

Habana, Cuba, June 1, 1940.

AIR MAIL.

Personal and Confidential.

Dear Sumner:

I had a long talk with Batista on the afternoon of May 30 and I conveyed to him your good wishes of which he expressed his appreciation.

I mentioned that I had gotten in touch with him just recently through Ramos with regard to the transitory provisions the Assembly is considering on the moratorium as it was quite obvious that the action which the Assembly was planning to take would go far toward destroying Cuban credit. We went into the whole situation thoroughly and he told me that he was doing what he could to get a more reasonable solution. He said, for example, that he had been trying to get Casanova to talk to him directly but had been unable to do so. He said that he himself had been assiduously on the telephone with some of his people. My own thought is that in this respect all that he said was with his tongue in his cheek for after all a radical solution of the moratorium is one which he has been constantly advocating and the solutions which he has been advocating can certainly not be satisfactory to us or help Cuban credit. I believe that Batista is doing nothing and will do nothing in spite of all that I have tried to convey to him, including the importance of Cuban credit to him if he should be elected President. The long and short of it is, so far as Batista is concerned, that he will do nothing about the moratorium along the lines we desire for what the Assembly is doing is what he has been advocating consistently.

I do believe that the Assembly is going even further than Batista intended but it is quite clear

that

The Honorable
Sumner Welles,
Undersecretary of State,
Washington, D.C.

that Casanova, Cortina and others have taken the bit in their teeth and are taking this opportunity to take care of themselves. The discussion in the Assembly on the moratorium ~~and the form that it is using~~ is taking the aspect of a first class public scandal and there is no doubt that the Assembly has completely discredited itself. In the meeting last night they were going even to further lengths and the form in which they have already voted certain items in the moratorium project is much more radical than anything that was contained in Communist amendments which had been submitted. I think it is hopeless to expect the Assembly to do anything reasonable on the moratorium.

I saw the Acting Secretary of State, Montoullieu, this morning and he says that the President asked him to say to me that he was doing everything in his power to get a reasonable attitude on the moratorium but that he felt the situation was hopeless. He said the President had asked him to tell me that ever since I had seen him recently he had put forth his best efforts without apparent result as these men had made up their mind to use the Constituent Assembly to put through legislation which he had constantly vetoed. The President further authorized the Acting Secretary to say to me that he was thoroughly in accord with all the observations we had made to him as to the importance of this legislation and the dangers which the work of the Assembly on it presented.

The Acting Secretary went on to say that he, and he thought all worthwhile Cubans, now were hoping that they would get into such a snarl on the moratorium that they would not complete the work on the Constitution. It would be far preferable he said in the opinion of thoughtful persons for the Constitution not to be completed than to have it completed in the form it is taking. He said that everyone realized the desirability of a Constitution and the undesirability of their entering into another de facto situation but that it was increasingly the opinion that even that would be better than the document which the Assembly was writing.

I have not given up all hope but I think that I should tell you frankly that my hopes are diminishing to the vanishing point. I am still hoping that in spite of this bad moratorium legislation, which will

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be even worse than we expected or could anticipate, they will get Articles 21, 22, 25 and 26 in such shape as to give adequate guarantees in other respects and finish the work so that we can avoid a de facto situation. I would frankly rather see them finish the Constitution even with bad moratorium legislation and with otherwise adequate safeguards than to complete a de facto situation.

I know that it must seem incredible to you that this situation could develop in this form. I confess that I have never seen such a frank display of complete personal interest in legislation as that which is making itself felt on this moratorium matter. A complete disregard is being shown of all the things which the people in the Assembly ought to be thinking of.

Yesterday Beaulac and I were discussing what we might be able to do after our step the other day. We agreed that it would have to be something drastic. Beaulac called attention to paragraph 3 of Article IV of our Supplementary Trade Agreement of December 18, 1939. This moratorium legislation is so bad and so confiscatory in character that I think we would be thoroughly justified in denouncing the trade agreement in view of the paragraph above mentioned if this moratorium legislation is put into the Constitution. I asked Beaulac to prepare a memorandum which I am sending you herewith. I agree in principle with what he says but I doubt whether we should go ahead with anything on the suggestion at this time, taking into account all the factors we have to consider. We would I think be entirely justified in taking up the matter formally with the Cuban Government on the basis of the appended memorandum. I think the step would have the effect of preventing this action on the moratorium because the Cubans do not want the trade agreement denounced and would not permit it. The immediate responsibility would be too great for these men in the Assembly to assume. On the other hand, we would be using the big stick in the most definite way and of course what we would do would have to be done in such a way that it would be known.

Taking into account all the circumstances I doubt whether we should go ahead on this basis for a number of reasons. We want the trade agreement to remain in effect also and if we say we are going to denounce it

unless

unless they take certain action or refrain from taking certain action we shall have to do so if we do not get the results we desire. It would be fatal for us to say we are going to do something and then not do it. I do not believe that we want to put ourselves in the position of using the big stick just at this time on this question of the moratorium, important as the question of the moratorium is. There are other things which are for the moment and for the future even more important. We shall have to enter into certain conversations with the Cuban Government shortly, as you know, and I would prefer not to have the background of having taken this action of threatening a denouncing of the trade agreement.

On the other hand, I do think I should bring the appended memorandum to your attention.

I think I should say that while I agree in principle with the attached memorandum and which Beaulac prepared at my request, I think perhaps the first full paragraph on page 4 goes a little bit too far in that I think there can be cooperation even though they pass this moratorium legislation. The effect, however, of our not taking some drastic action to prevent them from doing it is not going to be good for it will strengthen some of these people in the feeling that they can get away with anything.

I have had to write this letter hurriedly as I want to get it off by the air mail at noon today.

With all good wishes,

Cordially yours,

GSM/hp

George S. Messersmith.

Enclosure:

Memorandum dated May 31.