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AIR MAIL

Habana, November 7, 1940.

Dear Sumner:

I have your letter of October 31 in acknowledgment of mine of October 25, regarding my first long conversation with Cortina since he has taken over his new duties. I expect to see him again for a long talk this week, but shall leave the initiative to him, as I have nothing particular to say to him at this time and we left it at the end of our last conversation that he would get in touch with me this week.

At the dinner for Batista at my house last week we had the opportunity for just a few words alone after dinner, and he for the first time mentioned the loan to me which they are seeking. He said that Cortina had told him of his long talk with me, and that he had gone over the situation at great length with Cortina the day after Cortina's talk with me. I said that I had just heard that one or two of the Cuban delegation had just returned, or were about to return to Habana. Batista said that he had wanted several members of the delegation to come back, but that Martínez Fraga had told him that you had indicated that you thought they should not leave Washington at the time. Unfortunately, we were unable to continue the conversation any further.

So far, Cortina and Ramos are the only ranking members of the Government with whom I have discussed the loan. You will appreciate that I have felt it desirable that I should not raise the question with ranking members of the Government unless they took the initiative. Of course I see a great many people every day covering a good cross-section. I see a good many members of the Senate and House, and important Cubans in various circles come in to see me at the office or at the house, and these include people supporting and against the Government. I have yet to find a single one of these who favors the loan for the purposes for which it was requested. In fact, all express serious misgivings, and do not hesitate to say that they are basing their hopes for the future and the economy here on the belief that we will insist on a broad examination on all of the questions involved in our economic relationships. It is interesting that even supporters of the Government express the fear of the misuse which would be made of money which we might give to Cuba without what they call adequate safeguards.

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

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I do not perceive any real indications that the Government here is giving any serious attention to its financial and economic problems. Purely political considerations seem still to absorb all of their time. The financial position of the Government leaves much to be desired. Considerable funds were diverted from their proper use during the pre-election period, and particularly since October 10. You know of the practice here of robbing Peter to pay Paul. The situation is a little worse than usual, as during the pre-election period very considerable funds were diverted from their proper purpose. It is to meet these diversions that the ten millions they are seeking for "budgetary deficits" is so largely intended. In the meantime, they are meeting current salary obligations by the usual practice of the diversion of funds. You know that these special funds are very numerous, and invariably consist of money collected for, and earmarked by law or decree, for a particular purpose. I am told that the money in these special funds usually used has been exhausted, and that various types of trust funds, which have heretofore largely been kept inviolate, are now being used up. This use of trust funds is of course much more serious than the use of the special funds. In spite of all this financial stress, I can see of no real consideration being given to the problem, and so far as I can see the President is still depending on Martínez Fraga to get these ten millions without much more delay, in spite of the fact that sound counselors have told him that there is no hope of his getting from us money for such purposes.

The important problem of the CTC has now been pushed on the Congress. Members of the Government have told me that Batista had made definite promises to the Communists that he would secure immediate recognition after the inauguration of the CTC. With Batista the matter was one of keeping a promise which he had unwisely made, but, as you can readily appreciate, it was also a matter of conviction, as he felt that "capital was organized and why should not labor be". He did not see the difference between existing unofficial organizations of industry and recognizing a Communist-controlled sector of labor as the sole and officially-recognized representative of labor. I did my best to get him to see that if he took this action, on which he was really determined, he would be creating an organism which within a few months would be the strongest political instrument in Cuba, and which would be controlled by Communists in whom he could put no confidence whatever. I tried hard to get him to see the situation in other countries, and I know that he regretfully

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reached the conclusion that he could not go through with his plan. Today at a meeting of the Cabinet the whole question will be turned over to the Congress for action. You will recall that the matter of the recognition of the CTC had come up during the Constitutional Assembly, and that it was voted down by a large majority. I think we may be sure that it will be voted down by even a larger majority in the Congress, because the members of the Senate and House are not going to turn over the political power to a small group of Communists. This matter, therefore, seems to be on a fair way to proper adjustment.

Lobo is back, but I do not know of any particular activity on his part. Mañas had lunch with me at the house the other day on his return from Washington, and says that he has gone into Lobo's molasses scheme since his return. It is his impression that Lobo's idea of having the mills start and end the grinding season with molasses was predicated on the idea that if the mills produced a lot of molasses before they started their regular grinding operations, he and others would be able to get a good deal of it at a reasonable price and then make a killing on a rise in price which could be manoeuvred.

Mañas did not have much to say of what he had learned in Washington about the loan. He did say that López Castro moved heaven and earth to convince him to stay in Washington "to help to get the ten millions for the budget deficit". López Castro's argument was that Mañas was so well regarded in Washington that he could do more to help them to get the money for the deficit than anyone else. He told Mañas that this was the one item that Batista had told them they would have to get. Mañas said he refused to stay, as he did not wish to be associated with such a transaction which he did not approve or think wise. He told López Castro that his professional responsibilities made it necessary for him to return to Habana without delay.

You will be interested to know that Mañas says that when he reproached López Castro for their having permitted Lobo to be added to the Cuban delegation on the ground that everybody in Cuba knew Lobo and that it could do the delegation no good, López Castro replied that they thought the best way of discrediting Lobo and his idea was to put him on the Commission, "for the people up here will soon find out how unsound he is".

Mañas

Mañas left the impression with me that he had gathered from López Castro and others that Martínez Fraga had added Lobo to the delegation without consulting with Habana. This may be true, but I am wondering whether even Martínez Fraga would take such a step without consulting at least Batista, with whom, of course, he is in I believe constant touch by telephone.

A close friend and collaborator of Prime Minister Saladrigas, who has, as you know, not been on too bad terms with Martínez Fraga, gave the following information to one of our officers the other day. He said that members of the Government here are highly displeased with the activity of Martínez Fraga in connection with the proposed fifty million loan, that the entire idea had originated with Fraga, was presented by him to Batista as a matter which he knew could be settled without delay and without difficulty. Saladrigas is reported to have said that Batista's first reaction to a realization of the actual situation was a threat to discontinue further payments on Cuba's funded obligations. It was pointed out to Batista, however, that our Government had in no way indicated that it was prepared to make a loan to Cuba at this time, that he knew that the idea originated with Martínez Fraga, and that under the circumstances Martínez Fraga would have to take the blame for any unfortunate position in which the Cuban Government finds itself. Saladrigas is further reported to have said that if Martínez Fraga is unsuccessful in arranging the loan, which he led the Cuban Government into believing could be so readily obtained for any purposes it wished, he will be relieved as Ambassador in Washington, and there was consideration being given to Campa as his successor.

According to Saladrigas, López Castro is said to have written to persons in the Government here that he is concentrating all his efforts upon assistance for Cuban agriculture, and that he is interested in no other feature of the proposed loan. He is said to have written his friends here that he is very much pleased with the interest indicated by our people.

According to this same informant, who is a close friend of Saladrigas, López Castro will be appointed on his return as Technical Adviser to the Department of Agriculture, and will in effect be Minister of Agriculture. According to the same source, the appointment of Dr. Morales del Castillo as Minister of Finance is only temporary, since he is to head the Court of

Accounts

Accounts provided for in the new Constitution. Batista is said to have offered the Ministry of Finance to Dr. Oscar García Montes, who is reluctant to accept on the basis of his opposition to the Constitutional provision that he can be called upon by the Congress to justify any official action he may have taken.

I have heard from other sources that Oscar García Montes is reluctant to take the Treasury post, as he has been Secretary of Treasury before and knows that he would be called upon to do all sorts of things for which he might be called to account by the Congress under the new provisional Constitution.

We had dinner with Pepín Rivero at his house the other evening. He has just returned. You will be amused that on the base of one of the pillars of the big veranda overlooking the city someone had scratched a fairly good-sized swastika. Rivero was quite under the spell of his trip north, and I think there is no doubt that he has taken a definite position. I am hopeful that this new position will translate itself also into his restraining Falange activities here. I did not get to ask him about his alleged purchase of La Prensa in New York, as the British Minister was there. I understand, however, that it is generally understood here that he has purchased it. If the Department has any confirmation of his purchase of La Prensa I would be glad to have it, but of course I shall not hesitate to talk about it with Rivero the next time I see him alone.

I did ask Rivero about "Tiempo", a new daily paper which has just been started here. The editor is Miguel de Marcos, who, as you know, has quite a reputation here as a journalist. Rivero confirmed that it is Senator Alonso Pujol who has put up the money, but he gave me a new bit of information when he said that it was understood that Ambassador Martínez Fraga had also put up some money and was in the venture. You will readily recall that Senator Pujol is the one who had the unsavory connection with a public works bond scandal. Rivero seemed to think that the paper might have a short life, and there is of course no place in Habana for another daily newspaper.

Casanova came in to see me yesterday afternoon. He says the Senate will now complete its organization "next week", after which he intends to go to the United States. He said

that

*Alonso*

that he had awaited the return of Mañas in order to complete the plans for a campaign to secure the renewal of 522. He and Mañas had now worked out a plan of publicity which would be very extensive in most of the Habana press and in the Island. This small group, which was trying to upset 522, had now gotten off the scheme they had and the time was ripe for the counter information to be got out. Casanova said that the great majority of the interested persons was in favor of the renewal of 522, "but that it would be necessary to convince Batista". He said that Ambassador Martínez Fraga had not "played fair" about 522, and was interested in its not being renewed. It was curious to note that in this connection Casanova brought up this new paper "Tiempo", and said that Pujol and Martínez Fraga were behind it. According to him, Martínez Fraga put in 6,000 pesos. It was Casanova's opinion that the paper had been started to serve as the principal medium in destroying 522, and pointed out that the principal article in the first issue had been one attacking 522, and which article, in his opinion, had been written or fully inspired by Ambassador Martínez Fraga. He said that he was familiar with the style, et cetera, of Martínez Fraga, and that the article bore all these earmarks.

I asked Casanova how deep the interest of Senator Pedraza, (the brother of the Colonel) was in this fight of 522, and Casanova said that Senator Pedraza had said that what he was interested in was "a few bags of sugar".

I feel very badly about not having secured the renewal of 522 before the rump Congress expired, as it is the one specific thing which I knew I was expected to do which I have failed to accomplish, so far. I can assure you I did my best, but there isn't any doubt that Batista was against it and definitely made it clear he did not wish it renewed by that Congress.

Even though I am prolonging an already too long letter, I must tell you that Cosme de la Torriente made an excellent and really stirring speech the other day, which practically all the papers carried in full. The occasion was a meeting of the British Club in his honor as the President of the Cuban-American Committee for Aid to the Allies. This Committee is concentrating on aid to England in a very sensible way, and hundreds of the best Cubans have associated themselves with the movement and are working very hard with the Americans in it. It is, I believe,

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the first time that so large a group of Cubans of the best classes are working actively and closely with Americans in a matter of this kind. I am naturally fostering the movement in every way, not only because of its ends, but because it brings a large number of Cubans and Americans together in a way that can only be helpful in even broader ways.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith

GSM/nw