

November 12, 1951.

Dear Philip

I have been wanting to write you for months, but my life continues to be a rather busy one although not quite so hectic as it was during the first few years that I was with Mexlight. I wish to write you for the sheer pleasure of doing so since we have not had the opportunity of seeing each other, but I did not and do not intend to burden you with any of the affairs of Mexlight. We keep very busy. We are making good progress on all phases of our construction program except the civil engineering work on the Patla tunnel and plant, and that we hope to get straightened out. We have been getting the most complete collaboration from the U.S. control authorities and from the U.S. and Canadian manufacturers, and the Mexican officials have been helpful in connection with the program. The affairs of the Company are progressing at what I may call a normal pace and on the whole in a satisfactory manner. We have the daily and continuous problems that any public utility has in any country in these disordered times, but I am glad to say that we are getting on well.

Sir Reginald Leeper made a trip to Mexico earlier in the year and had the opportunity to see our operations here and our plants. Binder has been here very recently and has just returned to England. Leeper, I understand, is making a trip to South Africa at this time, but I am sure that in due course Leeper and Binder will be telling you their own impressions of Mexico and of the Company.

In general I may say that Mexico is one of the few countries in the world in which the political, economic, financial and social situation remains stable and on the whole satisfactory.

I am writing this letter at this time really to tell you how happy I am over the results of the recent elections in Great Britain. In spite of all the factors concerned I felt confident that the Conservatives would win, but some of my friends in Washington, while sincerely hoping that the Conservatives would win, were not so sure. It is a very

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wholesome thing, not only for England, but for us and for the rest of the world, that the Conservative Government is in, and I hope that the narrow majority it has, will not interfere with its effectiveness when that effectiveness is what is needed. I have some appreciation of the enormous task before you all, and this task is not going to be easy, but certainly, with Churchill at the helm and with the aid he will get from such able men as surround him, there is real hope.

Far be it from me to suggest what should be done, but there is one thing which I wish to mention and which is of primary importance not only for England but for the rest of the world. The nationalization of certain industries and services has gone too far to be unscrambled, but the minimum which I think must be done for the safety of everyone is the denationalization of road transport and of the steel industry. It is perhaps too much to hope and it may be impossible to unscramble the electricity industry. The acts of the Labor Government in the field of nationalization had very unhappy results, I might say in almost every part of the world, their repercussions have been felt, and there will still be more of them. If private investment and initiative are to remain in this world, and I consider that indispensable for any normal and peaceful order of things, the U.S. alone, strong as it is now, will not be able to stem the tide. The new government in Britain can do a great deal to counteract this tendency towards nationalization which, while it did not basically set them in motion, did a great deal to accelerate movements of this kind.

I know how you have labored in the last years for what is good and right and you must feel a great satisfaction that your party is in. I read in the papers that you have joined the Government and that you are presently carrying the duties of Chancellor of the Duchy of Lancaster, but I am sure that your experience and talent will be used in a much wider field than this and in your position as deputy leader in the Lords.

I am sure that the Government of the U.S. is going to be as helpful as it can, but there are limits to what it can do. The sacrifices which the American people is making when we are supposed to be nominally "at peace", are really tremendous. It is going to take very real statesmanship to handle the great problems in which the U.S. and England have to collaborate. I hope that there will be full understanding on both sides. It is very much my hope that the

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real conversations between the two countries will be carried on not at the top levels, that is Churchill and Truman, but rather on the level of the able experts in both governments - of course at top levels. I hear so much about Churchill and Truman getting together, and while I think that this may be useful at a stage, I would rather see Harriman and Snyder and Bill Martin of the Federal Reserve and Acheson and people like that talking for us with people on the same level in your country, before Truman and Churchill really get together. There is such a tremendous difference between the personalities of Churchill and Truman and there are so many factors that I have been hoping that there will be a lot of conversations before they get together.

I have been keeping myself informed through Dannie of the developments in the Barcelona matter, and I saw Ashley Cooper several times during his recent stay in the U.S. There is not any doubt in my mind and has not been for a long time that the attitude of the British Government which has been so unsatisfactory in this Barcelona matter, has been largely due to two men: Eggers and Reece. I think their attitude smells to high heaven and has done so for years, and the extraordinary effect which their attitude has had in determining the British attitude with respect to the Barcelona Company has been completely uncomprehensible to me. There are principles for which we must stand up and make a last ditch fight if other principles which involve our security, are to remain. It looks to me as though in some respects the attitude of the British Government is becoming more helpful, and I am sure that the U.S. Government will find it more able to be really helpful in this matter when the attitude of the British Government is more correct, understanding, and firm.

So far as Cade is concerned, I am sure that you are being kept informed. It is a serious situation. I suppose the election returns of yesterday will show that Perón won with a large majority but as a matter of fact, while the other elections were really in a way free elections, this last one was managed in such a way that there could not be any free expression of opinion. That Perón should be re-elected and by a large majority, does not mean anything. His power has been greatly weakened and the man himself is deeply disturbed. The inability of Mrs. Perón to run for Vicepresident - which was of course made impossible by high officers of the army - and her grave illness, have, I think, affected his morale tremendously. Besides that, while Perón

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may not be a very wise and experienced person, he has certain fundamental decencies and certain understanding and he is being forced into things which he does not believe in, for purely political considerations to prop up his waning power. The economic situation of the Argentine is already extremely serious and will become more so. The financial situation is bad, both internally and so far as the exchange position is concerned, and will grow worse. It will take three or four years at least under the best of circumstances for the Argentine economy to get into anything like a normal position, and I do not see the steps taken yet which are essential even for the beginnings.

You know that the Cade has been asked at what price and under what conditions we will sell. I am sure that Perón himself wishes the Cade to live and to reasonably prosper because he knows how disastrous the operation of the railways and the telephones has been since they were taken over, and he knows that the electricity job in the Argentine is too big for the Government alone at least for many years. The fact that he is ready to agree to the purchase of the Cade etc. is an indication to what degree these unwise advisers of his, such as Sastre, have the control, and it is an indication also that he has been obliged to agree to such a step in order to secure the support or at least to avoid the active opposition of the nationalists in this election. Even the radical party in its program for these elections was advocating the nationalization of the frigoríficos and the public services, by which they undoubtedly meant electricity. In other words, the attitude of Perón with respect to the Cade, which I am sure is contrary to his personal convictions, has been entirely influenced by electoral considerations and by the weakening of his position and the necessity of making the slogans and programs of others whom he before disregarded, his own.

This is already getting to be too long a letter, and I cannot impose more detail on you, but really, the life of a great industry which has done so much for the Argentine, is at stake, and the life of Cade is at stake. In my opinion the economic and financial problems of the Argentine are going to be accentuated rather than improved and Perón will not be able to cope with them, and even less in the future than he has in the last years. I think a military taking over of the government is almost inevitable, and while it may not come for some months it is almost certain. We can only hope that when there is such a replacement, that it will be the military who will make

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it and dominate it, for, much as we may dislike military government, that is the only safe solution to avoid chaos in what was a great country. But we must not forget that even among the military there are many of extreme nationalistic tendencies, and what I fear is that the task of a military government will be so tremendous, because of economic and financial difficulties, that it will have to follow up this nationalization idea particularly in the electricity field and the frigorificos - even a military government which may be oriented on the whole along the right lines. It will be almost a vital blow to the Argentine if these things are done, because the Government simply cannot handle its problems, and any foreign aid to the government will be out of the question in my opinion, if it starts on these lines, whether it is the Perón Government or another one.

I think therefore that one has to think of selling the Cade if the right kind of terms can be arranged because I am convinced that a sale now can be made under better conditions than later.

I am glad to say that our friend Dannie is in good health again, and really, it is extraordinary what he can accomplish. He is giving less attention to details and confining himself to major problems, and he is doing a good deal of work, although I personally think he still spends too much time at 50 Broadway. It is really a cruel thing that he should be obliged to continue to give his attention to these many matters, but frankly I shudder to think what would happen if he were not able to do so, and as willing as ever to do so. When Brosens can actually go to Brussels and take charge of things there, it will, I think, be possible for Dannie to play the part of the elder statesman. But Brosens has not been able to leave Buenos Aires, and we do not know when he will be. For the moment he certainly cannot leave.

I have very high regard for Wilmers, but he has very definite limitations. He does not have the broad knowledge of the Sofina interests in their practical aspects which it is necessary for him to have so as actually to keep up the organization and to make decisions without someone sitting on top of him. While I think I have a fair knowledge of his capacities, I think that in many ways he is lacking the tact and finesse which are necessary to control a great organization. I think he makes a good Number Two man but I shall be very happy when Brosens can actually

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go to Brussels and spend practically all of his time there. He has the necessary capacities. I think Wilmers has been a little too interested in making his own way and in establishing his own position. I think it is proper and necessary to have initiative and even ambition, but I sometimes think that Wilmers has been pressing too hard. I say a prayer every day that Dannie is able to do what he is doing and that Brosens may soon be in a position to take over in Brussels. Please do not think that I am saying anything unfriendly or hypercritical with regard to Wilmers. I happen to know a great deal about what in practice and everyday life is fundamental in the way of making decisions in a great enterprise like Sofina, and while I think that Wilmers is useful, and very useful, I do not have full confidence in his judgment and understanding of so many of the problems in which vital decisions have to be made. Youth is apt to be a little overconfident and impatient. This is an observation which I need not make to one who is wise and experienced as you are.

There are so many things concerning which I would like to write you, but I cannot impose a longer letter on you. I want you to know that my thoughts have been and continue to be with you and your associates who will now have this heavy burden to carry in the government of your country. I can realize that you may have to resign your seats on the Sofina Boards, but I am sure that the companies will continue to have your wise counsel in a personal way. I wish that I were younger and could do many things which I would like to do, but I realize the limitations from which I suffer. But in whatever ways I can I shall continue to try to be useful, and I am fortunately able to maintain contact with many of my old friends who still carry some of the principal burdens in the government of my country.

Marion and I recall with so much pleasure the last opportunity we had of seeing you, and we hope it may not be too long before we meet again, although I see no immediate prospect of that. In the meantime, this letter carries our affectionate good wishes to you both.

Cordially and faithfully yours,

George S. Messersmith.

GSM/go