

AIR MAIL

Ed. C. C. C.

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Mexico, April 3, 1942

Dear Sumner:

I have given very careful consideration to your most helpful letter of March 27th. I have discussed fully certain parts thereof with my associates here. We are all deeply conscious of the problems which you raise in the letter, and I shall in this letter give you my considered reaction to the questions raised.

Mexican
Railways

First of all, with regard to rail transport: This is one of the major questions which Dr. Padilla will be raising in Washington and I think with reason. Mexico is already - by force of circumstances beyond our control for the present - practically without sea transport to the United States. Even though our ship-building program progresses most satisfactorily and we control sinkings, ships will be needed on other routes for the aggressive action necessary to win the war and there will be few ships available even six months hence for ocean transport between Mexico and the United States. Fortunately for us, Mexico has so much that we need that we would otherwise have to get from farther away, and there is rail transport available, and this, together with road transport, we shall have to use increasingly. It is indispensable in our own interest that we develop this road and rail transport as rapidly as possible. There is no use developing these material resources here in Mexico if we do not have a way of getting the stuff to our markets.

Much has been said concerning the condition of the Mexican Railways. Great emphasis has been placed on the labor difficulties of the railways and on the inadequate utilization of the present rail facilities and rolling stock. Some of this is true, but I have reached the conclusion, after talking with objective and well-informed Americans here, that too much emphasis has been placed on this labor factor. Americans here who have had intimate contact

The Honorable
Sumner Welles,
Undersecretary of State,
Washington, D. C.

contact with the rail situation for years and whose business it is to know, seem to think that the Mexican Railways, with the equipment they have, are not operating too badly. I mention this aspect because some of our people at home in the various agencies which are very much interested in getting out raw materials have been emphasizing the labor situation as the principal obstacle and have been adamant in refusing to consider the supplying of new or secondhand rolling stock and motive power.

It is my considered opinion that one of the major things we have to consider is this improvement of the efficiency of the Mexican Railways. If we do not do this we will not be able to move either the goods which Mexico needs to keep her economy going or the raw materials which Mexico is already producing which we do much need, not to speak of the increased production that is being stimulated. I therefore welcome the designation of Major Hill to come here and look into this problem from the limited aspects of a survey of the motive power and rolling stock of the railways. He is a competent man and we must help him to get the concrete data that he needs. The most important problem for the moment is motive power and rolling stock, - and that will have to come from us. There is certain motive power equipment here: well over one hundred locomotives which are out of service because of repairs which cannot be made through lack of parts from the original manufacturers at home. It is not improbable that the manufacturers have these in stock and the locomotives themselves are of types no longer used in the United States, so that these parts can be shipped here without injuring anyone. I shall see that Major Hill goes into this vital aspect which will give almost immediate relief.

There is, however, rolling stock which must be had from the United States. This need not be new. In this particular respect I want to point out that the Mexican Railways officials are not really an incompetent lot as they have been pictured. I have gone into this carefully and I find that with a difficult financial problem and all sorts of other problems the Mexican Railways management has done things which would do credit to our best railway management at home. It is well also for us to remember that the Mexican Railways officials know our own situation pretty thoroughly. When we say that we cannot supply any locomotives or rolling stock because of our needs at home and point out the short trains, etc., on the Mexican lines, they tell us that we are not using our motive power and rolling stock at home to any greater advantage on the whole than they

they are. They point out that we are still running railways almost parallel to each other, when by appropriate action considerable motive power and rolling stock could be made available by pooling the resources of the railways at home -- and that this would not only relieve our own increasing congestion but would also make available used motive power and rolling stock in adequate quantities for the Mexican Railways. I think it will be found, when we go into this at home, that there is a good deal to it.

Specifically, then, in reply to your inquiry with regard to Major Hill, I may say that Mr. Winters of RA called me on the telephone about a week ago concerning his coming here and I said that we would welcome it and would be in a position to facilitate his inquiry. He has not yet arrived but when he does we will do everything in our power to facilitate his making an accurate and complete survey in the field of motive power and rolling stock. When he has made his survey we must take immediate action thereon, because in this matter of rail transport we cannot fish behind the net. The transport problem is the first to be solved in the maintenance of Mexican economy and in our securing the necessary raw materials from here. I wish to emphasize that the attitude of some important people in our Government will have to change, for they have, on the basis of inadequate information, been taking the arbitrary stand that nothing can be done for the Mexican Railways - and these same people at the same time are doing all they can, very properly, to stimulate the production of raw materials for which there is already inadequate rail transport and no sea transport.

Mexican
Highway
Program

The road-building program is an important factor in this transportation problem, for Mexico and for us. We have given Mexico thirty million dollars over a period of three years for such a road-building program. I am inclined to think that the sum will be inadequate, but if they have ten million dollars the first year and spend it wisely, they should be able to go a long way. Our difficulty will be in getting them to spend the money wisely and also in the selection of the roads. My personal opinion is that the most important road-building projects here are not for the moment the ones which are most attractive to the Government. They should concentrate on building feeder roads to already existing main highways, and on the building of roads - even in some cases temporary ones - from mines and producing areas. Unless this is done, the mineral resources being developed under a wise program we are fostering will not have transportation to
rail

rail heads. This road-building program is one in which I hope the Mexican Government will increasingly seek our counsel and help, not so much in actual construction of the roads as in determining where they shall be built.

Special
Missions

One of the major difficulties we have had in the field, and particularly here in Mexico, has been the situation with respect to the uncoordinated and too frequently ineffective special missions from various agencies of government. This, as you know, is serious in many respects, but one of the principal unfortunate results was that it was causing increasing lack of confidence on the part of other governments. Missions came and went without anything happening. Sometimes before one mission left that was supposed to go into a certain problem, another came along from another agency on exactly the same subject. It was causing confusion in other governments and increasing the lack of confidence in our procedure and in our capacity to handle the major tasks before us in winning the war. So far as Mexico is concerned, this problem of the special missions is, as you point out, even more important than in the case of most other countries; for because of contiguity and the raw materials problem our people have been coming here in greater numbers and with greater reason. I am happy to say that so far as Mexico is concerned this problem has been solved very largely by the Department's recent telegram indicating the steps which have been taken at home among the various Departments and Agencies, and indicating the procedure to be followed here. Under this procedure no mission of any kind will go into any of the American Republics from any of the Departments or Agencies at home without the knowledge and approval of the Department of State. This is absolutely essential. Further, according to the procedure, these missions must report immediately on arrival to the Mission and act through and under it. Here in Mexico City I have concentrated this work in the Commercial Attaché, Mr. Lockett, who is a man of good judgment and wide knowledge and has a very broad background in the Mexican financial and economic problem. The procedure has been in effect for some weeks now and is working very satisfactorily. If the Department will adhere to the practice at home and we follow out the practice here under the Department's instructions -- which we shall of course rigorously do -- this problem of the special missions will be solved and we will get more effective results from the missions which are sent out. The Department's action in this matter has been most constructive, and, I can assure you, imperatively necessary.

I have noted what you say concerning Dr. Bateman's mission, and before I go further into some of the major questions raised in your letter and give you my reaction, as you have requested, I must say a word with regard to Dr. Bateman. I have had long experience in the field and I cannot recall having had to deal with anyone who came on such a mission who has shown the competence, the discretion, the judgment, and the general fitness for his job that Dr. Bateman has shown. He is charged with this delicate problem of strategic metals, which involves labor factors at this end. He has worked constantly in the closest contact with the Embassy through Mr. Lockett and me. He is of course in constant contact also with Mr. Ransom, who is the representative of the Metals Reserve here. His work involves direct contact with the Mexican authorities. He has been extraordinarily successful and I hope within a very short time, perhaps a week, the agreements which he has arrived at can be put into the form of exchanges of letters which are in fact an agreement. I consider that he has done a very constructive job and it has been largely due to his technical knowledge, his practical good sense, and his tact and firmness in dealing with all concerned. I think, so far as the particular phase of minerals development is concerned, he will very shortly have laid, through an exchange of letters, and adequate basis for this development that should have immediate concrete results. It is proper to say here, too, that the Mexican authorities from the President down have shown a highly cooperative attitude and willingness to go very far in getting things done, in their own and our interests.

Economic
Survey:
Mexico

I have noted with particular interest your very pertinent and penetrating comments on the importance of maintaining the Mexican economy and your references to the memorandum of October 7, 1941, from the Mexican Embassy to the Department, proposing a cooperative program for the development of the natural resources and industry of Mexico. Obviously a program which the Mexican Government has in mind would include the development of certain industries which we could not possibly assist in fostering now because we could not provide the materials. There are, however, many ways in which we can help the Mexican economy and industry by public and by private initiative. The situation with respect to Mexico's foreign exchange position is one which we must take into account. The recent payments which she has made to us have been largely through the shipment of gold. The Mexican economy is in a very delicate situation as a result of the war, and she is undertaking, as you point out, new obligations in the settlement of those major questions on which progress is so happily being made. These short and long term obligations of Mexico cannot be met unless there are appropriate steps

steps to build up her internal economy. The war offers immediate and long-range opportunities which we would otherwise not have. These, I think, we must use, but the program must be on a sound basis that is feasible from both our point of view and theirs.

There is much that I should like to say on this question of the internal economy but I believe we are keenly aware of all the factors involved, and your letter shows this. I will therefore confine myself to saying that I think we should proceed as you suggest with this economic survey to which I understand we have already given our agreement in principle -- the survey to be conducted jointly by a group made up of technicians representing us and the Mexican Government, but working together as one group.

I see no objection to the immediate setting up of such a survey committee composed of Mexican and American representatives. It should be, in my opinion, an independent survey and not, so far as we are concerned, acting for any particular Department or Agency of the Government or acting for our Government as a whole, on our part, and for the Mexican Government on its part. My own feeling is that as it is a survey of Mexico's economic position the chairman should be a Mexican and the Vice Chairman an American. Our own principal representative in this group, who would act as Vice Chairman, should, I believe, be a man of the capacities and broad knowledge of Dr. Bateman. As a matter of fact, if he could be persuaded to take over this duty it would, I believe, be a great fortune for us as well as for Mexico. It is true that he is a specialist in the field of minerals and the mineral survey has been practically completed by him. I have on the whole somewhat of a fear of specialists when they get into the field of surveys; but I have no such fear of Dr. Bateman, for he is a man of such broad judgment and understanding. I offer the further suggestion that if this broad economic survey is undertaken through our joint action, it should set up separate offices here in Mexico City apart from the Embassy or the Ministries of the Mexican Government. The organization should, I believe, be kept as small as possible. It should be a very compact and small organization, for its value will not depend on the number of men but on their quality. I think at the outside a maximum of three Mexicans and three Americans would be adequate. They would need certain clerical assistants. I do not believe that the three Americans and three Mexicans charged with the survey need necessarily be technical men. They should be men of broad knowledge and good judgment, of the type of Dr. Bateman. A large investigating and technical staff is not necessary for the commission.

commission. Both the American and Mexican members would have available to them all the resources of information of the respective departments of the Mexican Government and our own. They would have available to them the concrete accurate data which American business men and firms and Mexican business men and firms can supply. They can indicate what they want and it will be supplied to them in the form of memoranda without any cost. What I am trying to say is that I think it would be unwise to build up a large organization. This I think would defeat the very purpose of the survey group and make their work more difficult instead of easier. What is needed are these six men who have the judgment to pass on material and to know what material to ask for. It is not necessary to have a large group of investigators or analysts. All the group would need in the way of staff would be a small clerical one. My experience in the short time I have been here is that if I want accurate information on any subject I can get it if I go to the people who have it - and that is the best way to get it.

I am in entire agreement with you that the work of the survey would cover the short-term aspects of the economic problem as well as the long-term ones, and these latter in my opinion are in some respects as important as the former.

Such a survey, if it is set up in the above fashion, could, I believe, do a good job and a most constructive one, and would not necessarily have too long a task before it. If the Mexican and American members are chosen for their capacity and adaptability, the work will make rapid progress, for the material is available, the problem is there, and all that is needed are men who can analyze the situation soundly and who have an adequate understanding of the major and broad factors involved.

I see no inconvenience whatever in having such a survey made independently of this Mission, and I think it can properly be made in that way. I do believe, however, that the American members of the survey should have definite instructions to act - only so far as our Government is concerned and the Mexican Government - through this Mission.

With respect to the suggestion that other economic missions which might come down here should work through this survey, I do not believe that this would be wise. Naturally, while this major survey is going on, we might find it advisable to have some special people come here on immediate and urgent problems, and under the present arrangement these now work through this Mission. I think this should

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should be continued. The survey would also work through this Mission, but in a larger and broader field. I think it would be confusing to have special missions come down here to work through the survey group. It would, I believe, bring into the picture some of the former confusion which has been eliminated by the Department's new practice. I feel, therefore, very strongly that the missions coming down here or persons on special work should work directly, primarily in and through this Mission. But this does not mean that the real purpose which you have in mind in your letter would not be met, for - as both the survey group and these special missions would work through us - we could see that the necessary cooperation between the special groups and the survey group would be brought about. On this point I feel quite strongly, as from the point of view of effectiveness I am convinced that would be the best set-up.

Like you, I am deeply concerned with the longer-range as well as shorter-term problems we have here. If we undertake this economic survey on the right basis and with the right men it will be a very constructive step. I hold no brief for Dr. Bateman, but I think I should reiterate that he has done a splendid job here and has shown unusual capacities for this kind of work. I do not believe that, search as much as we would, we could find a better man to head the American group participating with the Mexicans in such a survey.

With all good wishes,

Cordially and faithfully yours,

G S MESSERSMITH

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