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FOREIGN SERVICE DESPATCH

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November 16, 1951

FROM : Embassy Habana

803

DESP. NO.

DATE

TO : THE DEPARTMENT OF STATE WASHINGTON.

AIR POUCH

PRIORITY

REF : --

One enclosure

SUBJECT: CONVERSATION WITH PRESIDENT PRIO

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I have the honor to enclose a memorandum of a conversation I had yesterday with President Prio.

It will be seen that I raised the question of the foreign accountants in Cuba without making any request of the President.

It will be seen also that I mentioned the Government's labor policies and the relationship I understood they had to the economic situation in Cuba and particularly to Cuba's failure to take advantage of opportunities to improve its basic economy and reduce its dependence on sugar.

The President was very cordial and seemed pleased with the opportunity to discuss these matters. He left the door open for frank and friendly conversations on matters of interest to the Governments of Cuba and the United States.

Willard L. Beaulac
Willard L. Beaulac

Enclosure: *WLB*

✓Memorandum of conversation,
President Prio and the
Ambassador, November 15

WLBeaulac/dw

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REPORTER(S)

PREPARATION TIME

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Desp. No. 803
From Habana

November 15, 1951

MEMORANDUM OF CONVERSATION

President Prío
The Ambassador

I called on the President this morning. I told him that I was leaving Friday of next week for Providence, Rhode Island, where I was to deliver an address at a dinner of Georgetown University graduates. I would take advantage of the opportunity to stop in Washington for a few days on the way back.

I wanted to inform the President of my trip, and the reasons for it, and convey any message he might have for me.

The President said he was grateful for my call and for this opportunity to talk to me. He said he wanted me to be very frank with him in connection with any matters that might come up and that he would be the same with me. He said he feels very close to the Government of the United States. When he was younger he was a radical, but now he has changed. He used to be opposed to American capital, but now he is for it. He has written to President Truman on occasions with great frankness. He visited Guatemala and told the Guatemalan President that what Guatemala was doing was an example of infantilism.

I told the President that I greatly appreciated his desire to deal with me frankly and that I would deal similarly with him. I told him that I hadn't bothered him so far because we really had no problems of significance with Cuba. I told him that people in Washington would naturally ask me for my impressions and I wanted to tell him what I intended to say, so that he would know and would be able to correct me in case I was wrong.

I said that I had been away from Cuba ten years and that I was disappointed at the little development that I had noticed along economic and industrial lines. Wages had increased, there was a better distribution of income, but the improvement was not uniform and was made possible not by an improvement in Cuba's basic productive machinery but nearly entirely by increases in the price of sugar. It seemed to me that Cuba was even more vulnerable to fluctuating sugar prices than it was when I was here before.

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Whereas Mexico was developing very rapidly and Colombia was developing to a substantial degree, I saw little basic progress in Cuba. Cubans and Americans with whom I had spoken attributed this circumstance principally to the Government's labor policy.

The President interrupted to say that he understood the complaints of management concerning labor, but that he always reminded management that they were making a lot of money, that the more they paid the worker the more money they made themselves.

I told the President that management had made no complaint to me about profits; in fact, they admitted that profits were high. What I was referring to was not profits but Cuba's basic economy, which went beyond the matter of profits.

The President said he agreed. What management complained about most was that it was practically impossible to fire any one. He said he realized how annoying it must be to have persons surrounding you whom you couldn't get rid of even though those persons were working against your interests.

I said that that was what I had in mind. New capital, Cuban or American, was not being invested because of this. I said that I thought that the Government's labor policies had created another problem, that is, a problem of permanent, large-scale unemployment. I said there seemed to be a growing number of Cubans who were not participating in Cuba's increased income from sugar. In a young country like Cuba there should be a shortage of labor. In fact, there is a surplus of labor. Cuba's economy is not growing: it is in a kind of strait-jacket resulting principally from the Government's labor policies.

The President said that he wanted very much for me to read the speech that he will make next Sunday. He has reached the conclusion that his party should appeal to the large number of unemployed and underprivileged in Cuba. His Government should try to create opportunities for these people. (This agrees with a statement to me concerning the President's thinking which Felipe Pazos made some weeks ago.)

I congratulated the President on this development. I said it seemed to me that such a move was wise not only economically but politically. He said that he had reached the same conclusion.

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I said that I thought it was fine for the Government to devote itself to creating opportunities in Cuba rather than to imposing restrictions. The one would lead to an expanding economy and a continuing improvement in living standards, while the other would only lead to economic stagnation.

I told the President that the only subject I had discussed with members of his Government was the question of the foreign accountants, with which he was familiar. I had discussed this with the Acting Minister of State, and, yesterday, with the Minister of Justice.

The President said he was familiar with the problem of the accountants and that it should be settled. Foreign companies had a right to the services which the foreign accountants could give them. The President had been prepared to sign a decree which would have settled the problem, but there was tremendous resistance to it. The decree was misunderstood. The President thought that it was capable of explanation, however.

I agreed with the President that the matter was capable of explanation and that explanation might be helpful. I suggested that from the political viewpoint it might be preferable for the Government to resist such pressures as he referred to at this stage rather than have to begin to resist them later on when the price of sugar in the world market might be lower and the Government's position weaker. I said that it seemed to me that if pressures could not be resisted now under today's favorable conditions they probably never could be resisted.

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