

CONFIDENTIAL

American Embassy,
Habana, Cuba, November 30, 1948

AKA

837.001 Rrio Socarras Carlos/11-3048
Subject: Conversations Respecting Cuban-American
Problems During Visit of President Prio.

7 X R's

The Honorable
The Secretary of State,
Washington.

John

Sir:

I have the honor to refer to the approaching visit of Dr. Carlos PRIO Socarrás, President of Cuba, to Washington on December 8 and possible conversations which may take place respecting a number of problems existing between the governments of Cuba and the United States. Reference is made to this Embassy's telegram No. 775 of November 29 outlining very briefly the subjects which, it appears, Dr. Prio desires to discuss. For the purposes of this despatch there is quoted below a translation of a confidential memorandum prepared in the Ministry of State and on which the telegram, referred to above, was based:

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"a) A greater participation by Cuba, for its sugar in the American market, and the stability of that participation. Cuba's concern on the maintenance of the sugar preferential as regards other countries.

837.50

"b) The economic development of Cuba. Technical and/or economic aid for the establishment of new industries; for the construction of waterworks, for the mechanization of agriculture; irrigation; fisheries enterprises; petroleum research, etc.

837.5017

"c) Cooperation with Cuba's plan to reduce prices, by furnishing ample supplies at adequate prices of lard and oils, rice, fertilizer, flour and other essential products.

"d) The advisability of fixing Cuba's cooperation in case of war through conventions and through an alliance."

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The President of Cuba has taken office under conditions somewhat less favorable than those of his predecessor. During the past year sugar, by far the largest industry in Cuba, has declined in price. The cost of living has advanced and wages and the demands of laborers have increased. Upon assumption of office the Treasury was bare and there is a substantial deficit. Understandably the President of Cuba is preoccupied with forming a reasonable juncture between the market for Cuban sugar and those factors of importance in the cost of living and wage rates. The desire to discuss diversification of industry, the establishment of new industries, et cetera, is part of a forward-looking plan to cushion the shock of expected declines in sugar income.

By and large this Embassy is in sympathy with the broad objectives of this new Government of Cuba. However, it finds itself at considerable variance with what appears to be Cuban official thought in the

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method

method of achieving the objectives. It is on the question of method that this Embassy believes principal emphasis should be placed by officers of our Government in any discussion with the President of Cuba and his Foreign Minister.

Many of Cuba's problems could be solved and much of her development assured by the creation of a propitious climate for business. The development of private enterprise and particularly private enterprise on a large scale is discouraging, especially to foreign investors, when there is a lack of guarantees, constant threat of Government intervention, and the necessity of "arrangements" involving parties of one kind or another. Reference is made to despatch No. 402 of May 26, 1948 for a detailed consideration of certain aspects of this matter. The approach taken by Secretary Marshall at the Bogota Conference regarding American investments abroad and the "Statement of United States Foreign Credit and Investment Policy" (Foreign Service Serial No. 920 of October 29, 1948) are pertinent in this connection.

A major point has been the demand of Cuban labor, which so far has been acceded to in each case by the Government, that no one should be deprived of work by the introduction of labor-saving devices. There have been intimations that this attitude is shared by elements in the Government. The effects of such a policy are obvious.

There appears to run throughout the Government a common conception that desired changes or effects upon the national economy can be achieved by the Government through law or regulation. The members of the Government by and large are young, enthusiastic and of broad political training, but at the same time short on experience and ignorant of the mechanism by which production is achieved in an economy of more or less free enterprise. The education of such people is not proposed at this time but good should result and some possible education be arrived at by maintaining the absolute necessity for guarantees to legitimate business and a strict respect of treaties and agreements entered into. There is a long list of problems outstanding with Cuba. Reference is made, as an example, to this Embassy's despatch No. 847 of October 21, 1948. It would not be fruitful to discuss many of these problems with the President or with the Foreign Minister. A certain few, however, illustrate general theses and should be taken up not only for their own importance but as examples of the interest of the United States. Reference is made to the question of claims about which the Department is so well aware. Reference is likewise made to the necessity for some sort of treaty or convention of friendship, commerce and navigation, and to Decree No. 4504 which restricts a foreign firm from changing its agent in Cuba. The question of claims illustrates a long period of bad faith and the Cuban Government's disrespect for obligations. In recent years we have not pressed vigorously for the payment of the claims but our Government has asked that a claims commission be established to examine the problem. We are without the courtesy of a reply. A convention of friendship and commerce could be prepared in such a way as to incorporate and emphasize attraction to foreign investments. It could go far in supporting Cuban desires and in furnishing desirable operating bases for American business. Cuba hitherto has felt that such a treaty was one-sided in its benefits. Should such a treaty emphasize the fundamental bases for our cooperation in Cuban industrial and agricultural development, it would go far to remove the feeling that Cuba has nothing to gain from such an undertaking. Decree No. 4504

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Despatch No. 925, November 30, 1948,
from American Embassy, Habana, Cuba

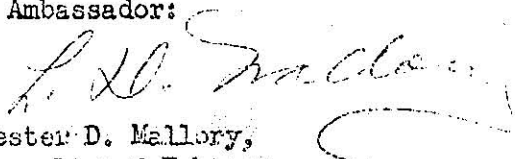
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important not only as of itself but also as illustrative of Government intervention. Recently there have been a number of instances of intervention of American companies in Cuba because of real or alleged differences between management and labor.

It would be desirable to take occasion to demonstrate that the failure to fulfill every desire and wish on the part of Cuba is not because of American ill-will or noncooperation. The impression still exists quite widely that the United States is so large, so powerful and so rich that it can grant anything asked of it, and that the reason it does not do so is because of some unreasonable attitude. In connection with the Cuban desire for a larger and more stable share of the American sugar market, effective use can be made of the aspirations of Santo Domingo and Peru. It can be pointed out, for example, that these, together with Puerto Rico, call for an adjustment of import quotas and removal of the Cuban preferential. Whether or not it is deemed desirable to accord greater facilities to Cuba, it is easy enough to show that maintenance of Cuba's present advantages calls for a real effort on her part. She should be helpful to us not in the spirit of quid pro quo but rather of putting her international house in order, of settling outstanding problems, and respecting her engagements. It has been said with some justice that as far as Cuba is concerned the United States generally sits in the game with a hand full of aces and plays them like two-spots.

It is realized that the above considerations are somewhat broad and are difficult to encompass within a brief time. However, references to these matters by the highest officials of our Government will make a considerable impression upon the ranking Cuban officials and should result only in good.

Respectfully yours,
For the Ambassador:


Lester D. Mallory,
Counselor of Embassy

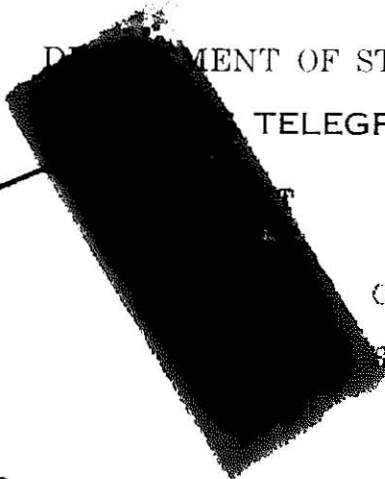
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DEPARTMENT OF STATE
TELEGRAM

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Rec'd November 29, 1948
6:20 p.m.

DEPARTMENT OF STATE
OFFICE OF
AMERICAN REPUBLIC AFFAIRS
NOV 30 1948
IT. 11-30-48
CRB: Walker 45

FROM: Habana
TO: Secretary of State
NO: 775, November 29, 4 a.m.

US URGENT

Foreign Minister today stated President Prío desires discuss during visit:

*17K
7/11/39*

- A). Larger and stable share Cuban sugar US market. Desire maintain sugar preferential.
- B). Technical and economic aid new industries and improvements works et cetera.

C). Aid Cuba reduce prices by larger supplies staple foods, fertilizers et cetera.

D). Cuba's cooperation in case of war by treaties or alliances.

Minister requested list subjects to be raised by US. Please reply immediately. Rush air mail texts speeches to be made by US officials.

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DEPT. OF STATE
DEC 6 1948

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837.001 PRIO SOCARRAS, CARLOS / 11-2948

DEC 2 1948

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Washington
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US URGENT

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HABANA. 800

837.001 Prio Socarras
Carlos/11-29-48
6646
NOV 30 1948

Dept appreciates Foreign Minister's courtesy

in furnishing list topics Prio desires discuss

(URTEL 775 Nov 29). Only items likely to be added

this list by US are claims and commercial treaty.

~~FONMINS~~

Marshall (Rfw)

MARSHALL

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CARLOS/11-2948

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