

1405
AIR MAIL

Habana, Cuba, October 22, 1940.

Dear Sumner:

I have your letter of October 17, with which you are good enough to send a copy of the letter which you wrote to Martínez Fraga on October 12 and a copy of his reply to you of October 14. I have read these with much interest. The change in the character of the information given out by Fraga came after he had presented the Cuban delegation to you in Washington. There is no doubt whatever that here in Habana before he and the commission went to Washington he gave this impression to the press here that the loan had been agreed to in principle, and that only details remained to be worked out. I followed the press very carefully here, and it was quite obvious that the press was publishing what was being fed out to it, and I was reliably informed that it was Fraga who was giving out all the information here. So far as his having told Batista and others in the Government here that Cuba could have what she asked for, even up to one hundred million dollars, and that he had been given definite assurances in this respect, there is no question. As I have told you, Batista himself has not mentioned the loan to me, but others who were present at conversations in which Batista and Martínez Fraga participated have told me that Martínez Fraga made these statements to Batista in their hearing and in their presence.

I am sending you herewith a copy of despatch No. 980, of October 22, 1940, which gives the most recent comment here on the conversations, and which I think you will find sufficiently interesting to read.

I am also sending you herewith a copy of my despatch No. 976, to which is appended a memorandum covering a conversation which Nufer had with Mr. Lucas Clark, a very responsible Cuban who knows the situation here thoroughly. Clark, as you know, in spite of his name, is a native-born Cuban. If you talk with any responsible Cuban his comment on the loan requested by the Cuban Government is along these lines.

We have received a translation of the memorandum which the Cuban delegates presented to the Department as a justification of the loan, and we are going over it very carefully. I shall transmit

very

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

very shortly the comment thereon which the Department has requested, although, as a matter of fact, the despatches which the Embassy has already transmitted are really adequate comment on the memorandum.

I have sent a strictly confidential despatch to the Department, No. 978 of October 22, to which are appended two memoranda prepared by Tewell of the Consulate General. I am not appending a copy of this despatch, for I am imposing too much reading on you as it is, but I am mentioning it here as I think Larry Duggan and Philip Bonsal will want to read it very carefully. Tewell, of the Consulate General, has been here a long time and is a very capable officer. He saw a good deal of Cuervo Rubio while they were both having a holiday at home. The information in the memoranda with regard to the attitude of the Menocalistas comes from Cuervo Rubio.

I am sure you gathered from your conversation in Washington with Cuervo Rubio that he is unhappy about the prospects here. That conversation was held with you before the inauguration and the appointment of the Cabinet. Whatever doubts and fears he expressed to you then are of course now confirmed, and the Cabinet, as you know, is made up almost entirely of yes men. Appointments so far made to other than Cabinet posts are equally discouraging. It is obviously Batista's desire to endeavor to strengthen his position by appointing only men who can be depended upon to be entirely subservient. The Menocalistas feel that they have been ill-used and that the promises made to them in the pre-election bargains are not being met. They fear that their representation in the Cabinet is too small to permit them to exercise much influence on policy or action there. It is therefore their plan to try to exercise this influence in the Congress.

When the Congress will meet is uncertain. The Senate is in process of being organized now. I gather from what Batista told me recently that Verdeja will not be re-elected President of the Senate, and the chances are that it will be Beruff Mendieta.

So far as the House is concerned, there are all these election disputes pending still, and I gather that it may be a considerable time - weeks, and perhaps months - before the House is organized. I somehow feel that this is in line with Batista's plan. The Constitution places a mandate on the Congress to pass certain social laws, et cetera. A lot of these provisions are dynamite, and if they are translated into law in strict accord

with

with the Constitution, the laws would place unbearable burdens on the Cuban economy and destroy it from within no matter how much we might try to help from without. Batista and some of his people realize this - not fully, but to a degree. The new Ministers are talking a lot in the press about all this new legislation, and raising expectations. If the Congress does meet, Batista will feel under the necessity of getting something done along these lines. He hasn't forgotten about cooperatives.

You know the resourcefulness of the Cubans in finding what they call a legal way to get anything done they want to do. I cannot escape the feeling that if they wish to have the House organized they could hurry it up, and that deliberately the House organization is being held up so that there is an excuse for not legislating.

There is only one thing that I can see which would impel them to hurry up the organization of the House so the Congress can function. The article from El País, which is referred to in my despatch No. 980 hereto attached, indicates that if a loan is made to Cuba by us it may not be on the basis of the allocation of funds provided for in the authorizing Act. I cannot see how, under any circumstances, we can give fifty million dollars to Cuba for the purposes for which they are now intended according to this Act. If, therefore, we should tell them they could have some money for more productive purposes, it seems pretty certain they would have to change the authorizing Act, or pass a completely new one. Under these circumstances, of course, we would see the House organized rapidly and the Congress functioning for the purpose of passing the necessary legislation.

I have sent a number of despatches to the Department recently with regard to the endeavor to give legal status to the CTC (Confederación de Trabajadores de Cuba). On the face of it this does not seem such a serious or fundamental matter, but it is in fact exceedingly serious and fundamental, as pointed out in my despatch No. 976, of October 22 referred to in this letter. It is pretty clear that Batista promised the Communists that, although he would not appoint a Communist member of the Cabinet, he would immediately see that the CTC was given legal status. The first meeting of the Cabinet took place immediately after the inauguration and was of course only a get-together meeting. At the second meeting, which was the first business meeting, Batista told them that he wanted to bring to their attention a very important matter - the giving of

legal

legal status to the CTC. He made ~~recently~~ an impassioned address to the Cabinet requesting immediate action. Only one member of the Cabinet, the Secretary of Labor, gave his full assent. The others either expressed dissent, the necessity for investigation, or kept silent entirely. Batista was upset and disturbed, because he expected immediate action. The result was that it was agreed that the President should hear representatives of industry and of the CTC.

The CTC is completely Communist-controlled and does not represent labor. In practice, if the CTC were to be recognized as a legal entity, it would mean that a completely Communist-controlled organization would be representing labor, and the sole medium through which anyone could deal with it. It is a clever, strategic effort on the part of the Communists to be able to assert complete pressure on Government and business. It would mean that if it is legally recognized it would only be a short time before no worker could secure employment in Cuba without being a member of the CTC. It would make it almost overnight the strongest power in Cuba. Batista does not seem to see this. He has made this promise, and he wants to keep it, and of course this brings him into direct conflict too with the Menocalistas, with whom he had agreed as a part of his pre-election arrangements that after the election he would cut his connections with the Communists. The whole thing is very fundamental and is, for the present, the most immediate important single factor in the Cuban situation.

I think most of the Cabinet are upset and disturbed, but as I told you they are yes men and apparently don't want to start with opposing Batista. Ramos is very much upset about it, and he has been in to see me three or four times recently, and I have given him all appropriate information which could help him. He came in to see me this morning and said that he had prepared a long memorandum for Batista, telling him that as Minister of Defense he thought this recognition of the CTC now could under no circumstances be carried through. I gathered, however, this morning, that Ramos fears that at the Cabinet meeting tomorrow Batista may push it over. If he does, whatever hope he had of getting co-operation from business and financial circles here will be nil, and he will "rue his action". I have told Ramos that he and his associates in the Cabinet must really show their patriotism, as well as their friendship for Batista, by seeing that no such disastrous action as giving legal status to the CTC is carried through. I have taken a good deal of pains to give him all the information which he needs.

With all good wishes,

Cordially and faithfully yours,

P.S. With reference to the article in El País, mentioned on page 3 of this letter, it is of interest to note that in this morning's issue of that paper there is an article on the front page to the following effect.

The article confirms that the optimistic notices of the day before with regard to the loan are further confirmed by the Treasury here, which has been getting information from the United States which indicates that since the return to Washington of the Cuban commissioners from New York, where some of them spent the weekend, negotiations have been going on rapidly, and they now expect that the conversations will terminate with full success very soon. Then follows the rather cryptic statement that "the President of the Republic, Colonel Batista, through the medium of the Cancillería in Habana and through the Minister of the Treasury, will be informed immediately of all that is being discussed". The article further states that, "we are further assured that our Ambassador, Dr. Fraga, has carried on telephone conversations with the Chief of State with respect to the course of the conversations which are taking place there".

G.S.M.