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March 26, 1952.

Dear Tom :

I appreciate very much your letter of March 13 in reply to mine of March 10 in which I took the liberty of sending you a copy of the remarks of Mr. Harding of the Socony-Vacuum Oil Company on "The Iranian situation". I also appreciate your telling me that Ed Miller will probably be in Brazil during the latter part of April and that you may be in Houston at the same time, but otherwise have no plans for being away from Washington. As I told you in my letter of March 10, I was interested in knowing your plans because I may be going north and look forward very much to seeing you and Ed. The way it looks now I shall probably not be able to go north until early May when I shall be spending some days in New York, Washington, and Toronto on the affairs of Mexlight.

I had a brief note from Ed Miller dated March 14 saying that he saw my letter to you and that he would be delighted to have any news that ~~you~~ might be able to pass on to him.

As a matter of fact, as I have not been north since October 1951, I have had the desire and really felt the need on a number of occasions of having a chat with you and Ed. As I cannot look forward to seeing you for at least another month, I am taking the liberty of sending you a few personal observations which I think may be of interest to you and him.

In the first place, I keep in as close touch with developments in the Argentine as I can because I am interested first of all in that country and also because I am interested in the electricity situation which means so much for its economy. I have read with much interest about the measures which the Perón government is taking with regard to agricultural production, prices, wages etc. I can only say that the measures which are reported to be taken come too late to help, either the Perón government or the Argentine situation. You will recall that when I was in the Argentine in February 1951 I had a good deal of opportunity to talk with Perón and some of his associates in the Government and I felt then that the control of the situation was rapidly slipping away from them and that they were not in a position or did not have the courage to take the steps which were necessary to lay the basis at least for an im-

The Honorable Thomas C. Mann,  
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provement in the Argentine agricultural, industrial and financial situation. I told Perón, as you may recall my telling you on my return, among other things that it would only be some months (I could not lay down a timetable, but it could not be many months) before the leading industrialists in the Argentine would have to come to him and say: "Here is my factory. I cannot continue to run it, the measures of the Government have made it impossible for me to operate it". I said to Perón that he would be very upset and angry when these people came and said this to him and he would accuse them of sabotage of what the government was doing, but that he would have no alternative except to take over these factories. I told Perón that again I could not say how long the Government would be able to operate them but that it could not be for long. The Government would want to keep the factories open at least five working days a week and maintain wages when as a matter of fact the raw materials available for the operation or the sales demand might be such that keeping the factories open for more than one or two days a week would not be justified. The Government would go on printing money, I said, in order to do this, and the more they printed, the less the purchasing power the money would have for the worker, and the government could not continue this for very long.

I mention the foregoing because in an article in the NEW YORK TIMES airmail edition of a few days ago it is stated in a Buenos Aires dispatch that this is just what has happened - viz., that the textile manufacturers have informed the Government that they cannot continue and that the Government must operate the factories if it wishes them to keep on. I am sure that if the textile manufacturers are at this point, there are many others or will shortly be in the same position.

I saw also in the New York Times airmail edition an item from Buenos Aires to the effect that the government has announced that consumption of electricity for public lighting is to be cut by 30%. When I was there last year, I told Perón that Buenos Aires was already a "dark" city but that I supposed the people had already become accustomed to it. I can assure you that a further cut of 30% in the public lighting in Buenos Aires will mean a very dismal city indeed, and people will be more than ever conscious of what the electricity situation is. The same article says that factories have to cut consumption of electricity four hours a day. I think if the situation is gone into, it will be



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found that a good many factories are already working only four ~~hours~~ a week and that industrial cuts far greater than that mentioned in this news item have already been in effect for months. The article also mentions that domestic consumption is to be further cut. When I was in Buenos Aires in 1951 I could not possibly read a book or newspaper in my apartment in the Plaza Hotel before about 10 p.m. as, no matter what voltage bulb I put in, it was too dark to read until late in the evening when the industrial and domestic load in general goes down.

I have not been in very close touch with the electricity developments in the greater Buenos Aires area for some months as I have been very much occupied here with labor and construction and other problems. I am sure, however, that the situation in the electricity field and particularly in the greater Buenos Aires area which is the heart of the country, is approaching the catastrophic. CADE, which is by far the principal element in the picture, has not been able to do anything to the situation because the government will simply not do the necessary in order to make it possible for CADE to operate. The other company in the Buenos Aires area which is much less important and supplies practically only domestic demand in a certain area of the city, the Italo-Suiza, has, I believe, been able to put into service a unit which it had ordered some years ago. The government seems to be placing all of its hopes for the Buenos Aires area in the construction of the San Nicolás plant, several hundred kilometers from Buenos Aires, the equipment for which has been ordered in Germany. I told Perón when I last saw him that the greater Buenos Aires area could probably count on the power from the San Nicolás plant at the very best in three or four years, because it was not only a question of the generators and turbines which they were just then ordering in Germany, but also because of the long transmission line from San Nicolás to Buenos Aires. He was appalled when he found that what I had told him was true, but so far as I know, nothing has been done to help the situation, and the CADE is really the only company in the Argentine that can do something in the greater Buenos Aires area in a minimum of time, and even the CADE will need several years to put the electricity situation in shape - even if it has all the necessary tariffs and facilities and can get the equipment and the credit to do the job.

It was my opinion when I left Buenos Aires in February 1951 that the government would not be able to handle the situation and that it would become cumulatively worse, and that the disastrous economic situation could only result in poli-

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tical difficulties. I am not a prophet, but I do not see how the Perón government can last. I do know that whatever government follows ~~the Perón line~~, no matter how good it may be, will have exactly the same difficulties to resolve that the present government has. I do not want to extend on this theme, but I think we can look forward to nothing less than an Argentine which will have to go through several years of calvary before anything like normal economic and financial and political conditions can be reestablished.

So far as the situation in Cuba is concerned, I am going to commit the indiscretion of sending you a copy of a personal letter which I wrote to my good friend Henry J. Haskell of the KANSAS CITY STAR. He was one of the great newspapermen for many years in our country and a great editor, and we have been friends for many years at home and abroad. I think he is now no longer very active on the STAR. In this personal letter to him, of which I am sending you a copy, I make some comment with regard to the recent military coup of Batista which may be of interest to you. It may surprise you and Ed that I can look with some complacency and in fact a good deal of it, on Batista's action. I can assure you that my comment in the letter to Haskell is not based on any personal feelings which I may have for Batista. Mexico is not very far from Cuba, and scores of my Cuban friends have come to Mexico during the last years for holidays or to take the waters at some of the springs here. I am sorry to say that a good many of my best friends voted for Grau and against Saladrigas, mostly because they did not like the idea of military government and this was a sort of reaction against military government. When my friends told me that they had voted for Grau, I told them that they would have a bellyful, because I knew that Grau was so utterly inadequate in an administrative way that things would be bad with so much money in Cuba and with the income of the government so high and presenting such opportunities for dishonesty. I did not think that Grau would tolerate the gangsterism which he has undoubtedly tolerated. Batista had really thought he was doing the country a service when he left the presidency and supported Saladrigas because he would have made an excellent president. Certainly Prío was no improvement on Grau. I know Carlos Hevia well and like him very much, but I think it would be a bad thing for Cuba and for him and for us if he were to be president, because he has no more administrative capacity than either Grau or Prío, and he would not be able to control the situation which has developed during the last seven years, and things would get worse rather than better.

I am the last person to approve of or further such military action.

But in some of these countries we have to



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realize that certain conditions prevail and there is only one way to handle them. Batista may know now how much money he has, but he certainly did not know it when he left the presidency. All he knew was that he had plenty. I know from personal experience while I was Ambassador in Cuba that Batista made a very determined effort to get rid of the worst of public theft, and if he had remained in the presidency, he would probably have succeeded. My own feeling is that Batista will give Cuba a better government than it has had under Grau or Prio, and certainly Cuba deserves a better government than she has had for several years.

I am personally confident that the responsible people in Cuba will be very happy to see Batista recognized because they have the feeling that things will be better, and they will be better. Batista has no use for the communists, and he will take care of some situations there which have to be taken care of. I am sure that he is really a good friend of our country. I think it is out of conviction as well as out of convenience.

So far as the students in the University are concerned, while I understand that for the present they are giving some trouble, I am sure that no one in Cuba pays much attention to that, for the University has been a center of trouble for years. If we as a government should pay any attention to the attitude which some of the students are taking, I think we would be fostering the worst kind of disorder in Cuba.

Far be it from me to make any observations on what we should or should not do regarding the recognition of Batista. I am confident that if we recognize him, he will hold elections just as soon as it is feasible, and that should not be long, and I think the probabilities are very strong for Saladrigas. In that case I think Cuba could look forward to an era of reasonably good government. I say "reasonably good" because I do not dare to expect anything but that almost anywhere these days. If we delay the recognition of Batista too long, I think there is grave danger of creating all sorts of trouble, not only in Cuba, but for us, and we will lose a good friend. I do not think there is any doubt that Batista will be able to hold the situation in Cuba as long as he wishes unless we go in with arms to put somebody on the job, and that we certainly will not do.

You will forgive these observations on Cuba which I made only for such interest as they may have for you and Ed, and they are certainly objective. I may say that I have not seen

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Batista or had any communication with him since shortly after he left the presidency, when he came to Mexico for a few days, as I mention in my personal letter to Haskell, hereto attached.

I am not going to write about Mexico, because there are so many things that I would like to write about that it would take a very long letter indeed, so I look forward to seeing you and Ed not later than early May. I do want to say, however, that things are going very well here in the political, economic, financial, and social field. I still think that these situations in Mexico are more stable than they are in any other country in Latin America, and not only in a relative sense, but they are stable. In some things perhaps things have been going too well for our Mexican friends and they may be a little overconfident and at times even a little arrogant. Some of them may not realize how important it is to maintain certain obligations, the maintenance of which up to now has made possible the progress of the last ten years in the country, and that progress has really been tremendous. I am hopeful and optimistic with regard to further developments here, but there are certain aspects of the situation which will have to be very carefully followed by us because of the interest which they have for us. We and others have put a great deal of money into this country and it is not too much to say that we have, through what we have done, made possible so much that has happened here - at least it has happened much more rapidly than it could have without us. I am confident that there are people in the Mexican government who are aware of the necessity of maintaining the line of action they have followed in recent years with regard to the treatment of private initiative and capital, domestic and foreign. There are others who would be inclined to be more negligent and to take chances. I can assure you that men like Ramón Beteta and Carrillo Flores are completely understanding of all these problems. There are many others, of course. The maintenance of Mexico's credit is absolutely essential to her because she will continue to need capital from us when the new Administration comes in, as she has needed it and received it during the administration of Alemán and of Avila Camacho. I think it is most important that these situations be maintained - for us and for Mexico, - and that all that we do at home to strengthen the position of those in Mexico who are endeavoring to maintain the good lines of action which have been established.

I said I was not going to say anything about Mexico, but I am getting started doing so. Therefore I will come to



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an abrupt end on this and only express the hope that we may have the opportunity to exchange views when I see you. I am very deeply interested in this country because there is a real desire here to do things in the right way and it is so important for us that things should continue to go well in Mexico.

A propos of the foregoing I am enclosing a copy of a letter which I wrote to George Perkins in the State Department, dated March 20. It is true that I have no connection whatever with the Barcelona Traction Company, but it is equally true that the treatment which that company has had from the Spanish government and courts, is about as outrageous as anything I have seen in my long life. If we do not take notice of these things, even though there may be a relatively small amount of American capital involved in the Barcelona Company, we can easily destroy the position of private enterprise in all of Latin America. I can assure you that in Mexico as well as in other Latin American countries, not to speak of elsewhere, what we do in the U.S. in the way of economic aid to Spain, will be carefully noted, and if we disregard principle to which we are attached in Spain in the way we give aid, I do not like to think of the consequences, and I would not like to be the one responsible for such policy in our country. I have every confidence that in what we do in Spain we may not forget this question of principle and the repercussion which unwise action might have on our tremendous investment in so many parts of the world. I know how the military are pushing people around these days, but after all the State Department is still responsible for foreign policy, and I think can be very vocal about these things. The letter which I wrote to Perkins was prompted by this deep feeling which I have concerning the importance of the principle of private enterprise and initiative and the necessity for giving it the protection and treatment which it must have.

This is a very long letter, but I hope that it may have some interest to you, I wish that I were younger by twenty years and that I could really take an active interest in some of these things which out of my experience I know are so vital to us as a country. I am living in another country, but I really feel that in what I am doing for Mexlight I am performing a fundamental service or at least trying to do so, to my country and to Mexico, because, while I may be interested, and am, in this Company for which I work, I could

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not at my age be interested in any company more than I am in the maintenance of certain principles.

I would be glad to have you show this letter to Ed and mark such parts in it as you think he should read. I look forward very much to seeing you both in May. I keep very busy here, in fact too busy, but my health is good and I really enjoy the struggle.

With all good wishes to you and Ed,

Cordially and faithfully yours,

George S. Messersmith.

Encl. (2)  
GSM/go