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Forma 291-S. M.L.F.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

DIRECCION TELEGRAFICA
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November 13, 1951.

REPL:

FILE:

Messersmith
*[Signature]*D.N. Heineman, Esq.,
Hotel Carlyle,
New York 21, N.Y.

Dear Dannie :

I wish to refer further to your letter of October 29 with which you sent me a copy of a note from Brosens dated October 26, and also wish to supplement my letters of November 1 and 5 in which I made reference to some extracts from the newsbulletin of the Argentine Government with regard to the San Nicolás plant.

I was very glad to have the opportunity of a brief word with you over the telephone the other day, and I am glad that Brosens was able to see Mrs. Perón apparently just before her operation. I can quite see why Mrs. Perón may say that there can be no increases in tariffs until the year after the elections because she simply does not understand the problem, but if the President and Mrs. Perón remain at the head of the destinies of the Argentine, I know that they will have to accept an increase in tariffs. Without it there can be no financial aid for the Cade from the outside from any source. I do not see how the Eximbank or the World Bank or any manufacturer could give credit to the Cade for the so-much needed equipment unless the financial position of the Company, so far as income etc. is concerned, is secured, which can only be done by action of the Government.

Apparently the Government is putting all its eggs in the San Nicolás basket, and I think they are going to suffer many deceptions. I simply do not see how the German manufacturers can carry through unless the Argentine is able to increase materially its exports to Germany, and for the present these prospects are very poor, as well as for the foreseeable future. Just as this German firm told us some months ago out of a clear sky that we would have to pay about Dls. 150.000.00 more for the towers we had ordered, so the Argentine may find herself in the same position, for there are limits as to how far the German manufacturers and banks can go. As I mentioned in previous letters, I do not see how the Germans are going to carry through the whole program of the plant San Nicolás and the transmission line without using

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November 13, 1951
Page 2

the production facilities for a number of items in other countries, and there the financing problem will be almost insuperable.

As a friend of the country and as one who has this interest in inter-American affairs and in the world picture, I just shudder to think what will happen in the Argentine economy if the Cade is not able to function adequately, and certainly there is no indication that the Government is going to do anything except perhaps to give a few promises for future delivery - and that sort of promises financiers do not take.

I noticed in an INS dispatch from Buenos Aires dated November 9 in the papers here the program of the Radical Party in the Argentine. I think you know that this party in the last years has been more arbitrary, nationalistic and isolationist than even the Perón Government. I had ample opportunity to notice this when I was in the Argentine in 1946 and 1947. In their program as published in Buenos Aires for this election they state under item 7: "Democratic planning of the national economy" which is pure demagoguery. Under item 9 they state "a plan which will assure to every family a decorous home", and this is even worse demagoguery. They outperón Perón. Under item 10 they state "Nationalization of public services, the frigoríficos and the monopolies". In other words, the Radicals are out and out for nationalization of the electricity industry. In item 11 of their program they state "nationalization of the petroleum industry" which means getting rid of what is left of the English and American petroleum companies. The government operation is already bad enough, and with the American and English out of the picture they would be infinitely worse off.

I am mentioning this program of the Radical Party because, as I told you, there is no doubt that Carello and the head of the Dirección de Energía and other important men in the Perón Government are for nationalization all along the line, and they simply do not know what they are doing. It is no wonder, with the Radicals all out for nationalization and with Perón's immediate advisers really for nationalization and with certain elements in the Army extremely nationalistic, that Perón has had to agree to the Consejo Económico asking the Cade at what price it will sell and on what terms. I am more than ever convinced that, whether Perón remains in control of the situation or whether there is a military government to replace him, (or any other group governing the Argentine which possibly could get power), the movement for nationalization in the Argentine will go forward. That is why I think this is the time to sell, if a reasonable price and Argentine Government bonds in Dollars can be got. I think it will be well for the Cade to get in before any of the other nationalization movements start. The only asset which I see the Cade is able to count on is that the Peróns both have a friendly disposition towards it which I think is more than they have towards any of the other interests. I do not think that Cade can make the mistake of the American & Foreign Power Co. which has been holding

out, among other things, for too high a price. I am convinced that the longer this situation runs in the Argentine, the less will be, progressively, the price which can be got.

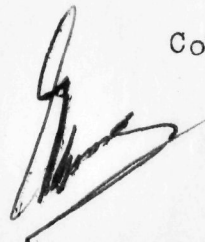
I understood from what you told me over the telephone that Mrs. Perón had indicated to Brosens that the President would see him after the election. I am not so sure that that will be the case so soon, although I hope it will. Now that the election is over, there is no certainty, according to what I see in the papers, that Perón will actually get back on the job openly and immediately. He has, as you know, about six months' leave of absence. Perhaps he may want to let things get to a head while he is ostensibly on the sidelines, and let the military take over. Then his position will always be saved in one way by his being able to say that he was not on the job. By the same token, it makes it easier to do something when Perón is on leave of absence than when he is directly on the job.

These are just a few stray ideas which I thought might be of interest to you.

Marion and I have been deeply distressed to hear of Mrs. Jensen's death, but after all I am sure Yvonne will realize that death has come as a release, and while this does not make losing her mother, who was a very dear person, any easier, it will in a measure soften the loss for her. I wrote her a little note this morning, but anything one says at a time like this is inadequate.

With love and good wishes to you all

Cordially and faithfully yours,



George S. Messersmith

GSM/go