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# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

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*Mr. Brown - on*  
*a request*

Personal

Dear Dannie:

I have just received a letter of November 18 from Mr. Bachrach of which you have undoubtedly seen a copy, in which he states that according to an article in the Journal of Commerce a few days ago Mr. Howe, the Canadian Minister of Trade and Commerce, will head a good-will mission from Canada which will leave Ottawa on January 5, 1953 and visit Brazil, Argentina, Uruguay, Venezuela, Colombia, the Dominican Republic, Haiti, Cuba and Mexico. The article states that the mission will include the President of Abitibi Power and Paper Company, the President of Massey-Harris of Toronto, and other representatives of Canadian trade, commerce and industry. It is quite natural and understandable that the Canadian government should send out such a mission because its interest in trade with Latin America has increased at an extraordinary rate during the last years. In fact Canadian exports to Latin America are very important and are cutting in very seriously on fields which were almost entirely pre-empted by exports from the United States. On the other hand, Canadian imports from the Latin American countries have not increased very much and it is not likely that they will. On the other hand imports by the United States from these Latin American countries have increased and are increasing and are likely to continue to increase.

I am one of those who has always looked upon the increased exports of Canada to the Latin American countries as useful and that such increase is desirable, even if it does cut in somewhat on United States exports. On the other hand, it is I think quite clear that an examination of the figures for the last years would show that these increased exports from Canada to the Latin American countries are being paid for through the dollar exchange created by increased exports of these countries to the United States. In other words, Canada is benefiting both ways from this increase in her exports to Latin America and the United States is losing both ways. In spite of all this, I repeat that

D. N. Heineman, Esq.,  
Amitas,  
50 Broadway,  
New York 4, N. Y.

I consider the increased sale of Canadian products in Latin America as healthy. I think the production costs in Canada and in the United States will remain pretty much on the same level so that the competition will be close.

Mr. Bachrach's letter, however, brings back to my mind certain considerations which the Canadian authorities seem to have little in mind. We know only too well how little interest the authorities in Canada, that is in Ottawa, have shown in the protection of the interests of Canadian firms abroad. So far as I can see the interest of the Canadian government so far has been confined to the government aiding Canadian firms in Canada to collect what foreign countries may owe these firms. While the Barcelona company seems to be the only Canadian company which up to now has had to ask the Canadian government for assistance in protecting its rights and position and in maintaining certain principles, the manner in which this particular case has been viewed by the high Canadian authorities shows a lack of comprehension and understanding of certain near and long range questions which some of us have had in mind. The statements made by some of the Canadian government officials who have visited Mexico have certainly shown a strange attitude towards Canadian registered companies.

These statements have found their reflection in statements made by members of the staffs of Canadian diplomatic missions in Latin America.

In spite of all this, I must say that I am amazed at the remark which Mr. Howe made to Donald Duncan at the luncheon of the National Foreign Trade Council recently and which Mr. Bachrach mentions in his letter of November 18 to me under reference. From all that I have heard, I understand that Mr. Howe is a businessman of very real capacity, but it occurs to me that his understanding of these problems is very much like the understanding of some American businessmen and government officials was many years ago. Trying to look at this matter in the most charitable and understanding way, I would say that perhaps the Canadian officials and Canadian businessmen are very largely passing through a phase that some of our own government officials and businessmen passed through 40 years ago, and we had to pay dearly for some of our neglect in those days. Now that Canada is really so interested in foreign trade, she has got to think of a lot of problems other than those of merely selling goods. In a letter which I wrote to Mr. Bachrach some months ago I told him that I thought there would be no better attitude on the part of the Canadian government towards the Barcelona case and similar problems until the Prime Minister and the Minister of External Affairs really understood these matters and made their understanding prevail among their colleagues in the government. There is everything to indicate that so far Mr. Pearson has taken no real interest in these problems and thinks only in terms of selling Canadian goods and getting paid for them.



The favorite remark which I have so far heard attributed to or have myself heard directly from Canadian officials is that Canada is not particularly interested in these firms incorporated in Canada, operating in other countries, but whose capital is not Canadian or only in a limited measure Canadian. I do not think that the persons who make these statements have really given very much thought to the whole matter, because if the Canadian government is not willing to take a certain interest in such firms incorporated under its laws, then its corporation laws should be changed. Further than this, however, there are few companies incorporated in Canada in which Canadian citizens are not interested and increasingly becoming interested. I do not know to what degree there is Canadian ownership in Barcelona Traction, but I think it is relatively limited and certainly less than it is in many other companies incorporated in Canada doing business almost entirely or entirely outside of Canada. If Canada permitted the incorporation of such companies under its law for purposes of prestige, then certainly for purposes of that same prestige the Canadian government owes it to these companies to give them the proper protection to which they are entitled under international law and practice.

I have sometimes wondered what attitude these same Canadian authorities who have expressed this lack of interest in the Barcelona company would take in case the Brazilian Traction were in question. Certainly there is a very considerable ownership of Brazilian Traction securities in Canada and by Canadian citizens. Perhaps these same authorities consider that the position of the Brazilian Traction is so strong and so impregnable that under no circumstances will the Canadian government be in the position of having to give aid to the Brazilian Traction in protection of its legitimate rights and of its security holders. I hope that they are right in this connection, but it is increasingly obvious to those who follow developments in Brazil carefully that the position of the Brazilian Traction is presently in many respects difficult and may become more difficult before it becomes better. By the same token I wonder what interest they would take in the affairs of Mexlight should it require the friendly intervention of the Canadian authorities. The holdings of Mexlight securities in Canada I believe are on the increase rather than decreasing.

I think the attitude of the United States government in this respect has been much more understanding, even though the holdings of American citizens in the Barcelona company may be small. The Department of State has I understand consistently taken the attitude that it is interested in the treatment of the Barcelona company as a matter of principle. This is a sound and wise attitude which grows out of experience. Whenever private interest is attacked anywhere it has its reflections on private interest everywhere. Just at this moment the United States is particularly interested in the treatment of various private companies abroad in which American citizens hold a considerable interest. I am inclined to think that the attitude of the United States government in the protection of such interests will be even stronger in the next years than it has been in the past.

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Mr. Heineman

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So far as the attitude of the Canadian authorities towards the Barcelona company is concerned, it seems clear that unless there is a radical change in the attitude of high officials of the Canadian government, the company can expect little in the way of adequate action. My own opinion is that this attitude of these authorities grows out of lack of experience and knowledge. The statements which have been made with regard to the Barcelona company seem to have had little effect so far, and the Ministry of External Affairs which should be taking the lead has not been helping at all. The only effective step which I see could be taken at this time is a change of attitude on the part of that Ministry and particularly of Mr. Pearson. As I believe that this matter of the protection of private property abroad is going to come very much into the foreground in the next year or two, the probabilities are that the high authorities in Canada will have to begin a reconsideration of their position in the relatively near future.

As I write this letter I realize now unnecessary it is for me to convey these thoughts to you, with your wide knowledge and experience over so many years, but I must say that having the interest that I do in all that concerns Canada and her future and having such confidence in her future, it has been a cause of concern to me that so many high Canadian authorities seem to be looking so little into the future and creating positions which will prejudice Canadian interests in the future.

With all good wishes, believe me,

Cordially and sincerely yours,

GSM/cbc

