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Forma 291-5. M.L.F.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

(COMPAÑIA MEXICANA DE LUZ Y FUERZA MOTRIZ, S. A.)

DIRECCION TELEGRAFICA
CABLE ADDRESS

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REPL: 9 Jan.						
FILE: c/o Messersmith						

January 2, 1952

AIR MAIL

D.N. Heineman, Esq.,
Sofina
38, Rue de Naples
Bruxelles

Personal and Confidential.

one for Mr. Williams
DeBoeck
Colinet
return' enorgi o
Mr Porters (part.
incode)

Dear Dannie :

I thank you for your letter dated December 20 with which you sent me a copy of the telegram which you received from Brosens dated December 18 covering the conversation which he had with President Perón, and also a copy of your reply dated December 19 to Brosens. I find myself in complete agreement with what you say in your cable to Brosens.

I am sure that the conversation of Brosens with President Perón was as much of a disillusionment to you as it was to me, but as you will have perceived from my letters during recent months, while Brosens was patiently awaiting the opportunity to have this conversation, I was convinced that the conversation would be of very little effect.

I do not know how fully you would wish me to comment on this matter. You know my views so fully. I have just returned from Cuernavaca last night, where I spent from December 22 until January 1st. It was a very agreeable rest and a very necessary change of atmosphere. Marion and I enjoyed it fully and it did both of us a great deal of good. There will be a lot for us to do during these next weeks and I will be in touch with you. All I wish to do now really is to acknowledge the receipt of these telegrams exchanged between Brosens and yourself.

While it was indispensable that Brosens have this conversation, I had little hope that anything really useful or concrete would develop out of it. I think that there are three factors which make Perón's position intolerable and which have practically deprived him of power to act. The first is the serious illness of Mrs. Perón, and although the operation for cancer of the ovaries may have been successful in the sense that such an operation can be successful, I understand that there is serious doubt as to whether her bloodstream may not be affected and that she may have either a pernicious anemia or, what is worse, leukemia. If it is the latter, at her age there is little hope. So far medical science has not been able to do anything

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about leukemia except to prolong life in the case of persons well on in years, and she is still in her early thirties. One has to know the Peróns and to know them well to know what effect any serious illness of hers would have on him, and on his capacity to act. He is not really a strong man as we think of that term, and she has been in many ways the dynamo which has kept him going. Whatever one may think of things which she has done and of the way she has done them, there is no question as to her dynamic force. I think Perón feels himself a lost man with his wife in this condition and with her unable to do the things which she has been doing.

Secondly I think that Perón's power, prestige, and capacity to act have been seriously undermined already by the growing financial, economic, industrial and agricultural difficulties. I read everything I can get from the Argentine, and it is really distressing to see how the Government is endeavoring to cover up the real situation by all sorts of bombastic and completely misleading statements. Nothing has happened to help either the financial or the industrial or the agricultural situation, which means that the situation must be getting worse. While Perón's capacity to understand some of these things is limited by the fact that he had so largely a military training, he is nevertheless a man of considerable intelligence and he must know, even if he cannot admit it, that things are going every day from bad to worse and he sees no way of changing the situation. He must be completely overwhelmed by what he knows to be his incapacity to do anything, so all he can do is to talk loudly.

The third reason why I think the position of Perón is increasingly hopeless is that the nationalistic elements in his own government, in the army and in the radical party, are growing stronger. Whatever he may say about wanting to keep the electricity industry in the hands of private enterprise, are mere words. Every act of the Government is in the opposite direction.

I think he had to see Brosens because he felt he could not put it off any longer and because in any event he has a deep sense of personal obligation and a friendly sentiment towards Brosens. What he said to Brosens I think does not help the situation in any way. I am sure that in his heart he was sincere when he said to Brosens that he saw no reason for buying the Cade and that he would prefer that certain services already nationalized were still in the hands of private enterprise. He has said the same things to me many times, both when I was there officially and when I was there in February last year. He knows that the telephones and the railways are in worse shape so far as service given and maintenance of property are concerned, than they were before the Government had control, and he knows that these important services which should be a source of revenue and taxes to the Government, are a drain on the treasury. He knows the same thing would happen if they bought the Cade or any other private electricity company. There is,

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as I said, no doubt about his personal sentiments, but he is no longer in a position to make his personal feelings or opinions control.

By the same token that it is impossible for Perón to see that decent treatment is given to Cade, it may be impossible for him to carry through a purchase on the right basis. But there is in my opinion a much greater probability that a decent purchase can be arranged than that reasonable treatment will be given to the Cade. The only way the Cade can continue to live is by this borrowing from the Government, directly or indirectly, and after a few years more of this the Cade will fall like a ripe apple into the hands of the Government without its owners getting anything out of it.

When I was in Buenos Aires in February last year, I did not believe the situation would deteriorate to this degree. I do not know what the situation of the American and Foreign is about their properties. I understand that Robertson was going down from New York about six weeks ago, but I do not know whether he actually went. The American Government is currently interested in the fate of the American & Foreign properties, as they are owned by an American company. But I think that a good many people in the U.S. Government are not particularly happy about the way the American & Foreign has insisted on too high a price for their properties. In the last analysis of course they can expect some help from the U.S. Government, especially if there is some arbitrary act.

So far as the Cade is concerned, the interest of the U.S. is only in principle, and that did not help us too much in the case of Barcelona. It would have helped if the British had taken the proper position and if the Canadians had been adequately understanding of what the Barcelona matter means to them in the long range.

I have a great deal of sympathy with Brosens in the situation in which he finds himself. I think he is doing his best, but in the situation which exists in the country there is very little that he can do except to press for a sale. I think he has to emphasize the impossibility of Cade continuing to give reasonable service unless it gets fully adequate treatment and that, if the Government is not prepared to do this, the Cade must insist on selling. So far as the Cade is concerned you know my views that the best thing to do is to get out the best price and terms that can be got, and I think there are certain conditions of sale which can still be maintained and got.

As you know, I do not place too much hope in a change of government. For even if the military take hold, they have an impossible situation to deal with for years to come.

Someone told me a few weeks ago that Cereijo was on his way out, but I do not see that that would help the situation too much because replacing Miranda with Cereijo did not help anything either

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and unless there is a complete change in the Argentine situation, replacing Cereijo with someone else is not likely to change anything for the better. Remorino had undoubtedly resigned, but apparently he is still on the job and forced to stay on and there is no doubt that Remorino wanted to get out of a sinking ship.

I do not have any direct information from the Argentine from some of my usual sources, but from all I hear, the situation is not getting any better, but constantly worse, which means that something drastic has to happen. Some people feel that when the military take over it will be in the form of a Junta presided over by Perón so as not to have too much trouble with the workers at the outset. How much there is in this I do not know, but I do not think it will work for once the magic of a name is gone, the name carries little further weight.

I am sorry to write in so depressing a way, but I thought you would wish to have these observations, pessimistic as they are.

I will be writing you about other things shortly.

With all good wishes,

Cordially and faithfully yours,


George S. Messersmith.

GSM/go