the period of the war when the readjustment after the war will be even more difficult here than at home. In other words, why, in order to secure what would be very inefficient results during the war, create a problem for the Mexican economy after the war? This I think is a very important consideration.

Of course there are a few cases where transformation can take place and these should be studied individually, but we do not need a mission. We are now in the midst of trying to get the General Motors plant here adjusted to the manufacture of the Mendoza machine gun
gun and I am sure it can be done and will be a good thing to do. There may be a few isolated cases of this kind, but we can handle them without a mission. We are also about to complete plans for using shipyards here for building vessels of particular interest in the war effort, but the transformation of the yards themselves will be very little and the post-war readjustments not serious.

Another point which some of our friends at home will make is that we ought to be studying long-range projects for the maintenance of the Mexican economy and building up of her industry. I have covered this pretty fully in my letter. Anything we can do now in the way of building up new industries involves so much in the way of new equipment that it is just useless for us to talk about it, and there is no use raising questions we cannot do anything about. I think all the difficulty which the Atenquique project has given us, which is a basically sound one, but in which we know we cannot really do anything during the war, should be sufficient to bring out this point.

A mission could do nothing constructive in this field at this time, then, and is not necessary. American industry is already looking to Mexico and during the last few weeks at least three important firms at home have started to study the possibilities of doing certain manufacturing here. Some of our own measures at home in the fiscal field, with which I have no quarrel whatever, are nevertheless making certain industries consider the possibilities of decentralization. There will be industrial development in Mexico which will take place as soon as materials are available and thoughtful business men at home are already studying the possibilities in their own special lines and they can do it better than any mission. Their plans will be laid so that when materials are available they will go ahead. Besides that, there is not much use talking about American capital and American initiative here until the Mexican Government has been able to define more clearly its policies with respect to foreign capital and initiative. A much more intelligent and understanding attitude is developing in this respect in Mexico as well as among our best people at home. Intelligent people here are beginning to realize that Mexico needs our capital and our initiative. Some of our best people at home are beginning to realize that if they come here they must expect to work according to the laws of the country and that
they cannot expect to get back their capital in a year or two. Mexico is passing through growing pains at this time. I think the Mexico we used to know has gone or is rapidly disappearing. The new Mexico is developing, but its form is not yet very clear, except that the basic condition will be close collaboration with the United States. This country has passed through a revolution and is still in it and the Government must define new policies or change old ones only with the greatest circumspection. In the field of oil and various other matters this new policy is in the stage of incubation, not even in the stage of definite formulation. We have to be patient and we cannot accelerate this program by sending a mission. We can help it along by the constructive steps we are taking these days in doing what we can and in showing the Mexican Government and people that we really are sincere in our collaboration. This is building up confidence and a new faith. We cannot accelerate this by a mission, but we could do an awful lot to arrest progress by one.