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Personal for Mr. H. A. Arnold

Res.

November 15, 1954

Dear Bill:

I was very happy to have your letter of October 14 and to have news of you and Jean. I am sure your trip was wonderful and I am glad you were able to take it. This is going to be a short note, for although I am "retired", I am finding myself with a good deal to do and am glad it is that way, for I think it would be simply terrible to find oneself without a mind fully occupied. The only difference between my life now and that while I was with heavy responsibilities in the company is that now I do things when I feel like doing them and am spending longer weekends at Cuernavaca and am not under the necessity of making these frequent trips to New York and Washington and Toronto. I still have not been able to get to do any writing but I will have to begin to turn to that in the near future. Marion says that the only difference between my life now and while I was with the company is that I am just as busy as before but am not making any money, which latter frankly does not bother me because our needs are relatively simple.

Marion and I are both well, aside from the inconveniences which come with the accumulating years and we both feel that we are very much blessed and have nothing to complain about. I was not operated on for the ulcer at the Lahey Clinic in Boston, as they preferred medical treatment and cured the ulcer. Aside from minor inconveniences I am really in very good shape and I sometimes shudder when I think that I am 71, for in so many ways I want to do things and feel about things as if I were 40. That has its advantages and disadvantages.

I read your letter with a great deal of interest. The Argentine needs a lot of things and it needs foreign capital as well, but the most it needs is to put its own house in order first, and that is the fundamental problem in every one of the countries of Latin America. Mexico has gone further in that respect than any of the Latin countries of Latin America, and while there is so much to be desired here, the situation is relatively good in spite of the heavy devaluation in April. I would like to write you at considerable length about the Rio meeting, because it is going to be an important one, but I cannot do that now. The important thing is that we have formulated a very well defined program of what we can do and we have made it clearly known well before the meeting what we cannot do. The important thing about our program is that it is approved from the top down and the elections will make no change in that. The basic trouble is still that our Latin friends continue to think that it is we who have got to help them. The important thing for them, as well as for all of us, is to learn that we can never get along unless we help ourselves. This idea that we can

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stabilize raw materials prices or that we can fix ceilings on the price of exported goods is just so ridiculous that it is time that we have told them frankly there is nothing doing. We have had enough experience with price supports and controls within our own borders to know that it is a task beyond our capacity and it is beyond the capacity of any country to try to do what our Latin friends want us to do. Unless in Brazil and the Argentine they do some fundamental things which are necessary there is not much hope for them. There are many things they can do and should do and there is no reason why they should not be done immediately and should not have been done some years ago. One of the most important is for both Argentina and Brazil to let some worth while companies from home who can really do the job come in and make them self supporting in petroleum products, which according to the surveys which have been made by reliable people can be done. If for reasons of prejudice or ideology or for any other reason they don't want to let our people come in and do the job on sound bases to the mutual advantage, why then they just have to suffer, but if Brazil wants to keep spending 300 million dollars a year for oil which she could produce herself out of her soil, and Argentina wants to continue to spend 100 million for the same purpose, there is certainly no reason why we should lend them any money for anything.

I have been following in the press the activities of Kaiser and Odium in the Argentine and their tentative efforts in certain other Latin countries. It would be well for our friends in the Argentine to remember their experiences with Higgins in 1946 and 1947, because fundamentally there is very little difference between the activities of Higgins and Kaiser. I do not think that Kaiser is in a position to do anything helpful in the Argentine and they are losing time by playing around with him. Sometime the Kaiser bubble will burst, as have certain others of considerable magnitude like Kruger and Insul and others in Europe and in our own country. You cannot build big business on words.

So far as Odium is concerned, he falls in a somewhat different category, but I am not sure that his plans are sound. I would like to think that he can do something in the picture and in the Argentine, but I am not very hopeful. The worst feature of all this of course is that some of these people raise false hopes which cannot be realized and which only delay progress.

I would like to think that the Electric Bond and Share people will work out their problem in the Argentine. I think that in some respects they have seen the light and are trying to work more constructively, but I am not quite sure that they are yet sufficiently wise to work out their problems on a basis which is fair to everybody and which will be constructive to both parties. They are trying also to work out their problems now in Mexico, where they are rapidly getting into the position that they have been in the Argentine for some time. The Electric Bond and Share and the American and Foreign are the one important

company established in Latin America which I think has not been and still is not yet looking at things in a constructive, realistic and understanding way.

I quite agree with what you say concerning the Cade on the whole. I have tried like you to get some realism into some of the thinking in Brussels. I think that progress is being made. I think that there is really a possibility of a solution in the Cade matter.

When I joined Mexlight it was with the idea of putting the company on its feet and doing something for the principle of private enterprise in Mexico which would have its repercussions in Latin America. I took a bigger bite than I realized, but it has worked out. It was the hardest single job that I ever did. It took six years to do it and I never put myself into anything as much as I did in that job. The situation has completely changed. The company is on its feet. During my six years with the company we carried through a program of new works to create new power and distribution facilities which involved a cost of 80 million dollars in dollars and other currencies. We have finished that program. We paid our first dividend on our Preferred Shares in November last year since 1931. We were going to pay the first dividend on our Common Shares since 1913 in April this year when the devaluation destroyed our earnings, but the government has corrected the situation and we declared the first dividend on our Common Stock a few weeks ago and are in a position to continue a regular dividend policy. We will have to spend about 140 million dollars in dollars and other foreign currencies and in Mexican currency during the next eight years to meet demand in the area we serve, and while it will be a big job to find the money, I think we will be able to do it. Everybody is very happy here that the job has been done. You can imagine what a kick I have got out of it, for there were many who thought it could not be done. It took a lot of people to do the job and I had to put myself into it as I never put myself into any one thing before, but any way the job has been done and the government here now realizes what we have done in the past and realizes how much it needs us. That is the biggest part of the job. I am glad that since April 1, when the job was done, I was able to retire with the job done. There is a lot more to be done, but the basic problems have been solved. The biggest part was to convince the government here, and until governments come to their senses there is nothing to be done. Our friends in the rest of Latin America should take note. Some of them have.

I can quite appreciate how you feel about the changed situation in Squibb, etc., but you will be able to accommodate yourself to it. After all, I was a school teacher, etc., from 1900 to 1914 and then a so-called diplomat from 1914 to 1947, and then plunged into something so radically different as the biggest public utility and the biggest private company in Mexico. I can understand, however, that you have a sense of confusion. I would like to write you at

length about this business, but again I do not have the time. All I will say is that when the Squibb-Mathieson merger took place, I thought it was a reasonable and sound thing for many reasons. When the Olin-Mathieson-Squibb merger took place I began to have my misgivings. This merger movement in the United States is going on at too great a pace. I am not sure how sound some of these mergers are. Some of them smell to me more of stock promotion and personal ambition than they do of sound business and production methods. I do not pass judgment on the Olin-Mathieson-Squibb merger. I do not know enough of it all to pass judgment. I can quite understand that you are confused about some aspects and they are just as confused in Olin-Mathieson-Squibb about some things as you are. I am sure that Allen Ellis here, who like you is a sound, constructive businessman, has much the same feelings as you do. I keep on the Board of Squibb because old lady Weicker asked me to do it when I came to Mexico in 1947, but whether I stay on the Board depends entirely on how soundly I see Olin-Mathieson-Squibb proceed. They have certain plans in Mexico for a fertilizer plant which is a very sound project and one which can be made to go, but it all depends on how Olin-Mathieson-Squibb want to carry it through. If it is to be a sound business venture I am sure it can be worked out and it will be advantageous to the company and to Mexico. If it is a stock promotion venture, it will not work out because some of the people running Olin-Mathieson-Squibb may be very smart people in a financial way. There is I know a lot which they have to learn about certain operations in other countries. I am staying on the Board now primarily because I want to be helpful to Allen Ellis, who has put so much of himself into this Squibb business here, just as you have in the Argentine, and I would like to be helpful in anything useful that Olin-Mathieson-Squibb want to do in Mexico, but I am not going to stay on the Board if I see them going away from sound business practice. Up to now I have no reason to think that they will, but I have a good sense of smell which has served me well over the years and I think that there are some things which will have to be followed with a good deal of caution. just

I started this to be a short note but it has developed into a long letter. I wish that we could really visit with each other. I see little chance of our going to the Argentine, much as we would like to have a visit with you and Jean and other friends there. If we do travel, it will be a trip to Cuba which I have delayed for ten years, and a trip to Curaçao, where Marion and I would both like very much to spend a month for many sentimental reasons. I think there is much more chance of our seeing you and Jean here on one of your trips north, and Mexico City is so close to New York now that I do hope we will have the pleasure of seeing you here. I am not planning a trip north until the early part of next year, unless some unexpected circumstances should make it necessary. Marion joins me in affectionate good wishes to you and Jean. Do give our best wishes to any of our friends whom you may see.

Always cordially and faithfully yours,