CUBA

UNITED STATES CONCERN WITH CUBAN PROBLEMS RELATED TO THE DEFENSE OF THE WESTERN HEMISPHERE

$11.24537/2-946

The Secretary of State to the Cuban Ambassador (Belt)

CONFIDENTIAL

WASHINGTON, February 13, 1946.

EXCELLENCE: Reference is made to your note of September 24, 1945, requesting that by March 2, 1946, the Government of the United States turn over to the Government of Cuba the San Antonio and San Julián bases, as well as the structures built at the Camagüey Airport.

I am pleased to inform Your Excellency that, without reference to the correctness of the assumption appearing in your note as to the date of re-establishment of peace between the United States and the Axis Powers, this Government will proceed to evacuate the airports at San Antonio de los Baños and San Julián. Every endeavor will be made to complete the evacuation by March 2, 1946, the date suggested by Your Excellency’s note, or as soon as possible thereafter. These operations will be carried out in conformity with the pertinent provisions of the Agreement for Military Cooperation of June 19, 1942, and of the exchange of notes of July 17–20, 1942, to which Your Excellency’s note refers, concerning the transfer to the Cuban Government of fixed installations placed by or on behalf of the Government of the United States.

This Government will presently despatch a special Military Commission from Washington to plan and coordinate the details of the transfer. The Commission will, among other things, make an inventory of the installations and constructions of every kind which are to be removed. Your Excellency’s Government is cordially invited to designate representatives to meet with the Commission and to observe its work.

1 For previous documentation on the questions of control and use of strategic air bases and of airports in Cuba, see Foreign Relations, 1945, vol. ix, pp. 896 ff. For documentation on military collaboration between the United States and other American Republics during 1946, see pp. 86 ff.


3 For text of agreement, see Foreign Relations, 1942, vol. vi, p. 267.

4 Not printed; see teletgrams 584, July 17, 10 p. m., and 588, July 19, 10 p. m., from Habana, ibid., pp. 278 and 279.

702
Inasmuch as I am not aware, however, of the precise structures at the Camagüey Airport which your Excellency’s note contemplates, I am referring this aspect of the matter to the appropriate authorities of this Government for their consideration; and I hope to be able to advise you further in the premises in the near future.

Accept [etc.]

For the Secretary of State:

SPRUILLE BRADEN

811.24537/11-545

The Secretary of State to the Secretary of the Navy (Forrestal)

SECRET

WASHINGTON, March 22, 1946.

MY DEAR MR. SECRETARY: Reference is made to negotiations which have been conducted with the Government of Cuba for the postwar use of the air base at San Julián.

A draft agreement for the reciprocal use by Cuban and United States military forces of air bases at San Antonio de los Banos and San Julián was delivered to the Cuban Ambassador on November 8, 1945.6 Ambassador Norweb discussed the matter on several occasions with President Grau, and discussions were also held here between the Cuban Ambassador and representatives of this Department. While President Grau assured Ambassador Norweb of Cuba’s desire to cooperate fully with the United States in the post-war use of the bases, he has refused to consider any agreement until after the return of the bases to the Cuban Government.

It is, therefore, recommended that the Navy Department take steps to remove from the base at San Julián such non-fixed installations, equipment, and material as it deems appropriate in order that the base may be turned over to the Cuban Government in conformity with the provisions set forth in an exchange of notes between Ambassador Braden and the Cuban Minister of State in July, 1942.7

The question whether any of this removable equipment should be declared surplus in Cuba was discussed at a meeting attended by representatives of the War, State, and Navy Departments on March 18. The view was expressed that it would not be desirable to inform the Cubans at this time that any equipment may be declared surplus, but that recommendations should be formulated by the Navy Department as soon as possible so that should it be considered desirable, later but prior to the transfer of the base, to make available to the Cubans such items, for example, as vehicles and equipment the removal of which

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6 For data on Cuban authorization for the Camagüey project, see Foreign Relations, 1942, vol. vi, pp. 262, 281–282, and 288.
7 Not printed.
8 See footnote 5, above.
in terms of probable surplus value in the United States would not appear economical, steps to make such equipment available could then be taken. Because of the possible negotiating value of such equipment it should be emphasized, however, that no statement of possible surplus should be made to the Cubans until agreement has been reached between the State and Navy Departments. Should it be decided to declare surplus and offer for sale in Cuba any of the movable equipment, the opinion was expressed that cash transactions exclusively should be undertaken.

The fixed installations, title to which will be vested under the agreement in the Cuban Government as of the date of transfer, are of course not involved and will be transferred in accordance with the procedure referred to in my letter of March 8, 1946. An inventory of such installations should be made and signed by the Cuban Government on the date of transfer.

I suggest May 20, which is the Cuban national holiday, as the appropriate date for the formal transfer of the base.

A similar communication, together with a copy of this letter, is being sent to the Secretary of War recommending the same procedure and simultaneous action with respect to the air base at San Antonio de los Baños. Copies are likewise being sent to the Foreign Liquidation Commissioner for his information.

Sincerely yours,

JAMES F. BYRNES

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The Secretary of State to the Cuban Ambassador (Belt)

WASHINGTON, April 1, 1946.

EXCELLENCE: Reference is made to the note of February 6, 1946 from Your Excellency’s Minister of State to Ambassador Norweb concerning military bases constructed at San Antonio de los Baños and San Julián, Cuba, by the United States Government under the 1942 agreements for military and naval cooperation and setting

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8 Not printed.
9 Secretary Forrestal replied in his letter of April 4, 1946, that Naval commanders had been instructed to remove all equipment and materials from San Julián, with the exception of the fixed installations and equipment necessary to leave the base in a minimum operating condition; formal transfer of that base to the Cuban Government on May 20, 1946 was completed satisfactory to the Navy Department (811.24537/4-446).
10 Secretary of War Patterson replied on March 30, 1946, that instructions had been given to make preparations to turn over all fixed installations at Batista Field to the Cuban Government, and estimated that all property and equipment not covered by the 1942 agreement might be removed from Batista Field within 90 days (811.24537/3-3046).
11 Not printed.
12 Dated June 19 and September 7, 1942; Foreign Relations, 1942, vol. vi, pp. 267 and 283, respectively.
forth the principles by which the Government of Cuba proposes to be guided in the future administration of these bases. Reference is also made to the Department’s note of February 13, 1946 to Your Excellency and to discussions which have taken place here and in Habana concerning the transfer of the bases to the Cuban Government.

As your Excellency is aware, a commission was despatched to Cuba last February to make an inventory of the installations and equipment at the bases. The removal, in accordance with the agreements, of non-fixed installations and equipment is now being effected, and I am pleased to inform Your Excellency that this Government proposes to transfer the bases, together with fixed installations and constructions, to the Cuban Government on May 20, 1946.

Your Excellency will readily understand that this action with respect to the base at San Antonio de los Baños is being taken notwithstanding Article XIII of the Agreement for Military Cooperation, which provides that “the authorizations contained in this Agreement for military wartime cooperation shall cover the period of the present war plus six months after the establishment of peace between the United States and the Axis powers.”

I am instructing Ambassador Norweb to discuss with appropriate representatives of Your Excellency’s Government details for arranging the formal transfer of the bases. In this connection, it is hoped that Your Excellency’s Government will understand that while normal progress in making arrangements for the transfer of the bases will be maintained by representatives of this Government’s Army and Navy, there may be some unavoidable delay in removing all of the non-fixed installations and equipment by May 20. Such a delay, however, would not interfere with the plans of this Government formally to transfer the bases to Your Excellency’s Government on that date.

These bases constitute important links in the hemisphere defense system. The dangers that would result from permitting that system to disintegrate are obvious. Speed is one of the principal characteristics of new methods of warfare and it appears unlikely that in the event of another emergency, time will be available to prepare or repair our defenses. I desire therefore to express the satisfaction with which this Government has taken cognizance of the declaration made by Your Excellency’s Minister of State in his note of February 6 to Ambassador Norweb,13 to the effect that Cuba proposes to maintain the bases at their maximum degree of efficiency in order that they may always be in first-class condition and available for use in the common endeavor of our two countries to assure the defense of the American Continent.

Accept [etc.]  

James F. Byrnes

13 Not printed.
The Secretary of State to the Secretary of War (Patterson)

SECRET

WASHINGTON, April 12, 1946.

MY DEAR MR. SECRETARY: I have your letter of March 30, 1946 with further reference to the transfer of the air base at San Antonio de los Baños to the Cuban Government.

The Department on April 1 presented a note to the Cuban Ambassador informing him that the bases at San Antonio de los Baños and San Julián will be transferred to the Cuban Government on May 20, 1946. A copy of this note is enclosed herewith. It is understood, of course, that property at San Antonio de los Baños excess to the needs of the Army and Navy will be declared surplus and disposed of by the Foreign Liquidation Commissioner. A list of such property should be furnished to this Department as soon as possible in order that it may be made available to the Foreign Liquidation Commissioner.

Ambassador Norweb has been instructed to discuss with appropriate officials of the Cuban Government details for arranging the formal transfer and will continue to collaborate closely with Colonel Wade, Commanding Officer of the base. It is suggested that instructions be sent to Colonel Wade regarding military representation at the formal transfer ceremony.

After the return of the base further negotiations will be conducted with the Cuban Government for the purpose of reaching an agreement for the post war use of the base.

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14 See footnote 10, p. 704.
15 Supra.
16 Ambassador Norweb reported in telegram 366, May 20, 1946, 3 p.m., that movable surplus from Batista Field, at San Antonio de los Baños, had been disposed of in two bulk sales to the Cuban Government; total cost value material sold was $1,591,254; total estimated fair value was $1,247,487; total sales value received was $997,990; and small individual sales yet to be effected would bring total to slightly over $1,000,000 (837.24/5-2046).
17 In despatch 2160, September 12, 1946, Ambassador Norweb commented that the "turning-over ceremony, held very appropriately on Cuban Independence Day, was featured by tributes from the highest Cuban authorities to the understanding and non-interventionist spirit evidenced by the United States." (711.37/9-1246)
18 In telegram 391, May 3, 1946, 5 p.m., the Acting Secretary of State informed Ambassador Norweb that the proposed discontinuance of Army teletype circuit No. 9881 on May 20 when the U.S. Army was to relinquish Batista Air Base to Cuban Army Air Forces, had been referred to the Weather Bureau, which stressed the vital importance to military and commercial aircraft operation of the exchange of meteorological data through this communication channel, and strongly advised the maintenance of circuit 9881 between Miami, Key West, the National Observatory at Habana, and the air bases at San Antonio and San Julián (837.9243/4-1246). In an exchange of notes of May 22 and June 5, the Embassy and the Cuban Ministry of State reached an agreement for maintenance of this circuit, and the Cuban Government agreed to contribute half of the monthly operating cost of $2,478.00 (837.9248/6-746). For the United States-Cuban memorandum agreement for the cooperative establishment and operation of a weather station at Habana, August 2, 1944, see Department of State Treaties and Other International Acts Series (TIAS) No. 1942.
Copies of this letter are being sent to the Secretary of the Navy and the Foreign Liquidation Commissioner.

Sincerely yours,

JAMES F. BYRNES

811.34537/4-2246

Memorandum by Mr. Howard H. Wilson of the Division of Caribbean and Central American Affairs

[WASHINGTON,] April 29, 1946.

Attached letter of April 22 from Navy requests representations to the Cuban Government for the extension, for another year beginning June 4, 1946, of the temporary authority of the United States to operate a pumping plant which supplies water to the Base at Guantánamo.

The background of the question is as follows:

In 1938 the Henri Schueg Chassin Company, of Cuba, constructed a pumping plant on its land near the base and concluded a twenty-year water supply contract with the Base. As the capacity of the plant proved inadequate, and as the Company apparently did not wish to finance a new or larger plant, the Navy had a second pumping plant constructed on the Company’s land, with the idea of having the Company operate this one also. Since no agreement was reached on the terms of operation, the Navy proceeded to operate the second plant itself and continues to do so.

The Cuban Government has consented to this arrangement for the second plant, only on a year-to-year basis, and with the qualification that permanent arrangements must in any case be reached six months after the end of the war. It has been that Government’s contention, that under Article V of the Agreement for Military and Naval Cooperation of September 7, 1942, the United States is obliged to turn over the pumping plant to the Cuban Government six months after the end of the war (Des. 3803, June 1, 1943, from Habana, file 811.34537/-573). This contention was refuted in an unanswered memorandum of May 14, 1943, presented by Ambassador Braden to President Batista (ibid., enclosure no. 4).

Although it is possible that when authorization is requested again to operate the second plant for another year, Cuba may, in line with her airbase tactics, now counter with a request that we turn over the

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20 Addressed to CCA—Mr. Walker and Mr. Barber.
21 Not printed.
22 For texts of agreements of 1903 by which the United States leased from Cuba the land and water areas comprising the Guantánamo Naval Base, see Foreign Relations, 1903, pp. 350–353; for text of the agreement which continued the terms of this lease, see article III of the treaty of relations, ibid., 1934, vol. v, p. 184.
23 Not printed.
24 See note from the Secretary of State to the Cuban Ambassador, February 13, p. 702.
second pumping plant to her entirely, the Cuban Government might be reluctant to do this without first satisfying the Company, which is quite influential, that the latter would not be adversely affected with respect to its own plant and its existing water supply contract with the Base.

In any event it appears that since negotiations to fix the future status of the plant have not progressed, although they have now been in progress for nearly five years, we have no alternative but to request such authorization on the same basis as before. The Embassy has already been requested for its recommendations for further action; and their recommendations will undoubtedly cover the subject of the Navy Department's letter.

837.5041/5-1846

The Secretary of War (Patterson) to the Secretary of State

WASHINGTON, May 18, 1946.

DEAR MR. SECRETARY: Upon overtures of The Judge Advocate General and the Chief of Engineers of this Department, the Assistant Attorney General, Mr. John F. Sonnett, has brought to the attention of your Office of American Republic Affairs the possible impropriety of releasing to the government of Cuba the Batista Airport in that country without prior settlement of their moral obligation to the United States as concerns the Cuban labor problem.

As you possibly may know, suits have been filed in the New York City Court against the cost-plus-a-fixed-fee construction contractor of this project by 2048 Cuban nationals for wage claims aggregating approximately $3,000,000.00. Due to newspaper advertising of Havana attorneys, it is contemplated that many more plaintiffs will join these actions before the trial date is set, and that the amount sued for may well exceed the total cost of the airport (approximately $15,500,000.00). The local United States Attorney and private counsel defending the actions are not hopeful of a judgment for defendant as matters now stand, and the War Department will be legally bound to reimburse the defendant contractor for all its losses and expenses in this case.

These actions arise under a provision of the Cuban constitution which guarantees the Cuban citizens a pay scale equal to that of

24 Ambassador Norweb reported in despatch 1591, May 16, 1946, that a note dated April 27 had been received from the Cuban Minister of State in which authority was granted for United States Navy personnel to operate the water supply system supplying the base at Guantánamo Bay for a further period of one year from June 4, 1946, in order that a definitive arrangement for the disposal of the United States Government-owned water supply system might be concluded (811.34337/5-1646).
foreign nationals employed in Cuba on equivalent jobs. Approximately 500 technicians, skilled and semi-skilled workmen from the United States were employed on this project, as well as 11,000 Cubans. All wage rate schedules for locally employed workmen were cleared with the Cuban Department of Labor by the contractor, and it was assumed that approval by that Department precluded any liability by the contractor under said constitutional provision.

I am advised that the Batista Airport is to be released to the Cuban Government on 20 May 1946, as a compromise arrangement, although your advisers have not conceded that you are legally required to do so, since the transfer had originally been agreed upon for a date six months after the end of the war. It was first proposed by this Department, and in turn by the Department of Justice to your Office of American Republic Affairs, that an attempt be made to obtain a commitment from the Government of Cuba whereby it would agree to indemnify the United States for all expenses incurred as a result of these suits, transfer of the field to be held in abeyance in the meantime. It is my understanding that Mr. Ellis O. Briggs of your office deems it inadvisable to postpone transfer of the airport or to press for such a commitment. Nevertheless, I further understand that Mr. Briggs has agreed to an alternative suggestion, and will seek from the Cuban government an official opinion that actions of the construction contractor were not violative of the constitution of Cuba. The issuance of such an edict appears reasonable in view of the previous position of Cuba's Labor Department, and introduction of same into evidence in this litigation would probably result in dismissal of the actions.

In view of the potential liability of the United States Government in the litigation, I shall greatly appreciate any action that you can take to expedite and make certain of the successful conclusion of this matter.25

Sincerely yours,  

ROBERT P. PATTERTSON

811.24537/6-1946

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

SECRET  
HABANA, June 19, 1946.  
No. 1764  
[Received June 21.]

Sir: I have the honor to refer to past correspondence regarding the former United States Army Air Force Bases in Cuba, which were released to the Cuban Government on May 20, 1946, and to enclose here-with a copy of the text of a report submitted by the Military Attaché

25 This matter was not concluded in 1946.
to his Department, in which there is set forth the attitude verbally expressed in a recent conference, by the Chief of the Cuban Army Air Force, with respect to possible reciprocal use by forces of each nation of the Air Bases pertaining to the other.\(^2^6\)

It will be seen that while the attitude of the Cuban Army Air Force Chief is reported as more than cordial, he has not yet been able to discuss technical details at length, much less to express any views regarding the possible basing on Cuban territory of American army aircraft or stationing at bases in Cuba of U.S. Army Air Force personnel.

Respectfully yours,  

[Enclosure]  

ROBERT F. WOODWARD

**Report by the Assistant Military Air Attaché (Rigley)**

SECRET  

HABANA, June 17, 1946.

1. Colonel Camilo González Chávez, Chief of the Cuban Air Corps, requested a conference with the MAA office on the afternoon of 10 June 1946. The conference was attended by Colonel Chávez; Captain Efrain Hernández, Cuban MA and MAA to the United States; Colonel Edgar E. Glenn, and Lt. Colonel O. H. Rigley, Jr. At this conference Colonel Chávez proposed that the United States and Cuba enter into a reciprocal agreement for the use of military air bases in those two countries. This proposal contemplates the unlimited use of air bases and facilities by both countries without the necessity of previous permission or information for the desired use of the air bases or facilities. The proposal includes preferential treatment to military personnel on immigration and customs regulations. Chávez stated that as far as the Cuban Air Corps was concerned the agreement was effective as of Monday, 10 June 1946, and that all U.S. military aircraft, both Army and Navy, were welcome to use the Cuban air bases as desired and that no previous notice of intended use of these facilities was necessary.

3. Captain Efrain Hernández brought up the question of the Staff Conferences between Cuba and the United States. He told Colonel Chávez and this office that the U.S. War Department had informed

\(^{26}\) The Cuban Minister of State transmitted to the Ambassador in Cuba note No. 137, February 6, 1946, regarding the delivery of the military bases in Cuba which had been operated by United States Armed Forces and concluded with the statement: "At the same time I am happy to add that the Cuban Government maintains with ever increasing firmness the same sentiments of cooperation within the same spirit of solidarity and identification with the common ideals of liberty and democracy which gave rise to the military and naval agreements already referred to and it is the most firm desire of the Government of Cuba that the military and naval installations mentioned may remain apt for use in the cooperative endeavor of our countries for the defense of the American Continent." (811.24537/2-1146)
him that no action would be taken on the Staff Conferences until Cuba paid its lend-lease debt. Colonel Chávez stated that he and the General Staff were in favor of paying the lend-lease debt; that in fact the Army had been authorized to pay the lend-lease debt, but that money had not been appropriated for this expenditure.

AMAA Comment: The reason Chávez is desirous of the reciprocal agreement is because of embarrassment to Cuban pilots who have landed in the United States and have been forced to pay in cash for services received, such as gasoline, oil and minor repairs. This cash-on-the-barrelhead system is embarrassing to the Cubans, and they desire more favorable treatment in the United States. This reporter believes that the agreement would be more advantageous to the United States, as U.S. aircraft are more likely to use the Cuban bases than the Cuban aircraft are to use AAF bases in the United States. The only continental AAF bases in which the Cubans are particularly interested are those at Miami and Washington and refueling stops between Miami and Washington.

The Cubans realize now that the United States is not going to play Santa Claus any longer and that they have no chance of receiving additional equipment and aid from the United States, as outlined in the Staff Conferences, until such time as the lend-lease debt is paid. Cuba is able to pay its lend-lease debt without its economic situation being affected. This reporter predicts a token payment towards the lend-lease debt in the near future in order that Cuba can maintain its prestige among the Latin American countries.

O. H. Rigley, Jr.
Lt. Colonel, A. C.

837.24/5-1546

The Acting Secretary of State to the Cuban Ambassador (Belt)

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of Cuba and has the honor to refer to his note No. 207 of May 15, 1946 requesting assistance in obtaining equipment for the Air Corps of the Cuban Army.

The Department understands from the War Department that no 37mm or 20mm automatic aircraft guns are available from surplus property. The other equipment desired by the Air Corps of the Cuban Army is believed to be available from property earmarked for allocation under a program designed to supply military material to Cuba. However, it is noted that this Government has not as yet received any

*Not printed.*
reimbursement for the materials furnished to Cuba under the Lend-Lease Agreement, and the Government of the United States feels that it would be difficult to justify, to the Congress and to the people of this country, the release of further military equipment to Cuba as long as that situation exists. The policy of the Government of the United States in this respect was communicated orally to Señor José Barón, Minister Counselor of the Cuban Embassy, by an officer of the Department on March 13, 1946.

WASHINGTON, June 22, 1946.

811.34537/7-1646

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

SECRET HABANA, July 16, 1946. [Received July 18.]

No. 1888

Sir: I have the honor to refer to my despatch no. 3681 of May 29, 1946, entitled “Further Developments with Respect to Guantánamo Water Supply Negotiations” and to enclose a copy of the document entitled “Proposed Bases for the Operation of the Aqueduct Built by the United States Government for the Guantánamo Naval Base”, a Spanish translation of which on May 7, 1946, was handed by Mr. Fiallo, attorney for the Schueg Chassin Company, to the Sub-Secretary of State, Dr. Gonzalez Muñoz, in connection with the purpose of the Base to obtain the permission of the Cuban Government to sell the so-called second water-works system. It is understood (reference despatch, enclosure 2; last sentence paragraph 1; and paragraph 3) that these “proposed bases” are satisfactory to the Commandant, Guantánamo Naval Base.

On July 12, Dr. Güell of the Ministry of State, after a general discussion of this matter, handed an officer of the Embassy a proposed draft note, a translation of which is enclosed, which the Ministry would be willing to address to the Embassy on receipt from it of a note composed along the lines indicated in the draft proposal.

It thus appears that the Cuban Government is disposed to permit the sale in question on the basis of the conditions (or “bases”) proposed by Schueg to the Navy, provided that in its note seeking Cuban

28 The Acting Assistant Chief of the Division of Caribbean Affairs (Walker) noted in a memorandum of October 29, concerning the interest of the Cuban Government in obtaining 1,500,000 rounds of rifle ammunition, that he had told Captain Efraín Hernández that he hoped the lend lease account would soon be settled in order that the provisions of the Interim Arms Program for Cuba could be implemented; he explained that the Cuban Army would be furnished with a quantity of ammunition under the program and that if any additional ammunition was needed, consideration would be given to requests from the Cuban Government (711.00111 Armament Control/12-2946).

29 Not printed.
authorization for such sale the Embassy would stipulate four clausal considerations, to wit:

(1) The sale involves no "enlargement or additional right" for the United States Government in connection with the Guantánamo Base.
(2) Cuba retains full "sovereignty and protection" of the second water-works area and, in case of war, would protect the property "in consultation and cooperation with the United States".
(3) The transaction is to be realized "in accordance with the laws of the Republic, of the State, the Province and the Municipality, and the new water-works system will remain subject to those laws".
(4) "Other details" relative to the transaction will be worked out "in conformity with the aforementioned laws of the Republic, of the State, the Province and the Municipality".

As will be seen, the Ministry's draft proposal, which it has been careful to qualify as "unauthorized", is in unfinished, preliminary form and drawn in too general terms to be accepted without careful examination and study of the full potential significance of the terminology, particularly with respect to taxation. The matter is being reported to the Department, however, for an expression of its views.

In the discussion referred to above, the Ministry official mentioned that the Minister of State was "quite anxious" to effect an exchange of notes along the above lines at the earliest possible moment, and referred to "possible political embarrassment" which the Government might suffer as a result of too great delay in having the water-works transferred to Cuban ownership and operation. He also said quite frankly that the first two clauses mentioned above were conceived to counter political apprehensions or attacks, a consideration likewise attaching to the last two which might, however, be more concerned with the application of fiscal and social legislative measures.

A copy of this despatch is being sent to the Commander of the United States Naval Operating Base at Guantánamo for his information.

Respectfully yours,

Robert E. Woodward

811.34537/9-1746

The Acting Secretary of State to the Ambassador in Cuba (Norweb)

SECRET

WASHINGTON, October 21, 1946.

No. 1082

Sir: Reference is made to your secret despatch no. 1588 of July 16, 1946 concerning certain conditions proposed by the Cuban Government for the sale to the Schueg Chassin Company of the second water supply system at the Guantánamo Naval Base.

Your despatch, together with enclosures, was referred to the Navy Department for its comments and recommendations. A reply com-
munication dated September 17, 1946, has been received from the Navy Department stating that it agrees in principle to the four stipulations suggested by the Cuban Government as a condition precedent to its formal approval of further negotiations with the Schueg Chassin Company for the sale and operation of the water supply system at Guantánamo. Pertinent excerpts from this communication are quoted below:

"I have examined the terms of the proposed bases for the sale of the water works in question to the Henri Schueg Chassin Company and the operation thereof, under contract, by that company, and find that a satisfactory framework is presented for further detailed negotiation which presumably will be carried out by representatives of this Department and the Schueg interests.

"I agree also in principle to the four clausal conditions imposed by the Cuban Government as a condition precedent to formal approval by that government of further negotiation for sale to and operation by the Schueg Company of the United States owned water works.

"Condition (a) appears to be an affirmation that the government of the United States is not seeking by the proposed contract and sale to enlarge its rights or the extent of its territory in the Guantánamo Naval Base under Article III of the Treaty of 1934, with respect to that base. Since no such purpose is intended or expressed in the proposed bases there is no objection to this condition.

"Condition (b) confirms the full sovereignty of Cuba in the land area on which the new water works is situated and assigns to that government the obligation of protecting the area in peace and in case of war defending it "in consultation and cooperation with the government of the United States for tactical necessities". It would be desirable in connection with this condition to seek assurances from the Cuban Government that in case of labor unrest or a threatened closing down of the water works for any other reason, it would use its good offices to insure the continued operation of the plant.

"Conditions (c) and (d) stipulate that the purchase-sale of the new water works system and all details in connection therewith will be worked out in conformity with the laws of the Republic, of the State, the Province and the Municipality and that the system will remain subject to those laws. There is, of course, no objection to working out the purchase-sale agreement in accordance with existing laws of the Republic, State, Province and municipality. Once again, however, I consider it desirable to seek assurances from the Cuban Government that it will use its good offices to prevent the passage of any local law which would in effect cause an abrogation of the terms of the proposed contract."

You should inform the Cuban Government that while this Government agrees in principle to the Cuban proposal of four conditional clauses in a note seeking authorization for the sale and operation of the water system, it is considered desirable that there be included in

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30 Not printed.
such a note a statement that in the event of strikes or any other conditions which might affect the water system, the Cuban Government will endeavor to insure the continued operation of the plant. There should also be included a stipulation that the Cuban Government will oppose the enactment of any local law which would in effect cause an abrogation of the terms of the proposed contract with the Schueg Chassin Company. If the Cuban Government agrees to the inclusion of these additional statements and to the proposal submitted to the Ministry of State on May 7, 1946 by the Schueg Chassin Company, you are authorized to effect an exchange of notes along the lines suggested by the Cuban Government.

Very truly yours,

For the Acting Secretary of State:
E. O. Briggs

811.24537/7-3146

The Acting Secretary of State to the Secretary of War (Patterson)

WASHINGTON, November 6, 1946.

MY DEAR MR. SECRETARY: I have your letter of July 31, 1946 outlining the War Department’s recommendations for the disposal of property at the General Ignacio Agramonté Airport, Camagüey, Cuba.

It is my understanding that all of the land and structures, except the Diesel Generator Building, located in the so-called Military Cantonment area, were transferred to the Cuban Government on May 20 in accordance with an agreement reached between the War Department, Pan American Airways, and this Department. These buildings are referred to in the map enclosed with your letter as nos. 103 to 114, inclusive, plus no. 116.

Many of the improvements at this airport, such as the construction of barracks in the Military Cantonment area, were authorized by the Cuban Government under the terms of the Agreement for Military and Naval Cooperation of September 7, 1942 between the United States and Cuba, which provided that upon the termination of the agreement, all fixed installations and constructions of every kind placed in Cuba by the United States or in its name during the life of the agreement would become the property of the Cuban Government without cost. If the sentry box, known as building no. 17, and the buildings in the Post Engineer’s Compound were constructed by the

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21 Not printed.
22 The airfield at Camagüey was one of the 22 airfields in Latin America being partially maintained by War Department funds through the Airport Development Program, according to a list enclosed in a letter of February 19, 1946, from the Secretary of War to the Secretary of State (810.7962/2-1946). For documentation on the Airport Development Program, see pp. 101 ff.
United States Army subsequent to the conclusion of this agreement, this Government would be obligated under the terms of the agreement to transfer the buildings to the Cuban Government without cost. The decision as to whether this property should be transferred to the Cuban Government or disposed of in some other manner would, of course, depend upon the date on which the buildings were actually constructed. I should therefore appreciate it if you would furnish me with that information.  

It is a matter of national interest that aviation facilities developed during the war be disposed of in a manner which will promote the world-wide air commerce of the United States. In this connection the War Department may wish to consider the procedure, approved by the Air Coordinating Committee, whereby air navigation, air traffic control, airway-communication and meteorological facilities have been disposed of by the Foreign Liquidation Commissioner for monetary consideration and the execution of service agreements for the maintenance and operation of such facilities. While the Department recognizes that the settlement of the contract is a matter for determination between the War Department and the contractor, it believes that in connection therewith, it is important that the War Department take such action as may be appropriate to assure that the beneficial use of facilities constructed or improved through the use of public funds should be available to all United States aircraft authorized to be operated by the United States and the foreign government concerned.

Since it appears, with respect to the airport development contract, that the greater portion of the property involved will be transferred to the contractor under obligations of the contract and that dispositions of any surplus property will be closely related thereto, the Office of the Foreign Liquidation Commissioner is of the opinion that arrangements for dispositions to the airline should be made directly by the War Department. Undoubtedly the Foreign Liquidation Commissioner could arrange to delegate authority to the War Department to dispose of such of the property as may be surplus. This Department is also of the opinion that any discussions with the Mead Committee concerning the disposal of this property should be undertaken by the War Department.

The disposal plan transmitted as an enclosure to your letter is returned herewith as requested.

Sincerely yours,

DEAN ACHESON

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33 No further information was received on this subject during 1946.
34 Senate Special Committee Investigating National Defense Program.
The Ambassador in Cuba (Norweb) to the Secretary of State

SECRET

No. 2495

HABANA, November 25, 1946.
[Received December 2.]

Sir: I have the honor to refer to the Department's secret air mail instruction No. 1082 of October 21, 1946 and previous correspondence concerning a proposed exchange of notes between the Cuban Ministry of State and this Embassy with respect to the sale to the Henri Schueg Chassin Company of the so-called new or second water supply system at the Guantánamo Naval Base—so that the Base can enter into a contract with the Company for this water supply after having eliminated any possibility of question arising concerning present United States Government ownership of such facilities outside of the Base area.

Dr. Gonzalo Güell of the Cuban Ministry of State, who has been discussing the wording of the proposed exchange of notes, with officers of the Embassy, has agreed to the incorporation of the provisions specified in the last paragraph of the Department's air mail instruction No. 1082—after appropriate consultation between Dr. Güell and the Acting Minister of State. At the same time, the Ministry of State has withdrawn one of the four requested "conditions" reported to the Department in this Embassy's despatch No. 1888 of July 16, 1946.

Dr. Güell says that the Cuban Government now prefers to omit mention of the provision (specified as (2) in our despatch No. 1888, and (b) in the draft proposal of the Ministry of State) that Cuba would protect the second water works area in case of war, "in consultation and cooperation with the United States". It is now the Cuban view, with which this Embassy agrees—and with which it is assumed the Department is in accord—that this is a hypothetical question which would be dealt with promptly and drastically in the most practicable cooperative way and that any effort to anticipate such a momentous eventuality in a simple exchange of notes of this kind would be superfluous and somewhat incongruous.

The Commandant of the Naval Base at Guantánamo has kindly provided a general but concise description of the second water supply system which has been included in the first paragraph of the draft of the notes.

As a result of discussions with Dr. Güell, no further modification in this Embassy's proposed note is required so far as this Embassy is aware. There is enclosed, for the files of the Department, a copy of the draft as it is now being studied and discussed further among officials of the Cuban Government. Presumably, the Cuban reply will be
essentially a duplication and approval of the wording in the enclosed draft.\textsuperscript{35}

Respectfully yours,

R. Henry Norweb

837.504/11-2746

Memorandum by the General Manager of the Nicaro Nickel Company (Dufour) to the Cuban President (Grau)\textsuperscript{36}

[Translation]

RESTRICTED

The Nicaro Nickel Company built and has operated the plant at Lengua de Pájaro with funds furnished by the Reconstruction Finance Corporation, as part of the program of National Defense of the Government of the United States of America.\textsuperscript{37}

With the end of the war, the Reconstruction Finance Corporation nevertheless continued to finance the operation of the plant, thus giving time to the Nicaro Nickel Company to study the economic feasibility of operating it for its own account, but in accordance with instructions received from the offices of the Metals Reserve Company of the said Reconstruction Finance Corporation, the operation of the plant must be terminated. The Nicaro Nickel Company, on the other hand, after having studied all the possibilities, has decided that it would be absolutely uneconomic to undertake operation of the plant on its own account.

The cessation of operations should take place as soon as possible as stocks of materials are exhausted, approximately January 15, 1947. In the meantime, all non-essential work will be discontinued immediately. For the purpose indicated, the personnel will be discharged gradually, in accordance with the plan, in order that the final termination of operations might take place in the manner and at the time aforementioned.\textsuperscript{38}

\textsuperscript{35} Draft of note not printed; an exchange of notes between Ambassador Norweb and the Cuban Minister of State on April 26, 1947, authorized the subsequent sale of the second waterworks system to the Henri Schueg Chassin Company (811.-34537/4-2847).

\textsuperscript{36} Copy transmitted to the Department in despatch 2503, November 27, 1946, from Havana. According to this despatch, the memorandum was handed to President Grau on November 21 by a delegation from the Nicaro Nickel Company, in accordance with arrangements for the interview which had been made by the Embassy, in order to inform him of the decision to close the Nicaro plant on or about January 15, 1947 (837.504/11-2746).


\textsuperscript{38} The responsible agencies of the United States Government later decided to terminate operations of the plant under Government auspices on March 31, 1947. The assets of the plant were declared to the War Assets Administration as surplus for disposal under the provisions of the Surplus Property Act of 1944. (837.-6550/3-1947)
We regret to have to inform the Government of Cuba of the foregoing, but we are compelled by circumstances to do so and at the same time we request the good offices of the President of the Republic with the Ministry of Labor and other agencies of the Government in order to enable the termination of operations and the closing of the plant to be effected as normally as possible.

HABANA, November 19, 1946.

MAURICE DUFOUR

UNITED STATES INTEREST IN CUBAN-SOViet RELATIONS AND COMMUNIST ACTIVITIES IN CUBA

837.008/3-2946

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

SECRET

No. 1356

HABANA, March 29, 1946.

[Received April 8.]

Sir: I have the honor to refer to the Department's secret circular airgram of February 19, 1946 39 providing an appraisal by our Embassy at Moscow of the attitude of the U.S.S.R. toward Spain as a field of Communist activity, and indicating that one of the reasons for Communist political interest in gaining eventual control in Spain is that it would afford a direct channel of influence to the Latin American countries independent of the United States or of any other powerful American nation. Reference is likewise made to the comments of our Embassy at Madrid on this subject (as summarized in the March 12, 1946 issue of the Weekly Report on the Other American Republics). In view of the information in these reports, the Department may be interested, at this time, in this attempt to estimate the significance of the Communist Party in Cuba.

This despatch includes a summary that begins with the next paragraph, after which there are comments on: The Communist Party Name, the Partido Socialista Popular, which is freely interchangeable with the term Communist in Cuba; The Question of Whether Direct Coordination of Communist Party Activities has been Renewed since Dissolution of the Comintern, with an expression of the view that the Party in Cuba now seems to be sufficiently strong so that little or no guidance is necessary beyond the sort of information that comes from Moscow in regular AP and UP news despatches; The Question of the Possible Effectiveness of Spain as a Direct Channel of Communist Influence to Cuba, with an expression of the view that the effect through that channel would probably not be outstanding in Cuba; and three sections, providing more facts and comments on the numbered subjects in the summary. Translations of Cuban Com-

39 Not printed.
munist Party programs are enclosed, and the final page is a brief Table of Contents of the despatch. 40

1) Strength: [Here follows paragraph on the strength of the Communist Party in Cuba.]

2) Possible Influence during Next Few Years on Specific and Material United States Interests in Cuba. The immediate interests of the United States and United States citizens in Cuba are already influenced by the general program of the Communist Party, which encourages and prods the nationalistic inclinations of the Auténtico 41 Administration leaders and the public. While, from the Communist viewpoint, this policy may be intended more for long-term weakening of the bonds between the United States and Cuba, it already seems to be having the effect of encouraging high Government officials to delay or avoid concessions to the United States, and reciprocal exchanges with the United States, if they do not appear to the Cubans immediately vital to their self-interest. The Department has seen evidence of this in such negotiations as those pertaining to possible continued use of the Military Aviation Bases in Cuba, and the many old debt and claim questions on which the Cuban authorities have persistently delayed action.

As indicated in very recent pronouncements of its policies concerning certain specific United States interests, the Communist Party in Cuba advocates unqualifiedly the division of large tracts of land throughout the country and their distribution to poor farmers, which would of course affect sugar, tobacco and cattle lands held by United States citizens as well as Cubans (and probably action in this respect would affect properties of United States citizens first, because of concurrent “anti-foreign” and “anti-imperialist” propaganda and feeling). The Party advocates that Cuban sugar all be refined in Cuba (which would affect large sugar refining interests in the United States). The Party approves and advocates Cuban Government intervention of any companies which do not comply with the Administration’s interpretation of social legislation and official provisions, along the lines of the recent intervention of the Havana Electric Company (which asserted that it could not raise wages because its fares do not provide enough revenue).

The Secretary General of the Party has announced that there is a difference of opinion in the Party as to whether all foreign companies should be nationalized. He said publicly, at the Third National Assembly of the Party in January 1946, that while the Party “naturally” aspires to shake off the “yoke and oppression” of the foreign firms, he

40 Enclosures not printed.
41 Partido Revolucionario Cubano (PRC).
personally believes immediate action should be confined to nationalizing public utilities and services whose contracts expire, or who do not comply with the terms and conditions in their contracts. (This program would eventually mean nationalization of the Compañía Cubana de Electricidad, the Cuban Telephone Company, and foreign-owned railroads, and later all large foreign companies.) The Communist Party in Cuba has recently repudiated the Browder 42 thesis that labor and capital can formulate long-term working arrangements, and has reverted to the thesis that unqualified class struggle is essential to the virility of the Party. This Party principle should of course lead to labor conflicts with American management as well as Cuban management in Cuba.

3) Possible Influence on Long-Term United States Interests in Cuba. While the Communist Party advocates, in general terms, warm relations between Cuba and the United States, even the wording used tends to lead away from such relations. For example: “We will fight for those relations; but these Cuban interests are opposed to having our relations with the United States those of a country submitted to its oppressors, to their being relations based upon the open or covert imposition of conditions favorable to our exploitation and contrary to our progress.” In general, it appears that the possible long-term influence of the Communist Party on the interests of the United States in Cuba may occur along the following lines: (a) persistent and continual effort to discredit the United States and its ideals and objectives and to disillusion the people of Cuba concerning our motives, thus weakening the bonds of solidarity and friendship with the United States; (b) a large-scale voluntary advertising of the U.S.S.R., taking its side unqualifiedly in every argument; (c) direct aid to the Russian Government representative when necessary, and possible development of public support for the U.S.S.R. in future important issues that may arise, even to the point of specifically urging the American Republics to withhold their support from the United States in the event (however remote) of war with the U.S.S.R.; and (d) possible eventual creation of a system of State Capitalism in Cuba which might likewise weaken support for the private capitalism and private enterprise system of the United States in tri-Power or bi-Power discussions, and which might promote similar change in our own system in the United States.

In considering measures which our own Government might take in the light of these possible developments, it seems that (e) the cause of private capitalism and private enterprise in the United States would

42 Earl Browder, former leader of the Communist movement in the United States.
probably be advanced by greater internal improvement in the United States than in the U.S.S.R., by strengthening our own direct relations with Russia, and by perfecting the UNO, in contrast to probable ineffectiveness of any attempt to influence Communist development by our direct relations with Cuba. Also, a strong system of inter-American cooperation might do much to prevent weakening of relations with Cuba because of Communist influence.

The Communist Party Name

[Here follow comments on the Communist Party name.]

Question of Whether Direct Coordination of Communist Party Activities has been Renewed since Dissolution of the Comintern.

If the Communist Party in Cuba is receiving any direct instructions from a central point, presumably Moscow, logic suggests that they are not transmitted through the Legation of the U.S.S.R. in Habana. This impression comes, first, from the assumption that the Government of the U.S.S.R. would not take a totally unnecessary chance, in this way, of creating a new cause for immediate friction with the United States. Specific indications of changes in clearly-understood Party tactics, could much more safely, and equally effectively, be communicated orally through occasional interchanges of visits of Communist leaders between various countries. For example, William Z. Foster of the Communist Party in the United States took part in the Third National Assembly of the PSP in Habana from January 24 to 28, 1946 and quite openly contributed to the changing of a major policy of the Party in Cuba—the abandonment of the Browder thesis that Communism and Capitalism could come to a practical long-term working arrangement. By the same token, the President of the Communist Party in Cuba, Juan Marinello, is about to go to the United States for a brief visit “in his capacity of First Vice President of the Cuban Senate and member of the Committee of the Senate for Aid to the Spanish Republic”.

It seems apparent that the Government of the U.S.S.R. has made every effort to avoid giving the impression that the Russian Legation in Habana has been used as a direct coordinating instrument. In the first place, though diplomatic relations were formally established between Cuba and the Soviet Union on October 16, 1942, it was six months before Maxim Litvinov presented his credentials as Minister on April 9, 1943. He then stayed only a few days in Cuba and Dimitri I. Zaikin, a Russian Vice Consul then in New York, was assigned to Habana as Chargé d’Affaires ad interim. The present nominal Soviet
Minister, Andrei Gromyko, likewise stayed in Cuba only very briefly when he presented his credentials on December 22, 1943. Zaikin, a former engineer from Leningrad, gives the impression of being of only moderate intelligence and somewhat slow-witted. One's first impulse is, of course, to suspect that this is a pose, but repeated conversations and impressions indicate that these manifestations are too consistent to be anything but genuine. When the energetic "cultural" activities of the Press Attaché of the Soviet Legation, Mrs. Nora P. Chegodaeva, began to attract noteworthy attention she was transferred away.

The Communist Parties throughout the world recognized, at the time of the public dissolution of the Comintern, that economic, sociological and political circumstances in various countries of the world differ sufficiently so that only highly general central directives can be issued by persons who are not intimately acquainted with the day to day conditions of a particular country such as Cuba. This logical conclusion—consistent with the strategy of Communism to adapt itself to local "progressive" or "radical" currents—makes it seem all the more unlikely that the amount of direction that would need to come from abroad would require anything but oral and highly personal communications. In fact, the Party line and technique are now well enough known, even automatic enough with Cuban Communist leaders, so they probably need no directives other than newspaper reports and radio speeches from Moscow.

One aspect of this very Party line, in fact, tends to make direct and publicly-known relationship with Moscow more difficult: that is, the nationalistic tendencies which the Communists encourage in Cuba and which also have the effect of building up potential resentment against possible signs of Soviet influence over the Communist Party in Cuba.

Question of Possible Effectiveness of Spain as a Direct Channel of Communist Influence to Cuba

[Here follow comments on this subject.]

1) Strength: [Here follow additional facts and comments on the strength of the Communist Party in Cuba.]

2) Possible Influence during Next Few Years on Specific and Material United States Interests in Cuba. It seems probable that the most important Communist influence on specific and material United States interests in Cuba during the next few years will come from mutual encouragement of the nationalist spirit between the left-of-center element in the President's Partido Revolucionario Cubano (Auténtico) and the Partido Socialista Popular. The Communist Party is eager to "egg on" the PRC in its nationalistic inclinations, in conformity with the PRC slogan during the Presidential elections of June 1, 1944, "Cuba for the Cubans." The nationalism of the Ad-
ministration itself, which can have a far-reaching effect on the interests of American business (and on our Government, in such matters as the military aviation bases), seems to be due to a series of factors, such as the following: (a) resentment of the fact that foreigners control very important segments of Cuban commerce and industry, including over half of the sugar production, and that they make whatever proprietor profits are realized from such operations; (b) a natural swing of the pendulum away from foreign political control, as a result of abrogation of the Platt Amendment and the munificence of the Good Neighbor Policy; (c) the world-wide popularity of nationalism in practice while internationalism continues to be largely a theory even in the actions of its most important advocates; (d) vestiges of a specific feeling that the support of United States business interests and our Government made it possible for Machado 43 to stay in power for eight years before his Government fell; and (e) very possibly, a feeling of personal resentment on the part of President Grau that lack of official recognition by our Government in 1933 made it impossible for him to stay in office as President at that time. With this background, President Grau’s marked amenability to the suggestions of Ambassador Braden between his election as President on June 1, 1944 and his inauguration on October 10, 1944, may have been due, at least in part, to fears that his Government would suffer in some way from our displeasure.

Illustrative of the affinity between the current stated programs of the Grau Administration and the PSP, it was pointed out in section 38 of the “Resolution on the First Point of the Order of the Day” at the PSP Assembly in January 1946, that “... [President Grau] has not yet initiated the program which should be the core of the policy of the Partido Revolucionario Cubano—whose postulates are anti-imperialism, nationalism and socialism...”

Therefore, with respect to such matters as the distribution of foreign-owned lands in Cuba, the Communists have the principle established for them in Article 90 of the Cuban Constitution of 1940 which provides for “... doing away” with “large landholdings” and the restrictive limitation of acquisition and possession of land by foreign persons and companies. In the light of this precedent, the Administration could hardly object to the following statement of the Secretary General of the PSP in January 1946:

“... And the farmers will not be able to live in better houses, will not be able to rid themselves of parasites, will not be able to have more civilized living conditions, as long as an end is not made of the

43 For documentation on the downfall of the Government of Cuban President Gerardo Machado Morales, August 12, 1933, see Foreign Relations, 1933, vol. v, pp. 270-361.
feudalistic possession of land, as long as the rental system is not eliminated, as long as there is not undertaken the division of the big holdings and the distribution of the lands to the farmers."

So far, the Party has not emphasized greatly its belief that all Cuban sugar should be refined in Cuba, but an allusion was made to this in the same statement of the Secretary General of the PSP, as follows:

"... Our program—is one for all those who want to fight to assure us a market for our crops of from four to five million tons of sugar, refining it ourselves, and for avoiding the closing of our mines which would paralyze industries such as trucking, tobacco, boxes, diamonds, etc. . . ."

With respect to Government intervention of business firms—with its tendency toward State capitalism—the Secretary General said in the same report:

"... In the face of objections of the powerful enterprises that have attempted to create a national crisis by definitely refusing to comply with the social laws and official provisions, the Government has been applying firmly the policy of intervention (Industrial Slaughterhouse, Havana Electric, Workshops of Confections).

"... we must support the measures adopted by Dr. Grau in politico-social matters: increases in salaries, intervention of firms, prohibition of dislodging of farmers . . ."

Further accentuating this tendency toward State capitalism, the following detailed comments of the Secretary General concerning “nationalization” of public utilities and large firms may be of interest to the Department:

"... Some of the comrades, in discussion, have demanded that there be included in this program a general policy of nationalization. Others, that there be demanded only nationalization of the Public Services. I believe that our immediate Program can very well demand the review of all concessions granted to Public Service firms and the nationalization of all those whose concessions have expired and those which may not have complied with the terms and conditions fixed in them.

"I do not believe that we should raise in this immediate program a general demand for the nationalization of the large foreign firms. We aspire, naturally, to our own, national, economy, to shake off the yoke and oppression of firms that exploit our people, deforming and feudalizing our economy; but at the same time we favor under definite conditions, and with certain guarantees, the investment of foreign capital which, under a really national government, would be able to aid in the progress of the country. This should be taken into consideration in our immediate program, and I believe that a general policy of nationalization would sow confusion without really advancing at present the task of our liberation . . ."
This qualified statement could hardly be called an encouragement to new foreign investment. In fact it may be pertinent to note that 25 of the 161 sugar mills in Cuba are now understood to be “for sale”, although this might be at least partly the result of the owners’ belief that the end of the present sugar bonanza may be approaching.

There is of course ample precedent in many countries for a program of nationalizing public services—such as the trend toward public-owned light and power systems in the United States—and even nationalizing major industries—such as the coal industry in England. The past experience of our Government indicates, however, that the Cubans would undoubtedly ascribe less importance to the corollary precedent of prompt and equitable compensation.

With respect to the prospects of future difficulties between management and labor in Cuba, the Secretary General made the following comments in connection with repudiation of the Browder thesis:

“. . . Can we accept, in the conditions of Cuba, the concept of a long peace between the classes? No. On the contrary, we affirm in the very pamphlet in which we refer to the meeting between the CTC and the Association of Industrialists that ‘as long as contradictions of class exist, as long as there exists an antagonistic class within capitalist society such as the proletariat and such as the capitalists with respect to the workers, the struggle of classes is inevitable and cannot cease definitively.’”

Illustrative of the local Communist concepts, a Party worker asserted to an officer of this Embassy that the high standard of living enjoyed by workers in the United States was illusory because the high wages were made possible only by the very low wages which the same American firms pay Latin American workers they are exploiting!

3) Possible Influence on Long-Term United States Interests in Cuba. Although the PSP, in its official and public pronouncements, frequently refers to the necessity for friendly relations between Cuba and the United States, the phraseology is usually so qualified that the effect seems to be largely cancelled out, or even counter-productive. For example, in the very long “Resolution on the First Point of the Order of the Day” at the Third National Assembly in January 1946, Article 55 was entitled “True ‘Good Neighborliness’” and stated (in translation):

“55. The struggle of our country to maintain its economic level, requires a democratic attitude and true “Good Neighborliness” on the part of the Government of the United States and, above all, the friendly collaboration of the North American workers and people.

“The policy of “The Good Neighbor” inaugurated by President Roosevelt, even though it was maintained within the framework of imperialist relations, signified a positive advance in the relations between the United States and Latin America, despite all the inconsequential
activities and vacillations shown by the Roosevelt Government itself in its application.

"The imperialists are exerting pressure, not without success, on the Truman Government to twist this policy, which was the result of the democratic spirit of the American masses as much as it was of the active struggle of our peoples.

"The Partido Socialista Popular asks the establishment of a democratic policy and a true "Good Neighborliness" on the part of the United States, as well as a friendly and dignified attitude on the part of Cuba, in the relations of the two countries, which is the interests of the two peoples. The Partido Socialista Popular hopes that the North American workers and progressive forces—unions, Communist Party, popular organizations—will exert themselves to bring about the establishment of such relations with our country."

a) Efforts to Discredit the United States. Accompanying such semi-friendly indications, there seem invariably to be sufficient other statements which tend to undermine the prestige of the United States, so that the sum total effect is definitely a depreciatory one. In this same "Resolution", the following assertions were included:

"26. The relative position of the American imperialists has been strengthened with the defeat of their German and Japanese rivals, with the tremendous development of the productive capacity of the United States and the preponderant position that they occupy in world affairs.

"Due to this, the decisive imperialist forces of the United States are intensifying their effort to extend their control, by initiating an 'American century', by extending their monopolistic power over Latin America; they are doing everything possible to avoid the democratization of Europe under Governments that are authentically popular, they are obstructing the democratic unification and independent development of China and encouraging an anti-Soviet policy, designed to reestablish the 'cordon sanitaire'.

"Because of these efforts of the American monopolists to extend their world control, the rivalries between England and the United States have become more sharp and apparent, despite all the talk about an Anglo-American bloc, despite the mutual anti-Soviet campaigns that are carried on in the two countries."

". . . 27 . . . In the United States the imperialists are regrouping themselves more rapidly than anywhere else, with a view to an openly aggressive policy for world domination, and they are making important advances in their desire to control the Government which is today under the democratic-capitalist leadership of Truman, who has made considerable concessions to them, departing visibly from the peace policy delineated by Roosevelt."

". . . 29 . . . The North American imperialists and trusts openly sabotage the maintenance of relations of cordiality and mutual respect between the United States and Cuba. They are working openly to prevent our economic development and for the maintenance of the old and backward colonial system of monoculture, or large landholdings and the production of primary materials, in order to keep us away
from direct commerce with Latin America and with the rest of the world, in order to reinforce their monopolistic control over our country."

"In order to attain their ends, contrary to the interests of Cuba and to the national interest of the United States itself, such elements support the Falangists, the reactionaries, and large importing firms and feudal proprietors of the large estates."

"30. Even during the course of the war, and despite frankly pro-Axis slant, such elements were protected by the American Department of State which invited Maestri, notorious pro-Fascist, to visit the United States, and who honored Pepin Rivero, principal spokesmen for Falangism, granting him the Cabot Prize.

"Despite the exigencies and needs of the war, such American imperialist elements and reactionary elements of Cuba, succeeded in obstructing the military participation of our people in the war and the development of an independent production and the creation of a Merchant Marine.

"31. During the war and at present, agents of the G-Men, the American political police, instead of pursuing Nazi, Fascist and Japanese spies and saboteurs, are intervening in the domestic policies of our country and are making active and provocative anti-Soviet and anti-Communist propaganda."

Many of these assertions have been reported to the Department, as most of them have been reiterated time after time in the speeches and publications of the PSP. A variety of other accusations is included in the same Resolution, . . .

It is easy to perceive that this gradual "whittling away" at the character and motives of the United States, combined with ardent encouragement of nationalism, has already created an atmosphere in which officials of the Cuban Government hesitate to respond to important requests of our Government because a response might receive adverse publicity in Cuba and unfavorably influence voters. This may eventually go further and have a deleterious effect upon inter-American solidarity and cooperation. At the same time, it works in conjunction with warm advertising of Russia, toward the eventual possibility of a change in the balance of prestige in world councils.

b) Large-scale voluntary advertising of the U.S.S.R. This publicity is conducted untiringly in the publications and speeches of the PSP—both in direct terms and through unqualified support of the acts and motives of Russia in any Russian discussion with the "imperialist" countries. As an example of direct eulogy, the following is a translation from the Report of Blas Roca, Secretary General of the PSP, at the Third National Assembly in January 1946:

". . . The sentiments of our people are those of enormous affection and great admiration for the Soviet Union, the powerful country which, despite all auguries and all the hopes of the reactionaries of the world, raised, with the unbreakable stone wall of its courage and
decision, the barrier against which there were broken all the Nazi efforts to dominate the world, to submerge liberty, to establish the slavery of men.

"The sentiments of the Cuban people are those of admiration and affection for the men who contributed eminently to forge, with their suffering, with their labor, and with their blood, the victory of the United Nations over their enemies, for the men such as the genial leader Stalin, such as Zhukov and Rokosowski.

"The sentiments of the Cuban people are those of admiration and affection for the great State which united the peoples of its multiple nationalities, knew how to shake off, in a great revolution, the ominous yoke of the decrepit Czarist tyranny and Russian capitalism, and how to construct, through years of penury and limitless sacrifice, an advanced country with a powerful socialist economy, with gigantic factories, admirable communities, and creative schools, in the most backward territory of Europe.

"The interests of our Country dictate the maintenance of cordial and friendly relations with the Soviet Union, one of the Three Great Allies that forged the Victory and are forging the peace, since good relations with the Soviet Union can only bring benefits for us, and by expanding those relations we can obtain a market for our products and provisions for our needs. . . ."

At the same time, the PSP publicity system advocates the Russian point of view in every controversial issue—such as the recent discussions concerning Iran and about Manchuria. For the better-informed readers and listeners, the publicity is too unqualified to be very convincing, but this technique is undoubtedly in conformity with the most effective propaganda principles. Besides the word-of-mouth publicity between members of the Party, the regular publicity organs include a well-managed newspaper, *Hoy*, with over 28,000 daily circulation and almost 47,000 on Sunday, a well-managed radio station, CMX or *Mil Diez*, a monthly publication *Fundamentos* with 12,500 circulation, and a weekly magazine *Tiempo* published by the dissident and original anti-Browder group which nevertheless supports Soviet policy unqualifiedly.

The sort of advertising and advocacy that the U.S.S.R. obtains from the Communist Party in Cuba approaches that which the U.S.S.R. might receive from a community of Soviet Russian nationality of similar size in Cuba. What the Cuban enthusiasts may lack in patriotic fervor because they are not from Russian soil, they seem to add in enthusiasm because they have never witnessed or felt any of the more discouraging aspects of actual life in Russia. The dimensions of this advertising are such that it seems futile to regard the publicity as the result of present-day mechanical control, management or financing from Moscow or from any other point outside of Cuba. Whatever guidance that may occur through occasional and intermittent—or even frequent and regular—directives would seem to
be so secondary to the enthusiasm that has already been generated in Cuba by the Communist idea, that the complete elimination of any direct international communication between Communists would probably have little effect upon the movement. However important it may be considered to know whether such direct communication and guidance exists, it would seem fundamental and very important at this point that we recognize and constantly remember that the strength of Communism lies in (1) the living standard of the people which is just high enough to awaken the hope for much more, (2) the contrasting wealth of a few people in Cuba, many of them foreigners, and (3) the growing appeal of Marxism for the great majority of the population who feel that they have essentially “nothing to lose”. In other words, any organization which presents a thesis competing with Communism might underestimate the strength of Communism if it were to attribute any important part of that strength to direct supervision from Moscow other than that which arrives publicly over press wires and in radio broadcasts.

The international advertising strength of “the Communist idea” probably could not persist for very many years without a basis in actual current accomplishments of the U.S.S.R. Therefore, the eventual effectiveness of Communist advertising in the American Republics will undoubtedly be roughly consistent with the success or eventual failure (or further modifications) of the economic and political system in Russia. There is a widespread feeling now that Russian strength in World War II was a splendid example of the productivity and success of Marxism and Communism, and the Communists of course assume that developments within Russia will be increasingly successful. If this should prove not to be so, in the course of the next 10 or 20 years, it will undoubtedly be the single most important factor in deterring the widespread popularity of Communism or Marxism in the American Republics. By the same token, it seems that our own publicity strength during the same period will depend to a great degree upon the extent to which our own country may improve in the elimination of poverty, ignorance, racial prejudice, and in other ways.

In considering the “free publicity” given to the U.S.S.R., it may be well to note that our own country receives a vastly greater amount of publicity in Cuba—from the many close relationships and press services which fill the pages of the excessive number of newspapers. There is of course some dissemination of official or semi-official Soviet publicity in Cuba—principally through the Cuban-Soviet Institute of Cultural Interchange established April 6, 1945, the Institute’s monthly publication Cuba and the U.S.S.R., and official publications of the Soviet Legation. Detailed information concerning this
information program has been reported to the Department. Although the Soviet Chargé d’Affaires a.i. mentioned to the Cultural Relations Attaché of this Embassy that he “knew little” about the Institute, it may be assumed that he has full knowledge of it and that his Government is financing it in the same way that other Cultural Institutes are financed by the respective Governments. Although the 13 persons comprising the Committee organizing the Cuban-Soviet Institute were all Cuban citizens, it is of interest that four of them were known to be members of the Communist Party.

(c) Possible Direct Aid to Government of U.S.S.R. Consistent with the view mentioned in the preceding paragraphs, it seems likely to the officer drafting this report that any direct communication between the Cuban Communists and the Russian Legation in Habana would probably be the reverse of the popular conception—that is, the PSP might be writing reports and performing other semi-personal chores in Cuba for the Soviet Chargé d’Affaires and his small staff. The principal interest of the U.S.S.R. in Cuba is the Communist Party itself, and any of the PSP leaders could easily supply the Legation with complete reports on that subject and all its ramifications. Likewise, any of the three PSP Senators or seven Members of Congress could quickly write detailed, accurate and authentic political reports that would require a large amount of work by a foreigner—if reports of this nature are of interest to the Kremlin. There are five officers in the Soviet Legation, and there would not seem to be need for much additional staff with approximately 14,000 militant members of the PSP in the country. (Various unverified reports were received by this Embassy in 1943, at the time the Soviet Legation was first established in Habana, indicating that subordinate staff—i.e., the staff not included on the Diplomatic List—was very large. If this was true, it now appears that the U.S.S.R. has decided that such staff was either not necessary or counter-productive—because it might afford a basis for alarm of “foreign interference”—and there is no indication that the subordinate staff is now more than 10 or 15. There has been some speculation as to whether the U.S.S.R. may not consider Mexico City more of a Latin American headquarters or training center than Habana, and therefore may have transferred the surplus staff to that post.)

Far more important than assistance to the Soviet Legation staff is, of course, the influence that could be exerted—should any real occasion arise—by the U.S.S.R. through the three PSP Senators and seven Congressmen and through the large PSP membership and publicity machine. The only specific question of remote direct interest to the U.S.S.R. which has arisen recently in Cuba is the question of United States Military Aviation Bases, and the Communist organs quickly
took the first opportunity to make a nationalistic issue out of that question—in an apparent effort to embarrass our Government in conversations with the U.S.S.R. concerning the presence of Russian armed forces in Iran.44

The most important emergency use of the Communist Party organization in Cuba, to the advantage of the U.S.S.R. and to the detriment of our own country, would be of the kind which Juan Arévalo, labor leader, alleges that Blas Roca mentioned to him privately. Arévalo said that Roca expressed the belief that the United States would eventually go to war with the U.S.S.R. and that “... all of Latin America should be apprised of the dangers of capitalist imperialism ... in order that when the time comes the United States may get no help and no cooperation from these countries.”

d) Possible eventual creation of a system of State Capitalism in Cuba. It is not beyond the realm of possibility that the Communist Party might eventually become the most powerful political party in Cuba, and that this could happen even as soon as the Presidential elections of 1956. This would probably tend to weaken solidarity in the American Republics. Moreover, it would probably weaken support—in world tri-Power or bi-Power discussions—for the United States and for its system of private capitalism and private enterprise. It might even contribute to promoting change in our own system in the United States.

In considering this possibility, it should of course be borne in mind that any economic system sponsored by a dominant Communist Party in Cuba might be modified greatly in application—even though Blas Roca said publicly, as recently as January 1946, that “The PSP has a firm Marxist Leninist ideology as the basis of its program ...” The modifications in actual practice, however, could be sufficient so the average Cuban might not even recognize a difference in his daily life under such a system, as compared with the situation today. The principal measures of a “Communist” Government in Cuba would probably be to nationalize any public services that had not already been nationalized, and possibly to nationalize the principal industries. At the same time, developments in other countries—possibly our own—might conceivably have been such as not to make the Cuban developments especially conspicuous. (As in Russia, where the Communist system seems to involve violence and infringement on personal liberties as did the Czarist system, a “Communist” system in Cuba would probably include any existing defects of the Cuban character. In general, it seems likely that a new economic or political system will adjust to

44 For documentation on the consideration of this issue in the United Nations, see vol. vii, pp. 289 ff.
the national and racial characteristics and traditions of the people more than the people will adjust to the system.)

It should be remembered that the Cuban political party that was most successful at the polls on June 1, 1944 (President Grau’s Partido Revolucionario Cubano (Auténtico)), received 771,599 votes or more than six times the votes of the Communists—and that the 151,000 “affiliates” of the PSP are still only one-fifth of that 771,599. And the Communists concede that President Grau’s party has now won 51 percent (!) more adherents through its position of influence. Moreover, the Liberals polled 332,649 votes in 1944, the Demócrata Party 324,410 and the Republicans 270,223. The Communists, therefore, still have formidable numerical competition. The present, and possible future, circumstances that might contribute to eventual dominance of the Communist Party in the Cuban Government are:

1) The standard of living which seems to be just high enough to inspire demands for more. (It is of interest to note that Cuban exports, per capita, are much higher than those of any other Latin American country except Venezuela, and that Cuban imports, per capita, are higher than those of any other Latin American country except Panama. Although this wealth does not affect the standard of living of everyone in Cuba, it would nevertheless seem to point to the possibility that more interest in Communism may develop in the other American Republics as they approach the economic level of Cuba—that until peoples have at least moderate economic attainments they are too primitive to find appeal in the persuasion of Marxism.);

2) The contrasting wealth of a few people in Cuba whose purchasing power has been enough to raise considerably the prices of foods and other commodities;

3) The fundamental weaknesses of other political parties in Cuba—which seem to lack, as parties, any real objective other than winning and holding profitable public offices—as contrasted with the zeal, the specific party program, and the seeming unity and freedom from personal venality of the Communists (the other political parties could not be counted on to combine against a powerful Communist Party, but would probably stay divided as they have in France);

4) The possibility that the PSP political leaders might be astute enough to align themselves with the winning Presidential candidate in 1948—and again in 1952;

5) The possibility of a decrease in the sum total prosperity of the Cuban economy as soon as former sugar-supplying countries that were war-ridden become re-established as suppliers;

6) The irresponsibility, inefficiency and venality of many Cuban officials which afford the Communists an opportunity to shine by contrast (for example, they have been exerting special effort to obtain increasing numbers of subordinate positions for their members in the Ministry of Education, with considerable success, and these positions are strategic from the viewpoint of recruiting new affiliates through the educational system);
7) The growth of the prestige and power of the U.S.S.R. because of its external success;
8) The possibility that Soviet productivity may develop to the point where it actually provides the consumers' goods which, in the minds of the Cuban Communists, are a very important element in the appeal of theoretical Marxism or State Capitalism; and
9) The tendency of small countries that are very near large countries to develop special friendship with a distant great power as a form of insurance (e.g. Uruguay and the United States).

Factors that might tend to discourage the increasing strength of Communism in Cuba are:

1) A continuing market at remunerative prices for a large Cuban sugar crop with its influence in continuing Cuban comparative prosperity;
2) The proximity of the United States and resulting multitudinous relationship;
3) A continuing development of the United States economy at a rate superior to that in the U.S.S.R., which would not only indicate the advantages of a system of private enterprise but would contribute to maintaining a large sugar market in the United States;
4) The individual Cuban citizens who have established proprietary interests in the public services and industries which the Communists may wish to nationalize;
5) A deep under-current of admiration for the economic and political development of the United States, some vestiges of sentimental feeling with respect to United States aid in the Cuban War of Independence, and several decades of acquaintance which have shown few instances of intentional or accidental suffering inflicted by Americans;
6) The Catholic Church; which, however, has probably lost enough popularity in Cuba so that its anti-Communist efforts are considerably vitiated.

e) At the risk of presumption to make comments in a field of policy beyond the scope of one Embassy, it is the Embassy's impression that the largest factors which will advance or handicap the cause of private capitalism and private enterprise in Cuba, as opposed to Communism or State Capitalism, can be little affected by our policies in direct relations with Cuba. In other words, it would seem that the single most important factor influencing this situation will be the comparison between sociological and economic developments in the United States and the U.S.S.R. Perhaps equal importance lies in the development of our own direct relations with the U.S.S.R. and in the development of the UNO as an effective instrument for international security and justice (and for economic and sociological development). A strong mechanism and tradition of inter-American cooperation and solidarity will probably also be of great importance as a deterrent to the weakening of our relationship with individual American Republics such as Cuba.
The possibilities of discouraging the growth of Communism in Cuba, by any mechanism in our direct relations with Cuba, do not seem promising. While we may consider it prudent to provide enough economic aid so that the Cubans will not be inspired to turn elsewhere for such assistance, it does not seem likely that our Congress would authorize economic “cooperation” on a large enough scale to have a widespread and impressive effect on living standards. Even if such benefits could be realized, the Communists would label them puny and unworthy of consideration in comparison with the benefits they imagine that Marxism would bring them.

While our publicity program may tell the Cubans about the advantages of the system in the United States, it does not transfer those advantages to Cuba. Moreover, while we are telling them about cultural and scientific advances, an overwhelming multitude of other publicity channels is giving a picture of a cross-section of our daily life which provides the Communists with ample opportunity for depreciatory interpretations and misinterpretations. (Cuba, for example, is already much freer from racial prejudice than the United States, and might easily find more affinity in this respect for the U.S.S.R. than for the United States.)

The use of the United States sugar market as a political weapon would be entirely foreign to our well-established policies. Any threat to withhold the market (when we have the security of other ample sources of supply)—or to withhold United States products from Cuba—in order to influence Cuban politics, would probably be very short-sighted and would only create resentment and lower our prestige—without detracting from the basic appeal of “the Communist idea”.

With all the disposition of President Grau to accept the “collaboration” of the Communists because he covets their votes and finds a certain area of compatibility between their social objectives and his own crusading instincts, there are definite indications that he regards them somewhat charily. He condones repeated public attacks against the ideas of Communism by the Vice President, Raúl de Cárdenas; he maintains in office the Minister of State, Alberto Inocente Alvarez, despite acrid Communist criticism; and very recently Government spokesmen have emphatically denied Moscow press reports that Cuba would take the Military Base “question” to the UNO, indicating a certain impatience—either real or predetermined—with the turn given to this publicity by the Communist press in Cuba and Moscow. Moreover, it seems likely that the strength of the Auténtico Party and the Grau Administration during the remainder of the President’s term
may be sufficient, on the whole, so that the strength of the Communists will not show any marked proportional increase. Any specific increase in the strength of the Communist Party, in fact, may be rendered less conspicuous by a relatively greater increase in Auténtico numerical strength at the coming elections. If this occurs—and if larger circumstances such as Soviet prestige and a contrasting economic decline in Cuba favor the Communists—the Communist Party may suddenly come to the public attention as a surprisingly strong and persisting force if the Auténtico party goes the way of other temporary Cuban political combinations in 1948.

Respectfully yours,

R. HENRY NORWEB

NEGOTIATIONS TO STABILIZE POSTWAR RECONVERSION POLICIES ON TRADE, TRANSPORT, AND COMMUNICATIONS

811.79637/1-2546

The Cuban Ambassador (Belt) to the Acting Secretary of State

[Translation]

WASHINGTON, January 25, 1946.

EXCELLENCY: I have the honor to refer to notes Nos. 399 and 411 of August 2nd and 8th, 1945, respectively, which I addressed to Your Excellency, with respect to the desires expressed by my Government that, should it be possible, the establishment of new airlines for the transportation of persons, cargo and mail between Cuba and the United States be authorized.

Tourist trade, which has at previous times been a large source of income for the Cuban Treasury, and which is developing in an extraordinary manner in this post war period, finds my country in a disadvantageous position to enjoy its benefits fully, due principally to the lack of communications and suitable transportation.

Just as before the war there was regular steamship service that converged in Habana from New York, Miami, New Orleans, San Francisco and other American ports, which facilitated access to Cuba for the tourist current, the fact is that now there is no means of communication other than air transportation between Habana and Cama-güey and Miami, which is manifestly insufficient, despite the number of additional flights with which the service has been increased in order to satisfy in a minimum proportion the demand for passage to Cuba.

On the other hand my Government is interested in obtaining for Cuba—at this time when Civil Aviation is organizing and extending
its lines to all the countries of this hemisphere and of the whole world—the position which is due it among the most advanced nations because of its geographic location and its economic capacity.

Direct air service between the large centers of population located in the East and the Middle West of the United States and Cuba would bring noticeable advantages for the development of business and commercial exchange between our countries, since it would shorten the flight distance to a few hours, avoiding the delays and inconveniences of transfers in Miami. I understand that some of the pending applications submitted by aviation companies include the establishment of such services.

It is for the reasons which I have just set forth that I take the liberty of repeating to Your Excellency the pleasure with which my Government would regard the favorable decision in the near future by the pertinent authorities on the applications which some aviation companies have pending for the authorization to establish new lines between the United States and Cuba.\footnote{The Secretary of State informed Ambassador Belt, in a note of April 10, 1946, that Foreign Air Carrier Permits, effective April 8, 1946, had been issued by the Civil Aeronautics Board to Compañía Cubana de Aviación, S.A. and Expreso Aéreo Inter-Americano, S.A., authorizing the two Cuban companies to conduct air transportation of persons, property, and mail between Habana and Miami (811-79637/4-1046).}

I avail myself [etc.]

GMO. BELT

578 Washington/5–1646

Mr. E. K. Jett, Chairman of the United States Delegation, Second North American Regional Broadcasting Conference, to the Secretary of State

[Extracts]

[WASHINGTON,] May 16, 1946.

MY DEAR MR. SECRETARY: Pursuant to your letter, File 1C, of January 31, 1946,\footnote{Not printed.} designating me as Chairman of the United States Delegation to the Conference, there follows below a report on the principal activities and accomplishments of the Second North American Regional Broadcasting Conference which was held in Washington from February 4 to 25, 1946.

BACKGROUND

On December 13, 1937 there was signed at Havana, Cuba, a North American Regional Broadcasting Agreement, Treaty Series No. 962, between the United States, Canada, Cuba, the Dominican Republic, Haiti and Mexico, for the purpose of regulating and establishing principles governing the use of the standard broadcast band (550–1600 kc)
in the North American region so that each country could make the most effective use thereof with the minimum technical interference between broadcast stations. The Agreement was subsequently adhered to by Newfoundland and the Bahama Islands.

The North American Regional Broadcasting Agreement and its supplementary document went into effect at 3:00 a.m. Eastern Standard Time, March 29, 1941 and by its terms will expire at the conclusion of five years from that date.

throughout the five years' duration of the North American Regional Broadcasting Agreement, the Government of Cuba has constantly caused interference, frequently of a serious nature, by reason of its operating broadcasting stations in violation of the Agreement on numerous Class I-A clear channels assigned to the United States, its explanation being its desire to find some means of meeting its requirements which it claimed were not satisfactorily met by the Agreements to which it was a party.

WORK OF THE CONFERENCE

It is clear from the background given in the first part of this report that had it not been for the insistence of Cuba at the Rio Inter-American Radio Conference to obtain additional privileges on frequencies below 1000 kilocycles the present conference would not have been necessary. All of the other governments were prepared both at the time of the Rio Conference in September 1945 and at the convening of the Washington Conference on February 4, 1946 to agree to abide by the provisions of the Havana Treaty for a period of two years after its expiration on March 29, 1946. In short, it can be said that the Washington Conference was held almost entirely for the benefit of Cuba. This, however, came as no surprise since it was agreed at the Rio Inter-American Radio Conference that such a conference would be held in order that Cuba might obtain action on her proposals. This agreement was concurred in by all the countries.

Notwithstanding the position of Cuba our Delegation made every effort to obtain an agreement to maintain the status quo for another two years. Indeed, the United States Delegation submitted such a proposal on the opening day of the Conference (Document 2—Append-

dix IV 49) but it soon became apparent that Cuba was determined to obtain certain concessions not consistent with the Agreement.

It was, and still is, believed by the Delegation that to have failed to obtain an Agreement 50 participated in by Cuba would have been to result in serious interference to United States and other broadcasting stations in the standard band with the great possibility of eventual chaos to the widespread disadvantage of the United States broadcasting industry and to the listening public throughout this country. The Delegation could not lightly disregard the wide-spread interests in the United States which would thus be seriously and adversely affected.

Respectfully,

E. K. Jett

611.3731/6-1246

The Secretary of State to the Cuban Ambassador (Belt) 51

AIDE-MÉMOIRE

As His Excellency, the Ambassador of Cuba, is aware, Cuba and the United States have had mutually beneficial results from the trade agreement between the two countries which has been in effect since September 3, 1934, 52 and during this period of nearly twelve years comparatively few questions have arisen with regard to the operation of the agreement. However, during the past few years the American Embassy at Habana has discussed with the Cuban Government a number of instances in which Cuban laws or decrees contain provisions that are contrary to the provisions of certain articles of the trade agreement, and despite repeated requests by the Embassy for a settlement of these problems, the Cuban Government has taken no action to bring such conflicting provisions into conformity with the terms of the trade agreement.

The Government of the United States believes that the Cuban Government shares its desire to have all pending matters of this kind satisfactorily adjusted before negotiations are undertaken in anticipation of the proposed International Conference on Trade and Employment.

49 Not printed.
50 For text of interim agreement signed February 25, 1946, see Department of State Treaties and Other International Acts Series No. 1553, or 60 Stat. (pt. 2) 1562. For summary statement on the Conference, see Department of State Bulletin, March 10, 1946, p. 376; for address by the Chief of the Telecommunications Division (De Wolf) before the closing session of the Conference, see ibid. p. 379.
51 Handed to the Cuban Ambassador on June 13.
52 Signed at Washington, August 24, 1934; for text, see Foreign Relations, 1934, vol. v, p. 169, Executive Agreement Series No. 67, or 49 Stat. (pt. 2) 3559.

798–815—69—48
It is requested, therefore, that the Ambassador of Cuba bring to the
attention of his Government the strong hope of the United States
Government that there may be definitive discussions at an early date
between the Ministry of State and the American Embassy at Habana
with a view to a settlement of all these outstanding questions.

There is given below a list of the pending trade-agreement matters.

1. Import Package Tax established by Cuban Civil Retirement Law
   of May 18, 1939, as amended by the Law of November 12, 1942.

2. Increases in the Export Tax on Money by Cuban Law no. 1 of
   December 31, 1941 and Law no. 7 of April 6, 1943.

3. Discrimination against imports in exemption of Cuban raw ma-
   terials used by new industries from certain taxes under the provi-
   sions of Cuban decree no. 2144 of August 7, 1945.

4. Failure to extend to imports from the United States exemptions
   from consular invoice fees, custom duties, etcetera which Cuban Decree
   no. 2620 of September 17, 1945 grants to books imported from Mexico.53

5. Discrimination against imports in suspension of tax on the refin-
   ing of crude petroleum produced in Cuba. (The tax was established
   by Cuban Decree Law no. 14 of February 6, 1942.)

6. Discrimination against imports in 20-percent reduction in the
   gross sales tax in the case of Cuban goods and in exemption from tax
   for Cuban commercial samples in certain provisions of Cuban Decree
   no. 643 of March 27, 1946.

WASHINGTON, June 12, 1946.

[The Department’s aide-mémoire of June 12, 1946, was acknowl-
edged by Ambassador Belt in an aide-mémoire of August 13, not
printed. The pending trade-agreement matters, he reported, were
“opportunistly brought to the attention of the Cuban Government, and
are being submitted to special study and consideration by technical
officials and experts of the Ministry of State and the Ministry of
Finance.” (611.3731/8-1346)

Ambassador Norweb reported in despatch 2131, September 5, that
he had transmitted a note to the Cuban Foreign Office requesting that
steps be taken to remedy the apparent discrimination in favor of
domestic products as regards the application of the consumption tax
of 2 centavos per gallon on gasoline and gasoline substitutes of United
States origin, which conflicts with provisions of article VIII of the
Reciprocal Trade Agreement. Only a tentative reply had been re-
ceived to the Embassy’s note of August 30 on this subject, and, fur-
ther, no indication had been given by the Ministry of State as to its
readiness to discuss settlement of trade agreement problems listed in
this aide-mémoire of June 12. (611.3731/9-546)]

53 According to despatch 1916, July 22, 1946, from Havana, this fourth violation
by Cuba of the Reciprocal Trade Agreement had since been eliminated (611.3731/7-2246).
WASHINGTON, August 1, 1946—6 p. m.

534. Copy article 1 draft treaty of Friendship, Commerce and Navigation which it is planned to propose to Cuban Government and negotiate in Habana was presented to Belt today. In discussing matter Braden referred to his conversation with Grau of December 1944 and latter's suggestion labor clause be taken up with Belt. While Belt remarked that article in general appeared satisfactory, he expressed view that provisions of constitution and existing labor laws might conflict with paragraph 3 of draft which reads as follows:

"No limitation shall be imposed on the basis of nationality by either High Contracting Party upon the employment within its jurisdiction of nationals of the other High Contracting Party, greater than that in effect on the date of signature of this Treaty. Moreover, the nationals, corporations and associations of either High Contracting Party doing business, owning property, or rendering service within the territories of the other High Contracting Party, shall be permitted to employ a reasonable number of employees of their own nationality necessary for efficient management, administration, technical and export servicing."

Belt said he would study draft and present his views to Department next week. Copy Article 1 being forwarded Embassy by airmail.

ACHESON

54 In a memorandum of July 1, 1946, Mr. Joseph T. Keating of the Division of Commercial Policy explained this rather unusual procedure as follows:

"For some time discussions have taken place between officials of our Embassy in Cuba and this Department on the effect a proposed treaty of Friendship, Commerce and Navigation would have on the labor laws of Cuba. These laws have grown extremely nationalistic in Cuba based in part, upon the Cuban constitutional provisions. The Cuban laws have almost reached the point of making it impossible for our business men and professional people to operate in Cuba. This is one of the most important problems which the proposed treaty will attempt to solve—by providing treaty guarantees for us that the situation will not worsen. Provisions in Article I of the proposed treaty will limit the discriminatory labor laws in Cuba as they would apply to our nationals. That is the reason why it has been suggested that we consult with Ambassador Belt on the proposed provisions of Article I before sending the entire treaty draft to be officially presented to the Cuban Government for negotiation." (711.372/7-148)

55 Ambassador Belt had not presented his views to the Department by the end of 1946. Ambassador Norweb was informed in instruction 1216, January 3, 1947, that in view of the increasing representations made by American citizens having substantial investments in Cuba, the Department had decided to urge upon the Cuban Government the negotiation of a broad, long-range treaty. A draft treaty of friendship, commerce and navigation with Cuba was enclosed for presentation officially to the Cuban Government as a basis of negotiation. (711.372/8-1946)
The American Embassy to the Cuban Ministry of State

No. 568

The Embassy of the United States of America presents its compliments to the Ministry of State of the Republic of Cuba and has the honor to refer to its note number 522 dated July 26, 1946, in which the Government of Cuba was informed that the Government of the United States on July 25, 1946 had given notice of its denunciation of the International Air Transport Agreement.

The Embassy also wishes to call to the attention of the Ministry of State its note number 395 dated June 3, 1946, with which was forwarded Docket Number 525 et al of the Civil Aeronautics Board, outlining their decision of May 17, 1946 (Latin American Decision), as a part of which National Airlines, Chicago and Southern Air Lines, and Braniff Airways were certified for operations to and through Cuba. It was stated in that note that the Government of the United States believed that the working out of a definite agreement for the operation of these additional air services should be the subject of inter-governmental discussions, which the United States was desirous of undertaking in the near future.

The Civil Aeronautics Board has now, however, decided to reopen this Latin American decision insofar as services between the United States and the Canal Zone are concerned, and this makes it desirable to defer the conclusion of a permanent agreement between the Governments of the United States and Cuba until after the case is finally decided.

The Embassy has been requested, therefore, to endeavor to conclude with the Cuban Government, through an exchange of notes if possible, an interim agreement to cover operations by the United States airlines certified under the Civil Aeronautics Board's decision of May 17, 1946, in order to obtain for duly authorized United States airlines rights of transit and non-traffic stop in the territory of Cuba, as well as the right to pick up and discharge international traffic in pas-

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56 Copy transmitted to the Department in despatch 2054, August 20: received August 21. This note was presented to the Cuban Government in response to the Department's instruction (airgram 1009, August 7, 811.79637/7-2246) that the Embassy endeavor to effect an interim arrangement, by an exchange of notes, pending the conclusion of a bilateral aviation agreement between the United States and Cuba, to cover operations by United States airlines certified under the Civil Aeronautics Board decision of May 17, 1946, referred to in the note here printed.

57 Not printed.

58 The international air transport agreement of December 7, 1944 (Department of State Executive Agreement Series No. 488), provided for the grant by each contracting state to other contracting states of the "five freedoms" of the air in respect of scheduled international air services.

59 Not printed.
sengers, cargo and mail at the indicated Cuban points on the following routes:

1. Miami to Camagüey and Santiago, thence to South America via intermediate points in the Caribbean, in both directions, and to render non-stop services between any of the points not consecutively named in the description of this route. (This route is at present operated by Pan American Airways).

2. Miami to Habana and thence to Mérida, Mexico and beyond; in both directions. (This route is at present operated by Pan American).

3. Miami to Cienfuegos and thence via intermediate points to the Panama Canal Zone and beyond; in both directions. (This route is at present operated by Pan American Airways).

4. The co-terminals Tampa and Miami to Habana; in both directions. (This route is to be operated by National Airlines).

5. The co-terminals Houston and New Orleans to Habana and thence (a) to Camagüey and via intermediate points to Puerto Rico, and (b) to Venezuela via intermediate points; in both directions. (This route is to be operated by Chicago and Southern Airlines).

6. Houston to Habana, thence to the Panama Canal Zone and beyond to points in South America; in both directions. (This route is to be operated by Braniff Airways).

As indicated, the Government of the United States is of the opinion that acceptance by the Cuban Government of the above proposals would constitute a satisfactory temporary agreement which would cover the operations in question pending the conclusion of a formal bilateral air transport agreement, and the Embassy therefore expresses the hope that such an acceptance may be received.\(^{50}\)

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of State the assurance of its highest consideration.

HABANA, August 14, 1946.

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560.AL/8–2146

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

SECRET

No. 2065

HABANA, August 21, 1946. [Received August 23.]

Sir: I have the honor to refer to the Department’s secret instruction no. 951 of August 15, 1946,\(^{61}\) regarding our Government’s inten-

\(^{50}\) In despatch 2205, September 24, 1946, Ambassador Norweb pointed out that the Cuban aviation authorities were not favorably disposed to enter into such an interim arrangement which would constitute a blanket permit for the lines recently certificated by the Board to operate to Cuba, because such a blanket permit could not be made binding upon the Cuban Government without Congressional authority. They therefore proposed that these newly certificated airlines continue the existing practice of obtaining individual Cuban Government permits pending the conclusion of a formal bilateral agreement. (811.70637/3–2446)

\(^{61}\) Not printed.
tion to terminate the Commercial Convention of 1902 as an initial step towards removing the obstacles which stand in the way of the eventual elimination of tariff preferences, in keeping with the recommendations made in our Proposals for Expansion of World Trade and Employment.

The Embassy notes that it is the Department’s understanding that Cuba has accepted, at least in principle, the idea of modifications in the United States-Cuban preferential trade arrangements and that it is desirous that notice of termination of the Convention be made in such a way as to prevent its being interpreted by the Cuban Government as an unfriendly act. The Embassy is therefore requested to suggest to the Cuban Government the possibility of handling this matter by an exchange of more or less identical notes, to be supplemented by press releases to be issued simultaneously in Washington and Habana. In view of the possible reaction of the Cuban Government to the proposed denunciation of the 1902 Convention, the Department suggests that the Embassy may consider it advisable not to broach the question separately but to include it in the commercial policy discussions which Mr. Harry R. Turkel, Assistant Chief, Commercial Policy Division, expects to hold with Cuban officials within the next few weeks.

In respect of the foregoing the Embassy respectfully submits the following comments: While the Cubans are thoroughly familiar with our Proposals, including the recommendation for the eventual elimination of all trade preferences, which has received wide publicity here, the Embassy is not at all sure that they have become reconciled to the latter possibility. The matter is still the subject of considerable press comment and only during the last few days both the Diario de la Marina and Siempre (which is considered the organ of the Auténtico Party) carried editorials opposing the elimination of Cuba’s preferential trading position with the United States. It is true that at the Round Table discussions of our Proposals conducted last Feb-

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62 For text of commercial convention between the United States and Cuba, signed at Havana, December 11, 1902, see Foreign Relations, 1903, p. 375, or Department of State Treaty Series No. 427, or 33 Stat. 2136.
63 Department of State publication No. 2411, November 1945; reference is to chapter III, section B of the Proposals.
64 The Department informed Ambassador Norweb in telegram 539, August 5, 1946, of the forthcoming visit of Mr. Turkel to Havana, in anticipation of the first meeting of the United Nations Preparatory Committee on Trade and Employment to be held in London beginning October 15, 1946, and stressed the importance of the proposed Cuban discussions to the success of the London meeting; a thorough exchange of views with the Cuban Government on subjects to be discussed in London was termed “essential.” (550. AL/8-546) The United States had invited 17 members of the United Nations, including Cuba, Chile, and Brazil, to enter into negotiations for the reduction of tariffs and other barriers to trade; and, on initiative of this Government, the United Nations set up the Preparatory Committee and agreed to call an International Conference on Trade and Employment.
uary by the Cuban Board of Economic Warfare a resolution was adopted with regard to tariff preferences which recommended their gradual reduction provided Cuba received adequate compensating concessions in return (see Embassy’s airmail despatch no. 1247 of March 11, 1946, file no. 631 65), but the Round Table’s resolutions do not represent the official views of the Cuban Government, which is in no way committed thereby. Moreover, although the Cuban Government accepted our invitation to attend the Preliminary Meeting, the Embassy does not recall that it accepted at any time, even in principle, the idea of modifications in the United States-Cuban preferential trading arrangement except in so far as its failure specifically to mention the question of preferences in its several notes relating to our Proposals may be construed as an implied acceptance.

In view of all the foregoing, the Embassy fears that our decision to terminate the Convention will come as a shock to the Cubans no matter how tactfully it is brought to their attention or how carefully our approach may be timed. It seems very unlikely, therefore, that the Cuban Government will be disposed to accept any suggestions we might make towards simultaneous action along the lines indicated in the Department’s instruction, unless we make it abundantly clear that if such simultaneous action is not taken the United States will have no recourse but to denounce the Convention unilaterally.

The Embassy has therefore arrived at the conclusion that rather than to inform the Cuban Government at this time to terminate the Convention it would, as the Department itself suggests, be preferable for Mr. Turkel to do so at an opportune moment in the course of his forthcoming visit. To bring it to the Cuban Government’s attention now might well endanger the success of Mr. Turkel’s mission and it would, in fact, seem advisable for him to defer mention of this particular subject until his discussions with the Cuban officials are well advanced.66

Respectfully yours,

For the Ambassador:

ALBERT F. NUER
Counselor of Embassy
for Economic Affairs

65 Not printed.

66 A report on the visit of Mr. Turkel and his discussions with Cuban officials, September 4–12, 1946, transmitted to the Department in despatch 2166, September 12, noted that the Technical Committee of the Cuban War Economy Board voiced strong objection to the denunciation of the 1902 Convention on economic and political grounds and argued that the Convention was not basically in conflict with the Suggested Charter for an International Trade Organization, which the United States had circulated to other members of the United Nations Committee.
The Ambassador in Cuba (Norweb) to the Secretary of State

[Extracts]

HABANA, September 12, 1946. [Received September 20.]

Sir: I have the honor to set forth below a summary of my impressions of the evolution of our relations with Cuba during my first year as Ambassador—a year which, as it happens, corresponds almost exactly with the first year of peace following World War II. This circumstance has had a marked bearing both on the nature of the problems arising between our two countries and on our respective attitudes towards such problems. By and large both sides have tended to become more demanding, to raise the ante, as it were, on the issues at stake. Also by and large, to pursue this analogy, the chips have been with the Cubans, but on the whole have not over played their hand too much.

American Claims and Property Rights

Perhaps the sorest point of our current relations, and certainly the one fraught with the most irritating repudiations of specific official promises, is the question of claims arising from inter-governmental commodity contracts (peanut seed), compensation for squatter-infested American property (Stowers case) and the wide range of substantiated private claims of American nationals dating back to the turn of the century. This whole mass of aggravation, with Lend-Lease thrown in, could be eliminated by a ten or twelve million dollar appropriation by a Government which is now receiving, over and above record normal revenues, some $20,000,000 from the proceeds of sugar crop sales in the open market and is contemplating seizure of many more millions which would accrue to the sugar industry from price increases resulting from rises in our cost-of-living or foodstuffs price indices. But instead of a comprehensive and equitable solution involving little strain on the Cuban fiscal position, we seem destined to an endless case by case bickering with corresponding decline in political and commercial confidence and adverse side effects. The American business community here is seriously concerned over both the claims and squatter issues, and if the coming session of a Congress now completely under Administration control does nothing towards a solution, there will be unpleasant repercussions. I feel that in the

*Property evaluated at $50,000 belonging to John L. Stowers, American citizen, had been occupied by squatters.
matter of justifiable private claims, such as those of the Isle of Pines Company, and elementary property rights, such as Stowers', we shall gain no compensatory goodwill by displaying magnanimity or tolerance in the face of delays and false promises by the Cuban authorities. If there is a place for hard bargaining based upon a really workable and specific quid pro quo, this is it, rather than the Lend-Lease issue.

Commercial Policy and Business Relations

However we may sugar-coat it, the pill of our prospective reduction or complete elimination of the bilateral tariff preferences is going to be a bitter one for Cuba to swallow. Of course, if our Congress next year should by any chance take action towards increasing the Cuban share in the United States sugar market, much of the adverse effect would be offset, but even so there would still remain many problems of adjustment. The successful outcome of the forthcoming Preliminary Trade Meeting is therefore of great importance to Cuba, but even more important from our viewpoint is the task of educating the Cubans away from their current narrow economic nationalism, which has resulted in ever-increasing violations of the letter and spirit of the present Trade Agreement. This process has now been ably begun by a special mission from the Department aided by the Embassy's economic staff, and it is to be hoped that by the time the multilateral conferences of major trading nations are held Cuba will understand that her own best long-range interests lie in full cooperation with our proposals for liberalizing the whole concept of world trade.

The American business community, too, is having to adjust itself in this postwar reconversion period to a new concept of Cuba as an independent economic partner rather than a protected dependency. As in the case of other long-entrenched special privileged groups, the transition will not be an easy one, and there have been many headaches during the past year over the increasing inroads and demands of the Cuban Government and of newly organized labor. Where grievances have been legitimate, as in the case of certain claims and property rights mentioned above, or where intervention or harassment has occurred in disregard of Cuban law or in violation of treaty rights, the Embassy has firmly, if not always successfully, supported the American complainant. But little can be done constructively until a broad Treaty of Commerce and Navigation, backed by goodwill and mutual understanding of the changing relationships, has been negotiated.

69 This company's claims against the Cuban Government for freight service between the Isle of Pines and Cuba totalled $178,904.90.
70 Marginal handwritten note by the Acting Chief of the Division of Caribbean and Central American Affairs (Barber): "Dept. is pressing for all issues but is at the moment emphasizing L-Lease. W.F.B."
Much has been done during the past year in tripartite spadework by the Department, the Embassy and the American Chamber of Commerce in preparing a draft of such an agreement for submission to the Cuban Government.

Cooperation in World Policy

When President Grau (at the recent elaborate testimonial dinner tendered me as a tribute to the freeing of the Philippines) said that Cuba was devoutly thankful that the United States, rather than any other power, possessed the effective secret of atomic warfare, he gave voice to what I believe is the sincere feeling of the great majority of Cuban, as well as other Latin American, people. Coming from the Cubans, who know us so intimately, the tribute is all the more real, and the implied rebuke to the minority of Cubans who implacably hate us—the Communists—is very clear. This spirit of basic confidence, despite all our minor differences, has characterized Cuba’s attitude during the past year in the whole broad range of our world and hemisphere policies.

We counted on, and received, Cuban support at Chapultepec and San Francisco; Cuba has followed the Anglo-American policy on Franco Spain, despite great internal pressures to the contrary; and in the various new international organizations, such as UNRRA, the International Bank and Fund, and United Nations subsidiary organizations, Cuba has allied herself to our principles, with only such reservations as befit a very self-conscious “little” power. On the tortuous Argentine question Cuba was shrewdly non-commital, preferring, like many others, to suspend judgment, although with respect of the Larreta proposal Cuban reception was distinctly reserved. Only in the matter of our World Trade Proposal and in regional radio matters has there been any serious doubt as to the extent to which we may be able to rely on Cuban support in major current issues.

Meanwhile, Cuba has of her own accord intensified good neighborly relations in this hemisphere—notably with Canada, Mexico and Venezuela—and has expanded her foreign representation in general. This increasing maturity and interest in the international field helps to counteract the previously noted tendencies towards accelerating nationalism, and the Embassy has made every effort to foster such development despite a notable shortage of adequate personnel either in the Cuban Foreign Office or its representatives abroad. On the whole,

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30 For documentation on the Uruguayan proposal with respect to intervention in the affairs of states through multilateral action, see Foreign Relations, 1945, vol. ix, pp. 185 ff.
we may be quite well satisfied with Cuba's progress as a partner in world affairs during the past year.

Conclusion

As I look back over developments of the past year, I have the feeling that relations between Cuba and the United States may only have been settling gradually to a basis different from that which existed prior to the abrogation of the Platt Amendment. As Cubans, generally, have become convinced that there is only a very remote possibility of the United States reverting to a frankly interventionist policy, they have had a natural tendency to flaunt their "independence" in small ways—much as a puppy might yelp bravely at a mastiff behind a fence. The "fence" is our own determination that we will not again be lured into "landing the Marines".

The exhilaration of the "independent" attitude of Cubans now appears to be subsiding and I believe we may expect that the relationship between our two countries will level off on a new plateau—with gradually increasing mutual respect which should mark the relations between neighbors who are "good" in the best sense of the word. This process will inevitably be slow but it can be hastened if we continue in our inclination not to provide gratuitous assistance—except, of course, succor for humanitarian needs—and instead to wait those manifestations of reciprocal cooperation, such as debt payments and other expressions of decent goodwill, which might normally be expected of any neighbor who wishes practical cooperation. The very recent indication that the Cuban Government may finally pay its Lend-Lease account, when faced with our reluctance to sell further war matériel until this payment is made, should encourage us to maintain this attitude in other matters. If we are firm but reasonable, I believe we may eventually expect results. And if we are reasonable, it seems very unlikely that Cuba will be tempted to look farther afield—to some other great Power—for the largesse that we may withhold.

Respectfully yours,

R. Henry Norweb

887.796/10-2346

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

CONFIDENTIAL

No. 2327

HABANA, October 23, 1946.
[Received October 29.]

Sir: I have the honor to forward herewith copy of a memorandum prepared by Commercial Attaché Howard, in which is outlined the present policy and attitude of the Cuban Government authorities con-
cerned with civil aviation matters. The development of this policy has almost in its entirety taken place over the past year and a half and is motivated primarily by a desire to secure to Cuban companies reciprocal privileges from the countries of which foreign airlines operating into Cuba are nationals.

The data in the enclosed memorandum should be very useful to the Department in the event of bilateral aviation discussions with Cuba. Moreover, I believe that this resumé will be of great value to American companies who are considering operations to Cuba, but owing to its nature should be made available with discretion.

Respectfully yours,

[Enclosure]

R. Henry Norweb

Memorandum by the Commercial Attaché in Cuba (Howard)

Habana, October 21, 1946.

Having no Cuban airlines in a position to handle but a small part of the international air traffic between Cuba and abroad, the Cuban Government is in a rather awkward position as regards civil aviation, and the gradual evolving of a policy has been a struggle between the desire to have excellent connections by air with foreign countries and at the same time preserve a trading position for Cuban operators.

Up until late 1945 Cuba was prepared to grant licenses to practically any company desiring to come in from any country, either as a scheduled or a chartered service, under fairly simple procedures and without demanding reciprocal treatment for its national companies. However, gaining impetus largely from pressure brought upon it by Pan American in connection with its desire to operate Habana–Mexico through its subsidiary Compañía Cubana de Aviación, as well as by Cubana and Expreso for accelerated CAB action on their applications to operate scheduled passenger and mail services between Habana and Miami, the Ministry of Communications, through the National Transportation Commission, began adopting a series of regulations aiming to establish for Cuban companies the right to demand reciprocal treatment, and to protect these companies in so far as possible on the routes which they were already operating or might later establish.

The first ruling was in respect to granting to foreign airlines permits for scheduled services, all of which from the end of April 1946 carried the proviso that applications by Cuban companies must be honored in reciprocity.

The second of the Government’s pronouncements was that no permits would be given for charter operations except for a limited number of flights over a restricted period of time. This was modified,
in fact, by their action in granting, in cases of emergency, two fairly long-term permits, the first of which was to aid the moving of the heavy tourist traffic between Habana and Miami during the winter of 1945–1946, and the second the licensing of 421 flights to a United States charter operator to assist in moving the Cuban avocado crop in the summer of 1946.

The third was a regulation originating with the Minister of Communications that no further licenses to carry passengers, mail or freight between Habana and Miami would be granted to any foreign company, in the belief that existing services were entirely adequate to handle the ordinary traffic.

The fourth and latest evidence of the Government’s rapidly developing nationalistic attitude came in October 1946 when instructions were given the Transportation Commission by the Minister of Communications that certain regulations with some real teeth be issued. These were to provide that no foreign operators could be given permits to operate as scheduled services into Cuba, unless they were duly certificated by their own national authorities to operate the route; that experimental flights should be limited to four per company; that the Commission has the right to fix specific conditions regarding capacity, frequencies, etc.; that the Commission shall determine whether or not the flights applied for are of public utility and convenience for Cuba, taking interests of Cuban air transportation companies into consideration, and that foreign companies already operating into Cuba under Cuban authorization must present documentary route authorizations from their own governments within 180 days of the promulgation of the regulations or have their permits suspended. These instructions were given in the form of a letter to the President of the National Transportation Commission, and a copy thereof, which was given confidentially by the Minister to the Commercial Attaché, is attached.\(^2\)

Regulations were likewise drawn up, but not as yet issued, by the Transportation Commission making procedure more complicated for individual charter cargo flights to obtain Cuban Government permits.

Unfortunately for the accomplishment of the intention of these existing and proposed rulings, Cuba has no company at present fully in a position to take advantage of the reciprocity demands; the only company identifiable as a truly Cuban company, namely Aerovías Q. is operating on a shoestring and, although it is under Government protection to an extent where it may be regarded as a subsidized line, is not expected to succeed; Expreso Aéreo, which was nearly identi-

\(^2\) Not printed.
fiable as a Cuban company, seems on the verge of bankruptcy; and Compañía Cubana, the majority of whose stock is owned outright by Pan American Airways, lacks equipment with which to undertake even its Mexican run, which has already been authorized by the Cuban government. Furthermore, in so far as demands for reciprocity are concerned, the Transportation Commission now regards both Cubana and Expreso as United States controlled entities.

This situation has led to some corner-cutting. For example, in order to act on the Miami–Habana application of National (which was recently CAB certificated for operations between Tampa and Habana and also between Miami and Habana), the Transportation Commission squared its action with its Miami–Habana ruling by giving the Cuban companies an opportunity to object to the granting of the license, and the American company an opportunity to rebut, with the final result that the operation was licensed.

In the case of Chicago and Southern, this same practice was resorted to, even though no operation from Miami was contemplated, on the basis that the Cuban companies should have an opportunity to present their objections to the licensing of any new operation coming into Cuba which they felt would detract from the availability of passenger traffic from Miami. The attorneys for Chicago and Southern secured statements from Pan American, Compañía Cubana, and Expreso to the effect that they had no objection to this service, and presented these statements with their applications. However, last moment pressure now being brought by President Grau may make the issuance of this permit a matter involving reciprocal treatment to Aerovias Q.

This protective attitude of the Transportation Commission shows an intensive tightening up in its licensing program, for only three months ago Trans-Caribbean Air Cargo Lines and Air Cargo Transport Corporation were licensed to conduct scheduled operations between New York and Habana, despite the fact that they had not been certificated by CAB and were charter operators from the United States whose services paralleled the CAB certificated route of National Airlines.

If further illustration is needed, reference is made to the provisions of paragraph VII of the Minister of Communications’ letter of instruction, dated October 9, to the Transportation Commission (see copy attached 73) which will, if enforced, oblige these two lines to produce CAB certificates for their operations or have their Cuban licenses revoked.

A considerable amount of pressure for the adoption of even stricter reciprocal regulations is being brought to bear on the Government,

73 Not printed.
both by the Cuban operating companies and by persons in the Civil Aviation Committee, which acts as advisor to the National Transportation Commission. Formerly the Transportation Commission did not refer matters concerning issuance of licenses to the Civil Aviation Committee, which is not only composed in part of persons at present in the employ of various airlines, but is under the direction of Captain Torres Menier, long-time employee of Expreso (in whose interests he is said to be working) and who is allegedly extremely politically minded.

In particular this is being brought strongly by Aerovias Q through President Grau, under whose protection it is operating, and Torres Menier has likewise expressed himself as strongly in its favor. Their ideas go to the extent of establishing a definite percentage of passengers which can be carried by Cuban airlines and by foreign airlines between Cuba and the country involved. Today it does not seem to present an immediate threat for the reason that Cuba has not at present the airlines to render an important contribution to such services, but should a regulation of this kind be promulgated it would enable Aerovias Q, Expreso, as well as newer companies which have been formed and licensed for operation by the Cuban Government but which have as yet no equipment, to raise funds for a "sure thing" operation, which they cannot now raise on the basis of free competition with United States and other airlines.

Briefly to summarize the present position, the Cuban Government, which formally adopted a laissez faire attitude regarding civil aviation, has begun to show during the past eighteen months a rapidly intensifying nationalistic attitude towards its future. This has been evidenced by an increasingly protective set of regulations in the interest of the development of Cuban civil aviation. They are badly handicapped in these efforts owing to the lack of a well developed Cuban industry, but it is believed that the favorable conditions which the Government is endeavoring to create through its regulatory devices will give to Cuban services an opportunity to expand.

Meanwhile although certain instances, such as the President's insistence noted in the case of Aerovias Q, may arise, it is believed that the direction of matters concerning civil aviation is in the hands of fair minded and competent people who desire to see Cuba well served by competent airlines and who will not take undue advantage of the regulatory provisions.

George C. Howard
The Secretary of State to the Ambassador in Cuba (Norweb)

WASHINGTON, November 15, 1946.
No. 1146

The Secretary of State refers to the Embassy's airgram No. A-1746 of October 7 and to the Embassy's despatch No. 1771 of June 20, 1946 regarding the difficulties which have arisen in connection with the operation of the Seatrain Lines.¹⁴

The action taken by the Cuban Government in issuing Customs Order No. 1094 of June 8, 1946 constituted a definite threat to the continuance of service by the Seatrain Lines.¹⁵ The Department has reason to believe that any new and similar regulations will constitute a similar threat to the continued operation of not only the Seatrain Lines but also other similar services which may now exist or be contemplated. In this connection, the Department fully shares the views which the Cuban Government expressed when military needs made it appear that the Seatrain New Orleans would have to be removed from service ⁷⁸ and later when the same ship was not operating because of labor difficulties in the United States.⁷⁷

It appears to the Department that the method followed by the Cuban Government, that is, the issuance of customs regulations to adjust difficulties not directly concerned with matters ordinarily dealt with in customs regulations, is most undesirable from the standpoint of the objective of relaxing barriers to world trade. The Department has not been informed that the customs order mentioned was necessary for purely customs purposes.

The Department also takes the view that any regulation which would unnecessarily hinder the efficient operation of the Seatrain Lines or similar enterprises would constitute a barrier to the full development

¹⁴ Neither printed. The Seatrain Lines, carrying freight cars in an ocean service, was one of the car ferry services operating between the United States and Cuba since 1914.
¹⁵ This order, which required through freight upon arrival at Havana to be unloaded, warehoused, and reshipped, was suspended for 6 months but was to become effective again on January 2, 1947.
¹⁷ Note of March 10, 1945, from the Cuban Under Secretary of State to Ambassador Braden, transmitted to the Department in despatch 1771, June 20, 1946, termed the retention of the Seatrain services "of outstanding importance for the normal conduct of Cuban economy" and "one more friendly gesture on the part of Your Excellency's Government." (800.8836/6-2046)
⁷⁷ In a note of April 26, 1946, Ambassador Belt requested the Department's assistance in effectuating resumption of the Seatrain services between the ports of New Orleans and Havana. Pointing out that this interruption was unfavorably affecting the economy of Cuba, he further stated that the unavailability of the Seatrain's service had aggravated the difficult situation already existing in the supply and distribution of such important commodities as lard and tallow which for reasons well known were generally imported into Cuba in tank cars. (800.8836/4-2946)
of trade between the two countries. The existence of such transportation services has proved to be of mutual benefit to both countries. It has been stated that the withdrawal of such services might make the exchange of certain products virtually impossible.

It is the view of the Department that every effort should be made to convince the Cuban Government of the harmful effects on both Cuban and American interests, which would follow if substantial alteration is required in the nature of the service which has in the past been offered by the Seatrain Lines and other similar operations. To assist the Embassy in the matter, Mr. L. James Falck, Assistant Chief and Mr. Charles P. Nolan, Assistant Adviser of the Shipping Division are proceeding to Habana within the next few days. The Department is informed also that Mr. Graham M. Brush, President, and Mr. Joseph Hodgson, Vice-President, Seatrain Lines, Incorporated will arrive at Habana on Wednesday, November 20 to discuss this matter.

711.3727/11-2246: Telegram

_The Acting Secretary of State to the Ambassador in Cuba (Norweb)_

CONFIDENTIAL

WASHINGTON, November 22, 1946—7 p.m.

730. CAB and Dept now consider it desirable to explore question holding discussions on bilateral air agreement in near future. Earliest possible date around first of year due to Canadian talks here. Embs

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18 A memorandum of December 10, 1946, by Messrs. Falck and Nolan, addressed to the Chief of the Shipping Division (Saugstad), stressed the fact that withdrawal of the Seatrain Line would not only be harmful to American interests but would result in damage to Cuban commerce and industry, and that the American Embassy and the Department had done everything possible to assist Seatrain. The Embassy had presented the case to the Cuban Government as well and forcefully as it could under the circumstances, but inasmuch as this Government had no treaty basis for protests and could not threaten retaliatory action, hence its only hope of success lay in persuading the Cuban Government that it was acting not only against American interests and trade but also against its own best interests. From observation and conversations, however, they concluded that apparently dock labor was able to get anything it wanted with the complete support of the Government, while the terminal operators and the shipping companies received little or no consideration. (800.8836/12-1046)

19 In a letter of December 21, 1946, to the United States Maritime Commission, Mr. Brush reported that Seatrain service between the United States and Cuba had been suspended for the third time within 9 months due to Cuban regulations, and enclosed an announcement of the final suspension of service stating that these regulations appeared to be in conflict with various Cuban laws and were highly discriminatory and prejudicial against American ships and commerce. (800.8836/12-2346)

Ambassador Norweb reported in airgram 2148, December 30, concerning a Habana press account for December 28 that the Cuban Cabinet had approved on December 27 draft decrees relative to labor conditions and to cargo-handling provisions affecting the operations of Seatrain and car ferry and that Seatrain would probably be dissatisfied with the new legislation to the point of maintaining its decision to suspend the service (800.8836/12-3046).
opinion on timing desired in view of Desp 2205 of September 24.\textsuperscript{80} Howard’s travel to Washington for consultation being requested prior to his return Habana.\textsuperscript{81} Emb will be advised.\textsuperscript{82} \\

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560.AL/12-1346

\textit{Memorandum by the Second Secretary of Embassy in Cuba (Norden)}\textsuperscript{83}

\textbf{RESTRICTED} \hspace{1cm} \textbf{HABANA, December 12, 1946.}

I lunched today with José Antonio Guerra, one of the Cuban delegates just returned from the London Preliminary Trade Conference. He monologued on the subject of the Conference for over two hours, discussing the positions of the various delegations in considerable detail. The main point of his story, however, was that he and the other Cuban delegates felt very satisfied with the outcome of the Conference; in the first place, because maintenance of Cuba’s preferred position with respect to the United States had been virtually assured, and because the charter will provide Cuba with additional means of safeguarding her trade position and can serve as an instrument for presenting the Cuban case. He said that Cuba had achieved virtually everything she wanted with the exception of a clause guarantying fair prices to commodity producers and of an escape clause which she considered necessary for domestic political reasons. With regard to the last point, the Cuban delegation’s impression is that some arrangement can still be arrived at.

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Asked whether Cuba had represented Latin American interests other than her own, he said that the delegation had merely rendered lip-service to this principle and he thought that some of the most serious difficulties at the Geneva conference might come from other Latin American countries, envious of Cuba’s special position vis-à-vis the United States.

Guerra mentioned that the Cuban delegation felt especially proud and reassured in having been able to play a substantial part at a conference where larger countries were primarily represented. He felt

\textsuperscript{80} See footnote 60, p. 743.
\textsuperscript{81} The Commercial Attaché (Howard) was on vacation in Florida.
\textsuperscript{82} The Embassy was instructed in airgram 1440, December 6, 1946, to ask the Cuban Government officially whether it was agreeable to the opening of negotiations shortly after the first of the year (711.3727/11-2746).
\textsuperscript{83} Addressed to Ambassador Norweb and the Counselor of Embassy for Economic Affairs (Nufer). Copy transmitted to the Department in despatch 2564, December 13, from Havana; received December 17.
the Cubans had repeatedly assisted in finding compromise formulas and had been of help to the United States' position.\footnote{A press statement by the Cuban Minister of State (Alvarez), transmitted in despatch 2595, December 23, was issued in response to protests in the local press to a State Department press announcement of December 19 that “This Government's negotiations next spring with 18 other countries for reciprocal reductions of tariff and other trade barriers will include negotiations directed toward elimination of tariff preferences now in effect between the United States and Cuba ...”. The Cuban Minister stated that no representations along those lines were expected, since the commercial relations between Cuba and the United States would henceforth be determined by the agreements reached in the London meeting, and the future of Cuba's trade preferences had become brighter as result of the resolutions adopted in London. He noted that the United States could, of course, denounce the Reciprocal Trade Agreement should Cuba refuse to agree to any modifications of its preferential trading position, but he did not believe that the United States had any such intention, or that there were any grounds for eliminating Cuba's tariff preferences unless Cuba were offered satisfactory compensatory concessions. (560.AL/12-2346)}

\textbf{CARL F. NORDEN}

611.3731/12-1846

\textit{The Ambassador in Cuba (Norweb) to the Secretary of State}

\textbf{RESTRICTED} \hspace{1cm} \textbf{HABANA, December 18, 1946.} \hspace{1cm} \textbf{[Received December 20.]}

\textbf{Sr:} I have the honor to refer to previous correspondence, and particularly to the Department's instruction no. 1164 of November 23, 1946 (file no. 611.3731/9-546),\footnote{Not printed.} on the subject of Cuban violations of the Reciprocal Trade Agreement between the United States and Cuba. The Embassy was gratified to learn that the Department was able to take up these matters in detail with the Cuban Minister of State and Dr. López-Fresquet prior to their departure for the London Preparatory Meeting, and appreciated receiving its summary of the discussions held.

With regard to the various points raised by the Department and/or Dr. López-Fresquet, the Embassy's comments are given below, in accordance with the Department's request:

1. \textit{Import package tax.}

In stating that only the Cuban Congress could repeal this tax, but that it would be “suspended”, Dr. López-Fresquet doubtless meant that while the tax was established by an Act of Congress and therefore could not be repealed by decree, it could be suspended by the President under the emergency powers granted him by Decree-Law no. 5 of January 20, 1942.

Article XIV of that decree-law authorizes the President, in his discretion, to suspend partially or totally “any tax which may affect
the development of national defense or supply”, provided the proceeds therefrom are not pledged to the public debt service (see despatch no. 3315 of January 22, 1942, entitled “Cuban decree-law authorizes President to control production, distribution & other phases of Cuban economy” ss). These powers were invoked in Decree 2144 of August 7, 1945, granting certain tax exemptions to new industries (see despatch no. 116 of August 18, 1945, entitled “Cuban Government Enacts Additional Measure Designed to Encourage Cuba’s Industrial Development” ss), and in several other tax exemption decrees on which the Embassy has reported to the Department.

With regard to López-Fresquet’s statement that a decree suspending the package tax “might even have been issued while he was in Washington”, it is probably hardly necessary to mention that no such decree has been promulgated and that there is no indication that such a measure is contemplated.

2. Discrimination against imports in tax exemptions for new industries.

It is noted that Dr. López-Fresquet is of the opinion that paragraphs I) and J), Article Second of Decree 2144 of August 7, 1945 (despatch no. 116 of August 18, 1945, mentioned above), refer only to production taxes, which are levied on domestic raw materials and not on imports, and that there is therefore no discrimination against United States raw materials.

It is the Embassy’s opinion, and this has been confirmed by reliable local tax lawyers, that the exemption from specific taxes established by paragraph I) is not limited to production taxes, but covers all taxes specifically applicable to raw materials, such as the consumption taxes assessed on salt and gasoline, etc., to which both domestic and imported raw materials are subject. A definite conflict therefore does appear to exist between this particular provision of Decree 2144 and the letter of Article VIII of the Reciprocal Trade Agreement, and the protest which the Embassy made in the premises, pursuant to the Department’s instruction no. 169 of October 23, 1945, ss was consequently in order.

As regards paragraph J), this refers specifically to the tax on profits, and has no connection with any production tax. It is, as the Department agreed in its above mentioned instruction 169, contrary to the spirit of Article VIII of the Trade Agreement in that it exempts local industries from payment of the profits tax in direct proportion to the value of the Cuban raw materials consumed.

ss Not printed.
3. Discrimination against imports in suspension of tax on refining of crude petroleum.

Contrary to what Dr. López-Fresquet told the Department, the ¼ centavo per gallon refining tax on crude petroleum, although applicable to both domestic and imported crude oil, is actually collected only on the imported product. Several weeks ago, possibly as a result of the Embassy's representations, the Ministry of Finance announced its intention of collecting the tax also on the crude oil produced and refined in the Jarahueca area of Cuba. When this became known, the Jarahueca producers registered a strong protest and the Jarahueca laborers threatened to go on strike. These protests and threats have apparently been successful, as the Embassy has learned from a reliable source that a decree has been drafted and is awaiting the President's signature which, if enacted, would specifically exempt Jarahueca crude oil from the refining tax for a five-year period. As the decree would not, however, according to the same source, make this exemption extensive to imported crude oil, it would officially confirm the existing violation of the Trade Agreement against which the Embassy has protested.

4. Discrimination against imports in the Cuban consumption tax on gasoline.

It is noted that the Cuban delegates agreed to recommend to the Cuban Government that the exemption from this tax on Cuban gasoline and substitutes be eliminated. As Dr. Alberto Inocente Alvarez, the Cuban Minister of State, has just returned from the inauguration of the new President of Mexico, this matter will be taken up with him as soon as a suitable opportunity presents itself.

5. Discrimination against imports in the Cuban gross sales tax.

a. Cuban merchandise granted 20% reduction in tax.

The argument submitted by Dr. López-Fresquet that the 20 percent reduction in the gross sales tax granted Cuban manufacturers under Decree 643 of March 27, 1946, is to cover their advertising expenses and is therefore not discriminatory, appears to be irrelevant. Cuban manufacturers pay the tax on their wholesale selling price; articles imported from the United States pay the tax on their cost delivered in Cuba, which includes not only the wholesale selling price of the articles in the United States, but also consular invoice fees, ocean freight, maritime insurance, import duties and the many other taxes collected in the Cuban customs. In addition, the importer of such articles, if he is to be able to compete in the Cuban market, must presumably also advertise.
Aside from all these factors, however, which seemingly make the discrimination even more onerous, the basic fact remains that local manufacturers pay a tax of only 7.2 percent, while the imported article pays a tax of 9 percent. If this situation is not remedied, the Cuban Government might conceivably reduce still further the tax on domestic products, or even eliminate it entirely, increasing it proportionately on the imported article. It will be recalled in this connection that serious consideration was given at one time to the suggestion that the tax be applied only to imported articles and not to articles manufactured in Cuba.

b. Exemption from tax of Cuban commercial sample.

Since it is noted that the Cuban delegations propose to request the Cuban Government to take action looking toward the elimination of this discrimination, the matter will be followed up with the Cuban Minister of State at an early opportunity.

c. Discrimination against imported salt.

Same remarks as for item b.

d. Discrimination against imported periodicals.

See the Embassy’s despatch no. 2546 of December 9, 1946 (file no. 851.2 x 631), transmitting a copy of its note no. 827 of December 5, 1946, following up its previous representations with regard to this matter.

6. Increases in export tax on money.

There is no basis for Dr. López-Fresquet’s argument that the several increases which have been made in the export tax on money or its equivalent were designed to prevent the exportation of funds from Cuba to Spain. The tax was originally created as a $\frac{1}{4}$ of 1 percent tax by the so-called “Public Works Law” of July 15, 1925. It was increased from $\frac{1}{4}$ of 1 percent to 1 percent by Decree-Law no. 1 of December 31, 1941, and from 1 percent to 2 percent by Law no. 7 of April 5, 1943. At the time these increases were made, the exportation to Spain of means of payment of all kinds had already been prohibited by Decree 3366 of December 15, 1941. Neither does there appear to be any reason why the President, under the previously mentioned emergency powers conferred upon him by Decree-Law no. 5, could not, as suggested in the case of the import package tax, suspend the assessment of the export tax on money or its equivalent on all but the original $\frac{1}{4}$ of 1 percent, which is pledged to the service of Cuba’s public debt.

As the Department is, of course, aware, the most objectionable feature of the export tax on money or its equivalent is that, in so far as imports are concerned, it amounts, in effect, to an additional ad

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87 Neither printed.
valorem import duty of 2 percent, thereby circumventing and impairing the pertinent provision of Article VIII of the Trade Agreement.

With regard to the Department's request for information on the tax referred to on page 34 of the enclosure to the Embassy's despatch no. 5735 of January 19, 1944, entitled "Transmitting Monograph on Cuba," this is the same 2 percent export tax on money or its equivalent, as will be seen from the pertinent sections of Chapter XII of Law no. 7 of April 5, 1943, quoted below in translation:

"Article 66. An increase of one per centum (1%) is made in the tax on direct or indirect extraction of money or its equivalent, established by Article XVII of the Law of July 15, 1925, amended by Article I of Chapter IV of Resolution-Law no. 1, of December 31, 1941.

"Article 67. There are excepted from the increase of one per centum (1%) referred to in the preceding article, operations relative to exportations of merchandise, products, produce and securities, which will continue to be governed by the provisions of Article XVII of the Law of July 15, 1925, as amended by Resolution-Law no. 1, of December 31, 1941.

"Article 68. Notwithstanding the exception referred to in the preceding article, when the amounts obtained abroad as the result of the exportations to which it refers are spent, utilized or consumed abroad, they shall be taxed by the increase of one per centum (1%) to which Article 66 of this Law refers. It will be assumed that the total or partial proceeds of an exportation are spent, utilized or consumed abroad when the interested party cannot show their entry or reentry into Cuba in the time and manner that the regulations of the tax specify."

It will be noted from the above that while exporters are required to deposit, for the purposes of the tax, only 1 percent of the value of their shipments abroad, in actual practice they pay either 2 percent or nothing: If the returns from the exports under reference are received by the shippers within the prescribed time limit, their deposit is refunded; if not, they are required to pay the tax at the full rate of 2 percent. Moreover, the proceeds from exports, if kept abroad beyond the aforesaid time limit, and funds remitted abroad for investment or deposit, are liable, in addition to the 2 percent export tax, to the 0.15 percent monthly tax on Cuban capital held abroad (established by Chapter II of Law no. 7), which is assessed until the funds in question are repatriated.

With regard to the Department's interest in obtaining a rough estimate of the total value of the remittances to the United States which, in 1945 or any recent year, were subject to the 2 percent export tax, and its reference to an estimate made in 1943 by Mr. F. Adair

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*Not printed.*
Monroe, former President of the American Chamber of Commerce of Cuba, which placed such remittances in 1942 at approximately $150,000,000, the following information is submitted:

Inquiry reveals that Mr. Monroe's figure was arrived at by adding to the total value of general merchandise imports into Cuba from the United States during 1942, namely, $123,000,000, an estimated $27,000,000 representing interest payments, profits, insurance, ocean freight and other invisible items. The Embassy believes that his estimate is near enough for all practical purposes, especially as official data on invisible items entering into Cuba's balance of payments with the United States are not available. On the same basis, therefore, remittances to the United States subject to the tax during 1945 are estimated at not less than $213,000,000, consisting of $187,962,683 representing imports of general merchandise into Cuba from the United States and $25,000,000 representing invisible items. This latter figure would, of course, be subject to considerable revision, either upward or downward, if detailed information on remittances of this kind were available. It is believed by banking contacts, however, to be fairly representative.

Respectfully yours,

For the Ambassador:
ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

POLICIES OF THE UNITED STATES CONCERNING CUBAN FINANCIAL AID AND SETTLEMENT OF FINANCIAL OBLIGATIONS

$37.51/1-446: Telegram

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

WASHINGTON, January 4, 1946—8 p. m.

9. From Treasury. Please inform the Cuban Minister of the Treasury 99 that instructions were given on December 19, 1945 to the Federal Reserve Bank of New York, as fiscal agent of the United States, to earmark, pursuant to the agreement dated July 6, 1942, 91 for the account of the Government of the Republic of Cuba an additional $5,000,000 in gold. Federal Reserve Bank of New York will advise the

99 For previous documentation on representations by the United States regarding Cuban delays in settlement of claims of American nationals and lend-lease obligations, see Foreign Relations, 1945, vol. ix, p. 956 ff.
91 Manuel Fernández Supervielle.
91 For a press release on the gold purchase agreement with Cuba, designed to stabilize the Cuban peso—United States dollar rate of exchange, see telegram 418, July 3, 1942, midnight, to Havana, Foreign Relations, 1942, vol. vi, p. 295. Pursuant to this agreement, five additional allotments of $5,000,000 each were earmarked for the account of the Cuban Government during 1946.
Cuban Minister of the Treasury of the earmarking of this gold and the total cost thereof to the Cuban Government. Upon receipt of such advice the Minister of the Treasury is authorized and requested to deposit to the credit of the Treasurer of the United States in a custody account at the Havana Branch of the National City Bank of New York in United States currency the amount of the cost of such gold. [Treasury.]

BYRNES

837.51/2-1946

The Acting Chairman of the Export-Import Bank of Washington (Gaston) to the Ambassador in Cuba (Norweb) 92

CONFIDENTIAL

WASHINGTON, February 15, 1946.

DEAR MR. AMBASSADOR: As you no doubt are already aware, the procedure under which this Bank has administered the $25,000,000 credit extended to the Comisión de Fomento Nacional in April, 1942, 93 has consisted of approving definitive projects of the Comisión’s various programs and of allocating thereto the funds estimated as necessary for the completion of those projects. In following this procedure the Bank has been fully aware of the ever-present possibility that from time to time additional allocations for previously approved projects might be necessary because of the inadequacy of original estimates, changes in wage schedules and prices of materials and for other causes. For this reason, the Bank has consistently followed a policy of reserving a portion of the credit to meet such contingencies as might arise. The wisdom of this policy has been fully justified by actual experience during the past three years, as it has been found necessary in almost all instances to supplement the original allocations in order to provide for the completion of the works involved.

Shortly after the present Cuban Administration took office, we were requested by the Comisión to allocate funds for the construction of the first sections of three country roads forming part of a country road program which was deemed by President Grau San Martín to be of paramount importance. With some reluctance, we acceded to this request and early in 1945 allocations aggregating $469,794.83 were approved for this purpose. Subsequently, the Comisión requested further allocations with which to carry out the second sections of these

92 Copy of letter transmitted to Habana in instruction 528, February 19; this instruction (not printed) requested the Embassy’s comments and recommendations concerning the question of approval by the Export-Import Bank of the allocation of additional funds for Cuban road construction.

93 With regard to the signing of the agreement for the $25 million credit by the Export-Import Bank, see telegram 178, April 8, 1942, to Habana, Foreign Relations, 1942, vol. vi, p. 294.
same highways which were then estimated to cost $666,325.74. In addition the Bank also gave its approval to the utilization of the credit for the purchase of equipment and materials for country road construction in an amount of $685,876.35.

We have recently been advised by the Comisión that the original allocations of funds for the construction of the first sections of the three country roads have been entirely exhausted, and we have been requested to approve an additional allocation of $790,139.46 to permit the completion of this work. Presumably, a similar situation exists with respect to the second sections of these same highways but we have not yet been informed by the Comisión as to what additional funds are estimated as necessary for the completion of these second sections.

The Bank is not unaware of the political importance of the country road program from the standpoint of the present administration in Cuba. On the other hand, it appears from the facts available to us that the money which is being expended on this work is not being spent wisely. Obviously, we are loath to be involved in the financing of uneconomic projects or of construction which is not being carried on in an efficient and economic manner. Were it not for the political considerations involved, our immediate reaction to the pending petition of the Comisión would be to deny its request. We feel, however, that such action on our part would be unwise until your Embassy has had the opportunity to explore fully this situation and to give us the benefit of its comments and advice. We hope, therefore, that you will discuss this matter with President Grau San Martín, the Comisión and its consulting engineers, the Frederick Snare Corporation and advise us as to your conclusions. Inasmuch as we understand that work is still proceeding on the country road construction, there is some urgency in reaching a decision as promptly as possible.

For your information, we are enclosing a copy of a staff memorandum of February 4** which sets out in more detail the country road situation as we understand it. It should also be pointed out that the present unallocated balance of the credit, according to the best information available to us at present, is about $1,200,000. The exact amount is somewhat indefinite inasmuch as we have not yet received the Comisión’s final estimates of the probable cost of completion of the various tributary road construction projects which it now has under way. There is also some possibility that a portion of the presently unallocated funds may be needed to defray overruns in the presently estimated costs of the construction of the Central Highway and of the sanitation programs in Santiago and Guantánamo.

If we can be of any assistance to you in furnishing further details concerning the status of the credit please do not hesitate to call on us.

**Not printed.
In the meantime, we trust that we will have your early advice with respect to the procedure which we should follow in connection with the country road program.  

Very truly yours,  

HERBERT E. GASTON

837.24/3-846

The Secretary of State to the Cuban Ambassador (Belt)

CONFIDENTIAL  

WASHINGTON, March 8, 1946.

EXCELLENCY: I have the honor to transmit herewith two copies each of Statement LL-7 and supporting schedules reporting charges made against Government of Cuba during the period from September 1, 1945 through November 30, 1945, covering defense matériel transferred in accordance with the terms of the Lend-Lease Agreement signed on November 7, 1941 by representatives of the Governments of the Republic of Cuba and the United States of America.

It will be noted that the amount of charges during the period under reference is $108,188.33, and that charges through November 30, 1945 aggregate the grand total of $4,114,804.07. Of this grand total the sum of $2,400,000 represents the approximate appropriate percentage due on account from Your Excellency’s Government under the terms specified in the Agreement.

In its note dated January 7, 1946 this Department requested the payment on account of $2,330,000, the cumulative amount which was due and payable as of that date and payment of which is now in arrears. Similar requests for payment were submitted in notes dated June 26, 1944; January 17, 1945, March 17, 1945, May 25, 1945, and August 29, 1945. No payments have been received.

I bring this matter most earnestly to the attention of Your Excellency’s Government in the hope that there may be received from the

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85 In response to the Department’s instruction 528 of February 19, 1946, the Ambassador in Cuba reported in despatch 1180, February 28, as follows: “While the Embassy fully appreciates the misgivings of the Export-Import Bank and of the Department in connection with this country road program in view of the heavy additional request for funds, so far as it is possible to ascertain the work is being done efficiently and well, at costs which under existing circumstances cannot be materially reduced, and it believes that whatever funds are available from the Bank credit for this country road program will be well spent and to the decided advantage of the Cuban economy.” (837.51/2-2846)

86 The Department informed Ambassador Norweb in telegram 187, March 21, 1946, 2 p. m., that the Bank’s Board of Directors had approved the request of the Comisión de Fomento Nacional for additional allocation of $790,139.46 for completion of the first sections of three country roads under construction (S37.51/3-2146).

87 Not printed.


89 Not printed.


1 None printed.
Government of Cuba a check in the amount of $2,400,000, which would cover sums due including arrears. Such a check should be drawn to the order of the “Treasurer of the United States” and should be sent to this Department for appropriate disposition.

It is requested that the enclosed statement and supporting schedules be treated by Your Excellency’s Government on a most confidential basis.²

Accept [etc.] For the Secretary of State:

Spruille Braden

837.51/5-1746

The American Ambassador in Cuba (Norweb) to the Cuban Minister of State (Alvarez)³

CONFIDENTIAL

No. 345

HABANA, May 15, 1946.

EXCELLENCY: I have the honor again to refer to Your Excellency’s courteous note no. 335 of March 26, 1946,⁴ requesting the Embassy to obtain, if possible, the approval of the Export-Import Bank with respect to an increase in the revolving fund, established under the $25,000,000 credit, to $8,000,000, which amount it is estimated will remain unexpended on June 30, 1946, the expiration date fixed by Cuban Law no. 31 of November 22, 1941, for advances to the Cuban Government under the credit.

In this connection I am enclosing a letter dated May 7, 1946,⁴ addressed to Ingeniero Angel San Martín, President of the Comisión de

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² In a memorandum of August 14, 1946, on the Cuban lend-lease debt, Mr. W. W. Walker, of the Division of Caribbean and Central American Affairs, informed Mr. John E. Peurifoy, Special Assistant to the Under Secretary of State, as follows:

“Ambassador Belt recently submitted a proposal that the lend lease debt be paid in four installments over a period of four years. At the same time he proposed that military and naval equipment totalling approximately $1,200,000 be made available to the Cuban Government. The Ambassador was informed that it would not be possible to grant an extension for the payment of the lend lease debt. He was also informed that in view of the present favorable financial condition of the Cuban Government, it was felt that the lend lease debt should be paid in full before any military or naval equipment is sold to Cuba.” (837.24/8-1446)

Ambassador Norweb reported in telegram 680, September 11, 9 p. m., that the Cuban Minister of State (Alvarez) had just informed him that the Cabinet had that day authorized payment of 2.4 millions in one lump sum on the lend-lease account (837.24/9-1146).

In airgram 2157, December 31, 1946, from Habana, the Ambassador reported to the Department that despite this authorization, delay in actual payment of the lend-lease account, resulting from confusion in the detailed supporting documentation required by Cuban official accounting procedure, persisted to the end of the year (837.24/12-3146).

³ Copy transmitted to the Department in despatch 1598, May 17, 1946; received May 21.

⁴ Not printed.
Fomento Nacional, by Mr. William McC. Martin, Jr., Chairman of the Export-Import Bank, explaining that the Board of Directors of the Bank was unable to approve the utilization of the unexpended funds under the credit on hand on June 30, 1946, in the manner suggested by Your Excellency’s Government as it was felt that their utilization would have to conform to the procedure established in the original loan agreement. This procedure has been followed by the Export-Import Bank in all of its credits of this nature.

Your Excellency will doubtless be gratified to learn, however, that the Bank voluntarily and on its own initiative passed a resolution on April 24, 1946, extending the expiry date of the credit for a period of two years from June 30, 1946, to June 30, 1948, although it will, of course, be necessary for the Cuban Congress to supplement the Bank’s action by passing the appropriate enabling legislation.

The Bank expresses the hope, which I share, that the necessary action in this respect will be taken by the Cuban Congress so that the Comisión de Fomento Nacional may be able to use the remaining unexpended funds of the credit for the completion of the several public works projects for which those funds are intended.5

Please accept [etc.]

R. HENRY NORWEB

711.37/5-2046

Memorandum of Conversation, by the Director of the Office of American Republic Affairs (Briggs)

[WASHINGTON,] May 20, 1946.

Subject: Cuba’s Irresponsibility with Respect to Debts; Conversation with Cuban Ambassador Belt on May 17.

Ambassador Belt called at my request. I told him that I wished to express my growing preoccupation over the obstacle to progress in Cuban-American matters represented by the existence of so many outstanding accounts and unpaid debts.6 I mentioned the Lend Lease

5 In despatch 1685, June 5, 1946, Ambassador Norweb reported that the day after President Grau received information as to the inability of the Bank to increase the revolving fund and the Bank’s offer to extend for 2 years from June 30, 1946, the terms of the credit, he sent a message to Congress requesting it to ratify the extension. Congress, however, adjourned on May 23, 1946, without having taken action on the President’s message. (837.51/6-548)

6 In telegram 418, June 14, noon, to Havana, Acting Secretary Acheson reported on the presentation of an aide-mémoire of June 12 to Ambassador Belt (p. 739) and added:

“During conversation Belt was again reminded of Dept’s hope that Cuban Govt will soon take steps to effect settlement of US private and official claims. It was pointed out that Cuba’s failure to liquidate these debts is an obstacle to full cooperation between the two countries. Cited as an example was our recent action in refusing to furnish Cuba with naval vessels and military equipment.” (611.3731/4-2546)

See also comments by Ambassador Norweb on American claims and property rights in despatch 2160, September 12, p. 746.
account, the peanut seed bill, and the debts owing to private American interests. As illustrative of the problem created by Cuba’s failure to take any action to effect settlement I recalled to Ambassador Belt that during the recent visit of the head of the Cuban Navy I had pointed out that while both Navy and State were desirous of collaborating and Navy was entirely willing to place the vessels desired at Cuba’s disposal, the unpaid Lend Lease account was an obstacle to our doing so. I said that the situation was the more difficult for us to understand in view of the well-known prosperity of the Cuban economy.

Ambassador Belt made no defense of Cuba’s record. He said that during his forthcoming visit to Habana (he expects to leave May 30 to be absent about 10 days) he hoped to be able to make some progress, mentioning the Stowers case and the debt of the Isle of Pines Steamship Company.

My general impression is that Ambassador Belt is fully aware of all these matters but that until the Cubans are convinced that the United States will not collaborate, or will not grant favors, we can only expect minimum performance, reluctantly furnished.

ELLIS O. BRIGGS

887.51/7-246

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

CONFIDENTIAL

No. 1822

HABANA, July 2, 1946. [Received July 9.]

Sr: I have the honor to report that prior to their departure for the United States, Messrs. Ware and Fitch of the Export-Import Bank called on the Commercial Attaché accompanied by Mr. Manuel Gamba of the Frederick Snare Corporation.

Mr. Fitch had visited a number of the projects accomplished with Export-Import Bank funds, including a considerable portion of the Central Highway, some of the country roads, and also the project at Santiago de Cuba. He felt that what had been accomplished had been well done and seemed pleased with the progress which had been made to date.

Mr. Ware reported that they were leaving everything in excellent shape so far as the financial arrangements were concerned. The last promissory note of the Comisión de Fomento Nacional had been drawn up and been taken to Washington for final acceptance. The

1 For documentation on this subject, see pp. 702 ff.
2 Property evaluated at $50,000 belonging to John L. Stowers, American citizen, had been occupied by squatters.
3 This company's claims against the Cuban Government for freight service between the Isle of Pines and Cuba totalled $178,904.96.
Comisión as of June 30 was left with $1,500,000 cash, all of which would be devoted to work on the Central Highway and will be expended in approximately five months from July 1, or by about the end of November. The Frederick Snare Corporation will continue in a supervisory capacity in so far as expenditures from this fund are concerned.

Both Mr. Fitch and Mr. Ware felt that there was not the slightest trace of resentment over the discontinuance of availability of Export-Import Bank funds so far as the Comisión or the other Government entities with whom they had come in contact were concerned and that the feeling seemed to be excellent.

Respectfully yours,

For the Chargé d’Affaires ad interim:

GEORGE C. HOWARD
Commercial Attaché

WASHINGTON, December 30, 1946.

EXCELLENCY: I have the honor to refer to your conversation of May 17, 1946 with an officer of the Department, concerning the possible satisfaction of various claims of United States nationals against the Government of Cuba.

I am well aware of the friendly spirit in which your Government, during certain conversations held with President Grau in December of 1944, has expressed its sincere desire to dispose of recognized obligations owing to American nationals, and to submit to a Mixed Claims Commission such claims of American nationals as have not received the final approval of the Cuban Government.

I am therefore enclosing representative lists (A and B, attached) of debts owed by the Cuban Government to American nationals, the validity of which is, so far as is known, not in dispute, having been confirmed, either in whole or in part, by decisions of the Cuban courts or by the acknowledgment of the appropriate administrative agencies of the Cuban Government.

As the nature of these recognized claims appears to be well-understood by both Governments, I am convinced that Your Excellency’s Government will wish to take such steps as may be necessary to effect an early settlement.

437.11/12-3046

The Secretary of State to the Cuban Ambassador (Belt)

437.11/12-3046

WASHINGTON, December 30, 1946.

EXCELLENCY: I have the honor to refer to your conversation of May 17, 1946 with an officer of the Department, concerning the possible satisfaction of various claims of United States nationals against the Government of Cuba.

I am well aware of the friendly spirit in which your Government, during certain conversations held with President Grau in December of 1944, has expressed its sincere desire to dispose of recognized obligations owing to American nationals, and to submit to a Mixed Claims Commission such claims of American nationals as have not received the final approval of the Cuban Government.

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As the nature of these recognized claims appears to be well-understood by both Governments, I am convinced that Your Excellency’s Government will wish to take such steps as may be necessary to effect an early settlement.

See memorandum by the Director of the Office of American Republic Affairs, May 20, p. 767.

Lists not printed. List A, claims of U.S. nationals sustained in whole or in part by Cuban courts, totalled $1,338,798.52; list B, claims acknowledged in whole or in part by Cuban Government agencies, totalled $5,188,592.97.
I have also enclosed a representative list of claims believed to be meritorious, although no evidence of supporting court decisions or administrative acknowledgment by the Cuban Government has been submitted.\(^\text{12}\) I assume that it is with such claims as these that the proposed claims convention mentioned above would be concerned. The Department has prepared a suggested draft of such a convention, which I am transmitting herewith.\(^\text{13}\) I shall anticipate with interest the expression of your Government's views thereon.

In the enclosed lists it will be observed that charges for interest since the date of origin of each claim to the present date have not as yet been computed, and claims based solely upon interest allegedly owed American nationals have not been included.

It should be understood that there may be other outstanding claims which have not as yet been brought to the attention of the Department of State.

Accept [etc.]

For the Secretary of State:

Spruille Braden

837.24/12-3046

The Secretary of State to the Cuban Ambassador (Belt)\(^\text{14}\)

Washington, December 30, 1946.

Excellency: I have the honor to refer to Your Excellency's conversation of May 17\(^\text{15}\) with an officer of the Department concerning the balance due this Government for four million pounds of peanut seed, which were delivered to the Cuban Government in accordance with a contract of April 17, 1943, between the Commodity Credit Corporation of the United States and the Cuban Ministry of Agriculture.\(^\text{16}\)

The balance now due the Commodity Credit Corporation on this account is $1,05,488.94. As Your Excellency will recall, the debt as originally specified in the contract would have amounted to $330,000.00, and the present lower figure has been arrived at not only as the result of certain payments made by the Cuban Government but also as the

\(^{12}\) List C (not printed), claims concerning which no evidence of court decisions or administrative acknowledgment had been submitted, totalled $2,654,240.12. Claims A, B, and C totalled $8,161,631.61.

\(^{13}\) Not printed.

\(^{14}\) Handed to Ambassador Belt by Assistant Secretary Braden on December 30, 1946.

\(^{15}\) See memorandum by the Director of the Office of American Republic Affairs, May 20, p. 767.

\(^{16}\) For documentation on this subject, see Foreign Relations, 1943, vol. vi, pp. 223 ff.
result of certain very substantial reductions which have been allowed by the Government of the United States. This Government would therefore appreciate settlement in the amount of the indebtedness. Payment should be made in the form of a check payable to the “Treasurer of the Commodity Credit Corporation”. This check should be forwarded to the Department of State for transmittal to the Commodity Credit Corporation.

Accept [etc.]

For the Secretary of State:

SPRUille BRADEN

837.613/12-3146

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

[Extract]

CONFIDENTIAL

HABANA, December 31, 1946.

No. 2614

[Received January 8.]

SIR: I have the honor to refer to this Embassy’s telegram, No. 850, December 30, 1946, 9 p. m., concerning the presentation to President Grau of copies of two notes delivered by the Department to Ambassador Belt on December 30, concerning the possible payment of long-standing debts owed by the Cuban Government to American citizens and organizations, and likewise to the possible settlement of a debt of $103,488.94 representing the balance due for peanut seed that was supplied to the Cuban Government in 1943 by our Government. As reported in my telegram No. 850, President Grau appeared to be surprised that the debt for peanut seed should have been brought up at the same time as the large number of debts or claims of American citizens and organizations. I enclose a copy of a memorandum prepared by the Counselor of Embassy for Economic Affairs which may give a clue to the reason for the President’s expressing this surprise.

The information reported in the enclosed memorandum was obtained confidentially by Mr. Nufer from a subordinate official of the Cuban Ministry of Agriculture. This information indicates that President Grau has opposed payment of this entirely legitimate debt each time that the matter has been mentioned in Cabinet meetings, and that the reason for his objection to payment is that the debt was incurred by the Batista Administration. This Embassy has no reason to doubt the accuracy of this information concerning President Grau’s attitude, since other high-ranking officers of the Cuban Government have indi-

17 Not printed.
18 Memorandum by Counselor Albert F. Nufer, not printed.
cated in the past that this is a customary attitude with respect to governmental obligations. Ambassador Guillermo Belt, on one of his visits to Habana, mentioned to me with some pride that during his incumbency as Mayor of Habana, he had been successful in avoiding the payment of any debt incurred by his predecessor. The information obtained by Mr. Nufer leads naturally to the expectation President Grau will be equally opposed to any settlement of the long-standing debts and claims of American citizens and organizations, after he has given any real thought to this problem.

Respectfully yours, R. HENRY NORWEB

DISCUSSIONS AND AGREEMENTS RELATING TO THE 1946 AND 1947 CUBAN SUGAR CROPS

837.61351/1-246

The Secretary of State to the Cuban Ambassador (Belt)

WASHINGTON, January 4, 1946.

EXCELLENCY: With reference to the discussions which have been carried on at Habana and Washington in respect of the purchase of Cuban sugar during 1946, the Cuban group has requested the views of this Government concerning the future position of Cuban sugar in the United States market.

Of course, the final authority governing imports into the United States is vested by the Constitution in the Legislative Branch of this Government. The Congress has imposed quantitative limitations on the imports of sugar by the Sugar Act of 1937, and new legislation will be under consideration by the Congress late this year. The Executive is bound by this legislation and must administer it according to its terms.

As Your Excellency is aware, the United States pursues a policy of liberal trade practices. The base of this policy is constantly being broadened through the reciprocal trade-agreements program and in other ways. Several international conferences have been held with

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19 For documentation concerning negotiations for the purchase of the 1946 Cuban sugar crop by the United States, see Foreign Relations, 1945, vol. ix, pp. 917 ff.

20 Handed to Ambassador Belt by the Director of the Office of American Republic Affairs (Briggs) on January 4; this note had been prepared at the specific request of, and in the language suggested by the Department of Agriculture.
United States participation looking to sound trade relations and others are in immediate prospect.

It has been the constant purpose of my Government to provide for Cuba a fair and equitable market for its sugar. This desire springs, among other reasons, from the historical position of Cuban sugar in the United States and the problems growing out of expanded war production by Cuba for United Nations uses. It is the present policy of the Executive Branch of this Government to take such steps as may appear to it to be necessary or desirable to support the Cuban sugar position in the United States market, and best efforts will be used to give effect in practice to the policy under peacetime conditions.

Accept [etc.] For the Secretary of State: DEAN ACHESON

837.61351/2-2046: Telegram

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

RESTRICTED WASHINGTON, February 20, 1946—8 p. m.

U.S. URGENT

128. For Norregaard 21 from Barnes. 22 Please transmit in my behalf the following communication to Cuban Sugar Institute. 23

"Pursuant to agreements reached in discussions with Cuban Embassy and Combined Food Board, this Corporation agreeable to accepting interim deliveries of approximately 24,250,000 gallons of blackstrap molasses from the 1946 Cuban sugar crop in quantities equitably proportioned between deepwater ports and outports. . . . It is understood that any deliveries made during the interim period shall be subject to the terms and conditions of the 1945 purchase contract with the exception of the sugar price escalator clause. Settlements shall be made on basis of 13.6 cents. Nevertheless, this interim arrangement shall be subject to the terms of a definitive 1946 contract now being negotiated.

It is important that considerable quantities be made available at deepwater ports at the earliest possible time. Vessels now available must be released within a few days to other services unless molasses cargoes are known to be available."

[Barnes]

BYRNEs

21 Nelson Norregaard, representative of the Commodity Credit Corporation, United States Department of Agriculture, in Cuba.
22 Stuart K. Barnes, Executive Director, Office of Defense Supplies, Reconstruction Finance Corporation.
23 Cuban Sugar Stabilization Institute, a government agency established to supervise the production and export of sugar.
Confidential

[Washington,] February 26, 1946.

Participants: Assistant Secretary Braden
Mr. Briggs
Mr. James H. Wright
Mr. Earl B. Wilson, Department of Agriculture
Mr. William W. Walker, CCA

Mr. Wright briefly referred to the meeting held yesterday in Secretary Anderson’s office and in particular to Mr. Anderson’s statement that negotiations for the purchase of Cuban sugar must be brought to a satisfactory conclusion this week; and that if the Cubans, after receiving a fair offer, refused to sign an agreement, we will have no alternative but to discontinue supplying Cuba with flour, lard and other commodities. Such action, Mr. Wright added, would result in serious repercussions and should, if possible, be avoided. There has, however, been considerable criticism of the sugar negotiations and something must be done soon.

Mr. Braden stated that every effort should be made to reach an agreement and inquired of Mr. Wilson as to the principal points which the Cubans are holding out for. Mr. Wilson listed the following major points:
1. Sale of three crops;
2. Sale of 20 million gallons of alcohol at 65¢ per gallon.

He also referred to such minor problems as Cuba’s request for stabilization of foodstuffs and for a guarantee that special benefits accorded to Puerto Rican sugar apply not only to a proportionate share of Cuban sugar on the same basis as Puerto Rico’s crop but to the entire Cuban crop retroactive as of January 1, 1946. This would give Cuba preferential treatment over Puerto Rico and could not be considered under any circumstances.

Mr. Wilson expressed the opinion that the Cubans would probably be willing to conclude a contract provided we agree to purchase alcohol. He feels that the Cubans would probably accept an offer for eight or ten million gallons of alcohol but would insist upon last year’s price of 65¢ a gallon. In this connection, he mentioned that Secretary

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24 Special Assistant to the Assistant Secretary of State for American Republic Affairs.
26 Clinton P. Anderson, Secretary of Agriculture.
26 Sugar, molasses, and alcohol.
Anderson had agreed to take such steps as may be necessary to provide him (Mr. Wilson) with the necessary authority to make such an offer.

It was agreed that it would be preferable to resume negotiations with Seiglie and members of the Institute rather than bring Ambassador Belt into the matter.

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

HABANA, March 15, 1946.

No. 1288 [Received March 21.]

Sir: Supplementing previous correspondence regarding negotiations for the purchase of the 1946 Cuban sugar crop, I have the honor to enclose a copy and translation of the Cuban Government's note C-275 of March 14, 1946, in reply to our Government's note of January 4, 1946, a copy of which was received by the Embassy under cover of the Department's secret instruction no. 390 of the same date (file no. 837.61351/1-246).

The Cuban note, after summarizing the contents of our note and referring to the exchange of notes annexed to the Supplementary Trade Agreement signed on December 23, 1941, reviews Cuba's aspirations in respect of the future position of Cuban sugar in the United States market. It again calls attention to the large percentage of our sugar requirements which Cuba supplied during the war years and claims that it is a matter of vital interest to Cuba that its participation in our wartime sugar market be taken into consideration in any extension of the Sugar Act. It argues that it is essential to Cuba and in keeping with the spirit of the Reciprocal Trade Agreement that Cuba in future receive for its sugar a price proportionate to that paid our own producers and especially that paid producers in our insular possessions whose position, the note claims, is similar to that of Cuba.

The note further contends that the tariff preference which Cuban sugar enjoys in the United States does not constitute a trade barrier and should therefore be maintained, and expresses the Cuban Government's concern over the fact that the value of that preference has already been substantially reduced as a result of our Trade Agreement.

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27 Oscar Seiglie, Chairman of the Cuban Sugar Commission.
28 Not printed.
29 See footnote 20, p. 772.
30 For documentation on this subject, see Foreign Relations, 1941, vol. VII, pp. 196 ff.
31 For text of reciprocal trade agreement between the United States and Cuba, signed August 24, 1934, see Foreign Relations, 1934, vol. V, p. 169.
with Peru and the operation of our unconditional most-favored-nation policy. This concern, it adds, has become especially grave in view of the bills now before our Congress which, if enacted, would grant duty exemptions or substantial duty reductions to the Philippines, once those islands have acquired the status of an independent nation, and claims that Cuba should receive the benefits of any tariff concessions thus granted the Philippines, plus the tariff preferences to which it is entitled under the Trade Agreement.

The gist of the Cuban Government's note is contained in the penultimate paragraph, which states that in view of what is expressed in our note of January 4, the Cuban Government has decided to renew the negotiations for the sale of 1946 Cuban sugar, alcohol and molasses in the hope that the Executive Branch of the United States Government will support Cuba's future position as a supplier of sugar to the United States market within the principles set forth in the Cuban note which, it considers, afford a reasonable basis for the just and equitable treatment to which Cuba considers itself entitled.

The Embassy believes that the Department will find the Cuban note satisfactory, inasmuch as it appears to be merely a restatement of Cuba's position and of its arguments in favor of an increased participation in our sugar market without, however, making the successful conclusion of the forthcoming negotiations contingent on the prior receipt from us of any guarantees that it will receive such an increased participation. The Cubans have presumably realized that it is useless to insist on such guarantees at this time and that if it is possible to obtain them at all only Congress can grant them.

The Cuban commission, as mentioned in my telegram no. 202 of March 13, 6 p.m., will therefore expectedly concentrate on an attempt to obtain some substantial concession for Cuban alcohol and additional assistance in connection with Cuba's requirements of imported foodstuffs, notably rice, flour, lard and vegetable oils. It will, I believe, not only endeavor to secure increased allocations of these and other basic food products, but also some assurances with regard to the prices thereof, and will strongly play up the fact that Cuba is selling us its sugar at 3.675 cents per pound as against prices ranging from 6.5 to 7.5 cents per pound for sugars sold to other countries. It will try to make it appear that the world market price is actually somewhere around the latter figure and that therefore the sale to us represents a great financial sacrifice to Cuban producers.

Dr. Seiglie, the head of the Cuban commission, will, it is expected, leave for the United States on Monday, March 18, and Dr. Mañas in-

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32 Signed May 7, 1942; for documentation, see Foreign Relations, 1942, vol. vi, pp. 674 ff.
33 Not printed.
34 These countries included Mexico, Chile, Argentina, Ecuador, Venezuela, and Panama.
tends to leave on the following day. No indication has been received as yet as to when the other members of the commission will leave, but it is assumed that they will all get away some time next week.

Respectfully yours,

For the Ambassador:

ALBERT F. NUFR
Counselor of Embassy
for Economic Affairs

SS7.61251/3-2146

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

[Extract]

REstricted

Habana, March 21, 1946.

No. 1315

[Received March 26.]

Sir: I have the honor to refer to the Embassy’s A-406, March 15, 1946, reporting that a commission representing the Cuban Government and the food import trade is to accompany the Cuban sugar mission to Washington. According to Sr. San Martín, the commission is to act in an advisory capacity to the sugar mission and its discussions are to be a part of the negotiations for the sale of the 1946 Cuban sugar crop. The food commission is to consist of:

Manuel San Martín, Assistant Director of the Office of Price Regulation and Supply (ORPA)
José Manuel Alvarez de la Cruz, Chief of Price Division of the ORPA
Roberto Suero, for Habana Produce Exchange
Roberto Chacón, for Association of Foreign Trade Commission Agents
Rafael Ayala, for Santiago de Cuba Chamber of Commerce.

The date of departure for Washington is not yet determined pending arrangements for travel accommodations.\(^{56}\)

This is obviously one last attempt to obtain assurances for increased quantities of foodstuffs and other items by making this a condition and an integral part of the sugar negotiations, notwithstanding the repeated refusal of our Government to do so in the sugar discussions last June, October and December.

Sr. San Martín states the commission will try to obtain for Cuba additional quantities of scarce food items, including 100 million pounds of rice, 1.2 million bags of subsidized wheat flour, 20 million pounds of lard, 5 to 10 million pounds of vegetable oil and undeter-

\(^{55}\) Not printed.

\(^{56}\) Dr. Seiglie announced at the second meeting of the Sugar Commission on March 28 that the Cuban Food Commission would arrive March 29; Mr. Wilson arranged for a meeting of the Commission with experts of the Department of Agriculture on March 29.
mined quantities of malt, high-protein feeds and fertilizers. Cuba’s interest obviously is centered on obtaining additional quantities rather than on the subject of price; nevertheless, the commission asks that the subsidy on wheat flour be continued and the subsidy on soybean oil be restored. As previously stated, the Embassy strongly favors increased allocations, but does not recommend price guarantees that would involve subsidies.

The Embassy has not given the commission any encouragement whatever that their requests might be granted, but on the contrary, has pointed out repeatedly to the Government and the food trade the great need for foodstuffs to relieve the starvation in war-torn areas. Cuba’s own agricultural production, moreover, is in a somewhat better position now than it was a year ago when a hurricane and a severe drought sharply reduced production of domestic crops.

On the other hand, as a result of the scarcities last year, Cuba entered the present allocation year with almost no carryover of stocks. Imports since then have been on a hand-to-mouth basis and critical scarcities are impending. These may have political repercussions and may well affect our future market in Cuba for export products.

[Here follows a résumé of Cuban proposals regarding supplies of rice, wheat flour, lard, vegetable oil, tallow, feed, malt, and fertilizer, and the Embassy’s appraisal thereof in connection with the negotiations.]

Respectfully yours,

For the Ambassador:

Paul G. Minneman
Agricultural Attaché

837.61351/3-2246

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

[Extract]

RESTRICTED

HABANA, March 22, 1946.

No. 1324

[Received March 26.]

Sir: I have the honor to report that the outstanding recent developments in the Cuban sugar situation have been the announcement that crop sale negotiations are to be resumed, and an intensified dissatisfaction with the Cuban Government policy regarding the sugar industry.

Crop Sale Negotiations: Dr. Seiglie, head of the Cuban commission left Habana on March 21 for preliminary discussions in Washington pending the arrival on March 25 or 26 of Dr. Mañas and Sr. Santiesteban to resume the negotiations. Senator Casanova and Sr. Godoy will not arrive until several days later.

Upon leaving the Palace after receiving his final instructions, Dr. Seiglie reportedly stated that Cuba will receive 200 million dollars
less for its 1946 crop by selling at the price of 3.675 cents to the United States, and 6.95 cents to other countries, than it could have obtained at the world market price of 8 cents. Senator Casanova stated earlier that Cuba could have made 2 billion dollars more during the First and Second World Wars if it had sold its sugar at world market prices, but instead Cuba proved its great cooperation with the United States by foregoing handsome profits. He added that 50 percent of Cuba’s sugar mills are now mortgaged by bonds, 30 percent are under the Moratorium Law and only 20 percent are free of debt. Eighty percent of the mills need modernization and repair which obviously should be done during prosperous times. (Cuba is making a great play of high “world market” prices which it helped to create recently by doling out limited quantities to South American countries, although this gives little indication as to what price could have been obtained had the entire crop been offered.)

Press comment states that the recent United States CPA order limiting the use of cane beverage alcohol will cost Cuba 10 million dollars.

The Cuban Government’s recent sales of 250,000 tons to other countries are encouraging speculation on the possibility of forcing the United Kingdom to deal directly with Cuba rather than globally through the Commodity Credit Corporation. Manuel San Martín, Director of the Office of Price Regulation and Supply, confidentially stated to the Embassy that he is recommending to the President that the crop sale contract should prohibit the resale by CCC to other countries. The objective is to obtain concessions from the United Kingdom, not only in the purchase of Cuban cigars and alcohol, but also to obtain the release to Cuba of Brazilian rice allocated to the United Kingdom. The Embassy feels that this threat is not serious.

Respectfully yours,

For the Ambassador:

Paul G. Minneman
Agricultural Attaché

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

CONFIDENTIAL

HABANA, April 5, 1946.

A-505. Quoted below is text of letter from Wilson to Seiglie presented at April 4 sugar meeting:

“Discussions between representatives of the United States and Cuba for the purchase of the 1946 Cuban sugar crop began in Havana in

57 Other meetings of the Cuban Sugar Commission with the United States Commission were held at Washington on March 26 and 28, April 1, and May 24, 1946.
June 1945. Since then numerous meetings have been held in Washington with the result that gradual progress has been made.

During the past week the Cuban representatives have outlined to the United States representatives their ideas of what the final terms for a two-crop purchase, namely 1946 and 1947, should be. The United States group has given thorough consideration to these ideas and is now prepared to submit a proposal which comes very close to meeting the views of the Cuban Commission.

This proposal is now submitted as the maximum that the United States can offer. If it is rejected by Cuba, we see no alternative except a one-crop purchase and sale, and the United States can only consider in this connection the purchase of sugar and blackstrap, and assistance in the procurement by Cuba of agreed-upon quantities of certain foodstuffs.

"Crop Purchase:

"The United States offers to purchase, with the escalator clauses previously agreed upon during the present negotiations, the 1946 and 1947 Cuban sugar crops at a price of 3.675 cents per pound, with the following exceptions as to quantity:

1946 crop—350,000 long tons for local consumption
250,000 " " " free export
20,000 " " " UNRRA

1947 crop—350,000 " " " local consumption
300,000 " " " free export

"Candy:

"The United States will permit entry of candy in the calendar year 1946 up to but not exceeding the equivalent of 30,000 short tons, raw value, of sugar, and not in excess of 75,000,000 pounds of candy.

"In 1947, the United States will permit the entry of candy of up to, but not exceeding, the equivalent of 40,000 short tons, raw value, of sugar, and not in excess of 100,000,000 pounds of candy.

"An appropriate clause to implement the foregoing will be included in the sugar contract.

"Cuban Refined Sugar:

"If the 1946 Cuban sugar crop exceeds 4,750,000 short tons, raw value, the United States agrees to buy up to 125,000 short tons, raw value, of the excess in the form of refined sugar, provided the Cuban refiners will refine at a differential not exceeding that of the United States refiners. If the 1946 crop exceeds 4,750,000 short tons, raw value, by more than 125,000 short tons, raw value, any additional excess will be purchased in the form of raw sugar.

"If the 1947 Cuban crop exceeds 5,600,000 short tons, raw value, the United States will purchase, under similar terms, up to 125,000 short tons, raw value, in the form of refined sugar and will purchase any additional excess in the form of raw sugar.

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28 Issues still pending when negotiations were suspended in 1945 included (a) food stabilization program; (b) refined sugar quota; (c) molasses; (d) alcohol; and (e) sugar for local consumption and free export.

29 Cuban tentative proposal set forth at second meeting, March 28, 1946, not printed.
"The amount for Cuban direct-consumption sugar to the United States will remain 375,000 short tons, raw value.

"Alcohol:

"The United States will purchase 10,000,000 gallons of alcohol for delivery during 1946 under terms similar to the 1945 contract, at 65 cents per gallon, and will purchase 20,000,000 gallons for delivery during 1947 at the same price and terms, and an additional amount of 10,000,000 gallons for delivery during the first three months of 1948. Our offer to purchase the above-mentioned quantities of alcohol is conditional upon guaranteed delivery by Cuba of the quantities of blackstrap indicated below.

"Blackstrap:

"The United States will purchase for delivery this year 1946-crop blackstrap at 13.6 cents per gallon provided Cuba guarantees the delivery of not less than 115,000,000 gallons. Also, the United States will purchase the 1947-crop blackstrap at the same price and terms, provided Cuba guarantees the delivery of not less than 165,000,000 gallons.

"Fertilizer:

"No quantity or type can be guaranteed by the United States but, with the great need for sugar in the world, Cuba can be assured of the best efforts of the United States Government to assist it in meeting its fertilizer requirements.

"Food Stabilization:

"All prices for commodities obtained in the United States will be at the prevailing price at time of procurement. On such foodstuffs as are allocated to Cuba from United States sources, the United States agrees to assist Cuba, if necessary, in the procurement of the allocated quantities.

Flour: The United States is prepared to guarantee Cuba 2,000,000 bags (200 pounds each) for the year 1946 and a similar amount for the year 1947. United States regulations have just been amended to enable millers to produce export flour of 72 percent extraction.

Rice: Cuba has received to February 28, 235,000,000 pounds of rice from the United States from the 1946 allocation period which began October 1, 1945, and runs to September 30, 1946. This includes a small amount of advanced licensing that was granted prior to October 1 against this year’s allocation. It is estimated that Cuba received about 25,000,000 pounds during March, which would leave approximately 40,000,000 pounds to be exported to Cuba from April 1 to September 30 from the United States to make a total of 300,000,000 pounds, which was the amount guaranteed under the 1945 sugar purchase agreement.

For the six months beginning October 1, 1945, the Combined Food Board approved allocations from foreign sources to Cuba of 40,000,000 pounds. The 1945 allocation from foreign sources was 75,000,000 pounds. Therefore, if this same total is used, the allocation from April 1 to September 30 from foreign areas would be 35,000,000 pounds.

It is recognized that the 75,000,000 pounds unused total remainder referred to in the two previous paragraphs will be in-
sufficient to meet Cuba’s needs until October 1, 1946. Therefore, the United States is prepared to guarantee that Cuba will receive an allocation from United States sources of 40,000,000 pounds for the April 1–June 30, 1946, quarter, and 30,000,000 pounds for the July 1–September 30, 1946, quarter. The United States will endeavor to assure an equal monthly availability of this last-named quarterly amount. The United States will also support Cuba’s request to the Combined Food Board for allocations from areas other than the United States of 40,000,000 pounds for the April 1–June 30 quarter and 40,000,000 pounds in the July 1–September 30 quarter. This will give Cuba, if Cuba procures the amount allocated by the Combined Food Board, a total of 450,000,000 pounds of rice for this crop year.

From October 1, 1946, to September 30, 1947, the United States will support a request to the Combined Food Board by Cuba for 400,000,000 pounds of rice from United States sources and for not less than 50,000,000 pounds from other sources. If there is no Combined Food Board during this period, the United States will guarantee Cuba 400,000,000 pounds from United States sources. The United States will further assure Cuba that it will cooperate in an effort to enable Cuba to procure such amounts of rice as may be allocated to Cuba from other than United States sources.

Lard: Unfortunately, the lard situation, due to foreign relief programs and insufficient supplies, is so serious that the United States can only guarantee Cuba 60,000,000 pounds for the calendar year 1946. The United States will endeavor to assure this supply in approximately equal quarterly amounts. The United States is also prepared to guarantee Cuba this amount for 1947, but will meet with representatives of Cuba late in 1946 to discuss the prospects for 1947 and, if it is possible, will increase the amount for 1947.

Edible Oils: The United States will guarantee Cuba 10,000,000 pounds for the calendar year 1946 and it is contemplated this will be supplied by soybean oil. A like amount will be guaranteed as a minimum for 1947, but the situation will be reviewed at the end of 1946 as in the case of lard.

Tallow: This commodity is also seriously short and the United States can only guarantee such amounts as are allocated Cuba from United States by the Combined Food Board for the calendar years 1946 and 1947. At present this allocation is 18,664,000 pounds for 1946 from both United States and foreign sources. In case there is no Combined Food Board in 1947, the United States representatives will meet with representatives of Cuba and, in view of the situation then existing, will decide what can be provided Cuba during the year 1947.

Malt: This commodity is also in short supply and it will not be possible to guarantee Cuba more than 100,000 bushels for the current quarter and for each of the two-remaining quarters of 1946. The prospects for 1947 can be mutually reviewed late this year and attempts will be made to increase quarterly quantities for 1947.”

Byrnes
[At the May 24 meeting, a Cuban draft of article 4 of the proposed sugar contract (submitted in a memorandum of May 20 by Chairman Seiglie) was discussed; the Cuban proposal provided for sale of the 1946 and 1947 crops, with the 1946 crop to be priced at 3.675 cents and the price of the 1947 crop to be determined by mutual agreement at a later date; included in the proposal was a cancellation clause which Cuba could invoke if any legislation was passed in the United States which was considered detrimental to Cuban sugar. Mr. Wilson suggested that in view of the Cuban position he was inclined to favor a one crop contract, and, further, that the United States could not consider any contract containing a cancellation clause. He presented to the Cubans a counter draft of article 4, which, among other things, provided that the price of the 1947 crop would be governed by the escalator clause tied in with the cost of indices. Drs. Seiglie and Mañas after briefly glancing at this draft stated categorically that it would not be acceptable. (Summary record of fifth meeting, May 24, and memorandum of overseas telephone conversation, May 24, not printed; 837.61351/5–2446.)]

837.61351/5–3146: Telegram

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

CONFIDENTIAL

WASHINGTON, MAY 31, 1946—6 P.M.

U.S. URGENT

398. Last night Wilson presented to Seiglie and Mañas draft of proposed contract for purchase of alcohol, molasses and two sugar crops, with provision that price of 1947 crop shall not exceed price paid Puerto Rico. He also presented letters reaffirming April 4 proposal concerning foodstuffs and expressing understanding that as in previous years there shall be no change in quota distribution system in Cuba for 1946 and 1947 crops. Copies forwarded by airmail today.

Seiglie and Mañas expressed opinion that contract would be unacceptable because of provision placing price of 1947 crop on parity with Puerto Rican price. Mañas whose attitude Wilson described as obstreperous demanded that arrangements be made immediately for

A memorandum on a meeting of May 28 in Mr. Earl Wilson’s office indicated that Secretary Anderson and Mr. Wilson had called upon the President that morning and discussed with him the question of alcohol and molasses purchases in connection with the purchase of two sugar crops. Mr. Wilson stated that the President had expressed the hope that negotiations for the purchase of two sugar crops could be concluded and that if it were necessary to purchase alcohol in order to get the sugar, alcohol purchases should be made (837.61351/5–2446).

Letter from Mr. Wilson to Dr. Seiglie, May 30, with draft letter to the Institute and draft purchase and sale contract for the 1946 and 1947 Cuban sugar crops attached, not printed.
financing 1946 crop. When Wilson stated that this could not be done until contract is signed, Mañas said no further sugar shipments will be made after June 1. At this point Wilson reminded Cubans that such drastic action might compel US to adopt similar position regarding shipment of foodstuffs to Cuba. After an overnight cooling off period Mañas informed Marshall this morning that sugar shipments would not be stopped.

Seiglie left for Habana this morning and Mañas is expected to leave next week.

Byrnes

[The Department was informed in telegram 416, June 5, 3 p.m. from Habana, that Dr. Seiglie had visited President Grau the day before to discuss terms of the American counterdraft of article IV of the proposed sugar contract and President Grau had instructed him to send copies for study to hacendados, colonos, and sugar mill workers; as soon as views of these three sectors of sugar industry were known, the President would then decide what action should be taken (837.61351/6-546). The hacendados, colonos, and sugar mill workers all rejected the proposed article IV. (837.61351/6-2146)

The Cuban Sugar Institute sent to Mr. Marshall a modus vivendi of June 13, a copy of which was enclosed in despatch 1755, June 17, from Habana, covering the 1946 sugar crop, molasses and alcohol, stating in its covering letter that if the proposed modus vivendi were not established, it would have no legal means to continue shipments of sugar after July 1st; the modus vivendi would remain in force until the Cuban Commission and the United States Committee reached a definitive agreement (837.61351/6-1746).]

837.61351/6-2546

The Acting Secretary of State to the Chargé in Cuba (Woodward)

WASHINGTON, June 25, 1946.

No. 826

The Acting Secretary of State encloses for transmittal to Mr. Evaristo Sotolongo, Acting President of the Cuban Sugar Stabilization Institute, a letter dated June 25, 1946, together with a modus vivendi for the purchase of the 1946 sugar crop, from Mr. James H. Marshall, Director, Sugar Branch, Production and Marketing Administration, United States Department of Agriculture. There are also enclosed copies of these documents for the Embassy’s files.

42 James A. Marshall, Director of the Sugar Branch, Department of Agriculture.
43 Modus vivendi not printed.
CUBA

[Enclosure]

The Director of the Sugar Branch of the Department of Agriculture (Marshall) to the Acting President of the Cuban Sugar Stabilization Institute (Sotolongo)

WASHINGTON, June 25, 1946.

Dear Mr. Sotolongo: Your letter of June 13 together with the enclosed copy of a "modus vivendi" has received our most careful consideration.

We have been, and still are, desirous of arriving at an agreement, and to that end we have made substantial and repeated concessions to the wishes of your negotiating commission. Despite these concessions, we have not yet been able to meet on common ground.

Prior to the first meeting for the negotiation for the purchase of this crop in June 1945, your negotiating commission had steadily maintained the position that Cuba was entitled to equality of treatment with Puerto Rico except for the duty and Sugar Act payments. When our negotiators left for Havana in June 1945 the new Secretary of Agriculture, Clinton P. Anderson, had agreed to this request and our negotiators were so instructed. Early in the discussions in Havana this position was placed before your negotiators and a Puerto Rican equivalent price of 3.45 cents per pound was immediately offered for the 1946 crop. Between the June meetings and the resumption of meetings in October, the rate of payment under the Puerto Rican program was increased and with the arrival of your commission in Washington in the fall of 1945 to resume negotiations, they were immediately informed that the Cuban equivalent of the new Puerto Rican program was 3.675 cents per pound, f.o.b. Cuba. As a result, at no time in these negotiations has price been a problem. Your commission has repeatedly stated, both in meetings with the United States Committee and privately, that equality of treatment with Puerto Rico is all that Cuba expects.

The draft of your "modus vivendi" eliminates the Puerto Rican equivalent ceiling on the Cuban price and our interpretation of this is that you have in mind the possibility of obtaining a better price than is being paid Puerto Rico. The position of the United States negotiators is that Cuba is entitled to a Puerto Rican equivalent but is not entitled to anything more. This position is unchanged. The draft contract assures Cuba of such equality.

There is a great need for sugar to meet requirements in the United States, United Kingdom, Canada, and other allied and associated countries where consumption is far below the prewar levels.

"Copies transmitted to the Department in despatch 1755, June 17, from Habana, not printed."
Because of this great need, the United States negotiators have urged Cuba to hold to the lowest figure possible the amount of sugar set aside for local consumption and for free export. The figures first suggested by the United States negotiators were 250,000 short tons, raw value, for Cuban local consumption and 50,000 short tons for free export. Cuba's reply was that a total of 350,000 long tons, raw value, was needed for these two purposes. This figure was later increased to 600,000 tons because, as we were informed, it was necessary to return a total of 47,500 tons to us which had been borrowed by Cuba from our stocks in 1945. Later, an additional 20,000 tons was made as a contribution by Cuba to UNRRA but, instead of taking it out of Cuba's share for local consumption, it was taken from our prospective purchase. A Presidential Decree issued early this year provided for 350,000 long tons, raw value, for local consumption and 250,000 tons for free export. We now are informed that the 47,500 will be returned to us in sugar that would otherwise have been included in our purchase. The Institute has agreed to reimburse us for the difference between the 3.10 cents f.o.b. 1945 price and the 1946 price of 3.675 cents f.o.b. Based on earlier conversations, we expected, and still expect, that the 47,500 tons owed to us would be returned to us from the 350,000 tons.

The 250,000 tons for free export has been sold mostly to other American Republics where sugar consumption generally is at an all-time high. Although these countries were members of or sympathetic with the allied cause, nevertheless their sacrifices were far less than those borne by the countries now on short sugar ration.

Our negotiators have been told that it would not be practical to restrict the use of sugar in Cuba because of the fact that the production was so greatly in excess of local demand. We might point out that the United States has limited the consumption of foodstuffs produced within its borders in order that other nations could share in our supplies. In the case of Cuba, this includes lard which has been supplied Cuba when it has been on rigid rationing here in the United States. Also, the distribution of rice has been sharply curtailed in the United States in order to make more available to foreign claimants, including Cuba.

As you know, almost half of the sugar that will have been purchased by the United States from the 1946 Cuban crop will go to other than United States destinations. Much of it has been sold to other countries direct or through relief programs, but these sales have been largely financed by the United States.

Cuba has been anxious to develop new industries such as candy, industrial alcohol, beverage alcohol, fruit preserves, etc. However,
the great need in the countries now depending on Cuba for a portion of their sugar requirements is for a racionable product and not for the articles just enumerated.

Early in the negotiations, the Cuban Commission indicated that it would be agreeable to make allowances for the higher price being paid for sugar in arriving at the formula to be used in the cost-of-living escalator clause. In later discussions this position was revised. The increased price of sugar would not be used to offset the first increases in the food index and thereby delay the time when the index would require an increase in the contract price; instead the cost-of-food average of the last three months of the preceding year would be the basis for the quarterly price determination under this clause. In order to further the negotiations we finally accepted this change.

During previous negotiations when a cost-of-living index was first introduced, the Cuban Commission stated that it was not disturbed by minor fluctuations but felt that Cuba should have protection against major variations, particularly what might become runaway inflation in the United States. We felt that this position was reasonable and, as a result, the cost-of-living clauses have been incorporated in our contracts and proposals. You now suggest that the 4 percent be reduced to 1½ percent. We cannot accept this as we consider such variations of a minor nature and not indicative of inflation. We would like to point out that we have agreed if the variations amount to more than 4 percent that the full amount of the variation is applied to the price and not just that portion that is in excess of 4 percent.

The wording of your proposed “modus vivendi” regarding other sugar purchases, both raw and refined, by the United States Government or any agencies thereof is unacceptable. Our armed forces, our relief agencies, the War Shipping Administration, and other branches are constantly purchasing sugar at best prices obtainable in various portions of the world. It would be impossible for us to acknowledge that such purchases of comparatively small amounts would have a bearing on the price we pay Cuba for an entire crop. The clause included in our draft contract of May 30 affords Cuba complete protection and continues to be the extent of the concession that can be made on this issue.

We note in the “modus vivendi” that a new issue has been raised, namely, beverage alcohol. This has not been a subject of discussion heretofore in the 1946 negotiations and as it represents a withdrawal of much needed sugar or blackstrap supplies, it cannot be agreed to by the United States Committee.

In our submission of April 4 we offered to purchase industrial alcohol as a consideration for a two-year sugar contract. As your negotia-
tors were advised at the time, a one-year sugar purchase cannot include the purchase of any industrial alcohol.

We are prepared to purchase blackstrap under the terms of our previous offer, but if it is necessary to purchase industrial alcohol or admit into the United States beverage alcohol in order to secure further supplies of blackstrap, we are prepared to withdraw our offer for the blackstrap.

The United States Committee is still prepared to proceed along the lines of the draft contract submitted to your commission on May 30 or along the lines of the enclosed proposed "modus vivendi" for 1946. You will note that the enclosed proposed "modus vivendi" for 1946 is for sugar only as we are assuming that in view of your statements in your letter of June 13 and our reply herewith you do not wish to include the sale of blackstrap. In your letter of June 13, 1946, you mentioned that payment has not yet been made for the 60,000,000 gallons of blackstrap. We understand from the Reconstruction Finance Corporation that payment can now be made as soon as the necessary tax decree has been issued in Cuba. If no further purchases of blackstrap are made during these negotiations, a separate contract can be prepared covering blackstrap.

If a "modus vivendi" is finally agreed upon, the United States would admit the same amount of candy for the calendar year 1946 as was agreed to in 1945, namely, 20,000 short tons sugar equivalent or 50,000,000 pounds of hard candy.

The foodstuff program for 1946 outlined in our proposal of April 4 would be included.

We will be prepared to make the 90 percent advances on sugar as soon as an agreement has been reached and the proper tax decree issued in Cuba.

Very truly yours,

JAMES H. MARSHALL

837.61351/6-2746

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

CONFIDENTIAL

HABANA, June 27, 1946.

No. 1802

[Received June 28.]

Sir: Supplementing the Embassy’s airmail despatch No. 1790 of June 25, 1946 (File No. 861.35) and previous correspondence regarding the negotiations for the purchase of the 1946 and 1947 Cuban sugar crops, I have the honor to enclose a copy and translation of the Cuban Government’s note No. C–679 of June 26, 1946, which has just been received and which in effect rejects the counter offer which our negotiators submitted to the Cubans on May 30, 1946.

* Not printed.
In its note the Cuban Government again expresses concern over the action of the Senate Finance Committee in approving a three-year extension of the 1937 Sugar Act, although admitting that it would accept, albeit reluctantly, an extension of only one year should such a measure be found necessary for “political reasons”. The Cuban offer to sell the 1947 Cuban sugar crop was, the note states, based on two basic principles: (1) that in arriving at the final price to be paid for the 1947 crop the size of the crop and Cuba’s “future possibilities in the market of the continental United States be taken into account” and that Cuba be given full protection against any undue increases in the price of foodstuffs and other products of prime necessity which Cuba must import from the United States, and (2) that the sale of the crop be subject to the condition that no sugar legislation be adopted in the United States contrary to Cuba’s best interests or that fails to take into consideration Cuba’s historical position as a supplier of sugar to the United States market and its contribution to the war effort.

Our rejection of those two basic principles, the note adds, has caused the hacendados, colonos and sugar workers to reject our counterproposal and the Government has no moral or legal grounds for forcing its acceptance now that the war emergency, during which Cuba so unstintedly cooperated with our Government, is over. The Cuban Government therefore arrives at the conclusion that our acceptance of the two basic principles under reference is indispensable if the negotiations for the 1947 sugar crop are to be brought to a successful conclusion.

The note concludes with the usual assurances of the Cuban Government’s desire to continue to cooperate with us in supplying us with much needed sugar and with an expression of the hope that the negotiations may soon be resumed and that the two parties through cooperation and the exercise of good will may reach a meeting of the minds.

Respectfully yours,

For the Chargé d’Affaires a.i.:

ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

837.61351/6-2846

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

RESTRICTED
Habana, June 28, 1946.
No. 1809 [Received July 2.]

Sir: I have the honor to refer to the Department’s restricted airmail instruction no. 826 of June 25, 1946, enclosing for transmission to Mr. Evaristo Sotolongo, the Acting President of the Cuban Sugar Stabilization Institute, a letter dated June 25, 1946, from Mr. James
H. Marshall, Director, Sugar Branch, Production and Marketing Administration, Department of Agriculture, together with a suggested *modus vivendi* for the purchase of the 1946 Cuban sugar crop. The letter and *modus vivendi* are in reply to a communication addressed to Mr. Marshall by Mr. Sotolongo on June 13, 1946, with which he transmitted a copy of a *modus vivendi* drafted by the Sugar Institute.

Mr. Marshall’s letter and its enclosure were delivered to the Executive Committee of the Sugar Institute yesterday by Mr. Nelson Norregaard, representative here of the Commodity Credit Corporation, and the Committee’s reactions thereto are set forth in Mr. Norregaard’s enclosed memorandum of June 27. It will be noted that the possibility that Mr. Marshall’s letter be withdrawn was suggested to Mr. Norregaard, who, however, informed the Committee that he had no authority to do so. It will also be noted that the Committee was of the opinion that it would be extremely difficult to accede to the changes suggested by Mr. Marshall and that in view thereof, Mr. Norregaard was informed that Cuba would discontinue loading sugar for the United States after July 1, except in the case of vessels already assigned.

The Committee indicated that it would recommend that additional sales of sugar be made to other countries and that the difference in price between the sugars thus sold and the United States price be used to finance sugars remaining unshipped as a result of the suspension of shipments to the United States. Whether the Cuban Government will actually adopt so drastic a measure remains to be seen but the possibility that this may be merely a threat designed to force our hand cannot be entirely disregarded.

It is of interest in connection with the foregoing that 1946 crop sugar shipments to the United States up to June 15 have, according to Mr. Norregaard, totalled 1,507,000 short tons of raw and about 150,000 short tons of direct consumption sugar. Additional quantities have, of course, been shipped since that date and, as of today, there are 25 vessels assigned to load sugar here after July 1. Of these, 5 are scheduled to lift sugar for foreign claimants while 20 will lift sugar for the United States. The total amount of sugar that these vessels will load is estimated at 155,000 short tons.

The Sugar Institute, as mentioned in the last paragraph of Mr. Norregaard’s memorandum, proposes to reply officially to Mr. Marshall’s letter and a copy of that reply, when received, will be forwarded to the Department immediately.

Respectfully yours,

For the Chargé d’Affaires, a.i.:  
ALBERT F. NUFER  
Counselor of Embassy  
for Economic Affairs
[Enclosure]

Memorandum by the Representative of the Commodity Credit Corporation in Cuba (Norregaard)


The counter modus vivendi, and Mr. James H. Marshall’s letter in reply to the Sugar Institute, was delivered this morning to the Executive Committee of the Institute. Those attending were Messrs. Casanova, Mañas, Puigas, and Rasco. After the letter was read by the Executive Committee, Dr. Mañas stated that he wished that the letter could be withdrawn. However, I told him that I was sure that was the way our Committee felt about the situation and I had no authority to withdraw it.

Dr. Mañas and Senator Casanova explained at length the difficulty that had been experienced in obtaining the agreement of the Hacendados, Colonos, Labor and the Cuban Government to the modus vivendi, suggested by the Institute on June 13, 1946. They stated that it would be virtually impossible to now obtain their agreement to any further changes therein.

They pointed out that the Institute, in suggesting this modus vivendi, was a body entirely apart from the Cuban Commission which was recently negotiating the sale of the crop in Washington and that the Institute had no legal right to compromise the Industry as a whole. They also pointed out that the figure of 4% increase in the cost of living index, as suggested by Mr. Marshall, would not be accepted by Cuban Labor inasmuch as this particular question was one of the important points in obtaining the approval of Cuban Labor to this modus vivendi. They stated that any increase would have to begin at 1½% in order to reflect any increase in cost of living, and not at 4% which would be a protection against a general inflation. The 4% figure was accepted by them last year because they had protection on the cost of commodities sold by the U.S. to Cuba, but inasmuch as they no longer have such protection, this clause is definitely meant to reflect any increase in the cost of living.

Concerning candy, the Institute claims to have no control as this is purely a matter that would have to be decided between the two Governments.

The question of molasses and alcohol, they claim, is one of most importance and that they could not consider any contract that did not provide for the U.S. buying Cuban alcohol. The fact that the U.S. seemed to have little interest in further deliveries of molasses appeared to disturb them greatly. They also stated that the President of the Republic, in every conference concerning the sale of the crop, has repeatedly insisted on protection of the distillery and candy industries.
Senator Casanova explained the tremendous difficulties that they faced in acting as leaders of the industry and it has only been with the utmost effort that they have been able to propose their *modus vivendi*.

The result of the above conference was that Cuba would discontinue loading sugar for the U.S. after July 1st, with the exception of those vessels already assigned. They stated that they would have to recommend to the Government that they make sales of sugar to other countries in excess of the 250,000 tons and that the excess price obtained from such sales would be ample to finance sugars remaining in warehouse in Cuba.

Concerning the 47,500 ton loan of 1945 crop sugar, they also stated that this matter as well as the candy and alcohol was one that would have to be settled between the two Governments as the Institute had already made definite recommendations for the return of this sugar out of the local consumption quota and also for the Government to provide the funds with which to repay the Commodity Credit Corporation for the difference in price.

The Executive Committee advised that Mr. Marshall’s letter would be officially answered; however, they felt that they could not deviate from the position taken in their conversation as set forth above.

Nelson Norregaard

837.01351/7-346

*The Chargé in Cuba (Woodward) to the Secretary of State*

**CONFIDENTIAL.**

**No. 1842**

[Received July 9.]


Mr: Supplementing the Embassy’s telegram no. 491 of July 2, 1946, 11 a.m., and previous correspondence regarding the decision of the Cuban Sugar Institute to suspend shipments of 1946 crop sugar to the United States pending the conclusion of negotiations for a satisfactory *modus vivendi* or definite sugar contract, I have the honor to report the following subsequent developments:

On the morning of July 2 I called on the Minister of State, accompanied by the Economic Counselor, and informed him of the action taken pursuant to President Gran’s request that our Government take such steps as might be possible to prevent a three-year extension of the 1937 Sugar Act (see my telegram no. 469 of June 21, 7 p.m.). I told the Minister that both Undersecretary Acheson and Assistant Secretary Braden had given this matter their attention and that it

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46 Not printed.
47 Alberto Inocente Alvarez.
now appeared probable that any extension of the Sugar Act would not be for more than one year.\(^{48}\) The Minister expressed his appreciation of the efforts that were being made on Cuba's behalf and I took the opportunity of pointing out that under the circumstances it seemed especially unfortunate that the Sugar Institute, because of the seeming impasse that had been reached in arriving at an agreement with regard to the modus vivendi, should have decided to suspend sugar shipments to the United States. I expressed the opinion that no useful purpose would be served by the adoption of so drastic a measure, which could not but cause unfavorable comment both here and in the United States, and that, on the contrary, there was every reason to expect that the Institute's action, if persisted in, would obstruct rather than facilitate the final outcome of the sugar negotiations. The Minister appeared to be wholly in agreement with these views and said that he had had no previous knowledge of the action taken by the Institute, which he said was so important that he would bring it at once to President Grau's attention.

This morning Dr. Seiglie telephoned to say that the Minister of State had discussed the matter with the President and that Dr. Grau had also received a communication from Ambassador Belt expressing his grave concern over the turn of events. As a result, Dr. Seiglie said, the President yesterday evening summoned him to the Palace, together with Dr. Mañas and Senator Casanova, and that it had been decided at that meeting to resume sugar shipments forthwith, without prejudice to Cuba's position. Although Dr. Siegle did not so state, it seems highly probable that President Grau was responsible for this decision and that the President was impressed by the arguments of the Minister of State and (probably to an even greater extent) by the communication which he received from Ambassador Belt which the Ambassador presumably sent him following his conversation with the Secretary of Agriculture summarized in the Department's telegram no. 470 of July 2, 8 p. m.\(^{49}\) In any event, it is assumed that the prob-

\(^{48}\) Protocol to prolong the sugar agreement of May 6, 1937, for one year after August 31, 1946, was signed at London August 30, 1946, effective September 1, 1946. For text, see Department of State, Treaties and Other International Acts Series No. 1614, or 61 Stat. (pt. 2) 1236.

\(^{49}\) Not printed; in this telegram Acting Secretary Acheson reported that Secretary Anderson in conversation with Ambassador Belt on that date had expressed disappointment and concern over the recent decision of the Sugar Institute to withhold shipments of sugar to the United States and stated that if the decision were not rescinded, he would have no alternative but to suspend food shipments to Cuba; further, he pointed out that Cuba would have little chance to sell her sugar to other countries, inasmuch as the United States was able to exercise influence over those countries because of our supplies of wheat and other vital foodstuffs.

Ambassador Belt suggested that if Secretary Anderson and President Grau could get together they could probably settle without too much difficulty all of the existing issues and arrive at some satisfactory agreement. Secretary Anderson accepted his invitation to hold such a meeting. (837.61351/7–246)
lem has been solved, at least for the time being, and that there will therefore be no letup in shipments, as the vessels now loading or assigned to Cuba will presumably be able to keep sufficient sugar moving until additional vessels can be assigned here.

The meeting of the Executive Committee of the Hacendados’ Association to discuss this matter, announced in the Embassy’s telegram no. 491, was held yesterday. In accordance with press reports, confirmed by Dr. Seiglie, the Committee resolved to maintain the basic price for 1946 crop sugar of 3.675 cents per pound f.o.b. in the hope that an early agreement with the Commodity Credit Corporation can be reached and provided prices of raw materials, foodstuffs and other basic commodities which Cuba imports from the United States are not substantially increased and that actual conditions in the United States sugar market are not changed by the action taken by any other sugar supply areas. In adopting this resolution, however, the Committee went on record to the effect that Cuba should receive adequate protection against the dangers of inflation in the United States and that the degree of protection which the Committee sought would not be afforded by the establishment of a ceiling price for Cuban sugar equal to the price paid our possessions in the Caribbean area should prices of products which Cuba imports from the United States increase substantially. The Committee agreed to support the Sugar Institute in requesting the Commodity Credit Corporation not to assign any more vessels to Cuba until a definite agreement had been reached in respect of the sale of the 1946 Cuban sugar crop. Pending a mutually satisfactory solution of this problem, the Committee resolved to study the possibility of continuing to supply the United States with sugar on a provisional basis and for that purpose agreed to convene a general assembly of the members of the Hacendados’ Association to adopt whatever resolutions might be deemed pertinent with respect to the modus vivendi suggested by the Commodity Credit Corporation.

While the Hacendados’ decision to support the Sugar Institute in its refusal to accept the assignment of any more vessels to load 1946 crop sugar is presumably now only of academic interest, in view of President Grau’s decision in favor of the immediate resumption of sugar shipments, their resolution to maintain the 3.675 cent per pound basic price, provided prices of the basic commodities Cuba imports from the United States can be maintained at present levels, is doubtless encouraging. Significant is their statement that parity with our Caribbean possessions would in itself not afford Cuba adequate guarantee against possible inflation in the United States. Dr. Seiglie explained to the Embassy this morning that it was gen-
erally agreed at yesterday’s meeting that the clause in the Commodity Credit Corporation’s suggested *modus vivendi*, limiting the price to be paid Cuba for its 1946 crop to the Puerto Rican price regardless of the extent of any increase in the cost of living index prepared by the Bureau of Labor, was entirely unacceptable.

There is enclosed a clipping\(^{50}\) from today’s issue of *El Mundo* which contains a detailed description of what transpired at the meeting under reference.

Respectfully yours,

For the Chargé d’Affaires, a.i.:  

**ALBERT F. NUFE**  
**Counselor of Embassy**  
**for Economic Affairs**

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837.61351/7-1246

*The Chargé in Cuba (Woodward) to the Secretary of State*

**RESTRICTED**

HABANA, July 12, 1946.  
[Received July 15.]

Sir: I have the honor to report that the negotiations by Secretary Anderson\(^{51}\) for the purchase of Cuba’s 1946 and 1947 crop sugar, molasses and alcohol have been successfully concluded. Attached is a memorandum prepared by the Agricultural Attaché concerning the progress of the negotiations. There are also transmitted copies in English and Spanish of (a) an agreement signed on July 11 as a basis for the contract; (b) the revised sugar price clause (Article Four) of the contract; and (c) a press release issued on the evening of July 11.\(^{52}\) Mr. Marshall, Director of the Sugar Division, telephoned the text of the press release to the Department of Agriculture on the afternoon of July 11 and requested that a copy be transmitted immediately to the Department of State.

Negotiations for the purchase of the 1946 crop have now been in progress about 13 months. Before the arrival of Secretary Anderson, Ambassador Belt reportedly had obtained assurances from President Grau that Cuba would be ready to complete the sale of the 1946 crop. The limited number of points of disagreement with respect to the 1947 crop, however, made it highly desirable, the Embassy felt, to try to reach an agreement on both crops at the same time.

Prior to the arrival of Secretary Anderson, there was considerable opposition in Cuban sugar circles to completing a contract covering

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\(^{50}\) Not printed.

\(^{51}\) According to telegram 474, July 3, 8 p. m., to Habana, Secretary Anderson went to Habana July 8, at the suggestion of Ambassador Belt, to confer with President Grau in an effort to reach agreement regarding sugar purchases (837.61351/7-346).

\(^{52}\) Enclosures (a), (b), and (c) not printed.
the 1947 crop. Resulting publicity was generally adverse to the best relations between the two countries. As an illustration, the leftist newspaper Hoy on July 5 carried a cartoon showing a large, fat man, labeled “North American Imperialism” holding a small Cuban by the neck and trying to force him to sign a paper labeled “Conditions for the sugar crop sale” with the words “You take it or leave it”. In contrast, there is now a general (although, of course, not universal) feeling of relief and satisfaction not only in the sugar circles, but from the public as well. Yesterday’s newspaper headline was “Cuba and the United States Reach Complete Agreement on Sugar”. In this connection it is pertinent that the vote of the General Assembly of Hacendados was 119 in favor of the 2-year contract and 7 against it.

Credit for the success of the negotiations is due primarily to Secretary Anderson, whose tactful and frank presentations left an excellent and friendly impression in Government and trade circles.

With the exception of Secretary Anderson’s personal calls on the President on the evening of July 8 and the afternoon of July 11, the Economic Counselor and the Agricultural Attaché were present during all of the negotiations, and I attended the more important meetings.

The final drafts of the contract in English and Spanish are now being reviewed by lawyers and it is anticipated that Secretary Anderson will sign the contract in Habana on July 16.

Respectfully yours,

For the Chargé d’Affaires ad interim:

Paul G. Minneman
Agricultural Attaché

[Enclosure]

Memorandum by the Agricultural Attaché (Minneman) Regarding Sugar Negotiations in Habana

Habana, July 11, 1946.

Secretary Anderson and James Marshall, accompanied by Ambassador Belt, arrived in Habana on the evening of July 8. Ambassador Belt took them the same evening to call on President Grau.

The next morning, July 9, negotiations began with a meeting in President Grau’s office attended by the Cuban sugar mission (Dr. Seiglie, Senator Casanova, Arturo Mañas, Santiesteban and Godoy), the Prime Minister,53 Minister of State, Minister of Agriculture, Sr.

53 Carlos Prío Socarrás.
Torro (Juan de Peso) representing the Sugar Labor Federation, and, of course, representatives of the Embassy. Secretary Anderson stated that he was anxious to close the negotiations which had already continued more than a year, and was prepared to see that Cuba received fair treatment. He pointed out that the delay in the negotiations was being used by certain interests in the United States as an argument for increasing our domestic sugar production. He indicated that he was prepared to discuss the 1946 crop involving sugar only, but that since Cuba and the United States appeared to be so nearly in agreement with respect to the 1947 crop, it would obviously be highly desirable to cover both at the same time if that were possible. Dr. Seiglie, for the Cubans, reviewed the principal points of difference and asked the opinion of the Hacendados as to including the 1947 crop. The reaction to this was generally negative and skeptical. Mañas stated that the Hacendados, Colonos and laborers felt that the situation had changed considerably since our former offer, and it would be necessary to take any 2-year offer up again with the General Assemblies of the respective Associations, and implied that it would be a difficult struggle to obtain agreement. It was stated that the Hacendados did not want to specify any price for 1947 because they feared (a) increased wages and other costs in Cuba, (b) increased prices in the United States resulting from OPA suspension, and (c) possible unfavorable United States sugar legislation (other than one year’s extension of the 1937 Sugar Act). Mañas also stated that he did not know whether the Hacendados would be willing to sign a contract for 1947 without prior agreement with labor concerning wages. The Colonos added that laborers were now asking for 25 to 30 percent increase in dead season wages and that the costs (contract labor) for one cultivation of cane had already increased from $80 or $90 per caballería (33.16 acres) in 1945 to $250 in 1946. The meeting at the Palace adjourned.

That afternoon the meeting was resumed at the Ministry of Agriculture; President Grau, the Prime Minister and the Minister of State were absent. At this meeting detailed provisions of the price clause were considered and afterwards the United States representatives drafted changes in this clause and submitted it to the Cubans that night.

The evening meeting was at the Palace with President Grau and other Cabinet Ministers attending. After hasty examination of the modified price proposal, the Cubans stated that they were in general agreement, although minor points still should be ironed out. They
added that it would be necessary to submit the new proposal to the General Assemblies of the Associations, but that this could probably be done promptly. Mafnas requested a new proviso in the preamble of the contract to the effect that the Cubans were entering into the contract with the understanding that in future legislation they would receive an increased share of the United States market. Secretary Anderson pointed out that such a proviso would be impossible and would certainly have an adverse effect upon the United States Congress. The Cubans saw the point and agreed to drop this request. The Cubans also requested that a cancellation clause be inserted to the effect that Cuba reserved the right to cancel the contract in the event of United States sugar legislation detrimental to Cuba (other than a one-year extension of the Sugar Act). It was also suggested that this might be done through an exchange of notes. This matter was not raised subsequently by the Cubans and therefore has been dropped.\textsuperscript{54} The meeting adjourned with the understanding that the Cubans were to discuss the details with the Board of Directors of their respective Associations and would redraft the payment clause.

At a meeting on the afternoon of July 10, Seiglie reported that the Board of Directors of Hacendados, Colones and laborers had agreed to the 2-year proposal and the Hacendados General Assembly was called for the morning of July 11. (Jesus Menéndez, Secretary-General of the Federation of Sugar Workers, in addition to Torro, attended the meeting.) The Cuban price draft was examined in detail and certain changes were agreed to, including removal of the Cuban suggestion that one of the factors for determining the 1947 price should be the cost of production. Reference to cost of production, however, remains as one of the grounds upon which the Cubans may request reexamination. The Cubans insisted that several other state-

\textsuperscript{54} The proposed text of a cancellation clause, which had been submitted to the Cuban Sugar Mission, was transmitted to the Department in telegram 511, July 10, noon (837.6135/7-1046). In reply, Acting Secretary Acheson sent the following message to Secretary Anderson in telegram 489, July 11, 2 p. m.:

"I have just discussed the proposed cancellation clause with the President. The President agrees to your including the proposed clause in the contract if the Cubans continue to insist. He believes that a clause of this consequence should not be dealt with by an exchange of notes outside the contract since, if it were invoked, there would be charges of secret agreements, etc. He recognized that some persons might charge that inclusion in the contract was an attempt by the Cubans to prejudice Congressional action, but concluded that this would not be a reasonable view and could be explained better than a secret provision." (837.61551/7-1046)

The Chargé in Cuba reported in telegram 525, July 16, 3 p. m., that the cancellation clause had been included in the purchase-sale agreement at the Cubans' renewed insistence, and that related matters, such as foodstuffs supplies, candy shipments, and maintenance of existing sugar legislation, were to be covered by an exchange of notes (837.61351/7-1646).
ments that appeared to us as being undesirable in the Cuban draft were merely platitudes intended for moral support to sell the contract to the Cuban industry and laborers.

The Cubans also asked that they have the right to sell an additional 7.5 million gallons of industrial alcohol to the United States if this quantity could not be sold as beverage alcohol. To this Secretary Anderson replied that he could not possibly increase the purchase of industrial alcohol, and hoped that the Cubans would make this available as additional blackstrap molasses to the United States in 1946 when it was urgently needed for feed. The Secretary expressed the hope that 50 million gallons of additional blackstrap molasses would be made available for 1946, but Manías replied that part of the molasses already supplied was being used for distilling in the United States and Europe and that it was Cuba’s declared policy that raw materials should be processed in Cuba. After consultation among themselves, however, the Cubans stated that they would ship to us any remaining quantity of blackstrap molasses (above that needed for the 7.5 million gallons of beverage alcohol) and estimated that some 15 to 20 million gallons might be available, in addition to the 115 for 1946 specified in the contract.

The labor delegates inquired particularly as to whether the food allocation commitments would stand as stated in Mr. Wilson’s letter of April 4, and were informed that this was the case.

P[AUL] G. M[INNEMAN]

837.61331/7-1746

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

HABANA, July 17, 1946. [Received July 19.]

Sr.: I have the honor to report that the contract for the purchase of Cuba’s 1946 and 1947 crop sugar, molasses and alcohol was signed at the Palace on the evening of July 16. One unsigned copy of the English text and one of the Spanish text of the contract are transmitted herewith for use of the Department. One original signed copy of the contract in English and one in Spanish are being transmitted to the Commodity Credit Corporation under separate despatch.

55 Copies of Cuban Government Decree No. 1615, July 16 (published in Official Gazette No. 164, July 17) were transmitted to the Department with despatch 1910, July 18, not printed.

56 Not printed.
There is also transmitted herewith a copy of a note from the Embassy to the Foreign Office concerning Cuban domestic consumption sugar, exports of candy, continuation of Cuban sugar production control legislation, and United States allocations of food products. This note is based on Mr. Wilson's letter of April 4 to the Cuban commission.

The contract was signed for Commodity Credit Corporation by Mr. Clinton P. Anderson, Secretary of Agriculture; and James A. Marshall, Director of the Sugar Branch. For the Cubans it was signed by Carlos Prio Socarrás, the Prime Minister; Dr. Oscar Seiglie, the President of the Cuban sugar mission; Tomás Puyans, President of the Institute; and Senator José M. Casanova, member of the Institute's General Assembly.

Sugar, molasses and alcohol are all covered in one contract. It provides for purchase of all exportable surplus of sugar of the 1946 and 1947 crops, with the exception of 250,000 Spanish long tons for free export and 20,000 tons for UNRRA from the 1946 crop and 300,000 long tons from the 1947 crop. The price is 3.675 cents per pound of raw sugar, f.o.b. Cuban port, subject to escalator clauses, the principal one of which provides for a price increase if the Bureau of Labor Statistics cost of living or food price indices rise more than 2 percent above those for the last quarter of 1945.

The purchase includes a minimum of 115 million gallons of blackstrap molasses from the 1946 crop and a total of 165 million gallons from the 1947 crop at a price of 13.6 cents per gallon, f.o.b. Cuban port. A total of 40 million gallons of industrial alcohol is to be purchased under the two-year contract at a price of 65 cents per gallon.

This contract completes the negotiations that have been in process for more than a year and for the first time covers two crops in one contract. Conclusion of these negotiations should go a long way toward guaranteeing supplies of sugar to the United States and other claimants, particularly since a large crop is anticipated in 1947. The total value of three products covered by the contract for the two years represents an estimated 700 million dollars, and if the operation of the escalator clause results in appreciable price increases, it might approach a billion dollars. As a part of the negotiations, the United States Government has made certain specific commitments to provide minimum quantities of rice, wheat flour, lard and vegetable oils to Cuba.

Respectfully yours,

For the Chargé d'Affaires ad interim:

Paul G. Minneman
Agricultural Attaché
The American Chargé (Woodward) to the Cuban Minister of State (Alvarez)\(^{37}\)

**No. 494**

HABANA, July 16, 1946.

**Excellency:** I have the honor to refer to the negotiations, now happily concluded, as a result of which an agreement was reached by representatives of the Cuban Government and the Government of the United States for the sale to Commodity Credit Corporation of a portion of Cuba's 1946 and 1947 sugar and blackstrap molasses production and a quantity of Cuba's production of industrial alcohol during 1946, 1947 and the first six months of 1948. As in previous years during which similar agreements have been reached, the discussions relating to the purchases included various matters over which the Cuban Government and the Government of the United States maintain control. I am pleased to record in the succeeding paragraphs the agreements which the United States Government understands have been concluded in this connection.

**Sugar Legislation**

The statements of the representatives of Your Excellency's Government that no change should be made in the sugar legislation from the existing sugar legislation in Cuba for the 1946 and 1947 crops and that the distribution of sugar production should be based on the existing system of quota allocations have been noted with satisfaction by my Government.

**Cuban Local Consumption Sugar Quota**

It was agreed that the institute will reserve for local consumption in Cuba 350,000 long tons of sugar each of the 1946 and 1947 crops and that any proportion of this sugar not used for local consumption will be released by the Institute for shipment to the Commodity Credit Corporation, provided the Cuban Government’s authorization to

\(^{37}\) A copy of the Cuban Government’s reply (note no. 794 of July 22) to this note was transmitted to the Department with despatch 1956, July 29 (837-61351/7-2946). According to the despatch, the Cuban note followed closely the text of this note except in respect of the paragraph on sugar legislation where the Cuban Government’s reply, in translation, read as follows:

"Following the rule of not changing the sugar regulations with respect to the 1946 crop, especially as regards the distribution of quotas, my Government acted in anticipation of the sales agreement that was being planned regarding the 1946 crop by promulgating Decree no. 325 of February 15, 1946, in article 2 of which it is provided that the distribution of the 1946 crop shall be made in accordance with Decree-Law no. 522 of January 18, 1936, as it is in force under the terms of Law no. 20 of March 21, 1941, the Sugar Coordination Law and other legislation in effect. The regulations as regards the 1947 crop my Government hopes to be able to promulgate as soon as possible and in accordance with the same principles, should there be no provision of law that is in conflict therewith."
effect such shipments is obtained. In accordance with the Cuban Government's Decree no. 325 of February 15, 1946, the abovementioned sugar quota is destined to satisfy consumption requirements in Cuba, including the requirements of industries which use sugar for the production of manufactured articles, whether for internal consumption or for export.

In view of the critical need for sugar in the United States and those other nations which look to the United States for their sugar supplies, the Government of the United States is confident that, should the occasion arise, the Cuban Government will be disposed promptly to authorize the release for shipment to the Commodity Credit Corporation of any sugar reserved for Cuban domestic consumption that is not used for that purpose. For the same reason, the United States Government ventures to express the hope that the Cuban Government will be good enough to take such steps as may be necessary to prevent the exportation, aside from the foregoing, of any part of Cuba's local consumption sugar quotas to any destination in the form of sugar, liquid sugar, molasses or syrups. Such a divergence of these local consumption sugar quotas, while reducing the amount of the sugar which might otherwise become available to the Commodity Credit Corporation at a time when it is desperately needed, makes little if any definite contribution to Cuba's overall economy, contrary to what is the case in respect to candy, confectionery and other similar manufactured articles which involve further manufacturing processes and which afford additional employment to Cuban labor.

Candy

It was agreed that:

1) For 1946, within the quantity of local consumption sugar of 350,000 long tons, raw value, a quantity not to exceed 30,000 short tons of sugar equivalent may be set aside during the calendar year 1946 to cover the needs of the confectionery industry of Cuba for export to the United States; that candy and other confectioneries composed of 20 percent or more of sugar by weight may be exported from Cuba to the United States only upon issuance by the Cuban Government of an export license; and that export licenses will not be issued for such candy during 1946 in excess of 30,000 tons of sugar equivalent and not in excess of 75 million pounds of candy.

2) For 1947, within the quantity of local consumption sugar of 350,000 long tons, raw value, a quantity not to exceed 40,000 short tons of sugar equivalent may be set aside during the calendar year 1947 to cover the needs of the confectionery industry of Cuba for export to the United States; that candy and other confectioneries composed of 20 percent or more of sugar by weight may be exported
from Cuba to the United States only upon issuance by the Cuban Government of an export license; and that export licenses will not be issued for such candy during 1947 in excess of 40,000 tons of sugar equivalent and not in excess of 100 million pounds of candy.

3) Any import control will be administered by the United States Department of Agriculture on the basis established in (1) and (2).

4) The Ministry of Commerce of Cuba will endeavor to spread the issuance of export licenses over the year, as far as possible, in order to avoid concentration of shipments in the early part of the year and early exhaustion of the quota.

Food Supply

The United States has agreed to assist Cuba, if necessary, in the procurement of such foodstuffs as are allocated to Cuba from United States sources, it being understood that all prices for commodities obtained in the United States will be at the prevailing prices for such commodities at the time of procurement.

Flour: The United States guarantees Cuba 2,000,000 bags (200 pounds each) of wheat flour for the year 1946 and a similar amount for the year 1947. United States regulations have been amended to enable millers to produce export flour of 72 percent extraction.

Rice: The United States guarantees that Cuba will receive an allocation of rice from United States sources of 70 million pounds for the six-months period April 1 to September 30, 1946. The United States will also support Cuba's request to the International Emergency Food Council (successor to the Combined Food Board) for allocations from areas other than the United States of 80 million pounds of rice for the same period. This will give Cuba, if Cuba procures the amount allocated by the International Emergency Food Council, a total of 450,000,000 pounds of rice for the rice crop year which began on October 1, 1945 and runs to September 30, 1946, including a small amount of rice of advanced licensing that was granted prior to October 1, 1945.

From October 1, 1946, to September 30, 1947, the United States will support a request to the International Emergency Food Council by Cuba for 400,000,000 pounds of rice from United States sources and for not less than 50,000,000 pounds from other sources. If there is no International Emergency Food Council during this period, the United States will guarantee Cuba 400,000,000 pounds from United States sources. The United States will further assure Cuba that it will cooperate in an effort to enable Cuba to procure such amounts of rice as may be allocated to Cuba from other than United States sources.

Lard: Unfortunately, the lard situation, due to foreign relief programs and insufficient supplies, is so serious that the United States can only guarantee Cuba 60,000,000 pounds for the calendar year 1946.
The United States will endeavor to assure this supply in approximately equal quarterly amounts. The United States also guarantees Cuba this amount for 1947, but will meet with representatives of Cuba late in 1946 to discuss the prospects for 1947, and, if it is possible, will increase the amount for 1947.

*Edible Oils:* The United States guarantees Cuba 10,000,000 pounds for the calendar year 1946 and it is contemplated this will be supplied by soybean oil. A like amount is guaranteed as a minimum for 1947, but the situation will be reviewed at the end of 1946 as in the case of lard.

*Tallow:* This commodity is also seriously short and the United States can only guarantee such amounts as are allocated Cuba from the United States by the International Emergency Food Council for the calendar years 1946 and 1947. At present this allocation is 13,664,000 pounds for 1946 from both United States and foreign sources. In case there is no International Emergency Food Council in 1947, the United States representatives will meet with representatives of Cuba and, in the light of the situation then existing, will decide the amount of tallow that can be provided Cuba during the year 1947.

*Malt:* This commodity is also in short supply and the United States Government is unable to guarantee Cuba more than 100,000 bushels for each of the second, third, and fourth quarters of 1946. The prospects for 1947 can be mutually reviewed late this year and attempts will be made to increase quarterly quantities for 1947.

*Fertilizer:* No quantity or type of fertilizer can be guaranteed by the United States, but, with the great need for sugar in the world, Cuba can be assured of the best efforts of the United States Government to assist it in meeting its fertilizer requirements.

I should appreciate receiving from Your Excellency a reply indicating that the understandings set forth in this note are shared by Your Excellency’s Government.

Please accept [etc.]

[File copy not signed]

Chargé d’Affaires ad interim