

SUITE 1700  
50 BROADWAY  
NEW YORK 4, N. Y.

PERSONAL AND CONFIDENTIAL

June 10, 1950

D. N. Heineman, Esq.  
c/o SOFINA  
Brussels, Belgium

Dear Dannie,

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Nº 82 - Bx June 15  
W.

H. 5291

REC'D: 15/6/50							IN REPLY PLEASE REFER TO
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REPL: /							
FILE: Messersmith							

I have been able to write you only one brief note since our arrival here, as what with Marion and other things I have been very occupied. As I wrote you, we saw Dresel immediately after our arrival and he has made a good many tests. He seems to be satisfied that there is nothing organic wrong with her heart and that is most important. The tests which he has made otherwise also show that she has no other organic troubles. He has not seen fit so far to have a thorough examination of the intestinal tract because he has come to the conclusion that the other examinations do not show any necessity for this. He thinks that the rapid pulse is largely due to nervousness and perhaps to a bit of overstrain right after and during an attack of influenza she had in Mexico. He first tried out one treatment and it did not seem to have any response, so he has been giving her the same tablets which he gave you for rapid pulse and it has been very effective. Her pulse rate runs now in the low eighties instead of in the high nineties, which is a big improvement and she feels a great deal better. I would like to return to Mexico City, but it is more important I think for the present for me to see that this treatment really is continuously effective and I am planning therefore to stay here until about June 20th or 25th. These are my plans until I write you further.

We are very comfortable in the Carlyle in an apartment on the 12th floor and the restaurant is good. We cannot use your apartment as the work is going on there. Freda has given Marion some dresses to take back to Mexico City for June. The doctor tells Marion it is alright for her to spend a few days next week in Boston and she is very anxious to see her brother at Wellesley for a few days before we return to Mexico.

There are so many things to write about that I can only go into them very sketchily today.

First of all, the re-organization is complete. Everything has been done all around in the way of legal and other steps. I am sure that everything, everything has been done. The only thing that remains to be done is the exchange of securities, and that of course will take some time because it is a lot of detail, etc. I repeat that the re-organization is complete.

So far as the loan is concerned for the 44 million pesos with the Financiera, that is all complete and nothing, nothing remains to be done in that connection.

So far as the World Bank loan is concerned, everything has been done except the filing of certain legal opinions which are necessary for the so-called effective date of the loan. The effective date is the date from which we can begin to draw on the long term loan. Ordinarily this would not be so important for we can keep on drawing under the 10 million loan for the present. According to the documents, however, we cannot draw under the interim credit after June 30, and for that reason the long term loan for 26 million must be declared "effective" by the Bank by that time.

Everything, everything has been done in this connection except the filing of certain legal opinions. There has to be an opinion by Blakes in Toronto. This opinion is all prepared and has been found satisfactory by Sullivan & Cromwell and the World Bank. An opinion has to be given by Sullivan & Cromwell. This has been prepared and is satisfactory to Blakes and to the World Bank. An opinion has to be given by independent Mexican counsel and Licenciado Lagos of Mexico City has prepared this opinion and it has been examined by Blakes, Sullivan & Cromwell and the Bank and is satisfactory. There has to be an opinion by the Attorney General of Mexico. The Attorney General has been with the President on a trip which the President is making to the south of Mexico and which has already lasted three weeks. It is a trip somewhat similar to the one which Truman recently made through the west. Naturally, in view of the importance of the opinion it has to be signed by the Attorney General himself. The delay in giving the opinion is entirely due to the absence of the Attorney General from Mexico. Before I left Mexico on this trip I urged on the authorities to get this opinion in as I want to be sure that the World Bank is in a position to declare the effective date before June 30. The telegram I sent Maryssael and concerning which you cabled to Lorie, I sent because I wanted him to hurry up this opinion. I have a telegram from Maryssael stating that the Attorney General will be back in Mexico by the end of this week and that we should have the opinion on Monday. I think this is a little optimistic, but I am sure we will have it next week and that will be plenty of time. Mr. Carillo Flores assured Maryssael there was no reason to be disturbed about the delay as it was due entirely to the absence of the Attorney General and the necessity for it being signed by him. The Mexicans are fully aware of the importance of this matter. The Attorney General has already given a similar opinion for the World Bank in connection with the 24 million dollar loan made by the Bank to the Power Commission and our 10 million interim credit, so that there could be no basis for any difficulty in connection with the opinion. Please do not concern yourself about this matter as I can completely assure you that it is alright. As soon as the opinion of the Attorney General is received, the opinions of Blakes, Sullivan & Cromwell and Lagos will be filed together with the Attorney General's opinion at the World Bank.

I went to Washington Wednesday evening and was there Thursday and Friday and spent most of the time in the World Bank. You have seen the long letter which I wrote to Iliff explaining the strike settlement and the new labor contract. The Bank has been and of course remains deeply interested in this. Their principal interest was to know that the operation of the adjustment clause is not basically affected and I could assure them of this. Their other basic interest was the fact that we will have a delay in the operation of the adjustment clause in this instance, which causes us to have a shortage of cash during 1950 and they were concerned that this might interfere with the program. I explained to them that the arrangements we had made with the Nacional Financiera

for taking up the whole of the 44 million pesos during 1950 and 1951 would enable us to take care of this situation and that we definitely were not going to lag on the program. I explained to them that we were beginning with the drainage work at Lecheria and would start the foundations very shortly; that we had placed the orders for the generators and turbines for Lecheria and that we expected to have both units in operation by the end of 1951. I told them ~~that~~ we hope to actually start work on the Lerma tunnel by August 1.

The Bank does not like some of the features of the labor contract any more than we do, but they will not make any difficulties for the company in this respect. I was assured while I was there by Iliff and by Sommers, the Chief Counsel of the Bank, that as soon as they get these opinions above referred to, they are prepared to go ahead with the declaration of the effective date of the loan.

*Very Confidential*

I had long conversations with Iliff and other officers of the Bank. Their attitude towards our company is excellent. I think they will help us. Very confidentially, Iliff is considering informing the Mexican Government that the Bank is somewhat concerned about the cash situation created by the delay in the operation of the adjustment clause and that this was not foreseen when the Bank recommended to its Board the approval of the loan. In other words, I think Iliff will, or at least is considering, informing the Mexicans that the Bank is concerned that every one of the understandings on which the Bank granted the loan be fully carried out. If he will do this, which I think he will, it will be very helpful. Please consider this as very confidential.

While I was in the Bank I discussed the matter concerning the Austrian-Italian project on which Nat Samuels is working and for your information I am sending you herewith a copy of the letter which I have just written today to Nat.

I had to spend so much time in the Bank on our matters that I did not have time to discuss Barcelona with anyone in the State Department or elsewhere, at least in a direct manner. I saw John Snyder and Gaston and had good talks with them, but I did not mention Barcelona as such as it did not seem advisable or pertinent at the moment.

I called Opie when I arrived in Washington and as I had been brought fully up to date by Bachrach, I did not ask for details. Opie agreed with me there was no use in my seeing Dunham, who is really an extraordinarily understanding and capable man. If I go back to Washington next week for several days as I am planning, I will probably have the opportunity to talk with Gaston and people in the Department on high levels with regard to Spain and Argentina and will keep you informed.

So far as the loans to Spain are concerned, my own opinion is that they are as far off as they were a year ago. There is no doubt that the pressure is increasing from the same directions as in the past both from Spain and here. This does not mean that any loans will be granted even if the applications which may be made to the Exim Bank will be for small amounts and even good projects. The recent statements by Franco with regard to State intervention in business, etc. have not done any good to the Spanish petitions for loans either public or private. The visit of Aldrich to Spain means simply that Aldrich does this sort of thing because he is genuinely interested in studying European conditions and it is natural that he should go to Spain and he also happens to head a committee which is studying certain European economic problems. You will

note that the statements which he himself has made have made it very clear that he is not optimistic about public or private credits at this time.

So far as the Exim Bank is concerned, it is under considerable pressure not only with regard to Spain, but some other countries and these pressures are making the Bank stronger than ever in its position that it will only lend on the basis of its established practice. As long as the Spanish Government is not prepared to give certain information concerning its own position, financially and otherwise, and as long as it carries through certain practices, there is no way under the Bank's rules that it can grant a credit to Spain. That there will be credits at some time is, I believe, sure, but from our conversations which I had in Washington this last trip, there is nothing to indicate that there will be anything like immediate consideration of credits for Spain. The proper moves will have to come from Spain first and not from the Bank. There will continue to be this newspaper talk from Spain and here, but I feel confident that the fundamental position remains unchanged.

With regard to Argentina, the situation I think is developing very satisfactorily. I had a long letter written by Peron in his own hand and it was delivered by special messenger just before I left Mexico City, and I spent all of the Sunday before leaving in writing him a letter which was carried back by the same messenger. I will send you this next week, a copy of his letter and my reply, but the fact that I have had this letter and have replied to it is purely for your personal information.

In addition to the 125 million Export-Import Bank credit, the private banks are considering a credit of 100 million dollars or more to the Argentine in the form of a revolving credit, which I understand would be guaranteed by the Central Bank. I do not know to what degree the amount has been assured, but before I left for Washington, I was told that certain banks had already indicated willingness to participate in such a credit up to 60 million. I do not believe there will be much difficulty in a credit of from 100 million to 125 million being given by the private banks here to Argentina. I will be able to give you further information on this. You will recall I always said that there would first have to be a credit by the Exim Bank, then after that the private banks would be ready to go ahead. I think it is turning out that way. My own opinion is that if the Argentine carries on properly, she can get all the credit from the Banks now that she will need. It won't go too fast, but it will be pretty sure and it will depend entirely on the way that the Argentine carries on. The recent steps taken by the Argentine Government in loosening up on the newspapers, etc., the steps taken to greatly reduce the restrictions on ordinary commercial transactions, the steps taken to give private business greater freedom, all these have given indication of the new trend. It cannot be expected that Peron can go too fast. It is this help which he is getting which will enable him to go on the path which he wants to travel. It is too soon to think of ~~caddy~~ financing, but I think things are developing in the right direction fast.

*Code*  
Our syndicate leaders in Mexico are making more trouble, but I am sure that Maryssael and the Mexican authorities will know how to handle the situation. I do not go into detail because I have to go downtown to meet Marion and this is already a long letter.

I have a number of other company matters that I want to discuss with you that Allan Graydon and E. A. Graydon and I discussed during their stay here last week before I went to Washington, but I will have to write you separately about them.

I understand that you have accommodations for four on the AMERICA sailing on August 31. They may not be what you want, but frankly I think it is more than fortunate to get anything at all on that ship or any good ship; in fact any ship around that period. I am hoping you will return by boat as it will be restful. I am hoping you will be returning with the family. There are a lot of things we should talk over just before the annual meeting. I will of course be writing you about them in any event. We are hoping to see you before too long.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith

GSM:cb

*June 12*  
*His just dictated snacker*  
*full letter to you that will*  
*be typed + mailed tomorrow.*  
*It is notified all is going*  
*well. She is much better. She*  
*left for Walleley this*  
*afternoon to visit her*  
*mother.*  
*George*