

1177

AIR MAIL

*Yours truly
D. N. Heineman*
*Important copy of contract
not for files*

fait 30 avril

Forma 291-5. M.L.F.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

DIRECCION TELEGRAFICA
CABLE ADDRESS MELIPPOO

2A. CALLE DE GANTE No. 20.

APARTADO POSTAL } 124 BIS
P. O. BOX }

MEXICO, D. F.

March 27, 1953

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

Dear Dannie:

This morning Archduke Felix of Austria, who I understand has been living in Mexico for some years, and Fritz Mandl came in to see me. I do not know just what Archduke Felix of Austria does here but I think he is working with some bank and interests himself in various matters. I am not in a position to speak accurately, but I am inclined to think that his position here is of no importance and that no one pays much attention to him. There are of course certain persons here, as elsewhere, snobbishly inclined, who give him a certain attention and perhaps even a certain entrée because of his title, but I think this is mostly in social circles rather than business circles. The Mexicans in matters of business are not much impressed by titles. He uses his title here very definitely and speaks of himself as Archduke Felix of Austria, so that it is quite obvious that he is trading or endeavoring to trade on his title and family. I repeat that I do not think that among businessmen he has any position or that his word carries any weight. The only usefulness I see that he has is that he may be able to get people together, but that does not mean that anything comes out of it.

So far as Fritz Mandl is concerned, I have known him ever since I went to Austria in 1934, and while I did not see very much of him in Austria, in fact I practically never had personal contact with him, I did have a great deal of contact with Prince Starhemberg, who was heading up the Heimwehr but was really the principal bulwark against the encroachment of the Nazis in Austria. You may recall that Prince Starhemberg spent practically all his fortune and that of his mother, who was really a great lady, and mortgaged his estates, etc., to keep the Heimwehr going because the government was too poor to support it. It was Fritz Mandl who gave more liberally to Starhemberg and the Heimwehr than anyone else. As a matter of fact, without the financial support which Mandl freely gave to Starhemberg and the Heimwehr, it could not have existed and have done the good job that it did. I have always felt kindly towards Mandl because of what he did for Starhemberg and the Heimwehr.

So far as his business is concerned, I could not and would not wish to pass any judgment on any of his operations in Austria at that time. You know what his interests were and he was powerful in the industrial field, principally in the manufacture of

armaments. I saw nothing of Mandl until I came to the Argentine in 1946 and at that time he was very much interested in getting his status arranged with the United States authorities so that he could go to the United States on what he called important financial matters. In this connection I saw him several times in my office at the Embassy when he asked to see me, and as I had the feeling that he had always been anti-Nazi and that so far as I knew he had never done anything to help our enemies, I did my best to get Washington to clear the slate and at least let Mandl go to the United States. I could make no progress because at that time Spruille Braden was Assistant Secretary of State and he hated Mandl because Mandl was at least friendly to Peron and was supposedly advising Peron on some industrial matters. Later I understand this situation was cleaned up and Mandl, so far as I know, can now go to the United States when he wants to.

I don't want to pass any judgment on Mandl's business capacities nor upon him in any other way. All I know is that I have always had this good feeling towards him because of what he did to help to maintain the Austrian situation through really very large sums of money which he gave out of his own pocket to the Heimwehr. Whether he is a good or a bad businessman or with regard to any moral aspects I cannot pass, and will not pass any judgment. My own feeling, however, is that I would not wish to have more to do with Mandl than I had to, because I have an instinctive feeling of distrust as to the soundness of his business capacity, even though he seems to have made some things go.

The foregoing is for background of this conversation with Mandl and Felix. I told them at the outset that I did not know what they wished to see me about, but I wished them to know that in Mexico I confine my activities entirely to the affairs of The Mexican Light and Power Company and that I did not engage in any other activities. Mandl did the talking for both of them and he said that he had had some conversations, I understand with Brosens, in Brussels, and perhaps he said in the Argentine, and that it had reference to the establishment of a copper refinery in Mexico in which Sofina had at least expressed an interest. He said that he and others had been studying the idea of building a copper refinery in Mexico near Mexico City and that they had interested the Banque de Bruxelles and certain other interests. The refinery was to have the capacity of 1,000 tons of refined copper a month. They would buy their ores from mining companies in Mexico. He said that they were convinced that an operation of this kind fitted into the Mexican picture in addition to the present "Cobres de Mexico". He said that they were not much interested in getting capital in Mexico because the capital could be got from the outside. He said that the Nacional Financiera was, however, much interested in the establishment of this smelter they were thinking of, in spite of the fact that Financiera had already an interest in Cobres de Mexico, and was willing to put money into the new smelter also. He was here looking over the situation and would be leaving very shortly.

I told Mandl that this matter was outside of my province. He said that Brosens had mentioned to him that he had mentioned the matter of this smelter to me. I said that I did recall that when Brosens was in Mexico last year briefly some mention was made about this smelter, but that there was no serious conversation or going into the matter "al fondo".

I gathered from what Mandl said that he had in mind that Sofina would pay a good deal of attention to what I said concerning a project of this kind if Sofina could be interested. I said that I was not on the Board of Sofina, but that I knew of course you and Brosens and that if you all asked me about anything, I would give you the best I could, purely in a personal way. It was quite obvious that Mandl was endeavoring to do two things -- one, to enlist my sympathy in his project, and two, to find out what I thought about things here.

On the first point I made it very clear that I was confining myself to the electricity industry and to Mexlight. With regard to the situation here, I was very guarded in what I said. The only remark of substance that I made was that I thought the new administration here, which showed much promise and which had good intentions, would have a hard time ahead of it because of the heritage hanging over it of certain aspects of the previous administration. I said that money was tight and that I thought things would be a little difficult here in some ways for the next few years and that it would be advisable to go a little slowly about certain things for the next months to see how things actually developed here. I did not wish to say more, although they asked a number of questions, because I do not feel that either Felix or Mandl are persons to whom I could talk freely.

I said that the only counsel which I could give them was that I thought if they were going to think seriously of building this copper smelter here, they had to look into every phase of the matter before reaching a decision to go ahead and invest some money. I said it was not only the question of the location of the smelter, but also of the transportation facilities and all sorts of related problems. I said that the investment in a 12,000 ton a year smelter (refined product) was fairly considerable and that there were all sorts of problems which had to be considered and that in Mexico as in any other country a project had to be studied from every point of view before reaching a decision, and that in Mexico there were certain factors to consider which did not exist in all countries.

I will not go into further detail regarding the conversation because these are the principal points. Mandl asked whether Felix could come in from time to time to see me and I did not like that question. I said that I had no objection whatever to Felix of Austria coming in to see me, but that I wanted them to know that I was sticking to my own immediate field, which was Mexlight and electricity. In order to protect the position of

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Mexlight before the authorities here, we mind our own business and stick to it and I, in order to protect my position of usefulness for Mexlight, stick to my business. Because of the basic distrustfulness I have for Mandl in certain ways, and because I do not think Felix of Austria carries any weight here, I do not want to get myself into a position where they can say to people in Mexico in the government or in industry or in finance, or to persons elsewhere that I am advising them, because I shall not do that for any number of reasons.

As I have told you before, if there is anything concerning this matter which I can tell you or Brosens or Sofina which may be of interest, I will do so, but that is another matter. So far as the mining situation in Mexico is concerned in general, it is passing through a difficult period. There have been some pretty poorly counseled attacks against the mining companies here and as you know, more than 80% of the production of minerals and metals in Mexico comes from foreign mining companies and the Mexican mining companies are small and weak. On the other hand, there is even more nationalism showing itself in certain quarters here with respect to the mining industry than with respect to the private electricity industry. The foreign mining companies in Mexico produce by far the greatest amount of Mexican exchange. They are by far the principal source of taxation in the country. It is these foreign mining companies that have not only been so helpful in the creation of foreign exchange, but also in the revenues of the government. The fall in prices of metals in the world markets recently has created serious problems for the mining industry, as well as for the government. A time like this is not one for nationalistic attacks against the foreign mining companies. I may say that these attacks have decreased somewhat recently, but that does not mean that the matter is not latent. It is one of the factors that one has to bear in mind in considering investment in Mexico.

The only thing that I can say is that I think that before Sofina makes any investment in a copper smelter in Mexico, it should be satisfied that there has been a most thorough and complete study of all the factors involved. For example, Mr. Mandl seemed to think that the smelter should be near Mexico City because it was in the Mexico City area that the market for the refined product in Mexico lies. The question of where the smelter should be placed is subject to many more considerations than that, because the ores would have to be brought to Mexico City for the smelter and the question of transportation in Mexico is a difficult one still and will be for some years, and it may be that the smelter should be built closer to the source of the ores. I do not mention this as a conclusion, but only as an indication of the necessity of not reaching quick conclusions. The foreigner who does not know all these problems in Mexico takes transportation and other things for granted too much.

I am sending this letter to you in duplicate and if you so

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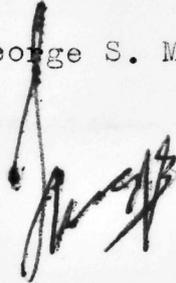
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wish I have no objection to your sending a copy to Brosens, but in case you do so I would ask you to request Brosens not to put this in the file he may have on this matter but in his personal file and to use the information only for himself and not referring it back to me in any way.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith



GSM/cbc