Mr. Welles:

PLAN OF COOPERATION WITH CUBA

The Cuban delegation now in Washington has initiated discussions with officials of the Treasury and Agriculture. Similar discussions with Mr. Pierson of the Export-Import Bank should be initiated shortly. It is my understanding that you are discussing with Ambassador Martinez Praga the general conditions under which it would be possible to implement the plan of assistance to Cuba to be worked out as a result of the discussions of the experts. I venture to offer the following suggestions:

Extension of Decree-law 522.

As soon as our view that this legislation should be reenacted for as long as Cuba continues to receive a sugar quota from the United States has been communicated to the Cuban Ambassador, I would suggest that Ambassador Messersmith be asked to make representations to the same effect to President Batista, and perhaps to the new Cuban Secretary of Agriculture. Ambassador Messersmith might also intimate to Arturo Mañas the desirability
desirability of the Institute's adopting a resolution recommending the extension of Decree-law 522. I believe that the industry as a whole, including both mill owners and planters, would favor this course.

**Treasury Reform.**

Presumably as a result of your conversations with him, Ambassador Martínez Fraga made a strong statement last Thursday afternoon at the first meeting between the Cuban delegation and our Treasury people as to the absolute necessity of a revision of the Cuban fiscal system. The next step in this matter would appear to be the appointment by the Cuban Government of a committee of experts in order to formulate legislative proposals. I assume that we would be in a position to lend one or more of our officials to form a part of this committee under the provisions of Public No. 63.

Both Montoulié and López Castro are greatly concerned over the present Cuban budgetary deficit. Neither Ambassador Messersmith nor Mr. Nufer share this concern, their view being that the situation is no worse than it has been in previous years. According to Dr. Mañas, however, López Castro seems to fear that it will be difficult to meet October payrolls with the funds on hand. My own feeling is that he has an exaggerated
exaggerated view of the situation. If and when the situation becomes really critical, we may expect
(a) a personal appeal from President Batista, and
(b) a threat to suspend service on the foreign debt.

Nationalistic Legislation

Ambassador Messersmith and certain American interests are seriously concerned at the threat of legislation in Cuba which they believe would be detrimental to American business. These threats are particularly in the field of shipping, insurance, and general social legislation. I do not believe that at this time we should take a very strong position as to the merits or demerits of anything which may be advanced. We should, however, endeavor to obtain a commitment from Ambassador Martinez Fraga that the present Cuban administration will not embrace or support any proposal along these lines until the American interests which may be affected have had ample opportunity to state their case and to discuss the situation thoroughly with the appropriate officials of the Cuban Government. Similarly, we should obtain a commitment that the present administration will not approve of any legislation along these lines unless opportunity for
for public hearing of the affected parties has been given.

**The Treaty of Residence and Navigation**

Ambassador Martínez Fraga should be told that we expect to receive as soon as possible a carefully considered statement of the views of the Cuban Government regarding the draft Treaty which was presented to that Government in March of 1939, that we are disposed to examine that position with the utmost sympathy, and that we attach great importance to the diligent carrying out and the prompt conclusion of these negotiations.

**The Morris Claim**

Our position on this matter should be reiterated to Ambassador Martínez Fraga. He should be told that it is highly important that a favorable solution be given without delay. (For your information, Senator Pepper of Florida is most interested in this matter; his Secretary telephoned me the other day and read me a draft of a letter which it had been suggested, probably by Mr. Leslie Garnett or some other representative of the claimants, should be sent to the Secretary demanding a commitment on the part of the Department to the effect that no assistance of any kind would be given.)
given to Cuba until the Morris Claim is settled.
I replied orally to the Senator's Secretary that,
while we were most anxious to have the Morris Claim
out of the way, I doubted whether it would be wise
or in the public interest to have the entire develop­
ment of our relations with Cuba contingent thereon.
I do not believe that the letter will be received by us.)

Other Claims Owing to American Citizens

It should be emphasized that the failure of the
Cuban Government to make provision for the settlement
of claims owing American citizens is placing the
Department in an increasingly embarrassing position.
There are a number of minor matters arising from the
World's Fair, Colonel Batista's visit here, et cetera.
There are also some major claims such as those owed to
public utilities in connection with the public works
program of the Machado administration. Ambassador
Martinez Fraga might be asked to designate one member
of the Cuban delegation to negotiate directly with
the interested parties and to endeavor to reach settle­
ments with them in regard to these matters.

Habana Coal Company

You might state to Ambassador Martinez Fraga that
regardless of the merits of the case, it is our hope
that
that the Habana Coal Company will not be evicted precipitately from its present location on Habana Harbor, and that prior to the taking of any decision there will be an opportunity for negotiation between the company and the Cuban Government as to the conditions of an equitable settlement.

In view of our experience since Colonel Batista's visit to Washington in November of 1938, I believe that you will wish not only to inform Ambassador Messersmith regarding each of your conversations with Ambassador Martínez Fraga, but that you will also desire to instruct Ambassador Messersmith to repeat the gist of your statements to President Batista.