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Habana, Cuba, October 3, 1940.

Dear Mr. Secretary:

We arrived here Tuesday morning after a very pleasant trip, and I have been very much occupied since then in getting a full picture of the situation. I had a long talk with Campa and also with Montoulieu, the Secretary of Treasury, and with Dr. Ramos. I have talked with our own people, and I have seen a number of important people here not in the Government but who are responsible and well informed. There is a general feeling of pessimism as to the outlook, and a lack of confidence, this being based on a number of factors which I cannot go into here; but the most important of these is the general feeling that Batista is not properly in control of the situation, that he is still on the whole badly advised, and that he still does not grasp adequately the importance of the problems confronting him and is seeking the solutions in the wrong direction. There is a feeling among some of his most intimate advisers and really best friends that he is not in control of the situation, and they are not sure that he will be able to hold on. They fear that he is so badly informed and advised by those whom he follows most, that things may get very much worse here before they can become better.

I have, since I came here in March of this year, sought every convenient opportunity to talk with Batista and to try to give him good and adequate background. He has a receptive mind, and I think I made some progress. There are some in his immediate entourage, like López Castro and Ramos, who are thoroughly honest and understanding. When it comes, however, to reaching a decision, he listens to others rather than to them. Perhaps the two persons who have been giving him the most unsound advice, but to whom he listens more than to anyone else, are Martínez Fraga and Maríné. Both of these latter are considered here, in informed and responsible circles, as inadequately equipped to advise Batista, and their personal honesty and integrity are so much questioned that there is no confidence in them.

One thing which I think we must bear in mind is that, although Batista has been in a large measure governing behind the scenes in recent years, the President, Dr. Laredo Bru, is considered as an honest and up-right man, and enjoys quite general respect. He is far more understanding of our country and of the situation here

than

The Honorable  
Cordell Hull,  
Secretary of State,  
Washington, D. C.

than is Batista. He is a man of a good deal of character, and a man of strong will. Although there has been Batista governing from behind the scenes, Laredo Bru has exercised a good deal more influence than is commonly understood, and he has done a great deal to keep things in line. It has been a fortunate circumstance for Cuba, and in a way for us, that Laredo Bru has been President. Now his term is ending on October 10, and the only real brake that there has been on Batista will be gone. Just as an example of how Laredo Bru has been able to influence the situation in the right way, I will mention the following. When the Cuban Government got our telegram recently saying that we would be prepared to talk with them on matters of economic cooperation, the President was greatly pleased that we had made the suggestion, indirectly, that men of a certain type be sent. He therefore indicated that he would name Montouliou, López Castro, and García Montes, on the Commission. When this was brought to Batista's attention and for his approval, he became very angry and said he wanted to know why he had to follow the President in naming these men, and why he could not name his own. He obviously did not wish to send men like these, but the President's initiative was such that Batista did not feel that he could entirely disregard it. Had there been a President of another type than Laredo Bru, the kind of people who are going to Washington to talk for Cuba on economic cooperation would have been completely different.

The Cuban representatives who will go to Washington to discuss economic cooperation with us will be Montouliou, López Castro, García Montes, Martínez Fraga, Eduardo Durruty, Gomez Waddington, and a Major Bolet. Of these, Montouliou and López Castro are thoroughly honest and very capable men who understand not only the situation here, but who have a good understanding of our country. Oscar García Montes is an intelligent man and well informed, but who is so anxious to be a part of the new Government that he is inclined to be too subservient. Martínez Fraga I will refer to later. Durruty is a good man who has much technical knowledge, and who is fundamentally honest, but he has been a Treasury employee for years and has no particular authority. Waddington is a well-known sugar man whose general reputation is good. Major Bolet is in the Army, and is said to be a good engineer. Of this representation, López Castro, García Montes, Martínez Fraga, and Bolet, have the full confidence of Batista; but they will be restricted in what they can do because they will follow out directives given by Batista.

I think we must remember that this Commission is going with the intention of getting a fifty million loan. They have been collecting material hurriedly in the last days to support a "public works" program. Their data has been got together hurriedly and has not been adequately prepared or considered. The data has been thrown together for the purpose of serving as a background for the loan.

Montouliou

Montoullieu and López Castro are on the whole unhappy about their mission. They are not against a public works loan if it can be secured from us, because they think properly handled it would alleviate unemployment here and the economic situation generally, but they are not sure that the money would be properly handled, and they fear the consequent scandals and economic and political developments growing out of such mis-management. So strongly does López Castro feel that in any event Batista's control of the situation is so uncertain, that he has said that he does not want to be a member of Batista's first cabinet. He believes there will be such mismanagement that he prefers to be out of it at the outset and be able to step in when it will really be possible to accomplish something. As López Castro is personally devoted to Batista and is, I believe, a fully honest man, this attitude of his is very significant. There are few who know Batista better than López Castro.

I think in many ways the most sinister factor in the situation has been and is Martínez Fraga. I need not tell you that I have no personal feeling in this matter whatever and that in my judgments concerning him I am altogether objective. We must recognize that he has not been, as Cuban Ambassador in Washington, informing his Government here properly concerning our attitude. Just yesterday again, persons who are close to Batista said to me that Martínez Fraga had, in their opinion and in some cases to their knowledge, been giving entirely improper and unfounded information to Batista. He had reported attitudes of our Government on matters affecting Cuba which were utterly contrary to the facts. He had imputed statements and promises to officers of our Government which had never been made. Just again yesterday, several persons who are close to Batista and who wish him well said to me that the public here considered Martínez Fraga dishonest, and some of them knew him to be. They said they did not understand how Martínez Fraga kept this position with Batista, but the fact is that today Batista is depending a great deal on him.

It seems that when the question of a loan first came up, Batista initiated the idea in order to get money to overcome budgetary deficits and to make it unnecessary for him to cut the budget, as well as to give him leeway so as to satisfy some of his hungry supporters. Then Martínez Fraga came into the picture and told Batista that it was ridiculous to ask for fifteen millions, our Government was anxious to lend money to Cuba, they must ask for at least sixty-five millions. The President, Montoullieu, and López Castro and others told Batista that they doubted whether any such loan could be secured. We did things in a businesslike way in the United States. Martínez Fraga, in a meeting with Batista

and



and at which certain persons were present with whom I have talked since my return, insisted that all these reserves were ridiculous, he could give the assurance that we were eager and over-eager to lend money to Cuba, and that Cuba could have any sum she wanted for the asking. This is typical of the sort of information which Martínez Fraga has been giving Batista and to the Cuban Government.

In another meeting when they were discussing the rate of interest on a loan, Montoulieu and López Castro said that it was wrong to put in the authorizing bill a maximum interest of 3 1/2%. They said if it was necessary to pay more interest, new authorizing legislation would have to be passed here in Cuba. Martínez Fraga said that it was ridiculous to speak of a higher rate of interest, and he would assure them that he would be able to get a lower rate - probably 2 1/2 %. To this Batista responded that, if they got the loan at 2 1/2 %, he would have Martínez Fraga's commission as premier signed before Fraga got back to Habana.

I do not wish to multiply examples of the kind of unfounded advice that Martínez Fraga has been giving. I think we have the record pretty clear in the Department. In spite of all this, Martínez Fraga is, in matters of this kind, Batista's principal and accepted adviser, and Batista does not follow the advice given him by sound men who are really interested in Batista making a good President, and in the future of Cuba. Martínez Fraga of course is actuated entirely by personal motives and by the desire to emerge as a saviour of Cuba who has secured this large loan for Cuba. It is sufficient to say that, even among Batista's best friends who are not altogether dependable, Martínez Fraga is looked upon as a bad adviser who is leading Batista into serious difficulties.

I wish to keep any personal note out of this letter, but I should say that when I was in Washington recently Beaulac wrote me that Martínez Fraga had told some friends here that he had recently had a conversation with me and had found it necessary to dress me down and put me in my place. On returning here, I have checked on this, and I find that he did say this. What he refers to is a conversation which I had with Martínez Fraga shortly before I returned home recently. Martínez Fraga had telephoned in that he wanted to see me urgently. I said I would see him immediately. He came in greatly excited and was most obnoxious in his conversation. I treated him courteously, but I made it clear to him that I considered his statements improper and out of place. I made a full report of the conversation to the Department with a covering despatch. The fact is that Martínez Fraga had just learned, prior to coming to see me, that the efforts of Alliegro and others to get money out of Warren Brothers and Purdy and Henderson had

definitely

definitely failed. There are those here who believe, whether they are right or not, that Martínez Fraga was personally interested in the efforts of Alliegro, etc., to blackmail Warren Brothers and Purdy and Henderson. I merely mention the foregoing, for if I had any doubts with respect to Martínez Fraga's activities before this conversation, they were entirely dissipated by that conversation. He showed himself in the conversation bitter, vindictive, and unfriendly to us, and showed a complete mis understanding of the attitude of our Government and of our country.

Whether this Commission will leave today as planned, or later in the week, I am not able to say. In any event, they may be expected to leave by the end of this week. The President wished them to leave on Saturday, but Martínez Fraga has been insisting that they leave today. I think Fraga's insistence is based on the reports which he has been giving to the press that the loan of fifty millions can be completed before October 10. Fraga has consistently been giving out information to the press here, as though the loan had been agreed to by us in principle, and it was only a question of minor details, which the Cuban representatives would have to arrange.

I have given you this perhaps too full picture, but I think it is important that we have this background at home. I am sure that at home we are on the right track. We have not made any reply to the requests for loans, and they did not come through proper channels. We have decided that we cannot discuss a loan, or sugar, or any other aspect of the Cuban problem, separately, but that we must discuss the whole gamut of our economic relationships with Cuba as a unit. If out of these discussions and understandings it will appear that a reasonable loan is desirable, that is another matter; but we have decided that we cannot start with the premise that a loan is necessary or desirable. I was most happy to find this complete agreement in the Department as to our method of approach. It is, I am convinced, the only sound method, and any other approach would not be a friendly act to Cuba and would be an utter disregard of our best interests. In a considerable measure, the future of the situation here for a considerable period, is at stake, and we must not fail to use the opportunity we have to regularize the situation to the greatest degree we can.

A new Congress is coming in, and they are a hungry crew. If there is a loan for public works, the expenditure of which is not adequately controlled by us, this Congress will be completely out of hand, and we will have every important American

interest



interest here blackmailed, and general chaos in our economic relationships. Batista was not able to control the rump Congress that ended September 15, and his best friends agree that, unless the situation is handled right, it will be impossible to control this new Congress.

I see the President this morning, and Batista in the next day or two. Although this is October 3 it is not yet certain that Batista will be inaugurated on October 10. A great effort is being made to get these election disputes straightened out before October 10. There is a good deal of prospect that it will be possible to straighten them out so that Batista can be inaugurated on October 10, or shortly thereafter. It is, I believe, highly desirable that he assume responsibility as soon as possible and that there be no provisional period. If Batista is not inaugurated on October 10, Laredo Bru will probably consent to act until he is inaugurated. He would prefer not to do so, but constitutionally he can act, and it must be said to his credit that he is doing everything in his power to help Batista and to maintain an orderly situation. In a letter to Sumner Welles yesterday, I said that the chances were that if Batista was not inaugurated, Verdeja, the President of the Senate, would be Acting-President for the time being. It develops now that Verdeja believes that the interval would be so short that he prefers not to take the chance of losing his position as President of the Senate.

I do not know how frank Montoulieu and López Castro will be in their private conversations which they may have with you or Sumner Welles. They will want to be frank, as they have been with me and others here, but, after all, they are going on a mission charged with getting a loan. You may be assured, however, that they understand the position thoroughly and that they know that any precipitate action of our part would not be in the best interests of Cuba or of ourselves. They will welcome our attitude that the whole gamut of our economic relationships must be examined and no piece-meal solution arrived at. They will understand that they will have to furnish all sorts of information, and that the conversations may be prolonged. They understand that we must have all sorts of guarantees with respect to our interests here. I am sure that they would welcome, although they may not say so, some form of supervision by us of an adequate character of the expenditure of any funds which we may make available to Cuba. They realize the danger involved in funds being made available without control.

I need not say that I shall be helpful in any way I can during the progress of the conversations which are to take place. I am sending a copy of this letter to Sumner Welles.

With all good wishes,

Faithfully yours,

George S. Messersmith

GSM/mw

P. S. I have just had an hour's talk with the President. He says that every effort is being made to make it possible for Batista to be inaugurated on October 10, or a few days thereafter. He thinks there is a chance of its being done, and the President is trying to help out in getting the Opposition to withdraw the recursos. The President says that if the delay will only be a few days he will act for the interval. If it is likely to last for some time he will refuse to act.

The President says that Martínez Fraga, López Castro, and García Montes are leaving today for Washington, and that Montoulieu will leave Saturday. There are certain things which he says Montoulieu must do before leaving here.

The President made an impassioned appeal today to help all I could in Cuba getting some financial assistance. He says that it is imperative that she have it. I told him that I was prepared to be helpful in any way that I properly could in presenting the situation here, which I had of course done to my Government during these past months. I made it clear, however, that our attitude was that expressed in our telegram, which was that we were prepared to discuss with Cuba the problems of economic cooperation, and this of course involved all sorts of matters besides a loan. This question could not be approached merely from the point of view of a loan. The President said he understood that, but that Cuba needed some immediate financial assistance. I told him that Cuba would find an understanding attitude on the part of our Government, but that we had to go into these questions carefully, because whatever we did we had to be sure was done on sound lines.

to Time does not permit before the airmail leaves to go further in my conversation with the President. I am confident, as I told Duggan before I left Washington, that the Cuban representatives when they come will use every effort to get some precipitate action on our part in the way of a loan, on the ground that there is an emergency situation here. There is no doubt that the situation is not good here, but I am equally sure that any precipitate action by us will only make the situation worse in the end. The only way we can help here is by taking a very firm attitude and by proceeding on broad and sound lines.

G.S.M.