

June 17, 1946

Dear Bill:

I am pleased to hear from you (letter of May 28) and to pass on some comments and observations for what they may be worth.

I can readily understand your getting yourself "practically buried in applications for loans" as a result of even a general conversation, and I appreciate the predicament in which you find yourself. You are not unique in that respect! I strongly suspect, however, that the major impetus behind that deluge of applications is the prospect of cheaper money, i.e., a maximum of 4% per annum as compared with the minimum of 6% or 7% which really first-class risks would have to pay in their own markets.

You mention discussions with Juan Monasterio and Lin H. Hemingway about the general situation, and particularly of "a recent twelve million dollar credit in which the Export-Import Bank participated". We have no credit of that amount, but I suspect the reference is to a proposed credit, still under study, to finance part of the cost of building and expanding certain sugar mills.

When it comes to finding "a way to supply working capital to Mexican producers * * *" (paragraph 3 of your letter), I have reason to believe that ample working capital is available in Mexico, though, as indicated above, at higher cost. I know positively that there are hundreds of banks in the United States which are only too pleased to finance imports from Mexico (or other countries where possible) for their responsible customers. The best evidence of the accuracy of that statement is the fact that we finance practically no imports and very, very seldom have an application for such financing.

I will now try to reply categorically to your questions Nos. 1 through 4 (paragraph 3) as I understand them.

1. I imagine that if you should submit this question to the State Department you would receive a reply something like, "The Department perceives no objection to operations of the nature described." Or perhaps they might indicate a favorable attitude with the familiar "no responsibility" clause. They would not be concerned with the aspects of "clean" or "secured". More important to you, I believe, is the opinion of bank examiners, and I observe that you will endeavor to ascertain that.

Miss C. Lupton

2. I doubt if the Export-Import Bank will be closely advised regarding the attitude of the Stabilization Fund "toward transactions of the sort described * * *", and I would suggest that in due course you address inquiries to the Fund through the medium of the United States Director. The Export-Import Bank or I, personally, will of course always be pleased to render such assistance as may be possible.

3. I am not aware that the officers controlling the Stabilization Fund have the authority to permit or deny the carrying out of such transactions. Since you propose to work "with the endorsement and cooperation of Mexico banks", those banks must of necessity be apprised of the attitude of the Mexican Government.

4. I have good reason to believe that many individuals, firms and corporations (a good percentage in the promoter or speculator category) have been attracted by the aurora on the Mexican horizon and have emigrated, at least temporarily. That fact suggests caution in lending policies. Unquestionably, there are good opportunities there for sound investment under present political conditions, but I would always advise participation with Mexican capital on some mutually acceptable formula and on the basis of buying local currency or equities (i.e., common or preferred stock) rather than making dollar loans.

On the chance that you may not have seen them, I am enclosing copies of our General Policy Statement and semiannual report to Congress. Please feel free to call on me any time you believe I could be of assistance.

With all best wishes,

Sincerely yours,

(SIGNED) WM. C. MARTIN, JR.

Wm. McC. Martin, Jr.
Chairman

Mr. William L. Gregory, President,
Easton-Taylor Trust Company,
Saint Louis, Missouri.

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