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*M. Heineman
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PERSONAL AND CONFIDENTIAL

Dear Dannie:

I have written you a letter of this same date on the Spanish situation and in this letter shall confine myself to the Argentine problem. I need not tell you how deeply preoccupied I am over what is for me an unexpected development in the Argentine situation particularly as it affects Article 40 and possible action by the government in the field of public utilities.

Even before I got your telegram I had been trying to inform myself on the situation and when I got your telegram and the quotation of the telegram you received from Brosens I immediately got on the telephone and spent over a day calling various friends in Washington, New York, New Orleans and other places. What I got was not reassuring, and confirmatory of the pessimistic tone of Brosen's telegram. I sent you two telegrams which conveyed my thoughts and I want to send you this further information as background to these telegrams and to cover what has come to my attention since.

In the first place I want to reiterate that I want to be helpful in any measure that I can in the Buenos Aires problem of CADE, but as I told you, any intervention of mine in the form of a trip to Buenos Aires to talk with Perón and others must be carefully considered and before undertaking such a trip I would have to know and be as certain as one can be that the advantages gained by such a trip would outweigh any disadvantages, and of that I would have to be the judge. In view of the position which I occupied in the Argentine before and at a time when the Argentine problem and my own activities and attitudes were a matter of such public notice, it is quite clear that if I went to the Argentine, and even though I declared on a stack of Bibles that I was only going on private matters or matters affecting CADE, every informed person would know that I would undoubtedly be speaking with Perón. The question is whether that knowledge would injure the possibilities of conversations I had with Perón being helpful or otherwise. We would have to consider his point of view.

For example, I believe that Perón has not changed his position with regard to government operation of public utilities. When I was in the Argentine he had already come to the conclusion that a government could not

run

D. N. Heineman, Esquire,
c/o SOFINA,
38, rue de Naples,
Brussels, Belgium.

run efficiently utilities such as the railways, telephone companies or other public utilities. He had learned something from the railways and from the telephone company. I feel confident that if he had not made the promise during his electoral campaign for the presidency to buy the telephone company and the British railways he would not have done so. Since that time he has certainly learned a lot more. It is therefore incredible to me that he should be in favor of a program to acquire further public utilities when he must know that every acquisition, whether by purchase or by expropriation, will bring further losses to a government which is already practically bankrupt. Besides that he must know that if they had the money in hard currencies to pay for the CADE or the American & Foreign Power plants they can use it for providing new power. This is an attitude to which he had been brought and which I think was sincere. If he has changed his position, which apparently on the surface he has according to some of his statements, then the internal pressures on him by the nationalists and certain individuals must be tremendous. He is basically a very decent and right-minded sort of person who has the best interests of his country at heart.

If Perón is succumbing to these pressures on him he is no longer the man I knew. He must be very uncertain of his power and of his position. I have known such pressures to be brought on him before and when he was convinced of the right thing to do he asserted himself and did the right thing. On more than one occasion while I was in the Argentine last these nationalists tried to push him into unwise acts and at considerable risk he took a position and put them in their place. In determining whether it would be useful for me to go there it would be necessary to determine whether Perón's fundamental views have changed, for if they have changed it would be almost impossible to get him to take another stand. Besides that it is necessary to know to what degree he is prepared to resist pressures when he is convinced that he is right. If I were to go to the Argentine you may be sure that there would be a great deal of speculation in the press, both in the Argentine and outside. There is no way in which my going there could be concealed or hidden and that means that there would be speculation all around and there is a strong probability that the nationalist influences in the Argentine would strongly attack me and perhaps make it impossible for Perón to change any attitude even though he might wish to do so. I only mention these factors because they all have to be considered. I would not wish to go to the Argentine if there is any possibility of my doing so injuring the general Argentine situation or the position of the CADE.

One of the things which disturbed me most was the information that Bill Arnold has joined Squibbs as General Manager. It is not likely that the salary which he receives as General Manager of Squibbs is greater than the one he received from the I. T. & T. I have no definite information on the point, but it seems pretty clear that he must also have terminated his connection as adviser to the Argentine Government in connection with the Government telephone operating company. If this is the case, as is likely, it means that Arnold was completely frustrated in what he was trying to do in the telephone company and that he sees no chance of reasonably good operation. This means that he has lost his confidence in Perón actually taking hold of the situation in spite of good intentions which he may have. You

will

will recall that I told you that Arnold told me the last time he was north that he was not sure that Perón still had full control of the situation. In view of this and other factors too lengthy to go into, I feel that Arnold joining Squibbs means a very great deal so far as the President and the general situation in the Argentine are concerned.

Then, too, the fact that Dodero has sold all of his steamship and airline interests has a tremendous importance. There is no man in the Argentine who is closer to Perón and to Madame than Dodero. There is no man to whom Perón owes more and to whom he felt closer. Of course Dodero is a prematurely old man who has worn himself out in various ways but he is a man of courage. I first thought it was only the steamship lines to Northern Europe and the Mediterranean and to the United States which he was selling. That I could understand. He had had to borrow a lot of money from the Argentine Government to buy the ships. They made a little money for a while but the overhead is tremendous and with the present economic situation in the Argentine with imports practically nil and exports going down the losses in operating these lines must have been tremendous. In the same way I can see that he would want to get out of his airline interests which never paid and were not likely to pay. But now I learn that he has in addition sold the lines to Montevideo and to Asunción in which trade he practically had a monopoly and which is a family interest he inherited from his father and which has been, and even is today, a gold mine. If the nationalist pressure were strong enough to make Dodero lose faith in the future of private operation of these lines then the situation must be bad and Dodero must think these nationalist pressures irresistible and that Perón will do nothing about it. The importance of Dodero getting rid of these steamship interests cannot be overestimated in reaching decisions with regard to present and future trends in the Argentine.

When I was in the Argentine last there was tremendous pressure on Perón to nationalize the packing plants and while he was on the whole against government ownership he was inclined towards the opinion that it would be wise for the government to take over the packing plants which, as he put it to me, were an integral part of the agricultural structure of the country. I spent many nights discussing this with Perón and making him see that government operation of the packing plants would be a disaster and I finally made him see what a contribution these packing plants, with their international connections, were making to the Argentine economy. He learned to understand that these packing plants had a worldwide organization through which they could market the by-products of the meat industry which were more important in value than the frozen beef itself and that the Argentine Government could not possibly maintain such a worldwide organization for marketing these by-products. He changed his attitude completely and stopped all movement towards nationalization. Then Miranda began to make the life of the packing houses miserable and impossible by all the restrictions of the I.A.P.I. and by their taking over so many of the operations of the packers. The packers have been losing money for over a year and a half and they have been given all sorts of promises as to relief which have been only inadequately kept. It was therefore a shock to me to learn in the State Department last week

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that the packers had given an ultimatum to the government to the effect that they would have to stop the purchase of cattle and shut down the plants if they were not given relief and freed from this menace of expropriation. I was told that the American and British packers had come to the conclusion they had nothing to gain by waiting any longer. If they kept on under actual conditions they would be merely continuing to pile up losses and to be expropriated in the end. I was told that they felt that their position would not be any worse if the government took over now. Last Thursday or Friday was the date they set for closing down. I called Mr. Daniels, the Head of the Office of Latin American Affairs in the State Department, this afternoon and he told me that the matter was still in suspense. The government had asked the packers not to close down and the packers decided to wait a little longer. I was told, however, that the matter was in suspense and that the packers were still of the opinion that their position could not be worse if they closed down now and the government moved in and operated their plants. If they lost the plants now they would at least not be losing any more money daily through continued operation and in the end would be able to get as good a price for their properties as if they kept on. This is important because the packers have been operating in the Argentine for many years. They have made a great contribution to the Argentine economy. It is true they have made a lot of money but they have also made a lot of money for the country and in that respect their position is very much like that of the CADE. In spite of their experience and patience and understanding the packers apparently have no confidence in Perón's power to control the situation or in the future policies of the government with regard to private property of this kind. I do not believe in precipitate action and I have known the packers to be somewhat precipitate and arbitrary, but I place great importance in their being willing to take an action which precipitates the government taking over their plants.

How these nationalist elements have become so strong is incredible to me and I still do not know how strong they really are. There is always the possibility that Perón is giving them a free hand and that his own views may have changed. That Madame should stand behind these nationalist interests I can understand, for she does not feel the same way about private property and government operation that Perón did and besides that she feels that her attitude gives her strength with the workers. I am not in a position to judge this situation but it is extremely disturbing.

I sent you the two telegrams last week after having explored the situation in highly placed government circles in Washington and among well-informed persons in the United States. After sending you these telegrams I had a three hour talk again with the River Plate Division in the Department which seemed to be very eager to have my views and very anxious to know what I thought would happen in the Argentine. I found that they were completely unable to determine what the course of developments might be. They were well informed as to what was happening in the Argentine. At the time that Article 40 was under consideration in the Constitutional Convention and afterwards they sent two as strong telegrams to the Chargé d'Affaires to convey to Perón as I have ever known to go out of the Department and they were very constructive.

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They made it clear that if nationalization or expropriation of American interests was carried out that the principle of adequate and prompt compensation which the United States had always stood for and insisted upon would have to be carried through. They stated that Article 40 did not give these guarantees and it was obvious that an implementing law would have to be passed on Article 40. It was these telegrams to which Perón was obviously referring when he told Brosens that the United States Government had made strong communications.

In spite of this, however, Article 40 was passed without material change and in this dangerous and objectionable form and as long as it is in the Constitution it is a menace and I do not see how foreign capital or native capital would be interested in a public utility any more than foreign capital or native capital would be interested in the Mexican petroleum industry until the petroleum law is changed. Two Mexican administrations have been afraid to change the petroleum law even though they know that the petroleum industry is in worse straits every day and that it is a tremendous setback for the country. I do not see how any promises to have the implementing law a good one and a fair one can be carried through as long as Article 40 stays as it is, because even though an implementing law may be fair and just and not in accord with the Constitutional Article there is always the danger that the courts at any time can declare the law unconstitutional. It seems to me that by enacting Article 40 of the Constitution the Argentine Government has practically closed the door to private capital in public utilities and that private capital will be less and less interested in other industrial ventures in the country. It seems that by enacting Article 40 the Argentine, at a time when it needs foreign capital as much as any country has ever needed it, has not only closed the door to foreign capital and private initiative, but has barricaded it.

I want to emphasize that out of my experience it takes years to change a constitutional precept. Promises in this respect are no good and no matter how much they may regret, now or in the near future, having voted this Article 40, I can see no change in it possible for some years. Arbitrary governments of course can make such changes when they see fit, but even arbitrary governments are slow and fearful in doing anything like this and it is particularly difficult for an arbitrary government which feels insecure in its position.

What concerns me most is that even though they may pass an implementing law which seems to give security for the present, there is this threat of Article 40 and the courts hanging over any company and it makes it necessary to consider whether it may not be advisable to sell when one can rather than run the risks of losses and final expropriation under impossible conditions.

When I saw Daniels and the River Plate Division last week in Washington they were of the opinion that the packing house situation might be cleared up and that the nationalization and expropriation movement under Article 40 and the implementing law would be held up or go slowly, but that so far as electric utilities are concerned the die was cast. The Department seemed to have no hope that the American & Foreign Power properties would not be

nationalized

nationalized and they said frankly that of course if this was done it would mean the CADE also. The Argentine Government fears any action from the United States Government more than that of other countries and I do not think there is any use thinking that they would take over the American & Foreign Power properties and not take over the CADE. Of course the CADE properties are worth five or six times as much as the American & Foreign Power properties and perhaps even more and it would be easier to begin with the American & Foreign Power than with the CADE so far as value is concerned and payment, but from the point of view of practice it does not seem probable that the Argentine Government would take over the American & Foreign Power properties and not the CADE, for they would know that this would be discriminatory and they would have the United States Government constantly on their back. Whether the State Department is right that there is no hope for the public utilities I do not know, but when I talked with them last week and again when I talked with Daniels over the telephone today they said that while the program would probably go forward slowly and be restricted they thought there was no chance for the electric utilities. They were very definite in their conviction that whatever else might not be done and however much Perón could hold in the nationalist movement towards expropriation and nationalization, the power companies were doomed to this fate and that nothing could or would prevent the government from going forward.

There was a good deal of speculation in official circles in Washington as to what would happen in the Argentine. They have this desperate need for hard currencies and particularly for dollars. When Miranda went out everyone thought the appropriate changes would be made which would make credits possible. Four months ago it would have been possible, with appropriate action in the Argentine of an adequate character, and which the government could easily carry through without losing face, to get a revolving credit of half a billion dollars from the private bankers. You know how hard I and some others worked to this end and that we had got a long ways. That would have been the way to credits by the Eximbank and open the way for the Argentine to go into the International Bank and get some money there, for under the proper conditions the Argentine is the best credit risk in Latin America and one of the best in the world. Now by Article 40 they have not only closed the door but barricaded it. There is absolutely no use in talking in government circles in Washington or in the Eximbank about credits for Argentina now, and so far as private credits are concerned no private bank would consider any credit with such a wholesale and almost incredible attack on private initiative and property as that represented by Article 40. The incredible stupidity and ignorance of those who stood for this is beyond me, and even with my knowledge of the Argentine I cannot understand how they got away with it or could commit this stupidity, but what is even more incredible to me and which makes it impossible for me to form any judgments which are worthwhile is the circumstance that Perón did not stop this, for even with his inexperience he must have known what the effect would be even if he did not know what the full effect now and for the future would be for him and his country.

There has been a good deal of speculation in official and other circles whether under existing conditions the government can last and what would take the place of it. Usually one can speculate pretty definitely as to what will

happen

happen under a definite set of circumstances such as present themselves in the Argentine. The State Department cannot say what will happen and if I were asked, as I was asked, what is likely to happen, I cannot even conjecture. There are all sorts of possibilities but one cannot make conjectures as one usually can. In my opinion it would still be a disaster for Perón to fall, for I can see presently nothing to take the place of this government that would be better except a military dictatorship, which would be bad enough but which could be better than this nationalist group. On the other hand it is difficult to see the military get in without shooting on the workers and the military are not disposed apparently to do that. If the nationalists take over it will be a very serious matter because that will accentuate the situation so far as the difficulties are concerned and the isolation of the country. If a workers' government should take over it would not necessarily be Communist and would not, I believe, be Communist, but it would be probably just as nationalist as any nationalist government. That a government composed of the old conservative elements in the Argentine should take over or be able to take over is just about as probable or possible as you and I making a trip to the moon tomorrow.

The internal economic situation in the Argentine is becoming worse every day and rapidly increasingly worse. The cumulative effect of all sorts of measures and policies is beginning to be felt. The flow of materials for industry from the outside has become a mere trickle. Factories are going to close down. Unemployment will become a real problem. An economic crisis cannot be too far off. That is bound to provoke political changes. In many cases things coming to a crisis economically is a good thing because it provokes political changes for the better. But in this present Argentine situation it is impossible to determine whether the political changes would be for the better or for the worse. I should tell you frankly that for the first time in a long experience in matters of this kind I am completely at sea as to what would happen politically if an economic crisis, which seems inevitable, brings about this political crisis.

I talked with Bruce on the telephone, as we could not arrange to get together because of his movements and mine. He plans to return to the Argentine the 15th of this month but I feel pretty sure he will not stay long and that he wants to move on to some other post. The people who are spoken of to replace him and who want the job are all political and not as good as Bruce. I do not see how Bruce going back, whether it will be for a long or a short period, will help much. My telephone conversation with him was pretty disillusioning. I have always stood up for him because I know he is well intentioned, but I have come to the conclusion that he is utterly ineffective and it doesn't make much difference whether he is there or not because he makes even an ineffective spokesman. The State Department has sent as strong notes to the Argentine Government in its desire to be helpful to it as any government can send. Last week while talking with Daniels he said there were a lot of people and some of the newspapers in the United States who were taking pleasure in the present developments in the Argentine and said "Let them stew in their own juice; they had it coming to them." Daniels said that this was not the attitude of the State Department and that the State Department wanted to take a sympathetic and constructive attitude, for the future of the Argentine was too important to take any other attitude. I mention

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this so that you may know that the attitude of the State Department is all that could be desired, but the Argentines themselves have closed and barricaded the door.

I was glad to have the opportunity to talk over this Argentine situation with Wilmers while I was in New York and I gave him all the information which I had as well as my thoughts, and he saw the two telegrams which I sent you. I told Wilmers that I would be glad to do anything that I could and was doing it but that this question of my making a trip to the Argentine was something which had so many facets that it had to be considered very carefully. I was not thinking of myself and what it would do to me if any visit of mine was a fracaso, but I was thinking of what the unhappy results of a visit might be if it was not opportune and if we were not reasonably sure that it would do some good or at least that the good would overwhelm the bad. I said that we were so unable to form a judgment that I felt the only thing to do would be to talk it over with Brosens and that if Brosens could come up for a few days I would be glad to be in New York and to talk with him and with Wilmers, and if you were there of course it would be that much better, but I do not think you should be making these trips unless it is absolutely essential. It occurred to me that if Brosens, Wilmer, and I talked it over in New York for a day we could be in touch with you on the telephone and that might serve the same purpose as your making the trip, or at least it could be determined then more definitely whether it was necessary for you to come over before Brosens returned to the Argentine. Brosens is so well informed concerning the Argentine situation that whatever he says would have a great deal of interest for me and would give me at least something definite on which I could do more clear thinking, particularly with reference to making a trip to Buenos Aires. When I spoke with Bruce the other day he said that Perón thought just as much of me as ever and he thought my word carried as much weight with him as before. My own opinion of Bruce's judgment and knowledge has gone down so much recently that I don't know how much value to place on that statement. So far as I know it is true that Perón would still be prepared to talk with me but I have no illusions as to what one man can do. I cannot discourage the idea of going just because at present I do not see what I could do or whether it is opportune and for that reason I thought if you and Wilmer and I could talk it over with Brosens we would have all facets of the situation and would be in a better position to form a judgment as to whether my going would be desirable or not.

I have reason to think that my going would not be unacceptable to the State Department at the right moment. Of course I would have to go in an entirely private capacity and there would be no question of my going for the United States Government or with its sponsorship. That is completely out and would not be desirable even if it were possible. We have learned from bitter experience that that does not pay. On the other hand the State Department is so anxious that something be done that I think it is ready to clutch at straws, and as I say, I have reason to think that they would not be unhappy if at the right moment I make this trip and might even be pleased. Of course if I would go I would have to tell the State Department that I was going and in that case if they were asked about my going by the press they would simply say that I was going on private business or business of the company with which

I was

I was associated and that it had nothing to do with the United States Government. That would be necessary and proper and would do no harm. That would do good. On the other hand Perón would know if I came that I was not coming without the knowledge of my Government. He would know that I could not speak for it but he would know, or at least feel, that what I was saying was not out of line with what he had already been told or would be told by the United States Government.

In one of my telegrams I pointed out that this matter was now too big to handle in any other way except by governments. The only way in which the situation can be saved is by the Argentine Government taking certain steps which will make it possible for the United States Government to take certain steps, and there has to be necessarily now, because of arbitrary acts of the Argentine Government, a certain time lag. In other words, I do not see how steps can be taken simultaneously. If the Argentine Government is convinced that if it does certain things and does them adequately the United States Government will do certain things, then I think there is a chance of saving the situation. There is no hope, however, of the United States Government being able to do anything constructive in the way of credits or anything of that kind until it has seen that the Argentine Government has done certain things which are adequate and is able to carry them through. There has to be a certain time lag. Whether anything that I could do would fit into such a picture remains to be seen. There is a possibility. How big that possibility is I don't think any of us can judge at this time. Perhaps a conversation with Brosens might help to clarify the situation adequately to form at least preliminary judgments if not a definite one.

I was not able to see the Argentine Ambassador before I left Washington. He has just arrived there. I could not wait as I had to get back here. I called up Daniels this afternoon and asked him if he had anything new. He said the Argentine Ambassador had just arrived in Washington and had been in to see him today. He said that Ambassador Remorino was trying to do a constructive job. He had gone to Buenos Aires to try to clarify the situation and to make clear the American position. He said that Remorino was encouraged. He said that certain steps had been taken already to restrict activities of the I.A.P.I. Daniels said these steps were good but did not enumerate them to me. Remorino said further steps would be taken to restrict the activities of I.A.P.I. Daniels thought this was encouraging so far as it went. I said that I thought it was encouraging in the sense that it showed that Perón was beginning to follow through on the advice which Bramuglia had given him when he returned to Buenos Aires from Europe and the United States and also the advice which Maroglio, the then head of the Banco Central, had given him when he returned from the United States and concerning which I told you the end of last year.

Daniels said that the Ambassador went on to say that the implementing of Article 40 would provide for compensation. He said that the Argentine Government intended to restrict the program of nationalization very definitely. He admitted that the movement towards nationalization of the electric industry would probably go forward. He emphasized that the implementing law

would

would provide for adequate and prompt compensation. He said that the government wanted to talk with the companies and arrive at a negotiated sale rather than to acquire by expropriation, but even in the latter case there would be adequate and prompt compensation.

Daniels said that so far as it went the conversation with the Argentine Ambassador was encouraging in that it showed a slowing up of tempo. I said that it made it pretty clear, however, that they would go ahead with nationalizing the electric industry and Daniels said that it looked that way to him definitely just as it had last week when we discussed this matter.

It is impossible for me to make any concrete suggestions. My conclusions so far are the following:

1.- It would be premature and unwise for me to undertake a trip to Argentina now and until we have explored the situation further. To this end I will keep in touch every other day with Washington to get the latest information on developments, and still believe that a talk between Brosens and ourselves in New York would be helpful if not imperative. He would not have to be away for more than four or five days from Buenos Aires.

2.- Things give appearance of approaching a crisis economically in the Argentine and the outcome of that is uncertain and not clear to anyone and is not something on which it would be safe to speculate.

3.- All the information I have is that even if nationalization is slowed up and the implementing law very narrow, that the electric industry is the primary and immediate objective and that even though they may not be able to go through with it they will start with that industry, which means both CADE and American & Foreign Power as the principal victims.

4.- I do not feel that as long as Article 40 remains as it is there is any security for private initiative in the Argentine and that no matter what the implementing law may be it does not offer adequate guarantees and that under these circumstances no capital, government or private, is available for the power industry.

5.- Under these circumstances, while every effort must be made to get a proper implementing law so as to give a breathing space, if this law provides for conversations for sale then it will be necessary to enter into such conversations, for not to do so would prejudice the situation of the companies more than doing so. My own hope is still that the Argentine Government will realize that it is biting off more than it can digest and that in the end there will be a complete change of attitude in the government which will give sufficient security for the company to continue to operate and take the risks in operation.

6.- I do not yet see that the sale is either necessary or imminent but I do see the necessity for taking all the steps to protect the position of the companies. To merely take an arbitrary attitude and to expect governments to help one out will not serve a purpose.

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This is a very long one but I have wanted you to have my views. I know how tremendously preoccupied you must be and my thoughts have been with you constantly these days. The turn which affairs have taken in the Argentine is much more serious than I thought it could take because I felt that Perón would take a strong attitude and that his position was strong enough to control the situation against any other group. Now we don't know where we stand. The only thing one can do is to recognize the situations as they are and to proceed cautiously but not arbitrarily. I will follow things as closely as I can and will keep you informed and will appreciate your keeping me informed.

I had intended to write you about the situation here with regard to the company, etc., but I have done as much as I can do in one day or ask my secretary to do. I am feeling quite fit but I learn every day that we must not overdo or we destroy our usefulness. The last weeks I spent in New York and Washington were really too strenuous and I am going to have busy weeks ahead of me here. I will write you about Mexlight matters but all I can say at this time is that I think things are going very well taking all factors into account and we have at least a good hope of making this a strong company with as assured a life as one can reckon with in the world in which we live. I think we learn from the lessons of the past and we can let them guide us in handling this Mexlight matter.

Marion is well. She wants to thank you again for the nice bag she got in Paris. I talked with Jimmy on the phone today and the baby seems to be overdue but things seem to be going all right on the whole. Take good care of yourself. Give my best wishes to your associates and to Nat Samuels and do remember us to Yvonne and her family.

I think this letter is too confidential and too frank to be sent to Brosens. I would like to have him see the thoughts I have expressed but it is too dangerous to endeavor to communicate them to him. Even to send a copy of the letter to a safe person in Montevideo I think would be too dangerous, for I do not trust the post office in any of these countries and I have been too frank in my comment to run the risk of having the letter fall into other hands than yours.

With all good wishes,

Cordially and faithfully yours,

A handwritten signature in cursive script, appearing to read "George", written in dark ink.

P. S. After

P. S. After reading this letter I wish to make a few further comments.

With reference to the first part of the last paragraph on Page 8, where I speak about my ultimately making a trip to the Argentine in a private capacity, but that such a trip might be acceptable to and even desired by the Department of State but would have to be without the Department's sponsorship, I want to emphasize this latter statement. From time to time we have tried sending out people on special missions who were supposed to be incognito and to have no sponsorship from our Government but who really had specific instructions from our Government. I have pointed out in my letter that this sort of thing does not pay and we don't do it any more, and I am glad of it because it doesn't pay.

In one of my telegrams I pointed out that this matter is too big for an individual and that it can only be settled between governments and by government action. The Argentine knows that it cannot get any help from any government except the United States, but by its very acts the Argentine Government has estopped the United States Government from doing anything. If I should go to the Argentine on private business and at the same time the United States Government could make it clear through the Embassy in Buenos Aires what the United States is eventually prepared to do if the Argentine does certain things, then it is possible that conversations of mine with Perón would be helpful. He is in such a bad fix that he has to have more than words from a private person and more than counsel from a good friend to give him the courage to face the issues which we now have ample proof he has not been willing to face in recent months.

I am not too discouraged for I cannot see how the Argentine can expect to nationalize even the electric industry through purchase at proper price, not to speak of others. They certainly cannot hope to get away with paying for such properties with a peso constantly decreasing in value. It may be that some of these extreme nationalists think they can get away with agreeing to pay a reasonable price in pesos and then devalue the peso to nothing. I cannot conceive of any of them being as stupid as that. I somehow feel that before they go too far they will realize that what is paid for these properties has to be paid in a firm currency. If they realize that they will know that they can't go ahead. Factories are ready to close down because they haven't got the dollars and hard currencies to get raw materials they need or unfinished products and no one will give them any further credit. If they see industry closing down because they have no hard currencies how can they hope to get away with buying these properties? It is a realization of this money situation which has probably already led them to "restrict" the nationalization program as Perón has said in a recent speech and as Ambassador Remorino told Daniels yesterday in the Department of State. By the same token I think they will learn that they cannot carry through nationalization of the electric industry on which they now seem bent.

All this does not give any comfort because I know enough about such situations to know that before a full realization of all the facts comes the steps which are taken in the meantime can do immeasurable harm. This is what I feel in the case of CADE. Brosens is in a better position to judge, but I am inclined to think that all would view the situation realistically as it now has to be faced would be of the opinion that if the Argentine Government shows any disposition

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position to negotiate for the purchase of the CADE, the company would have to be prepared to enter into such negotiations as though they had a realistic basis. My own feeling is that before such negotiations would come to a termination developments in the country would reach a crisis and that it would be found impossible to carry through either nationalization or purchase. Whether there is any comfort in that I do not know but it is at least the course one would have to follow for the timebeing.

A handwritten signature in black ink, appearing to be 'L. S. S.', located in the center of the page below the main text.