Dear Dannie:

I have wanted to supplement my strictly personal letter to you dated August 2 in reply to your letter of July 28 with which you sent me a copy of Mr. Knox' letter to you of July 23 with reference to the Cade, but I have been very busy with pressing things here.

I have however had Mr. Knox' letter in the back of my mind in the meantime and there is really not very much that I can add to what I said in my letter to you of August 2.

Mr. Knox states that after his presentation of this matter to Mr. Gaston the latter stated that such a matter as that which Mr. Knox had presented was of great interest, that he did wish to help the Argentine and the Cade and that the Bank would certainly assist Westinghouse in having the notes and guarantees in a form acceptable to the Bank and further, that he would discuss the matter with his directors with the hopeful intent that the Bank would be able to give a favorable reply.

I have been wondering whether Mr. Knox has heard anything further from Mr. Gaston as to the Bank intervening in the matter in the form Mr. Knox mentioned to him. I think it quite likely that Mr. Gaston has, since Mr. Knox talked with him, discussed the matter with the Board. Mr. Gaston is a man of such a definite and correct attitude that, if he said to Mr. Knox that he would present the matter favorably to the Board, he undoubtedly did so. What the reaction of the Board would be I do not know. I know some of the members of the Board and knowing them as I do I am not sure what their reaction would be as there is this strong prejudice against doing anything for the Argentine, and at least one of the members of the Board is a man whom I know very well and I
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New York 4, N.Y.

August 10, 1951
Page 2.

know that he acts almost entirely on prejudice. What this particular man's feelings are with regard to the Argentine, I do not know.

Besides consulting his Board, Mr. Gaston would undoubtedly discuss the matter with Mr. Snyder and Mr. Martin and I am inclined to think that he would probably discuss it with Mr. Snyder and Mr. Martin before taking it up with the Board as it would strengthen before the Board any position which he would take. I believe that if Mr. Gaston consults or has consulted Mr. Snyder and Mr. Martin, the chances are that both of them would be in favor of such action by the Bank.

Whether Mr. Gaston would consult the State Department I do not know. As you know the relations between the State Department and the Eximbank have been rather strained for some time, and from things which I told you when I last saw you in New York you will gather that they were at rather an acute stage. I did mention this unhappy situation to Mr. Miller in the State Department before I left Washington and I suggested to him that, as there seemed to be such a definite misunderstanding in the Eximbank as to the attitude of the State Department, it would be advisable for Mr. Miller to call on Mr. Gaston to try to remove some of this feeling and to bring about a better atmosphere and working relationship. It is a very unfortunate situation that the relations between the Eximbank and the State Department are not what they were for many years, and they were on a very close and collaborative basis, as they should be. During the last year or more the Bank has shown a great deal of reluctance to ask the State Department for its opinion about any credit, and has received any communication from the State Department made on the initiative of that Department, as an interference, which of course is not correct.

Just what the attitude of the State Department would be if it were asked about the Bank participating in such a credit to the Cade with Westinghouse, I am not able to say and I should say it was a bit doubtful. You know that the policy of the State Department is to follow one absolute correctness so far as the Argentine is concerned, to pay no attention in any way to what the Argentine may be saying and doing even though it is injurious to us and intended to provoke us; in other words, to refrain from anything either to help or to hinder. Whether the Department would consider that giving its approval to such a credit at this time would be contrary to that basic policy which they have for the present, I do not know.

I am the more concerned about this because, even though the relations between the Eximbank and the State Department were in this unhappy state when I last had direct knowledge of them, some weeks ago, I still can hardly conceive of the Eximbank
entering into any arrangements of this kind affecting the Argentine without consulting the Department in some way. Perhaps they may not ask the Department what it thinks of such participation, but may merely say to the Department what the Bank intends to do. In case it is put up to the Department in that way, I am not sure that it would take a negative attitude.

Unfortunately the developments in the Argentine are not such since I last saw you and for some time before, to help her credit position. You know that in public statements and in articles said to be written by President Perón, provocative statements have been made, and again in the last days in connection with the railway strike the ferment among the workers has been laid to foreign influences and governments. There is no doubt that they read us but of course if our Government should say anything about it and take any notice of these statements, the Argentine Government would say that they did not have our Government in mind but certain obvious others.

I would be very interested to know whether Mr. Knox has had a reaction from Mr. Gaston as to the attitude of the Board of the Bank.

Of course Mr. Knox has said that Westinghouse will be willing to go ahead on the basis that was discussed and is set forth in Mr. Knox' letter to you, even if the Bank cannot go along and while this is very satisfactory in one way and shows the good will and interest of Westinghouse it is, as you have perceived as readily as I, not so good from the point of view of the Cade. Mr. Gaston indicated that if the Bank could go ahead with this matter with Westinghouse, the Bank would assist Westinghouse in having the notes and guarantees in form acceptable to the Bank. As you and I have consistently realized, it is desirable in the interest of Cade and really of the Argentine also, that a loan may be made to the Cade by the Bank with the guarantee of the Central Bank in the Argentine rather than in some other way. This enables the Bank really to intervene through the terms of the loan in such a way as to really protect the interests of the Company as well. I do not know to what degree the Bank can intervene in the matter if the plan proposed by Mr. Knox to Mr. Gaston for the Bank's participation should go through. Its intervention would certainly be in some ways less effective if Westinghouse is in the picture, and could not be so effective as it would be if it were a credit directly from the Bank to the Cade.

As I have already stated to you in my letter of August 2, I am not in a position to pass on the terms which Westinghouse has proposed and you are in a better position to do so. Given, however, the interest shown by Westinghouse and the manner in
which Mr. Knox took this up with Mr. Gaston, I feel that Westinghouse has gone very far and, as I said in my letter of August 2, I do not believe that any other responsible manufacturer at home or abroad could go farther, except perhaps that a foreign manufacturer might be able to quote a lower price but certainly not the other firm factors that the offer of Westinghouse would have. I think that the Westinghouse has gone so far that their offer must be considered very seriously, and I think they must be given the credit for having shown a greater disposition to help and taken more active effective steps than any other manufacturer at home has taken. I would be very much inclined to take this attitude of Westinghouse and their initiative very much into account, and I think the position is such that it must be taken very much into account.

I am very hopeful that Mr. Gaston has already been able to inform Mr. Knox that the Board of the Bank is in agreement and going ahead, and I should be glad to have any news you can give me.

I am really a bit concerned that the brief of the Cade has not yet been delivered to Mr. Gaston. I left him under the impression when I last saw him, and I did it in all good faith, that the brief could be presented without an application for the informal consideration of the Bank, very shortly, and of course a good deal of time has passed. I would suggest that as soon as the brief is ready, Mr. Samuelss take it over to Mr. Gaston, and not use up the time that would be involved in sending it to me to look at before it is delivered. I do not know what your plans are, but if you were by some chance in Washington so you could deliver it to Mr. Gaston yourself, as Mr. Brosens would most likely not be in New York, I think it would be appreciated by Mr. Gaston.

I have dictated this letter rather hurriedly before leaving to Cuernavaca and I think I have covered the principal thoughts I have in mind.

With all good wishes,

Cordially and faithfully yours,

[Signature]

George H. Messersmith.