MEMORANDUM

Captain Peabody, Mr. Young and Mr. Lage of the Inter-American Navigation Company arrived in Mexico City by plane at noon on November 9, and were met by a member of the staff. They called at the Embassy the same afternoon and I had a long talk with them. I informed them that General Rodríguez had told me that the Mexican company had been organized to undertake the construction of the boats in Mexico and that he had made sufficient progress with the investigations respecting construction and costs to be prepared to talk with them again. I had therefore telegraphed Washington that I thought a visit by them was now opportune, as the General had said he was prepared to talk with them. I said that I had not discussed with the General the details of the matter since they had been here before, but I knew he had been working constantly on this matter and had had competent people working on it, and I believed he was ready to discuss.

I informed them that General Rodríguez would meet them this morning, November 10, and that Mr. Eockett, the Commercial Attaché of the Embassy, would accompany them on their call on General Rodríguez. I said they would undoubtedly find the members of the Mexican Company which had been organized there as well.

We discussed various phases of the matter at considerable length. The most important matter touched on was that Captain Peabody expressed the opinion that he hoped to make a contract which would provide for payment of a certain amount of the contract price of each vessel when the vessel was launched and the remainder when the vessel was completed. I told him that I regretted this and hoped it was not a definite attitude, as it had been my hope that it would be possible to make arrangements for the Inter-American Navigation Company to make advances to the Mexican Company on the basis of certificates that a certain percentage of the work had been completed. I said that the construction of these boats in Mexico was a considerable undertaking by Mexican industry and that there were all sorts of problems involved which required considerable capital outlay, etc., and I thought we would be entirely justified in making advances on the certification that a certain percentage of the work had been completed. By insisting upon payment of a certain part of the contract price only when the vessel was launched and the remainder when the vessel was completed, we would be making the task of the Mexican company much more difficult. I called attention to the high rates of interest, etc., here, and to the fact that the program involved the Mexican company's making all sorts of arrangements for lumber and fastenings, etc., which amount to a considerable initial outlay of money.

Captain
Captain Peabody said that his idea in proposing the arrangement he had in mind was that it would bring about a more rapid completion of the boats. I said I appreciated this, but we had to remember that we were working in a country in which such a ship-building program was far more difficult and involved far more problems than at home. I expressed the hope that he would keep an open mind on this matter.

So far as the contract was concerned, I said that I did not know what they had in mind, but I hoped that they would remember that the simpler the contract and the less burdened with all sorts of unnecessary provisions, the better it would be. I called attention to the fact that General Rodríguez was a very straightforward business man who was impatient of red tape and what he considered unnecessary detail. He would be prepared to enter into an cut-and-put contract defining responsibilities on the part of the two parties, but he would be impatient of any unnecessary complications and of a purely legalistic document.

I said that I felt confident that if they approached this matter with adequate understanding in their conversations with General Rodríguez, we could get these boats built here at a reasonable cost. I said that it was my understanding that we wanted boats built and that was our objective. It was because I understood this was our objective that I had made the suggestion that we deal through General Rodríguez and eliminate all sorts of other interested persons, irrespective of nationality. I said that General Rodríguez in my opinion, and I felt sure I was right, was the only person in Mexico who could see that these boats were built. If we could not arrive at any reasonable agreement with him and the company which he had set up, I thought any endeavor to try to deal with other companies or interested persons was useless and would be a loss of time and money. I went into some detail as to the reasons on which this opinion is based and Mr. Lockett expressed full agreement with the considerations set forth.

With respect to the other American, Mexican, and Spanish interests which had expressed an interest in building these boats, I said it was my opinion that it was useless to try to deal with them because we would be merely losing time and spending money and not getting any boats. The building of boats of this size in Mexico was a complicated and difficult matter. General Rodríguez could carry it through because of his business competence and his particular competence in this matter and because of the support for the program which he could get from the Mexican Government. If he could not carry
it through and felt that our conditions were such that it could not be carried through, I considered it useless to try to pursue the matter through other persons or other firms.

We had a very helpful conversation and it was agreed that they would see me immediately after they had had this conversation with General Rodríguez and the members of the Mexican company which had been set up.

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Mexico, November 10, 1942
GSM:KCT