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PERSONAL AND CONFIDENTIAL

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Dear Dannie,

I wrote you a long personal and confidential letter on June 10, which has gone forward, and I dictated yesterday another long letter, which is being typed today and will go forward tonight. I covered most of the things in which you are currently interested in these letters, but there is some further comment which I may make which may be of interest to you.

You will recall that we considered last year improving somewhat the annual report of Mexlight. Because of lack of time and our great occupations, we decided not to do anything for the 1948 report. We had also in mind that the Plan of Reorganization and Circular would be issued and would give a great deal of information concerning the company to our security holders.

In Mexico City, I charged Jimmy with the study of what we could do to improve our annual report aside from the question of the presentation of accounts. As you know, it is becoming more and more customary in the United States and Canada, to the degree that it is now almost universal, for companies to present their annual report in a more attractive physical form and to include more information. We were again this year because of our occupations estopped from giving as much attention to the improvement of the form of the report as we would have liked, but in Mexico City and in Toronto we felt definitely that a beginning had to be made, and we reached agreement as to what we should do.

In the first place, we are presenting some proforma statements in the report this year, which has been fully agreed upon with the auditors in Mexico City and New York, and introducing certain changes in the general accounts, which are made necessary by the reorganization, loans, etc. In this respect, the report I think will be more interesting and more informative for the security holders.

We have decided to include some pictures of plant installations, as well as a few graphs and statistics. I will not go into detail in this respect, but can assure you that all this has been very carefully studied and considered in Mexico City and in Toronto and Mr. Alland Graydon and Mr. E.A. Graydon have been very helpful in this connection.

We have kept in mind the element of cost and for this reason have not done certain things in the presentation of the 1950 report that we would otherwise have been prepared to include. In accord with a practice now very common in the United States and which is I believe a good one and which adds a great deal to the appearance of the report, we are putting a picture on the front cover of the 1950 report. It is a picture taken from the air of Mexico City, and I think you will like it.

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June 13, 1950

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REPL:

FILE: Messersmith

The printers are proceeding with this matter, and Graydon informs me that he had the first preliminary setups from the printer yesterday.

I am merely sending you this for your background as I think you will be interested. We of course do not yet have anything that we could send you, even in a preliminary way, to show you what the report will look like, but as soon as we get some proofs from the printer which will interest you, I will endeavor to send them.

In my letter of June 10, I made some reference to the presence of Aldrich in Spain and of loans to that country. The situation is, I feel, very confident, as I have set forth. Franco, by some of his recent statements in Madrid, has dampened even the ardor of some of his friends in Washington and in New York. On the other hand, some people are beginning to give credence to some of the reports which have been coming out of Madrid to the fact that the position of Suances is becoming weaker and that he may disappear from the picture. I am not in a position to judge on this, but it does not seem unlikely that Suances may be forced out of the picture in Spain for much the same reasons, economical and political, that Miranda was forced out of the picture in the Argentine. The fact however that Suances may disappear from the picture does not mean that things will move too fast in Spain in the proper direction. You know that Miranda has been out of the picture in the Argentine for sometime and a good many months have had to lapse before the new elements could make any headway, and Franco would have much the same problems to deal with as Peron has encountered. The difference between the two situations is that in the Argentine some of the facts of life have penetrated and are beginning to be operative; while in Spain not even a real beginning has been made.

I am not in a position to judge to what degree the handling of the Barcelona matter will affect the situation. If the Spanish Government is wise, it is going to use the presence of the experts sent in the Barcelona matter to make a beginning towards a change. I do not think it wise or safe to credit the Spanish Government with too sound intentions, but there is at least a possibility that this examination by the experts in the Barcelona matter may become the basis of certain changes in the Spanish attitude. Perhaps they may even be thinking of this, but as I have just said, even though they may have good intentions, it is a rocky road for a dictator to change his practices.

about a number of major economic matters,

Judging from certain events and developments which have no relation whatever to the Spanish situation, I would say that the Exim Bank has no intention of changing its basic lending practices to be able to make loans to Spain. So far as the attitude of the White House is concerned, which is very important these days and I am unhappy to say less certain, I think in respect to loans to Spain the attitude of the White House is not likely to change. I mention this for it is extremely important. The attitude of the Exim Bank and of the State Department and of the World Bank with regard to Spain is not changed and is not likely to change. For this reason the fact that it is not likely that the attitude of the White House is going to change is very important. There are some interesting facts I could deduce, but there are some things that one does not write about.

You know that the Chase Bank increased its loan on gold to Spain by 5 million dollars so that that is now 30 million dollars. I am told that the National City Bank has made a similar loan against gold of 20 million dollars. I could readily confirm this in the National City and may find an opportunity to do so, but I have been told in responsible banking circles in New York recently that this is so. I do not think that it means that the attitude of the banking fraternity in New York towards private loans to Spain is in any way changed.

I did not see Miller when I was in Washington last week as I simply could not get to it, but I will be seeing him I hope this week. He is going to make a trip to several of the Central American countries as well as to Mexico and he plans to be in Mexico City beginning July 4th and staying for several weeks, a part of which will be a holiday with his wife at Acapulco. I will be back in Mexico City by that time. I am still not sure that Miller will be going to Mexico because there are a number of reasons why it may not be opportune for him to do so and I myself have a good deal of skepticism as to whether he will actually go to Mexico. It will depend a good deal on certain developments.

I hope to see him this week in Washington if I can get over and he will undoubtedly discuss the Argentine situation with me. I see from the papers that several people are coming up from the Central Bank in Buenos Aires to discuss with the bankers here the final arrangements for the revolving credit which some of the banks are going to make and to which I made reference in a previous letter. I think the amount of the original revolving credit made by the private banks will be around 75 million dollars instead of more. The interest rate I understand will be 3-1/2% on actual withdrawals and a small commitment charge on the whole amount. The principal banks joining in this credit will be the National City and The First Boston and several English banks with branches in Buenos Aires. It is natural that they would be expected to take and should take the principal part of this original revolving credit. Some of the other banks, such as The Guaranty, Chase and others, will undoubtedly participate, but some of the similar New York banks which have a good deal of interest in Argentine business over the years are being much more reluctant to participate than I had anticipated. I am surprised that some of the New York banks are still so short sighted. There is however in my own opinion no doubt that at least 75 million will be given by the banks now and that this will open the way towards a further amount. All will depend of course upon continuing developments in the Argentine, and in that respect I am more optimistic than I have been at any time in the last few years.

I spoke with Marion last night and she and her sister, Helene, had a good trip to Wellesley. She will be returning here Saturday or Sunday. Dresel tells me he is well satisfied and that of course is very encouraging for us.

With all good wishes,

Cordially and faithfully yours,



George S. Messersmith

GSM:cb