



DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON 25

August 5, 1948

S/S-O-K
I
File
prob.

Mr. Carlisle Humelsine
Director, Executive Secretariat
Office of the Secretary
Department of State
Washington, D. C.

Dear Mr. Humelsine:

Secretary Sawyer has read with interest the memorandum on current U. S. policy toward Cuba, sent with your memorandum of July 29, and, as requested by you, we are returning it herewith.

Yours sincerely,

Mildred Eaton
Mildred Eaton
Secretary to the Secretary

X

Enclosure

711.37/8-548

REC'D
FEB 2 1951

Stamp: P/R, 31, 2/11

711.37/8-548
CS/H

SECRET

MEMORANDUM FOR THE SECRETARY

Subject: Current U. S. Policy toward Cuba

A. OBJECTIVES

Cuba, because of its nearness to and historical ties with the United States, its status as principal sugar supplier of the U.S., and its American investments -- which are among the largest in amount in any country -- possesses an importance to the U.S. much greater than the island's size and its five million population would indicate. The maintenance of economic and political stability is therefore of particular concern to the United States, and encouragement of such stability is a fundamental objective in our relations with Cuba.

Although the maintenance of stability is the direct responsibility of the Cuban Government, Cuba's one-crop economy is almost entirely dependent on the United States; we could, by manipulation of tariff or quota affecting sugar, plunge the entire island into poverty. Cuba must continue to have a substantial share of the US sugar market in order to avoid serious political and economic problems.

It is our objective, in line with the commitments in the General Agreement on Tariffs and Trade and the ITO Charter, to eliminate or reduce particular United States tariff preferences to Cuba in which other countries are interested wherever possible in future trade agreement negotiations with them. We will, of course, consult in each case with the Cuban Government.

B. POLICY ISSUES

Although Cuba became a fully sovereign state in 1934 with the abrogation of the "Platt Amendment," the other American republics continue to regard Cuban-United States relations as a barometer of the Good Neighbor Policy and "non-intervention." Any action on our part which would seriously impair the Cuban sugar industry would be promptly interpreted as a disregard for the welfare of all the American republics -- a factor which has not escaped the Cubans in their dealings with us.

The quota allocated to Cuba in the U.S. Sugar Act of 1948, though representing, at probable levels of consumption, an increase over the Cuban quota in the previous Sugar Act of 1947, is less than was recommended by the Department and appreciably less than Cuba hoped to obtain. Whenever new sugar quota legislation is considered, the Department will seek an increase in the Cuban quota on the grounds of (1) the great importance of the United States sugar market in Cuba's economy, (2) the

SECRET

SECRET

-2-

benefit to the U.S. economy as a whole if more sugar were imported and less produced domestically under subsidy conditions, (3) the necessity for making U.S. practice consistent with our commitments on quantitative restrictions under the proposed International Trade Organization Charter.

We will continue to give token encouragement to the economic development of Cuba, particularly through the diversification and improvement of her economy, and to comply, as far as possible, with requests for technical assistance in any justifiable field of activity. We will not, however, support any request which the Cuban Government might make for U.S. credits so long as Cuba continues to ignore the settlement of various debts owed to U.S. citizens. Requests from private Cuban sources for financial assistance through transactions in which the Cuban Government might have the position of guarantor should be considered by our government agencies according to the criteria of economic justification.

We will also continue our efforts to solve serious commercial problems confronting U.S. business interests in Cuba, such as those created by a recent decree whereby foreign principals are prevented from making changes in their Cuban agents or distributors without the consent of the Cuban Government, by attempts made from time to time to shut out U.S. accountants sent to audit the books of U.S. companies in Cuba, and by a decree which makes it mandatory that shipments in railway cars brought over on the U.S. seatrains be unloaded at Habana in order to make work for Cuban stevedores.

If our efforts to persuade Cuba to comply with its trade agreement commitments produce no result, it is our intention to bring these matters before the contracting parties to the General Agreement on Tariffs and Trade as provided in Article XXIII.

We desire rights for four air carriers to serve Cuba on various international routes. Interim rights have been granted directly to those carriers by the Cuban Government on a basis not entirely satisfactory. However, as Cuba is known to desire certain rights for Cuban air carriers which, as a matter of domestic policy the United States cannot yet grant, intergovernmental discussions over air routes and a bilateral aviation agreement must be postponed until a more propitious time.

It appears possible that Cuba will attempt, under the guise of fishery conservation, to extend its territorial waters or its conservational jurisdiction into the high seas. We will discourage any Cuban action, by legislation, treaty, or otherwise, that would adversely affect U.S. fishing rights and interests.

We have achieved no success in our efforts to persuade the Cuban Government to settle claims of United States citizens amounting to almost \$9 million. Many of these claims have been adjudicated and the repeated failure of the Cuban Government over a long period to give effect to

SECRET

SECRET

-3-

decisions rendered against it by Cuban courts is unprecedented. We will continue our efforts to effect a satisfactory settlement and to give particular emphasis to those claims which have been adjudicated.

C. RELATIONS WITH OTHER STATES

Cuba has taken an active part in the United Nations and was one of the original signatories to the UN Declaration. Cuba has also played an important role in inter-American affairs and has signed or ratified the majority of Pan American treaties and conventions.

Cuban compliance with inter-American treaty commitments as well as with other international commitments has been notoriously bad. Although Cuba successfully sponsored the Grau Doctrine on economic aggression at the recent Bogota Conference, it has not hesitated to apply prejudicial measures to United States business interests in a manner which might be interpreted as economic aggression. Last summer the Cuban Government not only permitted, but assisted, a full scale revolutionary movement directed against the Dominican Republic in flagrant violation of its commitments under the Habana Convention of 1928. Although this movement was finally broken up by the Cuban Army, there have been rumors and some tangible indications that the Dominican revolutionary group may revive its activities in Cuba. Should these developments materialize, we will endeavor to persuade the Cuban Government to comply with its treaty obligations.

Aside from the Dominican Republic, Cuban relations with the American republics are generally cordial. During the past few months, Argentina has endeavored to strengthen its commercial and cultural ties with Cuba. Several important Argentine officials have visited Cuba and it was recently announced that Argentina would furnish capital for the establishment of a bank in Cuba and would assist in the development of the free port of Matanzas. Cuba has concluded a cultural agreement with Mexico and has shown a tendency to develop closer and more cordial relations with Haiti, presumably as an affront to the Dominican Republic.

Although Cuba maintains diplomatic relations with the USSR, the prestige and popularity of the Soviet diplomatic mission in Cuba have declined sharply during the past year. Strong anti-Communist measures taken by the Cuban Government have tended to reduce materially the effectiveness of the mission and also to worsen relations between the two countries.

D. POLICY EVALUATION

The implementation of some of our policy objectives poses various difficulties and requires full cooperation of interested agencies of this government, particularly in connection with any new sugar quota legislation. Although there is little likelihood of Cuba's receiving an increase in the existing sugar quota, because of almost certain domestic opposition, there

SECRET

SECRET

-4-

is reason to believe that Cuba's share of the present basic import quota will not be reduced. In view of this situation, we will not encourage any Cuban hope of an increased quota but will urge on Cuba, as the opportunity offers, the wisdom of adapting its production to the contraction that will take place in its United States sugar market as the deficiency in the Philippine quota, at present supplied in major part by Cuba, declines.

It is anticipated that we will continue to be moderately successful in affording protection to US business interests by settling problems through diplomatic negotiations. Adequate long-range protection could, of course, be assured in a more effective manner through a treaty of friendship, commerce, and navigation; and efforts to conclude such a treaty will be renewed. Unfortunately, however, we will doubtless achieve little success until we are in a particularly favorable bargaining position because of strong opposition in Cuban labor circles and the fact that aliens, including Cubans, in this country already enjoy many of the rights we seek for United States citizens in Cuba.

Section 202 (e) of the 1948 Sugar Act, which states that any increase therein provided in the share of a supplier country may be withheld on recommendation of the Secretary of State, was specifically designed to provide the Department with bargaining power in negotiating with the Cubans for a commercial treaty and for the settlement of various problems. The intent of this section was so thoroughly distorted that we concluded it would be unwise to use it and we have informed the Senate Finance Committee that we would have no objection to a pending bill providing for its repeal.

It is believed that our present policies are sound and, if effectively carried out, will serve to strengthen our relations with Cuba.

SECRET