

●PSF

Cuba

Trinity  
Speech

P. 7 in  
Answer  
"Answer" in  
Wells  
Cuba

[3-4-33]

*[Signature]*

DS F: Cuba

The creation and maintenance of the most cordial and intimate friendship between the United States and the other republics of the American Continent must be regarded as a keystone of our foreign policy. The erroneous interpretations given to the Monroe Doctrine over a period of many decades have constituted a constant cause for apprehension and for misrepresentation of the true purposes of the Government of the United States. The Monroe Doctrine declares that the United States will not permit any non-American nation to encroach upon the political independence of any American republic; and that the United States will not consent to the acquisition in any manner of the control of additional territory in this Hemisphere by any non-American Power. These principles have until now been proclaimed solely on the authority of the United States and they will not be abandoned. But they are essentially principles of continental self-defense. And they are as vitally important to every other republic of this Hemisphere as they are to the United States itself. I would welcome their adoption by every American republic as a portion of its national policy. In that manner alone, in my opinion, can there be permanently abolished the impression which has persisted that these simple principles of self-defense can involve a threat to the sovereignty or to the national wellbeing of any republic of the Western Hemisphere. In the same spirit of mutual understanding and of cooperation for the promotion of the welfare of the American peoples, I favor the principle of consultation between the governments of the American republics whenever there arises in this Continent any question

which threatens the peace and wellbeing of the American world. I believe that in such emergency there should be summoned immediately an inter-American conference, in which the American republics can determine, as individual powers bound together by a common interest, what policy best behooves them in a crisis which may be of potential danger to each one of them in varying degree. The United States should take the ground that pan-American responsibilities must be accepted by all the American republics on equal terms. I would stress, in particular, the continental responsibility for the maintenance of peace in this Hemisphere, and the necessity for the perfection of the mechanism required for the carrying out of that obligation.

The lives of our citizens abroad must, of course, be protected, wherever they may be, when they are in imminent danger and the local authorities are patently unable to afford them security, but such protection by this Government should never again result in armed intervention by the United States in a sister republic. I believe that the dispatch of the armed forces of the United States to any foreign soil whatsoever, save for the purpose of dealing with a temporary emergency such as that just described, should never be undertaken by the American Executive except with the consent of the American Congress.

There is no more effective means of enhancing friendship between nations than in promoting commerce between them. We cannot expect to preserve the sincere friendship of our neighbors on this Continent if we close our markets to them. We cannot enjoy the markets of the American Continent, which have as vast a potentiality for development as any in the world, unless we

permit the citizens of our sister nations to trade with us. The interest of the peoples of this Continent demands that the American governments individually take without delay such action as may be necessary to abolish those barriers and restrictions which now hamper the healthy flow of commerce between their respective nations.



THE SECRETARY OF STATE  
WASHINGTON

August 7, 1933.

The Secretary of State encloses for the information of the President a copy of the telegram indicated below.

As the telegram was transmitted in one of the Department's confidential codes, it would be appreciated if it could be returned to the Department at the President's convenience for appropriate disposition.

Enclosure:

Telegram No. 126, August 5, 11 a. m., Habana,  
from Ambassador Welles.

hsm

Habana

This telegram must be closely paraphrased before being communicated to anyone. (b).

Dated August 5, 1933

Rec'd 3:30 p. m.

Secretary of State,

Washington.

126, August 5, 11 a. m.

~~STRICTLY CONFIDENTIAL~~

My 125, August 4, 2 p. m.

After their interview with me the directors of the Liberal Party went immediately to see the President and told him that the Liberal Party felt that the only possible salvation for Cuba lay in the agreement which they believed could be reached through the mediation negotiations and that under no consideration would the Liberal Party withdraw from the proceedings.

I had lunch yesterday with President Machado. He was in a highly nervous and excitable condition but in his conversation with me both courteous and entirely reasonable. He told me that the mediation had weakened the authority of his government but that he himself believed that the only possible solution lay in the agreement which could be reached through the mediation negotiations. He said that he was willing to agree to any fair solution proposed but that he was not willing to agree to be "thrown into the street". I agreed to

certain

#126, August 5, 11 a. m. from Habana

-2-

certain minor requests which he made of me, namely, that the opposition be prevented from publishing in the newspapers complaints which they made to me as mediator of action taken against them by subordinate authorities of the Government. He admitted that the visit to me earlier in the morning by the directors of the Liberal Party had been made at his instigation and likewise frankly admitted that his party had differed with him in the matter. I am under the very distinct impression that for the first time since he was elected the Liberal Party have summoned up sufficient courage to dictate to the President and are not being dictated to by him.

In a private conversation which I had last night with one of the directors of the Liberal Party he told me that in their interview with the President early yesterday morning the President was utterly uncontrolled and gave the impression of a man who was unbalanced mentally. He told me that it was impossible to argue or reason with the President at that time but that he felt the attitude taken by the directors of the party in the second interview would prevent any further insistence by the President that the Liberals withdraw from the mediation negotiations.

The Mixed Commission stayed in session for ten hours yesterday and I shall keep the Commission in permanent session today and tomorrow Sunday until a final agreement

is

#126, August 5, 11 a. m. from Habana

-3-

is reached on the permanent reforms to the constitution. Practically all important points have already been agreed to other than the length of the presidential term and the independence of the judiciary. On the latter point an agreement can readily be reached. On the former point a compromise will probably be necessary. The agreement already arrived at includes a modified parliamentary system which limits materially the powers of the executive and which I have every reason to believe will prove highly beneficial to Cuba if finally enacted.

WELLES

CSB



THE SECRETARY OF STATE  
WASHINGTON

August 7, 1933.

The Secretary of State encloses for the information of the President a copy of the telegram indicated below.

Enclosure:

Telegram No. 127, August 5, 4 p. m., Habana,  
from Ambassador Welles.

hsm

GRAY

Habana

Dated August 5, 1933

Rec'd 9 p. m.

Secretary of State,

Washington.

127, August 5, 4 p. m.

Although the strike movement extended last night to newspapers, longshoremen, and other labor groups, there are one or two indications that the situation may improve. I am informed that some street cars are now running with police protection and that the railroad employees who had decided to join the strike at midnight tonight are holding a referendum to reconsider their decision under the direction of a union leader of less radical tendencies than the union president who has been arrested.

The Consul at Cienfuegos reports a riot occurred there last night in which a mob of some 200 persons broke many windows and damaged property. There was shooting in the business section of Habana this morning but I am informed that the police fired in the air and that there were no casualties. Many persons were arrested on the streets but according to General Herrera all have now been released excepting three students who were found to have bombs in their possession. Practically all shops were closed during the day.

WELLES

CSB



THE SECRETARY OF STATE  
WASHINGTON

August 7, 1933.

The Secretary of State encloses for the information of the President a copy of the telegram indicated below.

As the telegram was transmitted in one of the Department's confidential codes, it would be appreciated if it could be returned to the Department at the President's convenience for appropriate disposition.

Enclosure:

Telegram No. 129, August 7, noon, Havana,  
from Ambassador Welles

MET

This telegram must be closely paraphrased before being communicated to anyone. (b)

Havana

Dated August 7, 1933

Rec'd 4:15 p. m.

Secretary of State,  
Washington.

~~DOUBLE~~ PRIORITY.

129, August 7, noon.

~~SECRET~~ CONFIDENTIAL. The general strike has now spread throughout the Republic. Every form of transportation is tied up. The Government employees of the Departments of Sanitation, Communications, and of the Treasury, have declared themselves on a strike and consequently no telegraphs are functioning and the ordinary sanitary requirements of the city will no longer be complied with. All of the provision merchants, restaurants, and even the hotels, are closed and there will be a state of near starvation within the next twenty-four hours. While some of the police in the capital have been guilty of the same tactics pursued during the past months which have resulted in the injury of a score of people in the city yesterday the strike up to the present time has been absolutely peaceful in character and so far as I am informed there has been no aggression against the authorities nor  
damage

MET

2-#129 from Havana, Aug. 7, noon.

damage to private property except on a very inconsiderable scale in the interior.

Saturday night and yesterday morning I had continuous interviews with the official representatives of the three political parties and of the members of the opposition. I have decided that the only possible solution to prevent a state of utter chaos in the Republic in the near future is the following:

One. Appointment by the President of an impartial Secretary of State acceptable to all elements.

Two. The request by the President of the (\*) for leave of absence and authorization by him of the new Secretary of State to reorganize the Cabinet giving representation to all important political elements.

Three. The immediate passage by the Congress of the constitutional reforms which have been elaborated by the Mixed Commission as the result of which the members of House of Representatives will agree to shorten their terms so that half of the House will be renewed in the national elections of 1934 and those representatives remaining in the House to shorten their terms to a corresponding extent as those who will vacate in that year.

Four.

MET

3-#129 from Havana, Aug. 7, noon.

Four. Half of the Senate is renewed in 1934 and the remaining senators to agree to shorten their terms to a total period of six years.

Five. The creation of the Vice-Presidency, said Vice-President to assume the Presidency upon his inauguration.

I had an interview with President Machado yesterday afternoon. I communicated to him my views and I impressed upon him that if he did not accept this entirely constitutional and dignified solution as an act of patriotism and sacrifice on the part of all concerned I believed that the situation here would very rapidly degenerate into a condition of absolute anarchy which would result in the loss of innumerable lives and destruction of property. I reminded him of the obligations of the United States under the permanent treaty but I told him that the whole purpose of my mission here was to avoid the United States Government having to consider the carrying out of such obligations. The President expressed his entire willingness to resign as soon as the Vice-Presidency was created but stated that in his judgment for him to ask for leave of absence and to allow a Secretary of State to carry on until the Vice President was inaugurated would

MET

4-#129 from Havana, Aug. 7, noon.

be disastrous in its consequences. I told him that I could see no reason for such belief on his part and that I thought the disaster would arise from his not being willing to adopt such a measure. He referred to the fact that the Congress as a measure of precaution desired to suspend constitutional guarantees today and I said that in view of the gravity of the situation I had no objection to offer thereto provided that the guarantees were suspended for a limited and fixed period, which he agreed to.

I have had this morning an interview with the leaders of the Liberal Party. They are now in session with the President and will tell him that in their judgment, for the benefit of the country, for the benefit of the Liberal Party, and for his own reputation, the President must adopt the measures indicated above. Both the Conservative and Popular Parties are absolutely in accord with the solution proposed and they will, before evening, as will the directors of the Liberal Party, obtain the consent of the members of House and of the Senate to the steps indicated.

Most of the factions of the opposition will agree to this compromise although certain of the more radical

elements

MET

5-#129 from Havana, Aug. 7, noon.

elements will probably demur.

If this agreement can be reached within the next forty-eight hours and made public I am very confident that the strike will immediately cease and that the state of the country will rapidly become normal once more. If an agreement is not reached through the unwillingness of the President to take the action necessary I foresee the gravest consequences.

WELLES

HPD-CSB

(\* ) apparent omission.

*Cuba folder*

August 9, 1933.

Memo. for the President:

Mr. Phillips asks that you advise them at the State Department, as soon as possible, what you have said to Cintas, in order that they may advise Ambassador Welles.

M.H.M.

8-13-33  
[ 1933 ]

PSF

Box 4  
Cuba

This is the original of the  
statement prepared by Percy Hull.  
Sunday Aug 13<sup>th</sup> 6 p.m. an  
my sending 2 Destroyers to  
Havana at Sumner Welles  
urgent request.

Franklin D. Roosevelt

DEPARTMENT OF STATE  
—  
THE SECRETARY

Latest advices are to the effect that more or less domestic disturbances, ~~are~~ including acts of violence are occurring in some parts of Cuba among certain elements of the ~~Cuban~~ population.

In these circumstances, I feel constrained as a matter of <sup>special</sup> precaution and solely for the purpose of safeguarding and protecting the lives and persons of American ~~and~~ <sup>to</sup> ~~Citizens~~ <sup>Citizens</sup> in Cuba to order certain armed vessels to ~~Certain~~ <sup>Certain</sup> points on the Cuban coast.

✓  
DEPARTMENT OF STATE

THE SECRETARY

The change of government now taking place in Cuba is in entire accord with the ~~policy~~ recognized Constitution and laws of that Country, and no possible question of the slightest interference with internal affairs of Cuba ~~is intended~~ <sup>has</sup> arisen or is intended by this precautionary step to protect, if necessary, the lives of American citizens, pending the restoration of <sup>normal</sup> conditions of law and order by the Cuban authorities.

DEPARTMENT OF STATE

THE SECRETARY

I am ~~consequently~~ giving strict instructions accordingly to the Commanders of each vessel. ~~Pray that~~

The American people deeply sympathize with the people of Cuba in their ~~business~~ general economic distress, and we are praying that <sup>quiet</sup> ~~strict~~ and ~~strict~~ observance may soon prevail in every part of Cuba to the end that the American government may ~~lend~~ <sup>aid through the Constituted Cuban authorities</sup> ~~all~~ <sup>feasibly</sup> for the relief of the distressed people of <sup>the island</sup> Cuba. 115

(Original Navy Orders - Aug. 13 - 37)

U.S.S. Taylor and U.S.S.  
Claxton, destroyers, have been  
ordered to Havana. The ("old")  
Senior Commanding officer  
Lt. Commander Geo. T.  
Howard will report to  
Lieutenant Keller on  
arrival.

Another vessel  
~~has been ordered to~~ ~~leave~~ ~~from~~  
~~the south coast of Cuba~~  
is proceeding to Matanzas  
and will report to the  
~~senior~~ U.S. Treasurer Agent. 40

Original of this document in:  
Group 13  
LeHand Scrapbook

*file  
private*

*Cuba*

**EMBAJADA DE CUBA  
WASHINGTON**

Against the possibility that the Cuban problem may be misunderstood, as it is not a political struggle between parties and in order that you may know the real situation, I advise you as follows: a Bill taxing the manufacture of sugar in order to apply the proceeds to instruction by military teachers was approved by the Senate and upon being presented to the House of Representatives, the adverse opinion of the President of the Republic was made known, considering it detrimental to the democratic principles and contrary to the Constitution. The President has been informed that Senators and Representatives have been called today to the General Headquarters of the Army to demand the immediate removal of the President under threat that upon failure to do so, Congress would be dissolved. A violence of this nature if successful, would establish a military dictatorship in Cuba with destruction of democratic principles and would cause a grave state of unrest in the Republic.

hsm

GRAY

Habana

Dated August 20, 1933

Rec'd 7 p. m.

Secretary of State,  
Washington.

175, August 20, 2 p. m.

~~CONFIDENTIAL~~

After consulting with President Cespedes and with the Secretary of the Treasury, and after receiving the benefit of the opinion of many of the bankers and prominent business men in Habana, both Cuban and American, I desire to submit the following views to the Department:

One. It is indispensable that measures be taken by the present Cuban Government and be taken immediately for the restoration of Cuban economic prosperity. That the Cuban Treasury is in most serious straits cannot be doubted, although I have not as yet been able to receive any official statement. Government employees are in the greatest distress, since salaries have not been paid over a period of many months with the exception of the month of July just past. All industry is practically at a standstill, the situation as regards the sugar industry being, of course, fully known to the Department. Poverty and destitution exist throughout the Republic.

Under

#175, August 20, 2 p. m. from Habana

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Under such conditions no Government can stand, and particularly not a Government which has come into power under existing conditions, when almost every Cuban will expect it to perform miracles without a moment's delay and make every one happy and prosperous by decree. I wish to emphasize my conviction that if steps are not taken immediately to make the Cuban people confident that their distress will in some measure be relieved in the not distant future, a condition of chaos will unquestionably ensue which will inevitably give rise to such conditions as to make stable and constitutional Government in Cuba impossible.

Two. I cannot see any alternative to the declaration by the Cuban Government of a moratorium on its foreign debt. Such a moratorium might involve solely sinking fund charges, or both sinking fund and interest charges, and could be announced as being for a fixed and limited period during which period steps, in my opinion, (\*) be taken looking towards a conversion of the foreign debt.

Three. The floating debt of the Republic, amounting to between forty-five and fifty millions of dollars, of which from ten to fifteen millions of dollars comprise unpaid back salaries, should be submitted immediately to a claims commission for the purpose of verifying these unpaid internal obligations of the Government. It is

unquestionable

#175, August 20, 2 p. m., from Habana

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unquestionable that the nominal amount of the floating debt can be very materially reduced after an investigation by an honest, impartial commission.

Four. The immediate need of the Government, without which I do not believe it can long remain in power, is for a loan of sufficient at least to meet the payment of back salaries. The injection of this amount of currency into Cuba might be sufficient to tide things over until other measures, which should be taken for economic improvement, become effective.

Five. President Cespedes has requested me to suggest to my Government that it "sell" to the Cuban Government American Treasury bonds for the amount required, payment for these bonds to be made by Cuba in yearly installments but title thereto to be given to the Cuban Government immediately upon entering into the necessary agreement. The bonds, however, not to be delivered to the Cuban Government but to one or more of the American banks operating in Cuba which bank or banks would act as trustees or fiscal agents. The banks in turn would discount the securities with the Federal Reserve Bank for American currency to be delivered to the Cuban Government. The bonds in question would be paid for at a specified annual rate the interest being self-liquidating, being paid by the coupons on the bonds. Such a "sale" could

#175, August 20, 2 p. m. from Habana

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could only be guaranteed by the good faith of the Cuban Government and its formal agreement to include in its budget the necessary appropriations for repayment. I have informed President Cespedes that I would transmit his suggestion at once to my Government but that I personally was highly doubtful whether the Executive possessed authorization to undertake such action without the consent of the American Congress, and reminded him that the Congress presumably would not be in session again for some five months.

Six. It has likewise been suggested by sources other than the Cuban Government that the Reconstruction Finance Corporation might lend the sum required to American banks interested in Cuba on frozen American assets in the United States and that these banks in turn might advance the amount determined upon to the Cuban Government on such terms and conditions as might be agreed upon.

Seven. So far as I can judge, the only alternative to the foregoing plans would be the flotation of a new bond issue by the Cuban Government or the obtaining of a credit by the Cuban Government from American bankers. On account of the political instability now existing it would seem to me obvious that neither one of these two latter alternatives could be considered practicable.

Eight.

#175, August 20, 2 p. m. from Habana

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Eight. Some minor measures affording immediate relief could be taken:

(a). At the end of June, three American oil companies advanced to the Cuban Government the sum of \$1,335,000 against duties and taxes on future importations. This arrangement deprives the present Government of substantial revenues on petroleum products for the coming months. An arrangement could be made with the oil companies by which the amounts due them could be liquidated by partial deductions from duties payable on incoming shipments over a future specified period so that the new Government could get immediate revenue from this source.

(b). Six million dollars of new Cuban silver currency has been authorized by the Machado Government, of which, up to August 11th, \$2,240,000 had been received, and of which amount still to be received, not more than \$600,000 could be expected this month unless it is possible to expedite operations at the Philadelphia Mint which is charged with the minting of the silver. In view of the national emergency existing in Cuba, it would be highly beneficial to have a special order issued by the Treasury Department so that the remaining silver could be received at the earliest possible moment.

Nine. I feel it would be a source of encouragement to the Cuban people, and a source of moral support to  
the

#175, August 20, 2 p. m., from Habana

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the Government of President Cespedes, if a highly competent technical commission of experts could be sent immediately to Habana to advise with the members of the present Administration as to the steps which should be taken. In my judgment, this commission should be comprised of practical men, preferably connected with the United States Treasury Department or bankers not affiliated with those banks directly interested in Cuba.

In an interview which I shall have with President Cespedes this afternoon I shall request his opinion in the matter and should he accede to my recommendations I shall telephone the Department accordingly tomorrow morning.

Ten. The immediate conclusion of a new commercial treaty with Cuba would be highly beneficial in its moral effect, although necessarily practical benefits can not be derived from such treaty until after ratification by the United States Senate next winter.

Eleven. The basic question for the restoration of national prosperity of Cuba is the arrangements which will be made covering the amount of Cuban sugar to be admitted to the American market, the price at which such sugar will be sold, and the terms upon which such sugar will be admitted into the United States. It is unnecessary

for

#175, August 20, 2 p. m. from Habana

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for me to repeat that I understand fully the domestic difficulties attendant upon giving Cuba generous treatment at the present time, but it will be evident to the Department that if favorable and generous treatment is not given Cuba in this respect all other measures above indicated must be considered solely as temporary stop-gaps.

WELLES

HSM

(\*) Omission

COPY

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

August 21, 1933.

MEMORANDUM FOR ASSISTANT SECRETARY OF STATE CAFFERY:

In response to your request for the Treasury Department's comments on certain paragraphs of Ambassador Welles' cable No. 175 of August 20th, I submit the following:

Comments on paragraph 5. The Treasury has no authority to make a direct loan to a foreign government, including Cuba. The proposal in paragraph 5 is that Cuba shall borrow from Federal Reserve Banks the amount of money required and that the United States shall furnish the security for the loan, this security to be obligations of the United States. As at present advised, the Treasury believes that the issuance of obligations for such purpose is of most doubtful legality. The Treasury, however, will study the matter further.

Comments on paragraph 6. This proposal means that the banks shall borrow from the Reconstruction Finance Corporation and lend to Cuba. Secretary Woodin has been in touch with several of the banks in New York and is of the opinion that until the whole matter of the finances of Cuba is put upon a sounder basis, no bank will feel justified in lending to the government. However,

it may be possible through the agency of the R. F. C. for the Cuban Government to obtain funds each month in an amount equal to the payments now remitted from Cuba to the United States for payment of American exports to Cuba. This amounts roughly to \$2,000,000 a month.

It may be possible also -- particularly if the Cuban imports of sugar to the United States can be increased -- for the Cuban Government to obtain some funds by bank credits secured by sugar which the government might obtain from its citizens upon credit.

Comments on paragraph 7. The Treasury agrees with Ambassador Welles that it would not be possible to float a new bond issue by the Cuban Government in this country at this time, particularly in view of the moratorium contemplated in paragraph 2 of the cable.

Comments on paragraph 8 (b). The Mint at Philadelphia has completed 3,190,000 pieces out of the 6,000,000 authorized. Of the number completed, 400,000 are on hand uncalled for at Philadelphia. By working overtime the Mint can produce 600,000 a week and can complete the remaining 2,810,000 pieces in five weeks, or slightly less. If it is desired that this coinage be expedited the Treasury would appreciate advices to that effect.

Dean Acheson

Under Secretary of the Treasury.

KLP

GRAY

Habana

Dated August 21, 1933.

Rec'd. 12:45 p.m.

Secretary of State,

Washington.

176, August 21, 11 a.m.

~~STRICTLY CONFIDENTIAL~~. In an interview with the President yesterday evening Dr. Cespedes stated to me that he anticipated the better part of this week would elapse before he or his Secretary of the Treasury had been afforded a definite and detailed understanding of the financial situation of the Government. He advised me that as soon as he had ascertained the necessary facts he would go over them with me and with Dr. Martinez Saenz and would then request that my Government undertake the discussion of measures of helpful cooperation with the Cuban Government through this Embassy.

He stated that he felt it was very desirable that a commission of practical American financial experts be sent to Cuba both for the assistance they could give the Cuban Republic and for the moral effect it would have upon the Cuban people. He stated, however, and I fully agree with his opinion, that it would be desirable that such commission

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be officially attached to the American Embassy and be not sent to undertake discussions directly with the Cuban Government. If the latter course were adopted the opinion would presumably prevail that the Government of the United States was undertaking an idea of financial intervention in the affairs of the Cuban Government but if the commission were sent here to be attached to and advise the American Embassy such misapprehension would be avoided.

WELLES

KLP\*CSB

*Welles* *P.F.*

THE UNDER SECRETARY OF STATE  
WASHINGTON

August 21, 1933. *Cable*

Dear Mr. President:

I am sending the texts of two important telegrams from Welles which have been telephoned to Hyde Park this afternoon. Caffery has been in touch with Dean Acheson with regard to No. 175 and I am enclosing herewith a memorandum prepared at the Treasury which contains certain views of the Treasury in this connection.

I have discussed with Welles over the telephone the substance of his No. 176. On receipt of this message I felt that a commission of American financial experts to be attached to the American Embassy would give the impression, in fact, of financial intervention

The President

The White House.

vention in the affairs of the Cuban Government. It seems, however, that what Welles has in mind is the appointment of two or three financial experts to the Embassy with a view to assisting the Ambassador to make a study of Cuban financial affairs. If the matter is presented to the public in this way I do not see how any misunderstandings can occur, either here or in Cuba. Caffery is also in touch with the Treasury with regard to obtaining suggestions of such experts, the names of whom, of course, will be submitted to you for your comments.

Faithfully yours,

William Phillips

*File  
Confidential*

THE WHITE HOUSE  
WASHINGTON

No. 175

August 20, 1933  
2:00 P.M.

MEMORANDUM FOR THE PRESIDENT:

After consultation with President Cespedes and with the Secretary of the Treasury and after receiving the benefit of the opinion of many of the bankers and prominent business men in Havana, both American and Cuban, I wish to submit the following to the Department:

(1) It is indispensable that measures be taken by the present Government of Cuba and be taken immediately for the restoration of Cuban economic prosperity. That the Cuban treasury is in most serious straits cannot be doubted, although I have not as yet been able to receive any official statement. Government employees are in the greatest distress since salaries have not been paid over a period of many months, with the exception of the month of July just passed. All industry is practically at a standstill, the situation as regards the sugar industry being, of course, fully known to the Department. Poverty and destitution exist throughout the Republic. Under these conditions no Government can stand, and particularly not a Government which has come into power under present conditions when almost every Cuban will expect it to perform miracles without a moment's delay and make everyone happy and prosperous by decree. I desire to emphasize my conviction that if steps are not taken immediately to make the Cuban people confident that their distress will in some measure be relieved in the not distant future. A condition of chaos will unquestionably ensue, which will inevitably give rise to such conditions as to make stable and constitutional Government in Cuba impossible.

THE WHITE HOUSE  
WASHINGTON

(2) I cannot see any alternative to the declaration made by the Cuban Government on a moratorium on its foreign debts. Such a moratorium might involve solely sinking fund charges or both sinking fund and interest charges and could be announced as being for a fixed and limited period, during which steps, in my opinion, might be taken looking toward a conversion of the foreign debt.

(3) The floating debt of the Republic, amounting to between 45 and 50 million dollars, of which from 10 to 15 comprise unpaid back salaries, should be submitted immediately to a Claims Commission for the purpose of verifying these unpaid internal obligations of the Government. It is unquestionable that the nominal amount of the floating debt can be very materially reduced after an investigation by an honest, impartial commission.

(4) Immediate need of the Government - without which I do not believe it can long remain in power - is for a loan of sufficient at least to meet the payment of back salaries. The injection of this amount of currency into Cuba might prove to be sufficient to tide things over until other measures, which should be taken for economic improvement, become effective.

(5) President Cespedes has requested me to suggest to my Government that it "sell" to the Cuban Government American Treasury Bonds for the amount required, payment for these bonds to be made by Cuba in yearly installments, the title thereto to be given to the Government of Cuba immediately upon entry into the necessary agreement. The bonds, however, not to be delivered to the Cuban Government but to one or more of the American banks operating in Cuba, which bank or banks would act as Trustees or fiscal agents. The banks, in turn, would discount the securities with the Federal Reserve Bank for

THE WHITE HOUSE  
WASHINGTON

American currency to be delivered to the Cuban Government. The bonds in question would be paid for at a specified yearly rate, the interest being self-liquidating, being paid by the Cubans on the bonds. Such a "sale" could only be guaranteed by the good faith of the Cuban Government and its formal agreement to include in its budget the necessary appropriations for repayment. I have informed President Cespedes that I would transmit his suggestion at once to my Government but that I personally was highly doubtful whether the executive possessed authorization to undertake such action without the consent of the American Congress, and reminded him that the Congress presumably would not be in session again for some five months.

(6) It has likewise been suggested by sources other than the Cuban Government, that the Reconstruction Finance Corporation might loan the sum required to American banks interested in Cuba on frozen American assets in the United States, and that these banks in turn might advance the amount determined upon to the Cuban Government on such terms and conditions as might be agreed upon.

(7) So far as I can judge the only alternative to the foregoing plan would be the flotation of a new bond issue by the government of Cuba or the obtaining of a credit by that government from American bankers. On account of the political instability now existing it would seem to me obvious that neither one of these two latter alternatives could be considered practicable.

(8) Some minor measures affording immediate relief could be taken:

at the end of June three American oil companies advanced to the Cuban government the sum of \$1,335,000 against duties and taxes on future importations. This arrangement deprives the present government of substantial revenues on petroleum products for the coming month. An arrangement could be made with the oil companies by which the amounts due them could be liquidated by partial deductions from duties payable on incoming shipments over a future specified period so that the new government could get immediate revenues from this source.

Six million dollars of new Cuban silver currency has been authorized by the Machado government, of which up to August 11th, \$2,240,000 had been received, and of which amount still to be received not more than \$600,000 could be expected this month unless it is possible to expedite operations at the Philadelphia Mint, which is charged with the minting of the silver. In view of the national emergency existing in Cuba it would be highly beneficial to have a special order issued by the Treasury Department so that the remaining silver could be received at the earliest possible moment.

(9) I feel it would be a source of encouragement to the people of Cuba and a source of moral support to the government of President Cespedes, if a highly competent, technical commission of experts could be sent immediately to Havana to advise with the members of the present administration as to the steps which should be taken. In my estimation this commission should be comprised of practical men, preferably connected with the U. S. Treasury Department, or bankers not affiliated with those banks directly interested in Cuba.

In an interview which I shall have with President

Cespedes this afternoon, I shall request his opinion in the matter, and should he accede to my recommendation I shall telephone the Department accordingly tomorrow morning.

(10) The immediate conclusion of a new commercial treaty with Cuba would be highly beneficial in its moral effect, although necessarily practical benefits cannot be derived from such treaty until after such ratification by the United States Senate next winter.

(11) The basic question for the restoration for national prosperity of Cuba is the arrangement which will be made covering the amount of Cuban sugar to be admitted to the American Market, the price at which such sugar will be sold and the terms upon which such sugar will be admitted to the United States. It is unnecessary for me to repeat, but I understand fully the domestic difficulties attendant upon giving Cuba generous treatment at the present time, but it will be evident to the Department that if favorable and generous treatment is not given Cuba in this respect, all of the measures above indicated would be considered solely as temporary stop-gaps.

(signed) Welles.

Telegram. 175 August 21st 11 A. M.

In an interview with the President yesterday evening, Dr. Cespedes stated to me that he anticipated the better part of this week would pass before he or his Secretary of the Treasury had been afforded a definite and detailed understanding of the financial situation of the government. He notified me that as soon as he had ascertained the necessary facts he would go over them with me and Dr. Martinez Saenz, and would then request that my government undertake the discussion of measures of helpful cooperation with the Cuban government through this Embassy.

He stated that he felt that it was very desirable that a commission of practical, American financial experts be sent to Cuba, both for the assistance that they could give the Cuban Republic, and for the moral effect it would have upon the Cuban people. He stated, however, and I fully agree with his opinion, that it would be desirable that such commission be officially attached to the American Embassy, and be not sent to undertake discussions with the Cuban government. If the latter course were adopted the opinion would presumably prevail that the government of the United States was undertaking an idea of financial intervention in the affairs of the Cuban government. But if the Commission were sent here to be attached to and advise the American Embassy, such misapprehension would be avoided.

(signed) Welles.

ASSISTANT SECRETARY OF STATE

WASHINGTON

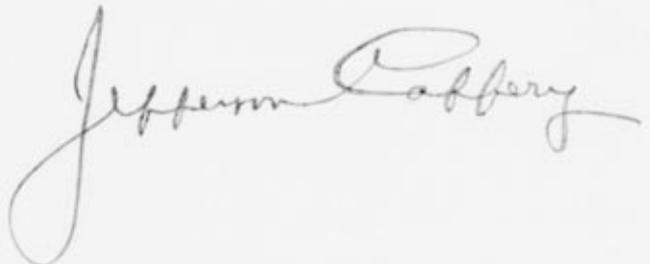
August 25, 1933.

My dear Mr. President:

I enclose herewith a telegram from Welles which arrived this morning regarding the present situation in Cuba. It seems to me that you will wish to see it, in view of the fact that Sumner Welles has reached the conclusion that his original hope, that the present Government of Cuba could govern as a constitutional government for the remainder of the term for which General Machado had himself elected, must be abandoned.

I also enclose a telegram of August twenty-third about the financial experts Welles desires attached to the Embassy.

Respectfully yours,



The President,  
The White House.

mam

GRAY

HABANA

Dated August 23, 1933

Rec'd 8:20 pm

Secretary of State

Washington

182, August 23, 5 pm.

In conversation with President Cespedes this morning the latter indicated his very strong desire that American financial experts be sent as quickly as possible to Habana. He again requests that these experts be sent as financial advisers to the Embassy in order that the discussion of helpful measures may be undertaken officially between this Embassy and officials of the Cuban Government. He fears that if a commission is sent to deal directly with the Cuban Government it would be impossible to avoid the interpretation of direct financial intervention by the United States in Cuban governmental affairs. It is undeniable that the radical elements in Cuba would at once attack the government if the appearance of financial intervention were permitted and I have no doubt that such attacks would have immediate repercussion in the rest of Latin America.

I beg to request advice from the Department as soon as may be possible as to its decision in this matter and if experts are to be sent how soon they may be expected here. In my judgment their stay need not necessarily extend beyond

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2- #182 from Habana

a period of a week or ten days and if the United States bears the expense which would necessarily be relatively small a very helpful effect of ██████ a generous gesture would be created.

WELLES

OX

mam

GRAY

HABANA

Dated August 24, 1933

Rec'd 8:30 pm

Secretary of State

Washington

184, August 24, 5 pm.

~~STRICTLY CONFIDENTIAL.~~

I am rapidly coming to the conclusion that my original hope that the present Government of Cuba could govern as a constitutional government for the remainder of the term for which General Machado had himself elected must be abandoned. If the solid and unwavering support of the army could be counted on, and if the groups and parties represented in the present government were unanimous in their support of the administration, it might be possible for the existing government to maintain itself, pass the necessary legislation of all kinds required, and hold the general national elections in November 1934 as originally anticipated. As a matter of fact, however, a general process of disintegration is going on. The army is by no means in a satisfactory condition and the relapse in the health of General Sanguily, Chief of Staff and the one ranking officer in the Cuban Army who can command the support of his subordinates, has delayed the taking of the measures necessary to enforce discipline within the army which he alone could have

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2- #184 from Habana

have undertaken satisfactorily. The presence of General Menocal in Cuba is as always an exceedingly disturbing factor. His insatiable ambition and his unwillingness to recognize that he no longer can count on the support of any but a small group is causing him to attempt to undermine the authority of the Government and I am reliably informed that he is trying to promote dissidence among the army officers.

The inability of the Government as yet to enforce the maintenance of public order has permitted an almost anarchic condition throughout the country as the result of which groups of so-called students and radicals of every shade are breaking into houses, promoting lynchings, forcing resignations from Senators and Congressmen and other public officials and only this morning forced the resignation of the sub-Secretary of Communications recently appointed by President Cespedes. The labor situation is of course disquieting and while the most serious strikes in the cities have been settled conditions on the large sugar plantations are very grave and it was only through the acceptance of all the demands presented by the strikers that collected on the Punta Alegre sugar estate this morning that destruction of the property and possible loss of life of the American manager and of his family was averted. If conditions such as this continue a general state of chaos here is inevitable.

The only alternative to such a result that I can now  
see

mam

3- #184 from Habana

see is for the program of the present Government to be modified in order that general elections may be held approximately three months from now so that Cuba may once more have a constitutional government in the real sense of the word, that is, supported by an evident and overwhelming majority of the Cuban people. In order to accomplish this the Supreme Court will have to declare that the existing constitution under which General Machado was reelected is unconstitutional in that the constitution of 1928 came into being through illegal and unconstitutional methods as the result of which the country would once more be governed by the original constitution of 1901. I have every reason to believe that the Supreme Court will so hold. Once such a decision is rendered the existing Congress, to which public hostility is so intense that I doubt if it could meet even with military protection, would be ipso facto abolished. The President would then by decree convoke national elections to be held three months from such date and at the same time issue a decree declaring that the electoral law under which such elections would be held would be the Crowder code of 1919 as amended by the recommendations formulated by Professor McBain in his recent report. The parties, under the terms of this law, would then be afforded the opportunity of organizing and presenting their lists of candidates and the entire Government, executive and legislative, would be replaced as the result of such elections.  
After

mam

4- #184 from Habana

After the installation of such government a constitutional convention would be called to adopt the constitutional reforms agreed upon during the mediation proceedings which reforms represent unquestionably the desire of a great majority of all elements of public opinion.

Yesterday I consulted with Colonels Mendieta and Mendez Penate, Dr. Torriente, General Menocal, leaders of the ABC and other opposition organizations and with President Cespedes. There is not one of them who believes that the Congress as now constituted can again function. These leaders are now meeting with their own groups and I think will reach the conclusion that the program above indicated is the one solution which offers a reasonably safe outcome for Cuba under present conditions. The President will call them into session with him tomorrow and will try and reach a unanimous agreement as to the program which his Government should carry out and the manner in which it is to be put into effect.

Conditions in the country of course are not ripe for general elections. I have likewise every reason to believe that during the electoral period, if the above program is carried out, disturbances will take place in many parts of the Republic. I feel, however, that a change in the policy which I had originally hoped to carry out is inevitable. I do not believe that the present Government can maintain itself in power for an indefinite period and I think that  
nothing

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5- #184 from Habana

nothing would be more likely to prevent a further attempt at revolution than the prospect of elections in the near future. A solution of this character has the added advantage that it offers the hope of a constitutional and stable government in the near future rather than in the remote future and furthermore that negotiations for the commercial treaty can continue with the authorities now in power and that the individuals taking part in the next constitutional government will undoubtedly be willing to ratify beforehand any measures of financial relief that we may decide to suggest to the existing Government of Cuba.

WELLES

OK