CUBA

PROPOSAL BY CUBA THAT THE COMMERCIAL CONVENTION BETWEEN THE UNITED STATES AND CUBA, SIGNED DECEMBER 11, 1902, BE REVISED¹

611.3731/285

The Secretary of State to the Cuban Ambassador (Ferrara)

WASHINGTON, June 13, 1928.

EXCELLENCY: I have the honor to refer to Your Excellency’s note of December 15, 1927,² proposing certain tentative bases for the possible revision of the reciprocity treaty of 1902.³

This important subject has been receiving the earnest consideration of the Government of the United States since it was brought up by the Cuban Government over two years ago. In order that all phases of the subject might be examined in the light of all the pertinent facts, the United States Tariff Commission, as Your Excellency is aware, has been making during the past two years a detailed study of the history, operation and effects of the treaty. In November, 1926, Ambassador Crowder transmitted to your Government a copy of a preliminary analysis prepared by the Commission.⁴ I now transmit for the information of your Government copies of the report which has just been completed, entitled “The Effects of the Cuban Reciprocity Treaty of 1902”.⁵

The tentative proposals set forth in Your Excellency’s note of December 15, 1927, and the annexes thereto have been carefully studied by the interested branches of the Government of the United States. These proposals, which are much more favorable to Cuba than to the United States, appear to be based upon the assumption that the reciprocity treaty has operated and now operates more to the advantage of the United States than of Cuba. The report of the Tariff Commission, however, clearly indicates that such is not the case. Accordingly, when the proposals of the Cuban Government are examined in the light of that report, it does not appear on what basis they can be justified.

² Ibid., p. 508.
³ Ibid., 1903, p. 875.
⁴ Not printed.
I shall not take this occasion to discuss the subject at greater length, since I am sure that the Cuban Government will desire to re-examine the matter in the light of the full data contained in the report of the Tariff Commission.

Accept [etc.]                                    Frank B. Kellogg

611.3731/289

The Cuban Ambassador (Ferrara) to the Secretary of State

[Translation]

Washington, June 19, 1928.

Mr. Secretary: I have the honor to acknowledge receipt of Your Excellency’s courteous Note No. 611.3731/225 [285], of the 13th instant, relative to certain tentative bases for a possible revision of the Treaty of Commercial Reciprocity of 1903 [1903]. I am forwarding the Note to my Government for its consideration.

Subject to further consideration of these questions, the Government of Cuba continues to maintain its opinion that the present Treaty does not answer the reciprocal interests of the two countries as it ought to do.

I avail myself [etc.]                                            Orestes Ferrara

611.3731/288

The Secretary of State to the Ambassador in Cuba (Judah)

No. 170  Washington, June 23, 1928.

Sir: By instruction No. 21 of January 12, 1928, you were informed that as soon as the report of the United States Tariff Commission regarding the operation of the Reciprocity Treaty between the United States and Cuba, a copy of which was included for the Embassy's files, should be communicated to the Cuban Government the Embassy at Habana would be apprised of that fact.

With a note of June 13, 1928, replying to the Cuban Ambassador's note of December 15, 1927, a copy of which was also enclosed with the instruction of January 12, corrected copies of the Tariff Commission’s report were handed to the Cuban Ambassador in Washington.

There are forwarded herewith for the confidential information of your Embassy a copy of the note of the 13th instant to the Cuban Ambassador and a copy of the corrected report of the Tariff Commission.

The following paragraphs are added for the Embassy’s further strictly confidential information:

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*Not printed.

^Ante, p. 640.
When the note was handed to the Cuban Ambassador, occasion was taken to say that there appears to be little chance of a revision of the treaty, and that if the question were re-opened, it is not impossible that Congress would take action looking toward an arrangement less favorable to Cuba than the present arrangement.

As to the general effects of the treaty, it was pointed out that under the treaty the proportion of American consumption of sugar supplied by Cuba has grown from about 32% in 1901–04 to about 60% at present. During the period since the treaty was signed, Cuban sugar production has increased nearly five fold, and Cuba has been given a practical monopoly of the sugar import trade of the United States.

Regarding the disappearance of the price differential which during earlier years operated in favor of Cuban sugar, the observation was made that such a temporary advantage is of an unusual nature in the operation of reciprocity treaties; and that its disappearance was due to the rapid progress of the Cuban sugar industry so that it could supply all the import requirements of the United States.

I am [etc.]

For the Secretary of State:
FRANCIS WHITE

EXTENSION OF CREDIT FOR $50,000,000 TO THE CUBAN GOVERNMENT BY THE CHASE NATIONAL BANK

837.51/1265

Memorandum by the Acting Economic Adviser (Livesey)

[WASHINGTON,] May 3, 1928.

Ambassador Judah on his recent visit to the Department left for its files the attached copy of the Cuban Department of Public Works’ statement of November 1927 showing the revenues collected on account of the Public Works Special Fund by months and years from July 1925 through November 1927. The total collections are shown as $36,038,724.14, a monthly average of $1,315,330.60 and an annual average of $14,997,228.80. The statement shows the detail of the collections of each revenue created for the fund. These details do not appear to have been previously available to the Department as the accounts of the Special Fund are not included in the Cuban budget accounts of which the Department receives detailed monthly extracts.

It is notable that the law of July 15, 1925, establishing the fund included a provision that:

"The Executive will adopt the methods and procedures it may deem most effective; but at no time shall they be contracted in such a man-

* Not printed.
ner that the total annual amount to be paid, in whole or in part, can not be covered within each fiscal year, from the nominal income calculated for that year, from the special fund created by this Law for such works in order that it will not be necessary to issue certificates of indebtedness or other documents of a similar nature for the payment of obligations contracted, it being understood that the Executive shall be authorized to enter into all contracts deemed convenient, within said four years, provided that in carrying same out, the above-mentioned conditions are strictly adhered to, even if the mentioned contracts have to be fulfilled after the four years.  

In February, 1927, however, the Republic of Cuba contracted for the issue of certificates representing and constituting

"the irrevocable and incontestable contract obligation of the Republic to pay the principal amount hereof and interest thereon . . . 58 without right of reduction or counter claim for any reason whatsoever, such payments being secured . . . by a first preferential right to 90 per centum of the normal revenues . . . to be derived from the taxes and economic resources specified in the Public Works Law of July 15, 1925."  

On March 31, 1928, the embassy reported that the Government of Cuba was negotiating for a $20,000,000 revolving credit similar to the credit extended by the Chase National Bank. On April 16 it reported that the Government had increased the amount of the proposed credit to $25,000,000 and a day or two later proposed a further increase of $7,000,000. On May 2 it telegraphed that the Secretary of the Treasury had requested bids for a credit of $40,000,000 to $50,000,000 to be submitted May 12.

FREDERICK LIVESLEY

837.51/1267

The Chargé in Cuba (Curtis) to the Secretary of State

No. 227

HABANA, May 3, 1928.

[Received May 7.]

Sir: Referring to the Embassy's despatch No. 183 of April 16, 1928,4 and my telegram No. 62 of May 2, three p. m.,9 I have the honor to transmit herewith the Spanish text and English translation of an invitation, dated April 28, 1928,6 which yesterday reached local bankers, to submit bids on their own behalf or that of their home offices for the further financing of the Central Highway project to the amount of not less than forty nor more than fifty million dollars. It will be seen that from the text of the communication the bidders are

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58 The omissions in this paragraph are indicated in the original memorandum.

9 Not printed.
desired to consider the operation as a simple advance to the contractors of sums which the Government is subsequently to receive from the normal estimated revenues during the last four years of the operation of the Public Works plan of July 15, 1925, it evidently being intended that the bankers' security shall lie in some sort of lien on the revenues of the last four years cited. The bidders are to draft their proposals for such an "advance", drawing up their own terms, which shall be submitted for the consideration of a board comprised of the Secretaries of Treasury and Public Works, the bids to be opened at three p. m. on May 12, 1928.

The authority (?) to call for bids without resort to general advertising is found in Article 282 of the Contract for the construction of the Highway, entered into between the Cuban Government and Warren Brothers, the sixth paragraph of that article permitting the contractor to make proposals concerning necessary additional financing. Theoretically, I understand, such proposals as shall now be made by banking entities will be considered as made in conjunction with Warren Brothers under its contractual authority. The English text of this contract is available to the Department by reference to the Embassy's despatch No. 193 of April 17, 1928.10

As to the security for the projected "advance" of funds, it will be observed that the invitation makes specific mention of the fact that use has already been made of the special revenues to accrue during the fiscal year 1930-1931 for the carrying out of the contract with the Chase National Bank of New York. It will be recalled from that contract, the text of which was transmitted with the Embassy's despatch No. 1893 of March 5, 1927,10 that by Article 9 the Government pledged to the Bank, as security for principal and interest, a first preferential right to ninety per cent of the normal revenues, estimated at $18,000,000, for the period from July 1, 1930 to June 30, 1931 and if said revenues should not be sufficient, the same preferential right in each subsequent fiscal year for the balance of the ten year period which the special Public Works taxes are to run. The Government also pledged a preferential right to ninety per cent of the estimated normal revenues to be derived each fiscal year during the intervening period from July 1, 1927, to June 30, 1930, as a special guarantee of payment of interest accruing in each such intervening year. Likewise the last paragraph of Article 282 of the Warren Brothers' contract allocates to that Company as security forty per cent of the special revenues accruing under the Public Works Law.

From the above, it is evident that not only are the revenues for the fiscal year 1930-1931 pledged to the Chase Bank but also, in a contingent manner, the revenues are encumbered for the years prior

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10 Not printed.
and subsequent to that year. This being the case, any banking institution which bids upon the suggested financing, if it accepts the revenues from the last four years of the taxes as security for the “advance”, must do so subject to the prior rights thereon of the Chase Bank or must discover some means to cause that bank to relinquish its lien on those revenues. It may be that it is contemplated paying off the Chase loan from the sum to be derived from the anticipated credit of forty to fifty million dollars, so liquidating in entirety the mortgage held by the Chase Bank.

In this general connection, it should be asserted that during the month of April the Government commenced to draw for the first time against the ten million dollar Chase credit. Slightly in excess of one and one half million dollars has thus far been so drawn, leaving a balance as of today of approximately eight and a half million. . . .

When the Chase credit was under process of negotiation—a credit smaller but analogous in nature to the advance now solicited—the Department sent to the Embassy a telegraphic instruction, No. 147 of December 11, two p. m., 1926, by which the Embassy was authorized to inform the President that the Government of the United States did not raise any objection to the proposed financing or request the Cuban Government formally to consult the United States in the premises, this stand being taken in view of the constructive purpose of the loan, and the relatively improved financial condition of Cuba. It is respectfully requested that the Department indicate whether it is desirous of adopting the same attitude with regard to the present financing.

In formulating its attitude, it is recommended that the Department study my despatch No. 223 of today’s date concerning the financial condition of the Cuban treasury. From that despatch it will be evident that instead of reflecting a relatively improved financial condition, as was the case at the time the Department’s above cited telegram was drafted, the Government revenues are falling off seriously and give promise of declining further before improving. With a continuation of the economic crisis a deficit of considerable size looms as probable for the present fiscal year. The receipts from the special Public Works taxes, on the other hand, are being maintained satisfactorily at approximately $17,000,000 per annum and it is, of course, on these revenues and not the general budget that the projected credit is predicated; although the state of the treasury should not be lost sight of.

In closing, it should be remarked that, in view of the Department’s telegraphic instruction No. 147 of December 11, two p. m., 1926, in which it was stated that consultation on the Chase credit was not requested, I am not surprised that the President did not consult the Embassy before addressing the banks on April 28. I am, however,
considerably surprised that he should have permitted that step to have been taken at all when one considers his repeated assurances that no further financing would be undertaken. Particularly categorical was his statement, as quoted in my despatch No. 2425 of December 17, 1925 [1927],¹² that:

"There will be no loan made by Cuba during my administration. If any bill is passed by the Congress providing for a loan, I shall veto it. If any loan bill is approved by the President, it will be by my successor and not by me."

and his assertion, paraphrased in despatch No. 162 of March 31, 1928,¹² to the effect that the Government was not going to make any loan, that the special Public Works taxes were bringing in more money than had been anticipated and that he would have enough money from this source to complete his program of public works.

I have [etc.] C. B. CURTIS

837.51/1269

The Secretary of State to the Chargé in Cuba (Curtis)

No. 143 WASHINGTON, May 5, 1928.

Sm: The Department has received your telegram No. 62, May 2, 3 p.m., and your despatches No. 162 and No. 183 of March 31, 1928, and April 16, 1928, respectively,¹⁸ regarding the desire of the Cuban Government to negotiate a further credit in connection with the Public Works Special Fund.

You are instructed to call on the Cuban Department of State and to discuss the matter informally, pointing out that in view of the public call for bids, it is expected that requests for information and a statement of the Department's views in the matter will be received by the Department. The Embassy has kept the Department informed in considerable detail regarding Cuban public finances but the Department lacks information regarding the present plans of the Cuban Government, the purpose of and the reason for the proposed financing, its relationship to the public works program, the actual progress of the execution of that plan, and whether it is to be modified or accelerated. It is possible that in connection with the contemplated financing the Cuban Government may have prepared connected studies which it will not find inconvenient to place at the disposal of the Department for its information.

It is not desired that you base your remarks on the Platt Amend-

¹² Not printed.
¹⁸ None printed.
ment or the Treaty of 1903 but there should be no appearance of avoiding discussion thereof. In case the question of the Department’s attitude in this connection is raised, you may refer to the Department’s attitude in December 1926 (Department’s telegram No. 147, December 10 [17], 1926) but you should state that you have no instructions in the matter.

The Department notes in a press despatch from Habana mention of “the $10,000,000 loan made by the Chase National Bank, which is supposed not to have received Washington’s approval”. The Chase National Bank consulted the Department in December 1926 and in February 1927 and was informed that the Department offered no objection to its financial arrangement with Cuba. The press despatch also states that the $10,000,000 loan “has been exhausted, and revenues are not coming up with public works requirements”. You may in your discretion call to the attention of the Cuban Department of State the publication in the United States of reports of this kind which are likely to lead to inquiries addressed to the Department. The Department also expects that American bankers would consult it before committing themselves to a financial transaction of this kind.

I am [etc.]

For the Secretary of State:

FRANCIS WHITE

837.51/1272 : Telegram

The Chargé in Cuba (Curtis) to the Secretary of State

HABANA, May 14, 1928—2 p.m.
[Received 4:40 p.m.]

67. Department’s instruction number 143, May 5, last paragraph. Three proposals for public works financing submitted May 12 respectively by National City Bank through the contractors, Chase National Bank and a syndicate headed by First National Bank of Boston. Texts of the proposals follow in tomorrow’s pouch. Award expected May 16.

CURTIS

14 Foreign Relations, 1903, p. 243.
15 Not printed.
16 Texts not printed.
The Ambassador in Cuba (Judah) to the Secretary of State

HABANA, May 24, 1928—2 p. m.

[Received 4:17 p. m.]

73. For White. Your letter of May 17th says that you told Ferrara that the Department was instructed to inform the Cuban Government that we expected to be consulted by it about the public works loan. I find that Department’s instruction No. 143 May 5th said to point out informally that the Department expected to receive requests for information and a statement of its views. The Cuban Government was so informed orally but literally, no mention being made of the source from which the requests were expected. Statement of public works revenues informally requested that day has not been received. Does the Department wish me to say formally it expects to be consulted by the Cuban Government and shall I ask officially for statement of the revenues, et cetera?

No new developments on loan yet. President unwell and has gone to Isle of Pines until next Monday.

Judah

The Secretary of State to the Ambassador in Cuba (Judah)

WASHINGTON, May 25, 1928—7 p. m.

90. Your 73, May 24, 2 p. m. Chase National Bank has inquired whether Department sees any objection to the credit arrangement it has proposed to Cuba.

You may leave with the Cuban Secretary of State an appropriate memorandum stating that you have been instructed, in view of the consultation of the Department by an interested American bank, to renew the Embassy’s request for information regarding revenues, et cetera, which will enable the Department to act on the matter in full knowledge of the facts of the situation.

Kellogg

--Francis White, Assistant Secretary of State.
--Not found in Department files.
--Cuban Ambassador.
The Ambassador in Cuba (Judah) to the Secretary of State

No. 280

HABANA, May 28, 1928.

[Received May 31.]

Sm: I have the honor to acknowledge receipt of your telegram No. 90, May 25, 7 PM., in regard to the proposed new financing by the Government of Cuba, and to enclose herewith a copy of a memorandum which I this morning presented to the Acting Secretary of State in this matter.

The Acting Secretary of State told me that he would take the matter up with President Machado today.

I have [etc.]

Noble Brandon Judah

[Enclosure—Memorandum]

The American Ambassador (Judah) to the Cuban Acting Secretary of State (Fernandes)

HABANA, May 28, 1928.

The American Ambassador has today been directed to inform the Cuban Government that one of the American Banks which has submitted a bid in connection with the proposed new financing under the general plan of the law of July 15, 1925, has consulted the Government of the United States to ascertain whether that Government has any objection to the credit arrangement which this Bank has proposed to the Government of Cuba.

In view of this inquiry, the American Ambassador has been instructed to renew his request, heretofore orally made, to the Secretary of State of Cuba, that his Government be furnished with the information respecting this proposed financing which will enable it to act on the matter with full knowledge of the facts of the situation.

For this purpose, it is therefore requested that the Government of the United States be furnished with information in connection with this proposed new financing, covering the following points:

1. The amount of the proposed financing.
2. The purpose and the reason for the proposed financing.
3. The sources of revenue to be hypothecated for the service of the proposed financing.
4. The amounts which these sources of revenue have produced in recent years.
5. The amounts which it is conservatively estimated these sources of revenue will yield in the future.
6. The amounts of the ordinary revenues of the Cuban Government during recent years, exclusive of the sources of revenue to be hypothecated for the service of the proposed financing.
7. The amounts of the ordinary disbursements of the Cuban Government during recent years, exclusive of disbursements made from the sources of revenue to be hypothecated for the service of the proposed financing.

8. Any other facts showing whether or not the use of the special sources of revenue to be hypothecated for the servicing of the proposed new financing will leave the ordinary revenues of the Cuban Government sufficient to defray its ordinary disbursements.

It is possible that, in connection with the proposed new financing, the Government of Cuba may have prepared connected studies which it will not find inconvenient to place at the disposal of the Government of the United States for this purpose.

837.51/1285 : Telegram

The Ambassador in Cuba (Judah) to the Secretary of State

HABANA, June 2, 1928—10 a.m.

[Received 11:10 a.m.]

81. For White. Official decree accepting Chase Bank's bid for $50,000,000 financiers issued last night.

JUDAH

837.51/1293

The Ambassador in Cuba (Judah) to the Secretary of State

No. 306

HABANA, June 14, 1928.

[Received June 19.]

Sr: Referring to my telegram No. 90, June 12, 11 A.M.,¹⁹ I have the honor to send herewith the original memoranda, and translations thereof, handed to me on June 12 by Acting Secretary of State Fernández, in response to my informal request of May 25, 1928, for data in connection with the new fifty million dollar financing, the bid for which by the Chase Bank was accepted by the Cuban Government.

I also call your attention to my despatch No. 305 of June 13, 1928,¹⁹ covering the proposals for the budget for the fiscal year 1928-29. You will see that, in the President's Message, he requests the authority of Congress to take from otherwise unpledged treasury funds, or from the Special Public Works Fund, such amounts up to a limit of seven million dollars as may be necessary to make up the amounts of any budgetary items for which general revenues are not available.

I have [etc.]

Noble Brandon Judah

¹⁹ Not printed.
The Cuban Acting Secretary of State (Fernandez) to the American Ambassador (Judah)

Habana, May 29, 1928.

Report for the State Department²⁹ in order that it shall in turn report to the American Ambassador with data, as requested by him, in relation with the proposed financing of the public works by the Government of Cuba.

1.-Amount of the proposed financing:
   From forty to fifty million dollars.

2.-The purpose and reason for the proposed financing.
   To intensify the public works in accordance with what is provided in Article 10 of the Law of July 15, 1925.

3.-The sources of revenue which shall be pledged for the service of the proposed financing.
   Only 90% of the estimated revenues of the Public Works Plan during the years 1931 to 1935 in accordance with the plan of November 10, 1926.

4.-The amounts which said sources of revenue have produced in recent years:
   In the year 1925–1926 they produced $13,627,905.96; in 1926–1927 they produced $16,366,551.70 and in 10 months of the year 1927–1928, $15,102,271.04.

   The estimates for those years in accordance with the aforementioned plan of November 10 were for 1925–1926 $10,000,000; 1926–1927 $16,000,000 and 1927–1928 $16,000,000.

5.-The amounts that it is prudently estimated that said sources of revenue will produce in the future:
   From 1928–1929 to 1934 to 1935, both inclusive, at the rate of $18,000,000 per annum in accordance with the estimate of receipts of the aforementioned plan of November 10, 1926. A greater revenue has been estimated commencing in 1928–1929 because it is estimated that by that time all the proceedings for the collection of all the taxes of this special fund will be in proper working order.

6.-The amounts of ordinary revenues of the Cuban government during recent years, aside from the sources of revenue to be pledged for the service of the proposed financing:
   In the year 1925–1926 $87,898,173.93; 1926–1927 $80,344,818.95 and in 10 months of 1927–1928 $69,635,596.36. These sums do not include the sources of revenue which are to be pledged for the proposed financing.

7.-The amounts of the ordinary disbursements of the Cuban govern-

²⁹ The Cuban Department of State.
ment during recent years, aside from the disbursements made out of receipts which are to be pledged for the service of the proposed financing:

In 1925–1926, $87,347,161.32 plus $51,000 extraordinary redemption of the bonds of the Interior Debt of 1905, made out of the surplus of the budget of that year.

In 1926–1927, $81,698,105.89 there being a deficit of $1,354,774.78 caused by excesses in the budget assignments, specially in “Veterans’ Pensions” which amounted to $632,242.19. In 1927–1928, 10 months $65,908,218.53.

8. All the other data which show whether or not, the use of the special sources of revenue which are to be pledged for the service of the new financing will leave sufficient ordinary revenue of the government for the meeting of its regular disbursements:

The financing operation that is projected does not in any manner affect the regular revenue of the Cuban government sufficient to meet its ordinary disbursements inasmuch as said operation is secured solely and exclusively by 90% of the receipts corresponding to the years 1931 to 1934 (4 years of the Special Public Works Fund, Law of July 15, 1925 and in accordance with the Plan of November 10, 1926).

Is it possible that in connection with the proposed new financing the Cuban government may have prepared connecting data which said government does not deem it proper to place at the disposal of the Government of the United States?

Gazettes are attached which include the receipts of the budgets of the years 1925–1926 and 1926–1927 which correspond to questions 6 and 7 as well as of the movement of receipts and disbursements of the Special Public Works Fund corresponding to the years 1925–1926 and 1926–1927; there is also attached the data 21 which served as the basis for the requesting of the proposed financing.

887.51 Chase National Bank/7

The Secretary of State to the Chase National Bank

WASHINGTON, June 20, 1928.

Sirs: With reference to letters of Messrs. Rushmore, Bisbee and Stern 22 addressed to the Department under dates of May 22 and June 14, 1928,23 regarding your interest in negotiating a credit arrangement with the Cuban Government, I beg to inform you that, in the light of the information at hand, the Department desires to offer

21 Not printed.
22 Legal firm, New York.
23 Neither printed.
no objection to this proposed financing on the terms and conditions set forth in the Supplemental Agreement enclosed with the above-mentioned letter of June 14.

You of course appreciate that, as pointed out in the Department’s announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am [etc.]

For the Secretary of State:

Francis White
Assistant Secretary

837.51 Chase National Bank/8 : Telegram

The Secretary of State to the Ambassador in Cuba (Judah)

WASHINGTON, June 20, 1928—5 p.m.

107. Your despatches Nos. 305 and 306, June 13 and 14, 1928. Department has informed Chase National Bank it will not object to its financing proposal. Bank presented the matter as urgent since agreement is not binding until ratified by Cuban Congress.

Please present the following memorandum to the Secretary of State:

“The Government of the United States, after careful consideration of the information regarding the Cuban financial situation transmitted to it through the American Embassy in Havana in response to the memorandum presented to the Acting Secretary of State of the Cuban Government, May 28, 1928, and of the draft Supplemental Agreement between the Republic of Cuba and Chase National Bank of the City of New York relating to Financing Payments to Contractors under Public Works Law does not desire to raise any objection to the increase in the public debt of Cuba involved in the execution of the latter contract.”

You may indicate orally to the Secretary of State and to the President that, inasmuch as the Cuban Government’s memorandum of May 29, 1928, states that the purpose and reason for the proposed financing are to intensify the public works in accordance with Article 10 of the law of July 15, 1925, an unfortunate impression would be produced were the Special Public Works Fund drawn upon even temporarily to meet ordinary expenses of the Cuban Government

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25 Not printed.
during the time the latter is financing its public works program under its agreements with the Chase National Bank.  

KELLOGG

837.51 Chase National Bank/13

The Ambassador in Cuba (Judah) to the Secretary of State

No. 320  

HABANA, June 25, 1929.

[Received June 28.]

Sir: Referring to your telegraphic instruction No. 107 of June 20, 1929 in connection with the new Chase Bank financing, and after further consideration of the last paragraph thereof in regard to what I may communicate orally to the Secretary of State and to the President, I have the honor to state that I have come to the conclusion that it is better not to make this oral communication at this time, unless you wire me to the contrary.**

In the first place, we have not sought to attach any conditions to our approval of the new loan, and we are now in the position of having supervised but not having interfered. In the second place, the budget as submitted to Congress by President Machado with permission to him to use general funds or funds from the Public Works taxes up to $7,000,000 for general budget expenses was approved by the Senate last week prior to the receipt of your telegraphic instruction No. 107. If the budget is amended as to this $7,000,000 in the House, it would give rise to considerable talk and our interference at least guessed at.

There is no question in my mind but that the Cuban Government will be forced to use at least a large part of $7,000,000 of Public Works taxes to cover its $83,000,000 budget for the next fiscal year. It will have to do it either directly or indirectly because the general revenues will certainly not meet the budget. In such case our verbal objection made now would be tacitly ignored and Cuban finances would probably be in such shape that we would not want to make formal objection.

It is true that the Cuban Government is going to start at once to finance its public works program under its agreement with the Chase National Bank but the Chase Bank has no lien upon the Public Works taxes until the fiscal year of 1930–1931. If prior to the making up of the budget for the next fiscal year you think the situation is such that there should be a strong objection made to the Cuban Government using Public Works taxes for its general expenses, we could make either a formal or an informal objection prior to the making up of the budget in April and May, 1929.

I have [etc.]  

Noble Brandon Judah

**No such instruction was sent.
SUGGESTION OF CUBA THAT A METEOROLOGICAL STATION BE ERECTED ON SWAN ISLANDS JOINTLY BY THE UNITED STATES, CUBA, GREAT BRITAIN, AND MEXICO

811.0141 Sw 2/100

The Secretary of State to the Ambassador in Cuba (Judah)

No. 109

WASHINGTON, March 31, 1928.

Sir: The Department has received your despatch No. 127 of March 21, 1928, with further reference to the proposal of the Cuban Government that the Governments of Cuba, Great Britain, Mexico and the United States jointly maintain a meteorological station at Swan Islands. The Department notes that the Government of Great Britain has informed the Cuban Government that it is not interested in the project, and that the Mexican Government has failed to respond to the Cuban overtures. It is further noted that the Cuban Government now proposes that Cuba and the United States jointly undertake the installation of the station, sharing equally in the expense thereof, provided that this Government has no objection. Should this plan be carried out the Cuban Government recommends that opportunity should not be closed for Mexico eventually to share in the expense of the undertaking. As an alternative the Cuban Government invites any other suggestions which this Department may care to make with regard to the financing of the installation and maintenance of the station.

The original proposal of the Cuban Government to establish a meteorological station at Swan Islands was duly submitted to the appropriate Departments of this Government. While it appeared to be the consensus of opinion that the installation of the station is highly desirable, it was felt that the station, if installed, should be solely at the expense and under the control of the United States Government. No decision has as yet been reached, however, regarding the Department of this Government which should install the station and under which the station should function.

Please informally advise the Cuban authorities that this Government is much interested in the Cuban proposal for the establishment of a meteorological station at Swan Islands and that the matter has been brought to the attention of the appropriate Departments of this Government in an effort to reach a decision as to the manner in which the installation and maintenance could be effected, and the necessary appropriations secured therefor. It is hoped that a definite reply can be made to the Cuban Government in the near future.

I am [etc.]

For the Secretary of State:

FRANCIS WHITE

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18 Not printed.

237577—43—49
The Secretary of State to the Ambassador in Cuba (Judah)

WASHINGTON, April 19, 1928—6 p.m.

76. Department's instruction 109, March 31, and previous correspondence concerning the establishment of a meteorological station on Swan Island.

You may inform the Minister for Foreign Affairs that the appropriate Department of this Government is giving active consideration to the establishment of a meteorological station and light at Swan Island in the near future. It may be difficult to obtain the consideration of Congress at this late date for the establishment of a permanent station during the coming summer, but it is still possible that arrangements may be made for a temporary station during the next cyclonic season. In any case, if such a station is established, the meteorological observations available will be freely supplied to Cuba, Mexico and other countries which might find them valuable.

While the United States deeply appreciates the offer of the Cuban Government to share the expense of this station, it will not be necessary to ask the Cuban Government to do so. In the past this Government has consistently taken the position that the full expense for the maintenance of meteorological stations should devolve upon the Government having sovereignty over any particular location.

Kellogg

The Cuban Ambassador (Ferrara) to the Secretary of State

[Translation]

WASHINGTON, June 4, 1928.

EXCELLENCY: The cyclonic disturbances which generally occur around Swan Island, with effects which are felt in Cuba, constitute a serious danger to navigation in those regions, where the lack of radiotelegraphic communications renders difficult the protection of shipping and human life.

My Government desires to know whether that of Your Excellency would be inclined to grant permission for a Cuban concern, to be determined hereafter, temporarily to establish a radiotelegraphic station at Swan Island at its own expense as regards installation and maintenance, until the United States may decide to establish one there and as long as the United States may have no objection to its operation.

This would largely improve the conditions of navigation referred to above, and the safeguarding of human life would be made much more effective.
I venture to ask Your Excellency kindly to advise me, after the subject has been studied, of the decision which may be arrived at, so that I may transmit it to my Government.
I avail myself [etc.]

Orestes Ferrara

WASHINGTON, August 1, 1928.

SIR: Referring to your Embassy's note of June 4, 1928, and to this Department's reply of June 25, 1928, with regard to the proposed establishment of a meteorological station at Swan Island, I am pleased to inform you that definite arrangements have now been completed whereby meteorological reports are being received from Swan Island and will continue to be received until October 30, 1928. It is understood that this period includes the principal season of cyclonic disturbances in that region during this year.

The Chief of the Weather Bureau of the United States Government has already advised the director of the meteorological service of Cuba that reports are again being received from Swan Island and that these reports will be made available to his Department.

The possibility of permanently establishing the meteorological station at Swan Island during 1929 is now being taken up with the appropriate Departments of this Government, and I shall be pleased to inform you as soon as there may be further information available in the premises.

Accept [etc.]

For the Secretary of State:

W. R. Castle, Jr.

*29* Latter not printed.