Subject: Cuban Agreement on Sugar Quota

I am dictating this memorandum like all the others that I am dictating, without any reference to notes and entirely from memory. As this memorandum involves the use of certain exact figures it is one which will have to be very carefully rewritten on the basis of the examination of certain statistics of production and consumption in the United States, in Cuba and in the other principal sugar producing countries, as well as an examination of the legislation in the United States on the admission of foreign sugars.

When President Roosevelt and Mr. Hull asked me to go to Cuba as Ambassador, one of the principal things which they asked me to do was to carry through the negotiation of a trade agreement with Cuba. The principal objective in the trade agreement was to establish a quota for Cuban sugar for annual importation into the United States. I was greatly pleased with this assignment. We had been treating Cuba shabbily for years with regard to her sugar exports to the United States. When we had a good crop in the United States we kept down imports from Cuba, with the corresponding depressing effects in Cuba. When we had a poor crop in the United States, we yelled for Cuban sugar and the Cuban economy was upset by new hopes for sugar imports. We were at all times the principal buyer of Cuban sugar, which was the principal crop of the island, but we were a sporadic buyer.

The economy of Cuba for many years has been based on sugar. Sugar is a natural in Cuba. Sugar can probably be produced more cheaply in Cuba than in any other country. The entire business of Cuba has for years depended upon her sugar production and exports and it continues so to this day. There had been a good deal of talk always in Cuba of the necessity of diversifying her agricultural production in order to lessen this dependence on sugar exports and in order to stabilize the economic situation of the country. Everyone recalls what happened to Cuban sugar prices during the first World War. They skyrocketed and went up to twenty
cents a pound, I believe. There was an era of unexampled prosperity in Cuba and it led to all sorts of recklessness. Then followed the fall in demand and a complete disruption of the Cuban economy such as it had not known before.

The problem was a political one in our own country. The cane sugar producers in the south and the beet sugar producers in the west were not interested in the Cuban economy. It took us a long time to become conscious in our country of the depressing effects which our varying purchases could have in certain countries, which from the point of view of export markets were of primary value to us and which from the point of view of political stability and good neighbors were important to us. We in our country had done a good deal of pious talking with regard to the diversification of agriculture but very little of a real character was done to help in such diversification. On several occasions we had come to the point where we had promised that legislation would be introduced in the Congress to provide a fixed annual quota for Cuban exports of sugar to the United States. We had come to the point where sound people in our government realized that some such step was necessary. We wanted a source of sure supply to supplement our own production and the treatment which we were giving to Cuba, from which we expected to be the principal source of supply, was not of a character to assure that we would have that sugar when we wanted it. It had come to the point where the question of a Cuban sugar quota had become the principal source of difference between the Cuban government and our government and had become the principal source of discontent in the island of Cuba, where the population was in the overwhelming majority so friendly to us because of past history.

I was therefore not surprised that President Roosevelt and Secretary Hull instructed me to begin slowly but carefully the negotiation of a trade agreement which would have for its principal objective the fixing of a sugar quota on a fixed basis. I was told to go slowly. In fact, my first work was to be exploratory.

It turned out that when I actually assumed my duties in Cuba, instead of
working on the trade agreement the first thing that I had to do was to arrange the purchase from the Cuban government of the entire Cuban sugar crop. We were short of sugar and the world was short of sugar and we were supplying the sugar deficit in many countries. The beet sugar crop of Belgium, which had been an important factor in the market in Europe, was out during the war. The beet sugar crop in Czechoslovakia, which had been important, was not available except for German consumption. We had to supply a serious sugar deficit in friendly countries in Europe as well as the tremendous quantities of sugar needed by the Allied armies. I was therefore instructed to undertake negotiations for the purchase of the Cuban entire/sugar crop. It was the first time that we had endeavored to carry through an operation of this kind for the purchase of an entire crop. It was easy to determine what would be available as the consumption per year was pretty constant and therefore well fixed and known. The questions involved were principally two, one of price and the other not to overstimulate Cuban production. At the same time we wanted to see increased production. As the end of the war would see another drop in our demands on Cuba for sugar it was necessary for us to proceed with caution. We could not precipitate another boom which would have such depressing results for years as the big boom after the first world war had.

I talked the matter over with the government and told the President and the appropriate ministers what our objective was. They were very pleased and cooperative. I then talked with the Association of Cane Growers and with the Association of Sugar Mill Owners. All were naturally very happy. We arranged for the purchase of the whole crop and as my memory serves me at this moment, I think we paid around 3 1/2 cents a pound F.O.B. Cuban ports, which was a very reasonable and proper price. Without giving any promises and making it clear that we were not in any way agreeing to purchase the next years crop, it looked likely to the Cuban government and to the Cuban sugar interests that we would be buying the next year's crop. For the Cuban government and the sugar mill owners and the cane
growers there were complicated problems which they had to settle among themselves. There were questions of wages, the price of cane at the mills, and many other questions which are very delicate and difficult of solution but which were carried through in a very equitable way. In these of course our government did not in any way intervene.

The whole arrangement was carried through with much success and with satisfaction all around. The cane growers increased their plantings of cane in anticipation of our buying the crop next year and a larger amount. We did everything we could and the Cuban government did everything it could to keep this within proper bounds. It fortunately was kept within proper bounds. People remembered the lessons of the previous disastrous boom.

Not long after completing the purchase of the first crop we made an arrangement for the purchase of the next year's crop in anticipation thereof at a slightly higher price, but again a very reasonable price.

I was then enabled to go ahead with the trade agreement negotiations. These were not of too complicated a character. The principal factor was to determine what annual quota we were prepared to recognize in the trade agreement. I do not recall the exact amount but I think it was something like three million bags a year. This was not quite what the Cuban government and the Cuban cane growers and Cuban sugar mill owners expected, but they welcomed any fixed quota because it gave stability to their industry. So far as all other interests in Cuba were concerned, they were delighted with the idea of a fixed quota because it insured the stability for which they had been longing.

The foreign minister at the time was José Manuel Cortina and to a very large extent the arrangements for the trade agreement were carried on with him. President Batista did not enter very much into the negotiations until the end thereof. Dr. Cortina was a very able statesman. He was a quite wealthy man, as he and his family before him owned very valuable fincas near Havana. He and his
family had been among the principal producers of Cuba's best tobacco for some generations. He was a man of very fine culture and very friendly to our country. He was one of the most cultured and most widely read of all Latin American statesmen with whom I have had the privilege of being associated in my various tours of duty. The personal relations between him and me were particularly friendly, as we had many common things to talk about.

In connection with the negotiation of the trade agreement the Trade Agreement Division of the State Department sent a number of very competent people to aid me in the negotiations in Havana and I had able members of the staff in the Embassy to assist in the negotiations. I kept in constant touch with Secretary Hull on this matter, as I knew that the principal item in the agreement, which was the sugar quota, was of political importance in the United States, but I had the conviction that the President and the Secretary had decided that this was the time to carry through this measure in the interest of our country and as a measure of equity in dealing with a friendly country and neighbor.

Towards the end of the negotiations we began to have difficulty on an unexpected item which happened to be salt. Cuba is not a large producer of salt but at one end of the island it does produce a fair amount of salt which is beyond the needs of Cuban consumption and the surplus had been for many years exported to the United States. When we had practically reached agreement on all the points, in fact had reached agreement on all the points to be covered in the trade agreement, including the quota for sugar, we received an instruction that we were to ask the Cubans for their agreement to a higher duty on salt imported into the United States. I was puzzled, as I could not understand why they should make this request in that point in the negotiations and the amount involved, so far as exports of salt are concerned, was so small. I tried to argue this point with the Department but was told that we would have to increase the duty on salt. I told Dr. Cortina that I had received this instruction and that it was necessary for us to get agreement on
this point. He was adamant. He said he was sure that his government would not agree but that he would talk with the President about it. The following day he told me that he had discussed the matter at length with the President and the President was very upset and quite angry about it and stated that he would rather see no agreement, even if it meant losing the sugar quota, than to agree to an increase in the duties on salt. I asked Dr. Cortina why the President felt so strongly about it. He said he did not know. I asked Dr. Cortina how strongly he felt about the matter. He said that he considered it very secondary because the most important thing about the trade agreement, and which justified it, was the sugar quota. He suggested that I talk with the President as the President had indicated in a most definite way that he would not agree to a higher duty on salt in the United States.

I called on the President and he received me in the usual cordial way that he had, but I could see that he was upset. I told him what I was there for. Without any discussion he told me what he had said to Dr. Cortina, that he would rather see the trade agreement fall than to see the duty in the United States on salt increased. I told him how arbitrary an attitude I thought that was and so contrary to his usual reasonable procedure. He said that he quite agreed but it was our procedure and insistence was all so contrary to our usual reasonable procedure. I began the usual argument that the matter was of a secondary character and that we should permit nothing to stand in the way of the trade agreement, as it fixed the sugar quota on a reasonable basis and that this meant so much for increased stability in the Cuban economy.

The President looked pensive for a moment. He had listened carefully to my argument.

Finally he turned to me and he said, "Amigo, I was born in the part of Cuba where the salt beds are. The people who work in these salt beds are as poorly off as any people in Cuba and you know a good many of our people live in a miserable way. No one lives more miserably than these people who work in the salt bed.
He went on to say that when he was a boy it was these people who worked in the salt beds who looked after him. He had no family to look after him. He didn't need much, but the shirt and trousers which he wore and at times a pair of zapatos were furnished him by these poor workers and they fed him. They were the only friends he knew during his early youth. He said under no circumstances was he going to do anything to make their lives more miserable or to take away their occupation. He spoke with such sentiment and at the same time with such firmness that I realized that however unreasonable and unreasoned his attitude might be, it was one that he would not change. I told him that I would do the best I could to get my government to agree not to insist on this point.

After a good deal of difficulty it was agreed that the duty should not be increased, or at least the increase was fixed at such a point that it made no difference.

It was with a good deal of satisfaction that the officers of the Embassy and the officers of the Trade Agreements Division of the Department who were working with us and Dr. Cortina and myself formalized the trade agreement. Both governments gave their approval to the draft and it was put in final form. A day was fixed for signature. I had authority to sign for our government. Dr. Cortina was to sign for the Cuban government.

As I recall, the signature was fixed for 10 o'clock on the morning of the particular day. The day before, in fact fairly early of the day before the day set for signature, I received a telephone call from the Department to the effect that I was not to go ahead with the signature, that I was to arrange for a postponement of the signature. I protested very strongly with the officer of the Department calling me, saying that this couldn't be done, but I was told that Secretary Hull had given instructions that I was to be communicated with in this sense. I said that I would get in touch with the Secretary himself immediately. I immediately began to endeavor to get in touch with the Secretary by telephone. I called
his secretary, Joe Gray, an unusually capable Foreign Service Officer who was acting as the principal secretary of Mr. Hull. I told Joe how serious and important the matter was and that we had to proceed with the signature and to put me in touch with the Secretary. Gray told me that the Secretary was at the White House. I endeavored to reach the Secretary an hour or so later in the State Department and was told that he was at the Capitol. I endeavored all during the course of the day to get in touch with Mr. Hull but without any success. I knew that he was playing hide and seek with me. I knew that I had to get in touch with him in order to get this instruction which I had received over the telephone changed. I was unable to reach him by six o'clock. After six o'clock I finally got Mrs. Hull at the Wardman-Park Hotel. I told her that I must talk with the Secretary. Mrs. Hull was a very understanding woman. She knew that if I insisted in talking with the Secretary that I ought to talk with him, or rather that he ought to talk with me. The Secretary was obviously at home. She asked me to wait for a few minutes. In a very few minutes the Secretary came to the telephone. He was annoyed. We were very good friends. There was no man in our country for whom I had greater affection and respect. The two men in our government whom I most admired and respected were the President and Mr. Hull. Mr. Hull knew this. He had for me shown extraordinary friendship and confidence in me. I started telling him that it was quite impossible for us to put off the signature of this agreement. He said that I had my instructions to get the agreement signature put off. I said to him, "Mr. Secretary, we have promised the Cubans twice before that we would fix a sugar quota. This time when we started negotiations I had the authority to say that this time we were going to go through with it. I did say this to the Cuban government. We cannot afford, either as a government or can you, Mr. Hull, afford to go back on our word. The prestige of our government is too important in these days and your prestige is too great for us to take any such a risk as would be involved in putting off signature." I said to the Secretary that more than ever and
more than at any time the prestige of our country was so important. It was so vital for us and it was so vital to practically every country in the world on our side, and so vital to a country like Cuba. If this time we went back on our word all of Latin America would realize it because the other countries of Latin America would know what had happened with regard to previous conversations on a sugar quota. I repeated that his personal prestige, which was so important and which was so high, could not be impaired. I said that no matter what I might say to the Cubans about postponement of signature, they would know that it meant that we did not wish to sign on account of the sugar quota and that the signing would be indefinitely postponed and that the agreement die. I had from time to time while I was saying these things to ask the Secretary if he was still there. I would find that he was still listening.

The Secretary finally interrupted what I was saying and said that the agreement could not be signed the next day. It would have to be put off for some time. He muttered something about my not understanding some of the factors in the situation at home. I repeated that it was the same thing that had happened before. We had come to the point of doing something and then these pressures got to work and we had not gone ahead. This time there was too much at stake in every way. We could not do it. I personally felt so strongly about it that I thought that it was unwise for me to stay on in Cuba as head of the mission if we did not go ahead and sign the next morning. I said that if he could not renew his agreement that I sign the following morning as planned, that I would have to tell him that my resignation could be accepted as of then. I said that I knew that my whole future in the government was at stake and that it was a serious step for me to take but I felt that I could not prejudice the position of our government by continuing as Ambassador. The Secretary, after an interval and I thought he was off the phone but I found he was still there, said, "George, can't you put this off for some days?" and I said, "Mr. Secretary, you know that that means putting if off
indefinitely, so I think we had better let it stand just as I have said. If I can't sign, it's best for me to leave." Very impatiently and in fact with a certain exasperation he said, "Well go ahead and sign," and hung up.

The agreement was signed the following morning at 10 o'clock. It was one of the best things that we ever did in our relations with Cuba. It had a very important effect all through Latin America. It strengthened the position of our country, it strengthened the position of the President, it strengthened the position of Secretary Hull in every country of Latin America. So far as Cuba was concerned, it was one of the most important steps that we had taken in our relationships with her. The beneficent results of the establishing of this quota have been felt over the years that have intervened and I do not think that anyone, even the most radical among the sugar producers in the United States, would think of changing this situation. It was now possible for the Cuban government and for Cuban businessmen to plan on a surer basis. The danger of calamity from year to year which had been staring them in the face was gone. The quota was not as large as what they desired. The quota as fixed represented only about half of what Cuba could produce at the maximum when she had a good crop. She had, however, this sure outlet for the quota. This assured stability. She had to use her best efforts to market whatever further production beyond the quota and her own needs in other countries. This was as it should be and the Cuban government recognized this.

Once this question of the trade agreement and the quota was out of the way, we began our further conversations with the President and with high officials of the Cuban government, and I particularly with the Secretary of Agriculture, Mr. Lopez Castro, on the possibilities of greater diversification in agriculture. Everybody showed good will. Everybody recognized the desirability of such diversification. In spite of the studies which were made very little progress was made in actual accomplishment while I was in the Embassy in Cuba. I doubt whether very much has been accomplished in recent years. The Cuban climate and the Cuban soil
are so particularly adapted to cane growing and to tobacco that it was really difficult to find crops which could replace part of the lands in cane and tobacco. One of the principal products we had in mind was rice. The rice consumption in Cuba is certainly the highest in all of the Americas. If I recall correctly, and I must check this from the records, the per capita consumption in Cuba of rice was in 1940 and 1941 something like 98 pounds a year. I do not recall at this time what the per capita consumption is in countries like China and India, but I doubt whether the average consumption is as high as it is in Cuba. A certain amount of rice was grown in Cuba, but there were tremendous imports from the United States, principally from Louisiana and Mississippi, as well as imports from the Far East and the Philippines. The conditions for increasing the production of rice, that is the acreage in rice, in various sections of Cuba were favorable. It was a difficult task, however, to get the farmers to make any switch. I think a good deal has been accomplished in increasing the rice production and that a much greater part of Cuba's consumption of rice is now produced on the island. I have made mention of these efforts towards diversification on the part of the Cuban government and on the part of our own Embassy and our officials and of our government to indicate that we took a very real interest in putting the Cuban economy on a sounder basis. There is much talk these days of the Point Four program as though we had not been thinking of these things before that program was inaugurated. In more than one country for many years, as is shown by the foregoing with respect to Cuba, we were endeavoring to take practical steps to aid in stabilizing the economies. Those in our country who are so vociferous about our neglecting our Latin neighbors and those among our Latin neighbors who are even more vociferous about our neglecting them are talking out of a lack of knowledge or to cover up deficiencies of their own. If in some of these Latin countries as much effort had been made by the governments and leaders of opinion in these countries to aid in the improvement of the economies of the countries as we did in the United States to aid, the situation would be very much improved in many of these countries.