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Dear Dannie:

I can't tell you how happy I was to hear your voice on the telephone the other day. Lorié, who was down here during the meeting of the Directors of Mexlight, told me he was sure that you had just come back. Federico Con-solo of the World Bank was down in Cuernavaca with us for the weekend and I told him that you had called and he was asking that I give you his very best when I write you. He and his wife are leaving for Italy during this week and do not intend to return to the United States until some time in February. I think that he likes his work with the bank but that he would much prefer in many ways to live in Europe. Now that the new Finance Corporation has been formed, of which Bob Garner, now Vice President of the World Bank, is to be the President, this will mean that there will be some changes in the World Bank and I think that some of the people in the World Bank will be moved up in the positions which they now hold, and I hope that this means that Federico will get some improvement in his position in the Bank.

I am sure that you had a very pleasant trip. I am sure that you found it very interesting and that you must have seen many old friends. I am glad that you saw Dr. Adenauer while you were over there. The burdens which he has are very heavy indeed and I am hoping that he will be able to stand up under them for some years to come. There is certainly no one of Dr. Adenauer's stature ready to replace him, but unfortunately that is so often the case in circumstances of this kind. I am sure it must have given you a great deal of pleasure to see him and him a great deal of pleasure and satisfaction to be able to talk with you.

As for myself, I have no desire whatsoever to make a trip to Europe. I am content to stay on this side of the water. According to our present plans Marion and I do not intend to go north until sometime in the late spring, probably in the very late spring. The only thing I can see would change my decision to go north before the very late spring or early summer would be if I should have some trouble with my stomach and have to go up to the Lahey Clinic. Marion and I are thinking of making a trip to Cuba some-time after the first of the year, but that is all very vague and uncertain and we have not made any fixed plans whatever. I have not been to Cuba since I left there as Ambassador in 1942 for Mexico. The two years that we spent in Cuba were very happy ones indeed and we made many friends there who do not understand why Marion and I have not returned there for a visit, and especially now that I have no fixed obligations. We are at least thinking in terms of possibly going there sometime in the first half of next year, and we would probably stay a month.

I have been feeling quite well but I am still on my diet, although I take a few more liberties with it than I did up to a few months ago. I have to be very careful or I have all kinds of inconveniences. I realize that at my age I am very fortunate in being as well as I am, and I have no complaints

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to make. It does get very tiresome not to be able to do so many things, but I am really quite accustomed to that. Marion is very well and while from time to time she has some trouble with her knee, she is really very well.

I was glad to hear you say that you are feeling fit and I think the headaches which you say have come back are probably not of any importance beyond the inconvenience which they give you.

I received a letter from Jimmy some two weeks ago which I have not been able to answer from which I gather that the matter of his joining Warburg's is off. I am sorry indeed to hear it because I felt that particularly with the association of the transoceanic corporation it gave a very real opportunity for Jimmy's capacities and for constructive work. I told him that neither the Warburgs nor he could be in a position for a year or perhaps more to be able to tell just what there was in the job, but that I felt sure it would turn out satisfactorily. I know, however, how pondered Jimmy is in his judgment and he must have had very good reasons for the decision which he seems to have reached. I am sorry he has reached the decision because I think, from what I can see and know, it is not likely that there is going to be any possibility of an opening which would in the end give greater satisfactions to him and greater opportunities. It is no easy thing to get placed. To go into an organization at a certain level is always a difficult thing and that of course is what makes it more difficult for Jimmy to find the proper niche. I should have acknowledged the letter which I had from him some weeks ago sooner, but I have been so occupied here that I have not written any letters during the last weeks. I was very sorry to hear that his father-in-law is not well.

I am really ashamed that I have been so lazy these last months. Since I returned from the last trip north I have been taking it really very easily. I have been doing a good deal of reading of a more serious kind, but have neglected my correspondence and have really not done any writing. I really should go ahead with doing something about the notes that I started to dictate in the early part of this year. I have reached the point where I really have to do some really serious work on the matter, and perhaps that is why I am shrinking away from it. From the advice which I got from several sources while I was north it is obvious that instead of writing one book that would perhaps be in two volumes, I shall have to write ~~two~~ ^{two} books, one in which the background is European--and another in which the background is Latin American. One of my problems is that here in Mexico City the house really is very small and I have no proper place to work. Marion and I have about decided to turn one of the guest rooms into another sitting room-work room and in Cuernavaca we will do the same. I really now have to have a place where I can scatter my papers around. In any event, I am really enjoying the leisure which I have and I do not find time hanging heavily on my hands.

I go down to the company offices almost every day for an hour or so and sometimes for the morning. I try to be helpful to Draper and to Maryssael in any way that I can without in any way interfering in the management or direction of the company. I see a great deal of my friends, Mexican and American, in business here and that takes up a good deal of my time. I try to follow very closely the developments not only in the Mexican economic and financial picture, but in the major picture in the important countries of

Latin America to the south. The other evening the President asked me to come in to see him during the evening and we had an hour and a half together, during which we discussed very frankly many things in which he is interested and in which he thought my experience and my knowledge might be of some use. Mexico really is very fortunate in having so considered, so calm and in so many ways so correct a President as Ruiz Cortines. The President has shown me a good many marks of consideration and confidence, and I naturally appreciate it very much for I have such high regard for him, and you know that I think that the better things are in Mexico the better it is for our country, and the better things are in our country the better it is for Mexico.

This idea of having Board meetings of Mexlight in Mexico City once a year is really a good one. We had this meeting here at the end of October and I am sorry that Donald Duncan and Harry Hooker could not come. The Directors from Toronto were here. Arthur Dean had planned to come but at the last minute he was not able to make it. He has really many occupations. Paul von Zeeland was here from Belgium and so was Wilmers. John Snyder was here for a week. We had all sorts of things going on during the week of the meeting. We had a number of Board meetings and we had several meetings of the Board with the Advisory Committee. The most important things which were done by the Board during the meeting in Mexico City were to elect three additional Mexican directors, Luis Legoretta, Eduardo Suarez and Guillermo Barrosa. All three of these are outstanding men and they are all men whom I had in mind and Maryssael had in mind for several years as possible members of the Board when we came to increasing the number of the Mexicans. The fourth member elected was Arthur Ross of New York. When I see you I will tell you how this finally came about, but it is too long to go into in a letter. He is the one man on the Board of Mexlight who does not measure up in stature and qualifications to the other members of the Board, which is really outstanding. The three men who were elected to the Board, that is the three Mexicans, had been members of the Advisory Committee. This left three vacancies on the Advisory Committee and to these vacancies were elected Carlos Prieto, who is by far one of the leading industrialists in the country and one of the most respected, Carlos Mendiola, who is one of the Directors of the Banco de Comercio, the most important commercial bank in Mexico, and Juan Monasterio. The effect of this action of the Board in Mexico, that is of putting three additional Mexicans on the Board and of naming these people to the Advisory Committee has really been very good.

During the course of the meetings the members of the Board called on the Minister of Economy and the President received them at Los Pinos. The Board also called on the Tariff Commission, which is studying our increase in rates. The members of the Board and of the Advisory Committee gave a luncheon in honor of Carrillo Flores, the Minister of Hacienda, on the occasion of his being nominated or elected, rather, as the presiding officer of the Board of Governors of the World Bank and of the Monetary Fund for this next year. Carrillo Flores gave a small dinner at his home in honor of John Snyder to which some of the members of the Board and the Advisory Committee were asked. He could not ask all of them as he did not have room for a sit-down dinner to accommodate all of the members of the Board and the Advisory Committee. It proved to be a most pleasant as well as most interesting evening. Aside from the election of the new Directors and the new members of the Advisory Committee the most important thing done by the Board was to approve the issuance of bearer shares--in other words to ^{authorize} the Common Shares and Preferred Shares of the company available as registered shares and as

bearer shares. I personally would have preferred not to see this move, because I do not believe it is necessary and I doubt if it is desirable. I will discuss my reasons with you when I see you. I did, however, not object to the company issuing bearer shares because some of the members of the Board were of the opinion that it would make more possible the raising of equity capital in Europe and Mexico. As the financing problems of the company in the next years will be so considerable and as there has to be a good deal of equity financing, as well as long term borrowing, I did not feel and I know other members of the Board who had reserves about bearer shares did not feel, that we could object to a measure which might increase the market for the present and future issues of preferred and common shares of the company.

In addition to the foregoing action, there was of course a full opportunity during the meetings of the Board and during the meetings of the Board with the Advisory Committee to discuss the situation of the company in every respect and to bring all the members of the Board up to date. I think the meeting proved to be a very useful one.

I think in the long letter which I wrote you while you were in Europe I told you about the very heavy rains we were having in Mexico this year. This proved to be the heaviest rainy season that there has been in Mexico for many years--not only the heaviest but the longest. Just about when the rainy season should have ended normally we had two cyclones, of which you read so much in the papers and which did damage in our country as well as here in Mexico. There was really tremendous damage done in various ways in this country and the city of Tampico was almost wiped out. Towards the end of the last cyclone we really feared for the works at Necaxa. Had the cyclone not broken up in the mountains about 200 miles south of Necaxa just when it did break up, there would have been really serious damage at Necaxa and I think all three plants and certainly at the two upper plants. For some hours we feared that we might lose the Necaxa plant and the Tepexic plant for years, or at least at best for many months. Fortunately the cyclone broke up just in time and the situation was saved, but even at that the cleaning up operation in the Necaxa system is going to cost us anywhere from five to eight million pesos, according to the present estimates.

Mexico, like the United States, is having the best year in its history in many respects. The economic and financial situation here was never better, but there are real problems on the horizon for next year here in Mexico. I do not enter into these because they are numerous and would take a great many pages to give you an adequate idea of what these problems are. I think that they are serious but not too serious, and the Mexican economy has shown its power to resist. I think it is an extraordinary thing that within a year after the last devaluation practically all the effects of the devaluation had been absorbed. Unless the economy of the country and the general situation in the country had been good, such a recovery from so great a shock would not have been possible. Certainly there is no other country in Latin America which could have absorbed the shock the way Mexico did this one. I am on the whole optimistic as to developments in the country.

There is all kinds of speculation of course at home growing out of the illness of the President, but while I am one of those who believe that it is more likely than not that the President will not run again, I am convinced that the general situation in the country is such that a Republican

President will be elected. It is altogether possible that the situation in Congress may not materially change and that there may be a Democratic Congress, but I do not believe that the Democrats have a chance to elect a President. Things are too good. Everybody is having it good except the farmers and many of the farmers realize that they have been living in a fairy land. There are indications that even the farmers prefer a return to sound policies rather than to continuing to live under umbrellas which will finally collapse with tremendous consequences.

That the Geneva meetings are developing as they are is I am sure no source of disillusionment or surprise to you, as it is not to me. Anyway, it is a good thing that this disillusionment has come soon enough to prevent real dangers. Anything which puts off German unification on a sound basis is bad, but it is better to have German unification put off for several years rather than to have it done on the Soviet pattern. The objectives of Moscow, as I have so often said to you and which you so thoroughly appreciate, have not changed one particle and in my opinion are not going to change. It is something that we have got to struggle with. Too many people were beginning to be beguiled by the Russian smiles and smooth words, so that what has happened at Geneva in the last few days will bring a rude awakening to these people and bring them back to a sense of the realities.

I was naturally surprised at the developments in the Argentine. I thought that Lucero and the Army would be strong enough to hold Peron there. I have within the last few days received accurate information from friends of mine who have just returned from the Argentine and who know the country well, and I have at least now some idea what has happened. Even the Army got fed up with Peron. When he was going to arm the workers it was really the last straw for the Army. The new government is far from a strong one. It has I think on the whole good intentions but its basis is weak. I think it will be months before we can see clearly just what is going to happen in the country. I think it is our policy to support the new government under Lonardi and I believe that that is the best thing to do, but whether he will be able to hold on is another matter. He has on the whole not done too badly, but he has made several serious mistakes already, such as making it clear that they would not do anything about the contract made with the Standard of California. The correction of the oil situation is essential for the exchange position of the Argentine. I understand that since the public statement which Lonardi made on that contract and which was such a big mistake he has already changed his mind and that there is a probability that that problem can be worked out. I think there is a fair understanding in the new government of the electricity situation, but I think it will be months before they will get down to really proper consideration of that problem. The principal preoccupation of the new administration in the Argentine for months to come will have to be the endeavor to establish itself and to consolidate its position. That means that it can't do very much that is constructive for the time being. By the same token I think that we in the United States and in other countries, while we did right in recognizing the Lonardi government, must be very careful about what we do. We must not be too quick in doing things for the Argentine. We must wait and see what this new government can do in the way of consolidating its position and what attitudes it is going to take. It is only when we know what this government is really going to do and what path it is going to follow that it will be safe for our government or for other governments to give real help to the Argentine government or for private initiative to take a new

interest in the Argentine. I still believe, however, that the situation in the Argentine is going to clear up more rapidly than in Brazil. The situation in Brazil and in Chile is really most unhappy and these last elections in Brazil are not going to help the situation any, so far as we can see now.

This has got to be a very long letter. I would like the opportunity to sit down and talk with you. I was sorry to hear you say over the phone the other day that the family is not thinking of coming down here now. Perhaps they will come in the spring. As a matter of fact, I can't blame Hettie very much for not wanting to come to Mexico when it must be really beautiful in Greenwich. This is a good time of the year there. On the other hand, I hope that later in the year they will plan to come. We will always try to fit in our plans with yours as far as it is humanly possible to do so. I am delighted to know that you are thinking of coming down here for a few days, but I hope that when you come it will not be for a few days but for longer. Any time that you come will be convenient for us and you know how happy Marion and I will be to see you. We are not having any guests from outside the country for the present so you would find us alone here and in Cuernavaca in that respect. We are having good weather here now, although it is a little bit cooler than usual at this time of the year, but the rains are definitely over. Any time that you can come would be right for Marion and me here and we are hoping to have word that you will be coming. I don't suppose Jimmy would wish to leave the family, but if he could come down with you we would be very happy.

I should tell you that in connection with the conversation which I had with the President a few days ago that we did not discuss electricity. He did not raise the matter with me and I did not raise it with him, because I think that as Maryssael and Draper have easy access to the President, it is much more correct and proper that they should talk with him as they do on the electricity situation and the problems of the company. If the President wants to talk with me about electricity at any time, he will do so, and it is much better that way. He knows what my views are already.

I hope that you are all enjoying good weather at Greenwich and I am sure that you are glad to be back in your home. Marion and I wish that you were all coming down here, but I can understand why Edna and Hettie may want to stay there during this season of the year. I hope that you can all come later and that in the meantime we may have a visit from you. I am looking forward to hearing from you about your further plans. Marion joins me in love and good wishes to you all.

Always faithfully yours,

George S. Messersmith

