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# THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

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PERSONAL

**AIR MAIL**

H. 5394

July 10, 1950

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REPL:						
FILE: Messersmith						

*[Handwritten signature]*

Dear Dannie:

I wanted to write you at length yesterday (Sunday) at the house, but circumstances arose which made it impossible, so this is only a very brief word.

We have now been back almost two weeks and Marion is very much better. Dresel felt sure when we left New York that with rest she would feel very much better and soon be her normal self. You can imagine how difficult it is for Marion, who is so active and who enjoys going out so much, to stay so much at home, but she is doing it. She takes a good rest every morning and afternoon, and we seldom go out in the evening, so she is really getting a good rest. She is taking practically no medicine of any kind and without any medicine her pulse rate has dropped a very great deal and now runs in the high 70's and in the low 80's instead of in the high 90's and over a hundred as before we went to New York. I think Dresel is entirely right in that there is nothing organically wrong, but that there was some strain of the heart muscles which is correcting itself with rest. In any event, I need not tell you how much we are encouraged and how much happier we are.

Ed Miller (Assistant-Secretary of State) has been here for about a week and is lunching with President Alemán today and is then going to Acapulco for a ten-days' rest before he goes back to Washington. His visit to Buenos Aires some months ago was a one hundred percent success. I know this from first-hand information from Argentina and many other sources. Things are developing satisfactorily in the Argentine but slowly. The President is having a great deal of trouble with the Nationalist group, which is making him difficulties in the political, as well as in the economic field. The fact, however, that he got the Congress to definitely ratify the Rio de Janeiro agreements about a week ago is very important, for the Nationalists were against it. The fact that he could get the ratification shows what he

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can do when he chooses to exercise his power. In the economic field things are not going so rapidly, but the situation is improving. Some of the people from the Central Bank in Buenos Aires are in Washington now, putting the finishing touches on the 125 million dollar credit, and I feel sure that there will be no difficulty. Senator Morse made some trouble in Congress the other day over the reappointment of Gaston as head of the Ex-Im Bank on the basis of the Bank having made this 125 million dollar credit to Argentina and not being willing to make a large credit, in fact a very large credit, to Petroleos Mexicanos. His opposition to the Argentine credit is purely a red herring which he is drawing across the trail, because he has no real opposition to it but he is trying to make trouble for the Ex-Im Bank and for the State Department because they have so far not granted this very large petroleum loan, which certain people in the United States, as well as here, are fostering and have been for two years. I think it is a safe guess that Gaston will be confirmed by the Senate as head of the Bank again, and so far as the petroleum loan for Mexico is concerned, I think it is probable that a loan will be made but for limited purposes and for a much smaller amount than certain people have been pressing.

While I was in New York I saw some of the bankers in a purely personal and friendly way. I think there is no doubt that as soon as all the details of the 125 million dollar credit are worked out for the Argentine by the Ex-Im Bank, which they probably will be very shortly, the private banks will proceed with a revolving short term credit to the Argentine for around 75 million dollars. Some of the banks are taking a very short-sighted view, as well as a very narrow view, with regard to this private bank credit, but I am sure it also will be worked out in the next three months or so.

I saw a good deal of Miller while he was here and he is doing a good job as Assistant-Secretary in charge of Latin American affairs. He was tremendously pleased with his visit to the Argentine. He formed a very good opinion of Peron. He says that Peron spoke to him in terms of great affection and respect of me a number of times during his stay in Buenos Aires. You will remember that Miller expressed the opinion some months ago that it would be useful if I were to make a trip to Buenos Aires, but did not press me at the time. During a talk we had at the house a few days ago and while he was talking about the Argentine, he said that he was again of the opinion that it would be useful if I were to make a trip down there, as he thought I could be of a great deal of help. I told him that it would be difficult for me to make such a trip but that I would think about it and talk about it with him the next time I saw him, which will be in September when I will be North again. He was really quite pressing in the idea that it would be useful for me to make such a trip. You and I can talk this over when I see you on your return from Europe. I am not at all sure that the trip would be opportune or useful,

but it is worth thinking about. So far as my personal inclinations are concerned, I certainly do not want to make so long a trip.

The water situation, which of course we follow with the greatest interest, is improving. There are some indications that we may have a better season this year than we had the two preceding years, which were certainly disastrous. We had as of Saturday night 58 million cubic meters in Necaxa and 68 million cubic meters at Lerma. The storage at Necaxa and Lerma is steadily but slowly rising. The situation at Ixtapantongo remains relatively unsatisfactory, but there is improvement there also. We are still very early in the season and the situation is at least promising.

We had some very satisfactory consultations with the General Electric while I was home on cloud seeding, and while they are naturally reticent and do not make recommendations, we were able to gather really a great deal from our conversation with them. Maryssael and our people here have given the matter the most careful consideration and study. We are now flying almost every day over either the Necaxa and Lerma water shed, and we plan to make an occasional flight over the Ixtapantongo water shed when the conditions are propitious, for that area is of very real interest to us also. The methods of cloud seeding which we are using are the best that we can use out of the accumulated experience which is available to us. I do not like to pass an opinion as yet on how effective any of our operation has been this year, but we hope in another two weeks to have some idea.

I am merely giving you this brief statement as I know you will be interested to know that the prospects are at least better than they were the two preceding years, and that we are proceeding with the cloud seeding operations on a sound, considered basis.

As I told you in previous letters, our Syndicate leaders are making a great deal of difficulty for us, even since the last contract was signed. They are using every possible pretext to make difficult our operations, and what they are really after is to try to make our operations impossible so as to further nationalization or expropriation. As I have already told you, I am sure they will not succeed in this, because the Government and public opinion are against it, but if we cannot improve our operations, particularly in the Commercial Department, our public relations will further deteriorate, and that would be very bad for us in every way, for that is the beginning of pressure towards unwise Government action. On the other hand, we have to better our operations or we cannot carry through the program as we should.

The Syndicate is endeavoring to make this 15% increase definite now, because the prestige and influence of the leaders, and in fact their position, depends on it. I am giving most

of my time to this situation now, because it will have to be resolved without delay and it has to be resolved in only one way, and that is favorably to the company. The President is leaving on another trip to the North of Mexico the middle of this week and he will be away for a minimum of two weeks. I cannot possibly see him before he goes. Maryssael and I mentioned the labor situation to Carrillo Flores this morning. We are seeing the Minister of Economy, Martinez Baez, this evening on this. I saw Beteta, the Minister of Hacienda, at lunch at the Embassy last week and he promised to see me early this week, and I hope to see him tomorrow. Both Martinez Baez and Beteta are going to accompany the President on this trip North and I want to put this labor situation before them in the baldest terms before they leave, so they can talk with the President about it during the trip. As I have already told you, we are sure that the burden of this matter falls on us, but this is a matter which the company cannot handle by itself. We will have to have the support of the Government and of the public. I think we can get both in the adequate measure, but it will take a lot of careful handling and planning, and this is what we are doing.

Of the international situation, I do not speak, for you know my views and all I can say at this time is that in my opinion, in many ways it is fortunate that this situation came to a crisis in Korea. From all the talk in Congress at home, and even from the expressed policy of our Government, the Soviet had reason to believe that we would not react to an invasion by the North Koreans of South Korea. The whole move of the North Koreans was the feeling out by the Soviet as to how we would react. They had reached the position in their own thinking that they had to be sure about our reaction. They know the answer, when less than 24 hours later there was a complete reversal of the policy of our Government with respect to Korea and Formosa, and we met the situation in the immediate, decisive and adequate way it had to be met. The Soviet now knows that we are not going to stand for this sort of thing anywhere, even if the risk of general war is involved. In my opinion, our prompt action in Korea, even though it is going to cause us many headaches and losses, has been the most effective step so far to check the Soviet and to defer and possibly to eliminate a general war. If we had not reacted as we did, the situation in the Far East would have crumbled completely and the situation in Europe, in spite of all the other things we are doing, would have deteriorated rapidly. There is, of course, always the danger that general war may grow out of such a situation as that we now have in Korea, for such a general war may develop without the will of either the Soviet or ourselves. The chances are, however, strongly that the Soviet does not yet want general war. That answer, however, is with the Gods and no one can tell what will happen.

Mr. Heineman

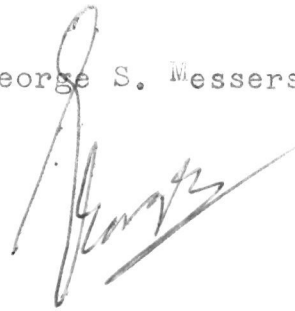
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I am sure you know that the Annual General Meeting of Mexlight has been fixed for September 14. I am hoping that this means that we will see you at home before that time and at the meeting. I suppose Hettie and Edna are still planning to return on the AMERICA at the end of August and I am hoping that you are coming at the same time.

This is a hurried letter. Marion joins in love and good wishes to you all.

Cordially and faithfully yours,

George S. Messersmith



GSM/cbc