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Personal and Confidential

Dear Dannie:

I have just received a letter dated November 28 from Mr. Colinettin Brussels in which in accord with your suggestion he supplements the information which you gave me with regard to the situation in the Argentine and in Buenos Aires and in the Cade, after the return of Mr. Colinet from his recent trip there. I wish, first of all, to thank you for making this suggestion to Mr. Colinet and I would appreciate your conveying to Mr. Colinet my very deep appreciation of the full, clear and adequate letter which he has been so good as to write me and which is most helpful to me.

Mr. Brosens has already told you that the analyses of the situation which I gave to him and to you from the knowledge which I had indirectly seemed to be accurate. The information which Mr. Colinet now brings back in this first-hand way seems to be very much in line with the analysis of the situation which we made in New York and Washington from the information available to us.

I would like to make just a few comments on Mr. Colinet's interesting and helpful letter.

While I realize how serious the agricultural situation is and that Argentina will be in a position to make in the next year very few exports of grains, I am deeply interested in what he says that it is feared in Buenos Aires that it may be necessary to import some grain in the coming year. I knew that the Argentine would have no grains available for export to Europe and other usual markets, but I did think that from what I was told that she would be able to supply the normal needs of Brazil, Chile and Bolivia and some other

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South American countries of which she has been the principal supplier. If it is correct that the Argentine may have to import certain grains during the next year it will mean a serious problem for these South American countries, particularly Brazil. It means also that the exchange position of the Argentine will be even more difficult than I had anticipated, and I had already anticipated that it would be practically catastrophic.

With reference to this same comment of Mr. Colinet it is of course possible that an increase in the price paid to the farmers in the Argentine by the government may somewhat increase production, but such price increases would work very slowly in the first place, and in the second place the chances are that the price increases which would be given by the government would be inadequate to increase production very much in a short period. Further, even though there may be better rains, which is to be hoped, the whole agricultural situation has been so disorganized that even better rains cannot help the situation too much from the point of view of supply for export and exchange. Further, there is the question that cannot be left out of account and which cannot be settled in a short time in this matter of agricultural production that about a million of the agricultural workers have left the farms to go to the towns, principally to Buenos Aires, and it will be difficult to get these people to go back to the country. Eventually, in my opinion, and in the relatively near future, they will be forced to leave Buenos Aires for the country, not because they want to leave but because the economic situation in Buenos Aires is going to become so difficult that they will be better off in the country. Then there is the question of equipment and the Argentine agriculture, which is so highly mechanized and as mechanized as that in any country except the United States, is badly in need of additional agricultural equipment, and how they are going to get all that they need I do not know--both from the point of view of their being able to pay for it and from the point of view of availability in view of production problems in the United States.

With respect to what Mr. Colinet says in the penultimate paragraph of page 1 of his letter that the lack of exchange will become more and more aggravated in 1952, I think he is entirely right and this situation I think is what is going to be the principal factor to cause some kind of crisis of the most acute character. As he states, the Argentine has to depend almost entirely on her agricultural exports for her exchange. She has developed some industries, but these are not really suited for the most part to the country and practically all need raw materials from abroad, and just how they are going to get these raw materials in adequate quantity to maintain certain industrial production I cannot see. I can quite understand that the Argentine may

expect to make a killing out of wool again as it did earlier this year, but I am not so sure that they will be able to do it again, because the world wool situation may be different. It was, of course, the heavy exports of wool, particularly to the United States, and the high prices which the Argentine was able to exact which partially saved her exchange situation early this year.

With reference to what Mr. Colinet says concerning the Army, it is most interesting. It is obvious from the press dispatches which one sees that Peron is shifting practically his sole hope to the workers. During the first 4 or 5 years of his regime, he based his power on the workers and on the Army. Now he is shifting as rapidly as he can to the workers alone. This is very reminiscent of what took place in Germany and the steps which Peron is taking with the Army are very much like those which Hitler took with respect to the German Army after he had been in power for a few years and when he shifted his whole hope on the party. The Army in Germany, as you know, became eventually a completely subservient instrument. Perhaps Peron can do the same thing. This is a very important factor. Apparently nothing has happened to change the position of Sosa Molina, who is the Minister of Defense, and he is a hard egg, and I think has not too many illusions about Peron, although he has supported him fully so far as I know up to now. The Minister of the Army, however, is General Lucero, and as I told you in New York, while he is in some ways a good man no real dependence can be put in him because he is completely with the President and Mrs. Peron and the same thing may happen to Sosa Molina as happened to Von Fritsch and others in Germany, and Lucero may be another Blomberg. If Peron can get the higher officers, that is the highest officers, of the Army with him, and it is not inconceivable, that he may be able to do it, then he really will be able to reestablish his present very shaky position and things will be even worse than we have imagined.

Mr. Colinet very properly calls attention to the statement which Peron made about moving towards a syndicalized state and the repercussions which this statement had abroad, and he is entirely right for this statement of Peron's was one of the most damaging to him abroad which he has made and he has made a lot of damaging ones. No one will be led astray in the United States or England by what he means by a syndicalized state, for in labor circles in the United States and in England they know that the government of Peron has completely dominated the syndicates for the last years and that the syndicate leaders still do and will do for some time longer exactly what Peron wants them to do, and if he can promise these leaders political power, as well as power in their syndicates, this will feed the appetite of these leaders so that it will be difficult for the workers to move

even under great economic stress, for their own leaders will continue to betray them and help to enslave them.

The whole thing means that Peron is moving towards a real dictatorship and a complete tyranny.

I note that Mr. Colinet states that so far as the situation of the Cade is concerned, the only solution is a sale. You know how thoroughly I am in accord with this view and I think the statements which Mr. Colinet makes in the third paragraph on page 3 of his letter are very sound. There is no doubt that the value of the money in the Argentine is going to continue to go down and perhaps it may go down even more rapidly next year than during this year, and it was bad enough this year. That means that increased tariffs would help so far as wages are concerned, but so far as other operating costs and return and possibility of credits, etc., are concerned, the situation would grow steadily worse.

What Mr. Colinet says about the government putting up the tariffs of the railways overnight while saying that the increase in tariffs for the Cade and public utilities is a political problem is true, unfortunately, not only in the Argentine but in a good many other countries. As I have mentioned in previous letters, the government is constantly talking to us here about an increase in electricity tariffs, which they recognize as indispensable, as being a political problem. At the same time the government doubled the price of gasoline overnight for the government oil monopoly and has increased the tariffs for the railways, which are government-owned, three times in a year and has done nothing for the tariffs of the one privately owned railway left in Mexico. While the increase in tariffs for the electricity companies is a "political problem" which they must avoid, we paid at the house in September fifty centavos for an egg and now we are paying seventy-five centavos, and this tremendous increase apparently is not a political problem, but an increase of three or four percent in the electricity tariffs is a political problem. I do not see how the position of the Cade can be properly reestablished in an adequate form for years to come, and that is why I think that the only solution is a sale, because in the meantime the value of the properties would constantly increase and the government would finally expropriate under Article 40 of the Constitution, and the company would have to accept a pittance for it. I think the thing to do is press for a sale.

What Mr. Colinet says about the attitude of the Ministers is absolutely correct in my opinion and I am sure Mr. Brosens has that opinion and I saw it first-hand while I was there. What is, however, just as important as the attitude of these Ministers is what I have pointed out in previous letters, and that is that the radical party is just as bad in this respect

as the worst of the Peronistas, and you will recall the plank which they had in their last electoral platform asking for the nationalization of the public utilities. And what is very important also is that there are so many nationalistic elements left in the Army and if the present trend in the Army which we see taking place continues, it is certainly these nationalistic elements in the Army which will be in control. Under these circumstances what hope is there for a reasonable attitude towards public utilities and how can nationalization be avoided. We know what Peron's personal views are, but he cannot stand out against all these elements and it would be extremely dangerous to think that he could or even that he would. I personally do not think that he will even make too much effort.

With respect to the second paragraph on page 4 of Mr. Colinet's letter, the ridiculous manner in which the government keeps repeating that private capital bring in money into the electricity industry is becoming more than ridiculous. How would anyone, whether it be a government or a private bank or a private individual or company, put any more money in the electricity business in the Argentine with the treatment which the industry has been getting and which every indication shows will be worse rather than better. This talk which the people in the Economic Council on this point have done is just so ridiculous that no one will take it seriously.

I am not at all sure that it is altogether correct, as Mr. Colinet says in the third paragraph on page 4 of his letter, that "latter evidence showed that this was not correct". I do think that the indication of the Economic Council to the Cade about selling was influenced by political considerations. The government knew that the radicals were going to take this stand for nationalization and the government knew that there were these elements in the Army which were for it and they had to steal their thunder. The government may not have been sincere when it asked for terms and price of sale from the Cade, but it was certainly putting itself on the record as being more nationalistic than the radicals and the nationalistic elements.

You will see from the fore-going why I have little hope in anything concrete or useful growing out of the conversation which Brosens should by this time have had with the President. No matter what he says, I do not think that he is in a position to do the adequate things which have to be done and I think that one must not have any illusions with regard to this matter.

These committees of Congress which are making these tours of the Latin American countries now are going to Buenos Aires out of curiosity and Peron is certainly putting on a show for them. You will recall that when one of the members of one of

of these Congressional committees asked Peron, after Peron had said that the Argentine had no foreign debt, what he had to say about the 125 million dollar credit from the Ex-Im Bank. Peron replied that that was not a government loan but was a credit to banks, etc. That sort of thing and evasion of the facts is what makes Peron increasingly ridiculous and no Chief of State can afford to make himself ridiculous. Everybody who knows about these things knows that the Ex-Im Bank did make this loan with the guarantee of the Central Bank, but the Ex-Im Bank knows that the Argentine government said that that was the same thing as the guarantee of the government.

Some of the stuff which Peron has been feeding out to these committees will increase the lack of confidence there is in him in the United States and in official circles in Washington. I am sending you herewith the December 2 issue of the propaganda sheet which I get from the Argentine Embassy in Washington and you will be interested in reading the long first paragraph. This sort of stuff does not deceive anyone and Peron is becoming every day more of an actor and a pure demagogue.

The fact remains that he has been reelected; that he is undermining the position of the Army; that he is buying the syndicate leaders with promises of political power; that we cannot tell how long this thing will last in the Argentine if the Army, as the only element of resistance and change, loses its power. You will have the same feeling of familiarity as I when you recall developments in Germany. First the Communists were destroyed, then the labor units, then the Church was subordinated, and finally after 4 years of careful, insidious work, the power of the Army was destroyed and it became an element of support rather than of resistance.

I do not know what can be done about a sale, but it is the only solution of the Cade in the Argentine and I repeat that no matter how much Peron may want to do the right thing, he is not in a position to do anything effective about it.

I repeat that I would like to ask you to thank Colinet for writing me so fully and I could not be more in agreement with everything he says, except the one statement to which I made reference in this letter. I am sending you this letter in duplicate so that if you wish to send a copy to Brosens by some safe means you can do so.

I am terribly occupied these days and have been for several weeks, but the fight is well worth while. I am sorry I could not make the trip to London and the Continent which was suggested but it was for any number of reasons out of the question.

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Mr. Heineman

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With all good wishes,

Cordially and faithfully yours,

GSM/cbc

A handwritten signature in dark ink, appearing to be 'J. Edgar' or similar, with a long horizontal flourish extending to the right.