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Habana, December 18, 1940

AIR MAIL

Personal and Confidential

Dear Sumner:

With my personal and confidential note this morning I sent you a copy of my despatch No. 1306, transmitting the memoranda which Cortina handed me this morning requesting immediate aid on sugar irrespective of, and apart from, the loan negotiations. I have dictated this afternoon, after the departure of the air mail, which carried No. 1306, despatches Nos. 1310 and 1311, of this same date, of which I append copies hereto. I think you may wish to read these despatches before you read this letter, which I shall try to make as brief as possible, taking it for granted that you have read the three despatches under reference.

I have never found Cortina in a more reasonable mood and with his feet as much on the ground as this morning. He is obviously concerned. He realizes that, entirely apart from government finances, business is getting poorer. It has become steadily poorer during the last few months in the country districts because of the uncertainty with regard to what the sugar production could be and as a consequence of the steps which mill owners and colonos had to take in reducing activity and employment of labor. As I foresaw, this situation would be felt more slowly in Habana; but it is now being felt here. Purchasing power is already affected, and, of course, government revenues, which have kept up very well, will also, in time, be affected.

They

The Honorable
Sumner Welles,
Under Secretary of State,
Washington, D. C.

They realize now what they should have realized at the outset, and that is that constructive aid for Cuba means, in the first place, aid to sugar. It is all right for them and us to talk of further diversification. It is essential for the future of Cuba that such further progress on sound lines in diversification should be made without delay. It is utterly unreal and without reason, nevertheless, not to face frankly the fact that sugar is still, by far, the principal mainstay here. As things stand today, they can produce only 2,000,000 tons this grinding season, gone with foreign markets again, for the present, on the basis of what they can send us and consume here. That is all they can produce without outside help, and that help can come only from us. These 500,000 tons which are in question make all the difference in the world and will mean the difference between economic distress here and, to a large extent, maintaining the present level of the Cuban economy. It is extraordinary that in the economy of a country such a single factor can play so important a part, but it is a fact.

I have pointed out in my despatches that I consider, and have considered from the outset, that if we really want to do anything to maintain the situation here, the most effective way of doing so would be through this sugar operation, which I believe can be carried through on sound lines. I do not know what our attitude is on this operation. I do not know, aside from a few memoranda, what we may have said to the Cuban Delegation with regard to sugar. One thing I do know, and that is--whether it is a sound or an unsound operation financially--it is the one which we should make, and without delay. I, myself, am not fully competent to judge the soundness of the operation financially, but I believe that it can be worked out on sound lines. Even though it may involve certain risks, it is still an operation which I believe we should carry through, for it is my considered opinion that it will mean more than anything we can do in the way of the most constructive lines for public works, etc. I do not mean to

say

say that we should not consider these other constructive lines: I do believe that we should proceed immediately with the working out of the aid on sugar.

Cortina emphasized the urgency of this matter, and said that he hoped a decision could be reached in fifteen days. Decisions have to be made with regard to the grinding season very soon, and if they are not made very soon they lose a good part of their efficacy. Should the Cuban Government and the mill owners have to reach their decision to go ahead on the basis of 2,000,000 tons, the economic effects will be sudden and, even though we should do other things to help out, the capacity of these other things to help out would be lessened because there would have to be overcome, first of all, this other depressing effect caused by the reduction in the sugar production. Without going into further detail, I am sure that our friends in the Export-Import Bank and other Departments of the Government will realize all the implications.

Aside from the imperative necessity of the action on sugar without delay, Cortina emphasized the necessity for some action on our part to strengthen the prestige of the Government. He spoke very frankly about this. I think he realizes the weaknesses of Batista, for whom it is very hard to reach decisions; but he expressed his most complete confidence in the good intentions of Batista. He said that he would not assure me of the sincerity of these good intentions if he, himself, were not absolutely satisfied. He emphasized that the position of the Government is not strong; that it has all sorts of difficulties to contend with and finds itself in the position of not being able to make the necessary decisions because it lacks the necessary prestige and strength. The loan negotiations, he said, would take some time longer. What the Government needed was something now to strengthen its position so that it could take the action of the right kind in other ways. This action on sugar, he

said, would, at the same time, strengthen the position of the Government, really save the situation--which would otherwise be aggravated --and strengthen our position here. It would indicate to the Cuban people the desire of our Government to help in a constructive way which would reach every Cuban, and the good sense of the Cuban people would make them realize that it was the most constructive action we could take now. It would strengthen the hand of Batista and of the Government and of those in the Government who could see that it followed the right line and a constructive line. He said it would strengthen his hand, as well, in the definite policy of most complete cooperation he wished to carry through.

In connection with this sugar operation, there is one thing which we must frankly face, and that is that Cuba is one of our best customers now and if her sugar production is not kept at at least 2,500,000 tons, her buying capacity will go down rapidly and seriously, and we will feel it at home. I don't know anything that will bring us more dividends all around and which is, on the whole, a sounder operation than this sugar arrangement.

With respect to the loan, I could not get from Cortina what, definitely, they have in mind in the way of counter proposals. He did say that the President and the Cabinet and he were in accord. He had worked very hard the last ten days drafting these proposals and getting his colleagues and the President to agree. He had a plan to submit which he thought was a much more favorable basis on which to continue and which he hoped would meet our own views. He said that no Government in Cuba could live, even one with more prestige than the present, if it became known that there were a series of conditions and controls. All this would have to be worked out on some other basis which would be satisfactory to us. He realized our desire for

safeguards, and he realized the necessity for a more honest and competent administration here. These things he and some of his associates were determined to bring about, but they had to have some moral support on which to work. With reference to the Treaty of Residence and Navigation, for example, he said there wasn't any reason in the world why such a treaty, on broad lines, should not be negotiated; but to make it a condition in connection with the granting of a loan would destroy the possibility of making the treaty. Such conditions, etc., would inevitably become known, and if they did not destroy the Government, would destroy the possibility of the Government's carrying through constructive negotiations with respect to a treaty, or even constructive negotiations and action on other matters.

Throughout the entire conversation, Cortina emphasized that he and his colleagues wanted to make it clear that the return of the commission did not in any way imply dissatisfaction with the Department, with you, or with other members of the Government. He said that the commission had found in you an always helpful, sympathetic, and understanding friend. He knew your high ideals, your tremendous capacity for effort, your interest in Cuba, and your deep desire to help. He and the Government here wished to avail themselves to the fullest degree of the understanding and helpful attitude of yours and to be as helpful as possible to our Government in carrying through its policies. So far as he was concerned, he was ready to enter into a permanent treaty of military alliance of the most definite character, and he knew that he could carry his colleagues in any action of cooperation, provided the Government was put in a stronger position. He said that there must be no misunderstanding with respect to the attitude of the Cuban Government as to its attitude toward individuals of our Government, for it was grateful for the understanding which it had found all around, and particularly to you.

As in another conversation concerning which I wrote you, so during this one, Cortina constantly came back to the question of prestige. While, ordinarily, I am inclined not to place too much value on what is said with regard to prestige, I do agree that the position of the Government here needs some propping up in the way of popular confidence. Batista is really a timid man, and he feels himself insecure. His Cabinet may not be strong in some respects, but there are in it at least one or two personalities as strong or stronger than he. There are in the Army several men of much stronger personality than Batista, and he has had his little difficulties with some of them recently. I think he really wants to do the right thing in many ways, and I think some of the men, like Cortina, who are really stronger than he are prepared to help him. They all feel that they need something to save their face before the people and to establish their position and gain their confidence so as to make it possible to carry through some of the things which have to be done which may not be popular, such as cutting down the budget, unnecessary offices, etc. I do not mean to say that there is a widespread desire to reform, but I believe there is a possibility that by careful action we can get better administrative practice; but we shall have to save their face as far as it is possible to do this and yet get certain results.

With regard to the future progress of the loan negotiations, I think we must await seeing what is in the memorandum of counterproposals which Cortina now says he will hand me early next week to send on to you. For some reason I cannot fathom, they want to ask "the rest of the commission"--which, I suppose, means Montoulieu--to come back here for a time. Cortina assures me that this does not mean that the commission's work has ended or that it will not return to Washington. I gather that when Montoulieu comes back he wants to issue some kind of statement such as the one I referred

to in my despatch No. 1311. He has asked me to help him prepare such a statement, as a matter of personal assistance to him. I have told him that he is in a much better position to prepare the statement than I, but he has asked me to give him a draft which would help him in the preparation of his statement. I would appreciate it if you would ask Larry Duggan or Philip Bonsal to send me a word as to what I might put in such a draft statement, after reading the pertinent part of my despatch No. 1311.

Although having no direct connection with this matter, I think it will indicate to you the attitude which Cortina is taking if I recite the following: The Communists are making a lot of trouble here. They are increasingly active. They undoubtedly have instructions to try to sabotage any aid to Britain, and we have seen an example of it at Cienfuegos. I am sure they have similar instructions to try to make difficulties for us. I have talked a lot with members of the Cabinet with regard to this situation and the necessity of the Government's doing something to stop it.

Apropos of this, Cortina told me this morning, in the strictest confidence, that there came up in the Cabinet meeting on Monday the question of appointing to a certain office a person known to be a Communist. The President seemed to be in favor of it and quite willing to make the appointment. Cortina said that he used this opportunity to say what he had long wanted to say in the Cabinet, and that he had pronounced a Philippic against the Communist action in Cuba. He told me what he had said: I will not go into detail, but it could not have been more precise, more emphatic, and really courageous. He said, as a result of it, he got the support of every member of the Cabinet except one to what he had said. Batista, feeling himself on the defensive, said that he had only made his arrangements with the Communists for the election

in order that they would not be won by Grau: if he had not made the arrangement with them, Grau would have done so. He was not a Communist, and was not in the slightest sympathy with Communist activity. He was altogether in sympathy with what Cortina had just said; and he was prepared, whenever the Cabinet considered it necessary or desirable, to sign a decree abolishing the Communist Party and taking severe action against Communist leaders, etc., and would be glad to do so. It is quite clear that Batista would not have declared himself in this fashion before the Cabinet had it not been for the strong attitude taken by Cortina and the support which Batista saw Cortina had. Cortina said that after the Cabinet meeting, every member of the Cabinet except one (I suppose he meant Vinent, the Minister of Labor) expressed his appreciation of the strong way in which he had taken up this matter. Perhaps action of this kind is one of the things that Cortina has in mind when he says that he and others in the Cabinet need to have their hand held up, as well as the Government as a whole, in order to make it possible for them to do the things which they know must be done--distasteful as some may be, and difficult as others may be.

I think, through the conversation this morning, I succeeded, among other things, in making sure that the delegation will return to Washington. You know my views as to where I think the negotiations should be conducted, and I think we are in complete accord there. Carrying on the negotiations in Washington through the commission will not in any way prevent certain conversations which may take place here between Cortina and me, through you, which will probably clarify certain situations and help along the negotiations proper. This is what I think Cortina really has in mind; and my personal hope is that we shall insist on the conversations, themselves, being conducted in Washington.

I regret, more than I can say, imposing so much reading on you, but you will appreciate that

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my being so full comes from a desire to be as helpful as possible.

With every good wish,

Cordially and faithfully yours,

(George S. Messersmith)

P.S. (December 19): Of course, the Cubans are following their usual practice in coming on top of us all at once and asking for immediate action about something on which they should have taken action months ago. In this case, however, we shall have to be patient with them, I believe, as we have in the past.

The decision with regard to the grinding season will have to be made by the 15th of January. It could be made even a little later; but if we are to take any action with regard to sugar, a part of its efficacy will be lost--so far as the economic situation is concerned--if the decision is not taken relatively soon, at least in principle, and giving a little further time for working out certain details.

I don't think we should try to bargain on the amount of sugar involved. I think they are right in saying that 500,000 tons is the minimum to bring about the effect needed. If we try to make our aid cover a smaller amount than 500,000 tons, we will lose the greater part of the effectiveness of the aid.

With all good wishes,