Confidential

Habana, Cuba,
Jan. 23, 1941.

Dear Summer:

Concheso is leaving today by the 3 o'clock plane for
Miami, and will go from thence to New York with Mrs. Concheso
for a few days, I think largely to buy some personal things
which they need and he should be in Washington by the end
of the week or early next week. The Cuban Embassy, of course,
will keep the Department informed.

We gave a rather large party at the house this last
Monday evening at which the Conchesos were the honor guests.
The American Chamber of Commerce here gave a luncheon yesterday
for Concheso at which he made a very good speech, the
text of which is being transmitted to the Department by
airmail despatch today. His address was as complete a com­
mitment to complete cooperation with us in every respect,
economic, political and defense, as we could wish for, and
I know that his address had the approval of Batista and
Cortina.

He came to my house night before last and I had several
hours with him. Concheso is not an impressive personality.
His English leaves a good deal to be desired, but he and his
wife can make themselves understood in English, and I think
after a month in Washington will be quite easy in the language.
He is an intelligent man. He has the confidence of Batista
and of Cortina and Saladrigas and of the better men in the
Cabinet. He can be depended upon to be a faithful interpreter
of what we desire to say to Cuba from Washington, and of what
the Cuban Government may wish to say to us. He is said to be
an opportunist and there is enough in the record to indicate
that. There is, however, nothing to show that he has not
been loyal to those who have given him their confidence.
There is nothing to show that he has benefited financially
by any mal-practice here. What advantage he has received
has been in the way of public offices. I have not heard
any one say that he has abused these public offices for his
personal financial advantage. While he was in Germany as
Minister, he may have shown, and likely did show, a friendly
and understanding attitude respecting the present Government
there. Whatever his sympathies may have been, I believe they
have

The Honorable Sumner Welles,
Undersecretary of State,
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Washington, D.C.
have definitely changed long before his appointment as Ambassador. This change may have been through mere opportunism.

Of all the members of the Government here, Concheso was in the closest personal contact with Batista, and between the President and Mrs. Batista and Concheso and his wife there is this intimate personal contact. I believe that Concheso will report faithfully to his Government.

The Cuban Government, in recent declarations and acts, has definitely committed itself to our side. The President has repeatedly said to me that if we should be in the war, Cuba would be on our side immediately and without reserves. Cortina has repeatedly reiterated this and said that, just as he was the one responsible for Cuba placing herself on our side within a few days after the beginning of the last war, he could assure me that Cuba within a few days would again be on our side openly and unequivocally. Saladrigas has made, within the last week, public statements which have been reported to the Department by despatch which are clear and unequivocal. He was accused by critics here of having been equivocal in his previous statements and for this reason, with the approval of Batista and Cortina, he has recently made these clear unequivocal statements which are as strong as anything we could desire, and it was his recent statements which I believe helped to bring about recent declarations from Mexico.

They are not confining themselves to words. The Government control over the radio has been strengthened in the sense that the totalitarian and Communist broadcasts against us have been stopped. The Government is preparing a decree which will be issued shortly which will dissolve all totalitarian organizations in Cuba and provide for strong action with respect to propaganda. Through the Customs, the admission of pro-totalitarian propaganda is being stopped, and through the Post Office the distribution of such propaganda has been stopped. Action against Communist activity is being strengthened and there is every reason to believe that Falange activity will be restricted to purely philanthropic activity such as the distribution of free meals to indigent Spaniards. They have already gone further in the last ten days in stopping propaganda, etc., than we have home.

The Government is committed openly to such a complete program of political and defense cooperation with us that it cannot change its attitude.

I know
I know it to be a fact that Batista recently had Colonel Gonzales of the Navy in and told him that his smuggling activities and those of the Navy must stop. As I told you in a previous letter, this I think is the entering wedge towards getting Gonzales out. Very definite measures have been taken to stop clandestine gambling and the numbers' racket, and I know that the orders are being enforced.

Concheso, the other evening when I had this long talk with him, said that he and López Castro and Saladrigas had finally convinced Batista that he must get rid of these men around him who were engaged in mal-practices and that he must carry through the measures for Treasury and Customs reorganization. López Castro had made it clear to Batista that he could not expect any help from us unless he did this. They had convinced Batista that these things had to be done because help from us so depended on that, but also because he would have to do it anyway, whether there was help from us or not. It was difficult for Batista to bring himself to this, because these men had been his friends and had helped him to the Presidency, and most of them had been his friends in '33. Concheso said that López Castro, Saladrigas and he had explained to him, and convinced him, that once having the responsibility of Government and a desire to maintain constitutional government, he simply had to get rid of some of these people, and that others in other countries had had to do the same thing. Concheso said that he was sure that this program of elimination and reorganization would go forward but that Batista naturally had to feel his way and not go too fast. Concheso said that he was sure that when he saw you in Washington, you would talk to him about these mal-practices and reorganization measures and your saying these things to him would strengthen what he and Saladrigas and López Castro had already been doing with the President. I gather that what Concheso had in mind in saying this latter to me was that he hoped that you would speak to him strongly about these mal-practices and reorganization measures in order that in transmitting what you said he could enforce the position with Batista that he and others had already taken here.

I am convinced that the sugar arrangement will go through. There is no doubt that the Government has been for it from the outset, but the Government is entirely correct in saying that this sugar arrangement is different from arrangements for credits for agricultural diversification, public works, etc. A sugar arrangement can only be carried through with the cooperation of the industry. Credits for public works, etc., can be arranged in between the two Governments without consulting with, or the intervention of any particular industry. The hacendados
haeendados at no time opposed the sugar arrangement, but the Government brought our proposal to them without time for them to really consider it. The colonos in the original meaning did definitely oppose it. I was told yesterday that the colonos have now agreed to accept. I was told in strict confidence that the letter which the colonos wrote accepting the arrangement was not satisfactory to the Government because it was not a clear and unequivocal acceptance and the letter was sent back by Saladrignas to the colonos requesting one in more satisfactory form. I understand that there is no question concerning the acceptance of the sugar arrangement and that there will be developments of a definite character today or tomorrow.

Cortina has raised several questions which are covered in the memorandum transmitted with despatch No. 1428 of January 18, 1941. Cortina indicated that the provision in the offer of the Bank with regard to the proceeds from the sale of not less than 50,000 tons of pledged sugar per annum on the American market and within the American quota, places the proceeds of sales on other markets at prices to be approved by the Import-Export Bank, was not clear and required clarification. He said that it was not clear that the Bank had to sell these 50,000 tons out of the American quota or whether this action on the Bank's part was optional. He expressed strong hopes that this provision could be eliminated from the arrangement; so far as he and the Government were concerned they were prepared to accept it, but it was making a lot of difficulty for them with the industry. He argued, and I believe with reason, that the other guarantees provided by the arrangement were more than adequate security. I think they feel that we are driving a little too hard a bargain with them, and, of course, anything which means a reduction in the Cuban quota, which has already been so materially reduced in the past, bothers them very much here.

My own feeling is that the offer which the Bank made is sound and proper - now that the price has been put at $4. per bag. I have indicated clearly that I thought it inadvisable for the Cuban Government and the industry to raise any further question respecting the arrangement. I expect to have Cortina ask me to see him today or tomorrow conveying an answer on the arrangement. He may raise this question of the 50,000 tons. I don't know what attitude the Bank will take if this question is raised seriously. I hope the Cubans will not raise it. On the other hand, if they do raise it, I hope the Bank will seriously consider eliminating this provision with regard to the 50,000 tons.

The guarantees
The guarantees otherwise provided for are adequate. The industry met its obligations to the letter and to the day under the Chadburn plan. They will meet them under this arrangement, I believe. We have so many other guarantees in the arrangement that this provision regarding the 50,000 tons does not seem essential. Further, Cortina is right that the provision, if retained, will have to be clarified. There will have to be a law of the Congress, and in order to prevent misunderstandings and difficulties, which both sides will wish to avoid, and which must be avoided, it will be necessary for the Bank to define this provision more carefully in any event for the purposes of writing the legislation which the Cuban Congress will have to pass. I myself feel that to define this provision in legal terms, for purposes of legislation, will be very involved.

I have not discussed with Cortina, or the Cuban Government, the confidential instruction which the Department gave me with regard to other financing. The Department's instruction to me, No. 421 of January 11th, states that after the conclusion of the agreement in principle with respect to the sugar financing, I can take up these other matters - agricultural and public works credits, etc., in a confidential way with the President, Cortina and López Castro. I have made it clear to Cortina that I cannot discuss these matters until after the sugar arrangement is completed in principle. I had hoped to discuss these matters with them before this, but it is quite obvious that I cannot, under my instructions, nor should do so, until after there is agreement at least in principle on the sugar arrangement.

In the meantime, I think López Castro and others have already prepared the way for the action which we want from the Cuban Government and they have already taken some preliminary steps in that direction. I am not at all pessimistic with regard to developments. There has, of course, been this delay about the completion of the sugar arrangement, but you and I know the way they work here and can appreciate better than some others that these delays have only a certain significance. The sugar industry here cannot be considered as being extraordinarily wise or foreseeing, and naturally in the case of this sugar arrangement the Government had to get the full acquiescence of the industry before going ahead. I want to emphasize that all the information we get from every source indicates that the Government has been for the arrangement whole-heartedly from the beginning because it realizes the consequences, social and political, as well as economic, which the shorter grinding season would have.

With respect
With respect to the sugar arrangement, we should have definite word today, or tomorrow at the latest, and I will keep you advised.

With all good wishes,

Faithfully yours,

GEORGE S. MEISSERSMITH