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AIR MAIL

Habana, Cuba, November 20, 1940.

Dear Sumner:

With reference to my letter of November 19, sending you a copy of my despatch No. 1119 of November 18, I am now sending you herewith a copy of my strictly confidential despatch No. 1123 of November 19. I must apologize for the length of the despatch, but I believe that you will wish to go through it.

What I have tried to do is to summarize and crystalize the situation with respect to the loan, as we have it today and as we can see it from here. I have prepared the despatch with the thought in mind that the Department may wish to place it in the hands of those from other Departments, such as Treasury, Agriculture, Commerce, and the Import-Export Bank, who are dealing with this matter. I have endeavored particularly to bring out that we have to treat this problem of Cuba both as an immediate and as a longer-range problem, and that in some respects this situation here in Cuba has a special importance for us, not only from the immediate but from the longer-range point of view - to which latter I think we have to give even more thought than in the past.

I have specifically set forth the things which I believe we have to insist on from the Cubans, and the things which I believe we can constructively do. If we can get agreement in the Departments concerned at home with the Department of State on the major questions of policy, then we can put forward these points in the frankest possible way to the Cuban delegation up there, and if you think wise and useful, to the Cuban Government here. There are, of course, things which the Department may have in mind, both on the Cuban side and our own, which I have not included in this despatch, but what I have endeavored to do is to set forth the points on both sides which I think are essential at this time for constructive action and on which it should be possible to reach agreement.

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

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Although we must be most definite in what we insist upon in the way of performance by the Cubans, and get from them in an adequate and definite form the assurances which I have indicated, there is nothing in them in any way minimizing or affecting Cuban sovereignty. If we do the things for Cuba which I suggest in this despatch, we will be following a program which I believe will establish confidence here in all sound quarters, and increase our prestige, and I believe that such a program will meet almost general approval at home and give confidence there in our general program of inter-American cooperation.

I have tried to formulate the things that Cuba should do and that we can do in such a way that if there is agreement in our own Government we can put the matter up squarely to the Cubans. If we can get agreement with them - which I feel sure we can - then the actual working out of the details can proceed more rapidly in Washington.

If my conception of our relationships with Cuba is correct, then we cannot hope to settle all of our problems in a day. There are some things we can do now and others which we can continue and must continue to study actively.

My thought is that if we can reach agreement among ourselves in principle, and then with the Cubans, a very carefully prepared statement could be got out jointly by our people and by the Cuban delegation, which would be issued when the Department thinks proper, and simultaneously by our Government in Washington and by the Cuban Government here. It is my thought that no information concerning the program should be given out by either side until this agreement is reached, and until the Department gives the word and has determined the form which the announcement should take. This I think is very important in order to prevent the giving out in Cuba of the sort of reports which have been fed to the press here.

If we can announce a program along the lines in the despatch hereto appended, it will do all that is necessary for the situation here and will save the

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face of the Government. Without creating any false hopes here it will create an atmosphere of encouragement and a realization that all that will be done will be done on sound lines with the objective of aiding the Cuban economy as a whole.

I understand that the new Mayor, Raul Menocal, is having Belt work out a project for the Havana Water Works. As the Municipality is autonomous, the approach on this, of course, will have to come from the Municipality. I haven't full details as to his ideas, but from what I know he sees this project in the right light, as does Menocal - that is, that it will have to be worked out and carried through under American supervision, et cetera.

I need not say that the points covered in my despatch are based on the assumption that the Treasury reform will be carried through immediately, actively, and thoroughly. If this is done there will be ample money available from present taxes and revenues for the Cuban Government to meet its budgetary expenditures, take reasonable measures to promote tourist traffic, to make necessary repairs to existing roads, to see that the patients in the existing hospitals get food and proper medical attention, and that, at the same time, take care of the charges on the public debt, including a reasonable addition thereto.

When I speak of a joint statement I do not mean, of course, that there should be any statement now. I am trying to say that when some definite arrangement has been reached which can be given out, it should be in the form of a statement agreed to and issued by us at home and by the Cubans here simultaneously.

I find that I have used the personal pronoun a good deal more in the appended despatch than I like, but I do not wish to delay forwarding the despatch. I have wanted to make as constructive^a contribution as possible at this moment, and it is my hope that the despatch may be of some use.

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I venture to say that I believe it may be helpful to put this despatch in the hands of some of the people from the other Departments, as it gives certain background and puts the situation together a little bit more thoroughly than we have been able to do in our previous reports.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith

GSM/mw