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Dear Jimmy - Have also sent  
 Copies of these to you  
 father

Sierra Paracaima 1285  
 México, D. F.  
 August 18, 1955

Dear René:

The letters that I am enclosing herewith with regard to the Sodec and the Executive Committee of the Cade are self explanatory. I want you to know that it has been a pleasure to work with you in these and in other matters.

I do not know if you are for the moment in Brussels or in Buenos Aires and I am therefore sending the originals of the appended letters to Brussels and copies to you in Buenos Aires. I hope that this finds you and your lady well. I have been under the necessity of making a further trip north recently. We returned to Mexico City on July 1 after a rather extended stay in the United States, where we had the opportunity to visit with Marion's family and mine for the first time in years. During the last part of June and just before we returned to Mexico City I felt miserable and feared a return of the ulcer, which had been bothering me, and I should really have gone to the Lahey Clinic in Boston for a check up before returning to Mexico. As we had planned, however, to have some of Marion's family come down with us for an extended stay and as Marion does not like to travel by plane in any event, I thought it best that I come back with her and see the family settled in Mexico City and in Cuernavaca--which I did. During the first weeks of July, however, I felt so miserable that I made a quick trip to the Lahey Clinic in Boston and spent a week in the New England Baptist Hospital, where they found that the ulcer continues healed and is in no way active, but that the trouble and the discomfort which I have been having comes from a rather bad colitis. That is unpleasant enough but it is not as bad as the ulcer. In any event I know how to take care of it and I feel very much better since my return to Mexico City about a week ago.

As this last trip from which I have just returned was a very quick one, I did not go to New York but only stopped for the night at Greenwich on my return from Boston to Mexico City to see Mr. Heineman and the family. I found Mr. Heineman really very well recovered after his operation and making his plans to leave I believe on August 8 for Switzerland where he plans to spend several months. It is my hope that after he and the family return to the United States from this trip to Europe that they will be able to come and make a good long visit with us in Mexico City and in Cuernavaca.

Things are going on the whole quite well in the company. I regret in many ways to sever my connection with Sodec and the Cade, but I think it is the best thing to do. I think I should confine whatever I do to Mexlight. That I think will be the best all around. If the company and its shareholders and its Board of Directors, and the Mexican government, know how to handle the situations which lie ahead of the company, I see for Mexlight a continuing

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history of usefulness and expansion and of greater security and a reasonable return on its investment. There is a tremendous lot which the company has to do in the central area of Mexico which it has been and is serving, and to which its activities should be confined. The development of the central area is so great and is almost certain to continue for years at the same pace as in the recent past, that it is quite impossible for the company to think of expanding beyond the limits of the area which it presently serves. I am sure no one has any thought of that. The important thing is that our problems continue to be handled soundly and wisely, not only by the company but by the Mexican authorities.

The next few months should really tell the story as to what the future for the long range will be. The decisions with regard to the electricity study which has been undertaken by the Mexican government and by the International Bank will have been made. The Congress meets on September 1 and adjourns on December 31 and before it adjourns it is in my opinion indispensable that the appropriate action should be taken by the authorities --that is by the Congress--to implement the recommendations of the electricity study through a new electricity law or appropriate amendments to the existing law. Unless the Mexican government has the courage not only to see that this electricity study is really constructive but also what is even more important, to implement the recommendations in the study by adequate legislation in this next session of the Congress, it will mean that the company will have to proceed with great caution for the future. Unless the government has the courage to really implement the declared policy of favoring and facilitating the development of the private electricity companies and doing this in the most definite way through legislation and tariffs, there is of course no security for the future.

I make mention of this electricity study and of the implementing legislation by the next session of the Mexican Congress because I consider it is the most important thing before the Mexican government and people today, and by the same token of this primary importance to the company. The Mexican government has been rendering lip service to a policy of aiding the private companies for some years. Recently it has really been doing constructive things so far as Mexlight is concerned. During the years since 1947 tremendous progress was made in not only reestablishing but in consolidating the position of the company. Now, however, really the whole future of the private industry and in fact the whole future of the development of the Mexican economy, depends upon what the government is going to do in all good faith in order to implement its policy with regard to the private electricity industry. This action by the Mexican authorities and Congress is necessary in order that the private companies may have the firm and sure basis on which to go ahead for the future. The investment needs are so great that it will be impossible to secure the money through the borrowing or share issues unless the government firmly consolidates its position of doing the right thing by the private industry.

It is my feeling that the appropriate things will be done to make the future secure. It has been my experience that Latin American governments in this field, as in certain others, do not do things unless compelling internal or external circumstances make it necessary for them to do them. No matter how right they think a thing may be, or how necessary, it has been my experience that only these compelling internal or external circumstances which bring them to the point of actually doing what is in their own interest.



The situation is now such that not only internal circumstances in Mexico, but also external conditions make it necessary for the government to take this action with regard to the private electricity industry. There will certainly be no loans from abroad, either for the government enterprises in the electricity field or in other fields, or any possibility of raising share capital, unless the government takes now the necessary steps to consolidate the situation. The interest which the World Bank has shown in this matter of electricity, as well as of the general economic structure of Mexico, has been most constructive and it has been most wise and prudent and correct in its action. I think it is the knowledge that external financing will not be possible either for the government or private projects in the electricity industry unless this action is taken to consolidate the situation, that will be the deciding factor in making it clear by the end of the year what the situation for the future will be. I am very optimistic as to the outcome. I have, however, wanted to emphasize the fact that although so much has been done in the right direction in recent years, these next months and the decisions taken by the Mexican government are most vital and determining for the future. I repeat that I have confidence that things will come out all right.

I find that although I have retired from active participation in the management and direction of the company that because of my long stay in the country and because of the interest I have shown in its fundamental problems, my position of usefulness to Mexlight is almost as great, if not in some measure greater than it was before. Although I have separated and am separating myself from all other interests which I may have, I want to continue with this connection with Mexlight because I know the company is so important to the Mexican economy and it is in the interest of everyone that Mexico should continue to develop on sound, secure lines that have marked its development during the last decade.

Draper, as you undoubtedly know, is making a trip to the United States and is presently in Germany in connection with the new machines for Lecheria. He will be returning here in about a week. Of course we cannot place any definite orders for the Lecheria addition, which is so indispensable, until we know that we can get the loan from the World Bank for the foreign equipment needs and the World Bank will not give us its definite agreement to make that loan until it knows just what the Mexican government is going to do towards the establishment of our financial situation. It is the only sound policy which the bank can follow, and it is the only sound policy which will benefit the Mexican government and economy, as well as the company.

There is a proposal by Draper that there be another meeting of the Board of Mexlight in Mexico City in October. I think it is a good thing to have one meeting of the Board every year in Mexico City. I am sorry that you are no longer on the Board of Mexlight for many reasons. I am particularly sorry as your not being on the Board may mean that we may not see you in Mexico this year. I do hope, however, that we will have the pleasure of seeing you and Hilda here in Mexico City before too long, and that when you do pass through here that you can make us a real visit.

This is already too long a letter and there are many other things which I would like to touch upon, including the developments in the Argentine, which give me a good deal of concern. I think it is most important that

Peron remain as President until the end of his term. I have no confidence whatever in those who are making all these troubles in the Argentine. There is no doubt that the government has made many mistakes, but I think it is endeavoring to rectify them and I have a great deal more confidence in Peron than I have in those who are making all these disturbances in the Argentine these days. I do not comment more specifically.

Marion joins me in all good wishes to you and Hilda and in the hope that it may not be too long before we will have the pleasure of seeing you here.

Cordially and faithfully yours,

George S. Messersmith