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THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

DIRECCION TELEGRAFICA } "MELIPOCO"
CABLE ADDRESS }

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MEXICO 1. D. F.

November 28, 1951

H. 7084

AIR MAIL

Personal

Dear Dannie:

REC'D: 1. 12. 51

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FILE: *Nessersmitt*

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I have to refer to your letter of November 24 with which you send me a copy of a memorandum prepared for you by Mr. Brosens in Buenos Aires covering the situation there with respect to the Cade and with particular reference to the approach to the problem which he will make in his conversation with the President when he sees him, as he hopes in the immediate future. I acknowledged the receipt of this letter yesterday to you in a personal note dated November 27 and with which I sent you a copy of the letter which I wrote to Mr. Brosens on November 26. In my letter of November 27 to you I stated that I would try to comment on the memorandum of Mr. Brosens in the next days.

We are extremely busy here with a number of things and it is difficult for me to give the concentrated attention to certain matters which I should like to give because I have had to give attention to so many things. I would like to tell you, however, without delay that I think that the plan which Brosens intends to follow in his conversation with the President as outlined on pages 2 and 3 of his memorandum is the best that can be done and I think that Mr. Brosens has thought this matter out very carefully. I have, therefore, no comment to make on the matter of approach.

I have no recent information, that is to say during the last two weeks, of a direct character from the Argentine and of developments there. The President is back on the job, but how much he is in control of the job I do not know, and I have my doubts as to whether he is in a position to carry through the kind of decisions which have to be made in this electricity situation. The information which I get with regard to Mrs. Peron is that the operation was a serious one, and while the

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operation itself was for a cancer that there is still some doubt as to whether she may not be suffering from leukemia. I have information in the last few days that her health is really in a very serious state and that there is a good deal of question as to whether she can regain any degree of health or resume any of her former activities. There is no doubt that if this is the situation that the President is extremely preoccupied, and has this very grave preoccupation on top of all the others.

I cannot escape the conviction that the political situation in the Argentine is extremely unstable and that the industrial and financial and general economic situation must be becoming worse every day. I do not see any relief. Industry will be hampered by the lack of power in the industrial heart of the country. Agriculture has had a tremendous blow through the drought. The financial situation must be aggravated daily because certain sources of revenue on which the government has been operating are dwindling. The needs of the railways and other transport facilities of industry and of commerce for exchange are increasing and there is no way that I can see of meeting the situation through exports. The situation with regard to exports is likely to continue for some time. Aside from the lack of power for full operation of industry in the greater Buenos Aires area, industry is going to suffer from the lack of raw materials and semi-manufactured products which Argentine industry needs and there is no exchange for these materials. The only solution that I can see to avoid a crisis is a big foreign loan, which would be purely for the purpose of aiding the exchange position of the Argentine for certain primary materials, and I do not see anyone disposed to give such a loan.

The recent statement by the President which he made almost immediately after taking up his duties again after the election, and to which I called your attention, to the effect that Argentina was moving towards a syndicalized state has had abroad the repercussions which I felt sure it would have and which of course are very serious. Those who have been wanting to help the Argentine in spite of everything that has been happening feel less inclination than ever to do anything to help the Peron government. It looks as though it is coming to a crisis when a government will have to be formed which may be given some outside help.

While I believe it is indispensable that Mr. Brosens see the President and put this matter up to him squarely and frankly again as it was put in February of this year, I wonder whether any decisions made by the President which would be of an adequate character to help the Cade can be carried through. I think the President's political position is weaker today than it was in February.

Mr. Heineman

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I remain of the opinion that the best thing that can be done is to endeavor to arrange a sale on the proper terms, which of course Mr. Brosens has in mind. I do not know whether even a sale can be arranged because I am not at all surprised that now that the elections are over the economic council is turning to the other idea of seeing what can be done to enable the Cade to go forward, but I do not believe that they will be prepared to do what is really essential to enable the Cade to proceed. If it is not able to proceed adequately to meet the situation, all the criticism for the lack of power in the central area is going to be directed by the government on the company and this is most important for the great majority of the public does not take the trouble to understand these problems and this includes even people in industry and finance who should be informed, and the result is that everyone, including the public, turns against the company.

I am sorry to be so lacking in optimism with regard to the situation there and as to any arrangement which can be worked out except a sale. What I fear is that under anything but the most adequate arrangement, the properties of the Cade will rapidly decrease in value.

These are very hurried thoughts as I told you at the outset of this letter that I am so pressed by many urgent matters here, but I did want to get off this word to you.

With all good wishes,

Cordially and faithfully yours,

A handwritten signature in dark ink, appearing to be 'H. Brosens', written in a cursive style with a long, sweeping underline.