UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

EXXON MOBIL CORPORATION Plaintiff, v. CORPORACIÓN CIMEX S.A. (Cuba); CORPORACIÓN CIMEX S.A. (Panama); and UNIÓN CUBA-PETRÓLEO Defendants.	)))))))))))	Case No. 19-cv-1277-APM

DEFENDANTS' HISTORICAL APPENDIX B IN SUPPORT OF MOTION TO DISMISS ACTION WITH PREJUDICE, AND FOR OTHER RELIEF

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Dated: June 16, 2020

Atttorneys for Defendants

1. In September 1960, soon after the nationalizations under Resolution No. 1 of August 6, 1960, issued pursuant to Law No. 851 of July 6, 1960, the State Department decided against engaging Cuba in negotiations over compensation. The Assistant Secretary of State for Inter-American Affairs wrote that "our best bet is to wait for a successor regime in the hope that we can work out something fair and reasonable." *Foreign Relations of the United States, 1958-1960, Cuba, Vol. VI,* Document 582, dated September 27, 1960, (Ex. 1), published by the Department of State in 1991, available on the State Department's website, https://history.state.gov/historicaldocuments/about-frus as well as in print. (Documents from this publication will hereafter be cited as "FRUS," with the document number and date; unless otherwise noted, the document appears in Volume VI.)

By this time, President Eisenhower had already authorized, on March 17, 1960, the plan to overthrow the "Castro regime" through the use of armed force, together with economic pressure, that culminated in the Bay of Pigs invasion in April 1961, and "to bring about the replacement of the Castro regime with one more devoted to the true interests of the Cuban people and more acceptable to the U.S." See Defendants' Historical Appendix A ¶¶ 7-9.

2. The Assistant Secretary wrote further, as follows:

> In this connection, considering the magnitude of our claims and the need which Cuba will have for development capital, I would think we should try for a return of the industrial properties to their owners and for at least the return of a part of the sugar and cattle properties. In this way we could hope for adequate compensation for the properties which remain expropriated.
>
> If this is a sound premise, I see no point in proposing the setting up of a compensation fund to be created out of import or export taxes. There is no reason to believe the Cubans would agree. And even if they should, it would seem to me to give a certain degree of finality to the expropriations. Furthermore, the creation of a compensation fund in the manner you suggest, or in some other manner, is something which could be worked out later if this is thought to be wise. We lose nothing by delaying action on this and we might gain considerably by doing so.

(FRUS 582, Sept. 27, 1960) (Ex. 1).

3. A September 1, 1960 paper prepared by the State Department, a "Preliminary Outline" of a Post-Castro 'Contingency Plan,'" provided for a return of expropriated property to its owners except for property that, with the agreement of the United States, would not be returned, and, as to that property, the establishment of a mechanism to determine compensation. (FRUS 579, Sept. 1, 1960) (Ex. 2).

4. The State Department's final Contingency Plan, dated March 24, 1960, less than a month before the Bay of Pigs invasion of April 17, 1961, (FRUS, Vol. X, 118, March 24, 1961) (Ex. 3), provided that "the following steps should be taken by the US … Seek assurances from the new Cuban government that the ownership of property as it existed on January 1, 1959, be recognized, and an undertaking to accept as the premise for further discussions the provisions of the Cuban Constitution of 1940 which apply to seized properties." As understood by the State Department, the Cuban Constitution of 1940 provided that "should property be expropriated by the state there must be prior payment of the proper indemnification in cash, in the amount judicially determined." Department of State *Bulletin*, vol. 40 (June 29, 1959) (Ex. 4), available at https://hdl.handle.net/2027/osu.32437010892822, http://www.hathitrust.org/access_use#pd-google.

The Contingency Plan further provided that the United States would "seek a commitment from the prospective successor Cuban government to establish a joint claims commission to administer and dispose of seized properties and to treat with former owners."

It provided further that "the following principles should govern the disposition of seized properties:"

i. Prompt, adequate and effective compensation, including agreement for long-term compensation, in cases where the Cuban government decides to retain seized properties.

ii. The negotiation of terms of acquisition in cases where the Cuban government desires to retain the properties.

5. Nearly a year earlier, on May 17, 1959, Cuba had adopted the Agrarian Reform Law, which provided for the nationalization of large land holdings (whether Cuban-owned or foreign owned). It provided for compensation in 20-year bonds, with interest at 4.5% per annum. The value of the property was to be assessed according to their declared tax values. (Ex. 5).

6. On June 1, 1959, the State Department instructed the U.S. Ambassador in Havana to convey to the Cuban Prime Minister, in connection with the Agrarian Reform Law, that the United States recognizes the sovereign right of every state, in the absence of a contrary treaty provision, to take property within its jurisdiction for public purpose, provided that "such taking is accompanied by payment [of] prompt, adequate and effective compensation." (FRUS 311, June 1, 1959) (Ex. 6).

7. On June 11, 1959, the United States delivered a diplomatic note with respect to the agrarian reforms, stating:

> The United States recognizes that under international law a state has the right to take property within its jurisdiction for public purposes in the absence of treaty provisions or other agreement to the contrary; however, this right is coupled with the corresponding obligation on the part of a state that such taking will be accompanied by payment of prompt, adequate and effective compensation. United States citizens have invested in agricultural and other enterprises in Cuba for many years. This investment has been made under several Cuban Constitutions, all of which contained provisions for due compensation in case of expropriation, including the Cuban Constitution of 1940 which provided that should property be expropriated by the state there must be prior payment of the proper indemnification in cash, in the amount judicially determined.

Department of State *Bulletin*, vol. 40 (June 29, 1959) (Ex. 4).

8. Cuba's Foreign Minister responded with a Note to the U.S. Ambassador on June 25, 1959. (FRUS 321, June 15, 1959) (Ex. 7). In this Note, the Foreign Minister addressed the compensation provisions in the Agrarian Reform Law and, in that regard, noted the dire "economic and financial situation into which the overthrown tyranny [the Batista regime] plunged the country," the unfavorable balance of payments with the United States for the last 10 years, and the theft of "huge funds" by the fleeing Batista regime which had left Cuba with "empty coffers." He observed that the provisions of the Agrarian Reform Law were "appropriate" in the circumstances.

9. On August 2, 1959, the U.S. Ambassador met with the Cuban President and Foreign Minister in Havana. He reported to the State Department that he accepted as sincere the Cuban defense of the compensation provisions of the Agrarian Reform Law on the ground that Cuba's "financial position now" does not make "prompt and effective compensation" possible but that, for "revolutionary reasons," Cuba cannot delay the agrarian reform until it does. The Ambassador stated in his report to the State Department that "this explanation, however sincere, does not of course, make the provisions any more satisfactory from our standpoint." (FRUS 349, Aug. 2, 1959) (Ex. 8).

10. The U.S. Ambassador subsequently met several times with the Cuban Foreign Minister and reiterated the position taken in the June 11, 1960 diplomatic note. (FRUS 363, Sept. 24, 1959) (Ex. 9).

11. On January 9, 1960, Acting Secretary of State Dillon approved the following course of action (FRUS 418, Jan. 8, 1960) (Ex. 10):

> **1. *Expropriation Compensation Discussions***
>
> After appropriate discussions in Washington and in Havana with representatives of the affected U.S. interests, the Department would instruct Ambassador Bonsal

to renew discussions looking toward the resolution of the problem of expropriation and other damages inflicted on American properties in Cuba.

2. ***Arbitration re Compensation***
Ambassador Bonsal would—again after consultations with representatives of affected property owners had been held—discuss with the Cuban Government some form of judicial or semi-judicial settlement of expropriation issues.

7. ***Claims Settlement***

Should the United States (1) fail to have reached a satisfactory settlement with Cuba and (2) be free of conflicting international commitments as a result of actions taken pursuant to steps 3-6, the Administration would then consider requesting legislation authorizing the executive to

(a) submit to a domestic claims commission the problem of determination of valuation and compensation of expropriated properties of U.S. citizens in Cuba and

(b) impose a tax on Cuban sugar or utilize [several undecipherable handwritten words] and to assign revenue derived from this tax and/or from the elimination of preferences, to a fund to be disbursed by the aforesaid claims commission in the settlement of claims of affected American interests.

12. This course of action was based on the recommendation of the Assistant Secretary for Inter-American Affairs, who explained that the U.S. Ambassador's proposal to the Cuban Government would be for Cuba's voluntary imposition of a tax on exports of sugar to the United States, perhaps 1 or 1 ½ cents per pound, to establish a fund from which compensation would be paid. (FRUS 414, Dec. 28, 1959) (Ex. 11).

13. On December 4, 1959, the U.S. Ambassador met with the Cuban Minister of the National Economy in Havana and discussed the nationalizations under the Agrarian Reform Law. According to the U.S. Ambassador's report to the State Department, the Minister noted the "very slender exchange reserves" of the Cuban Government, and the resulting need to impose "drastic exchange controls." The U.S. Ambassador noted that the nationalizations under the Agrarian Reform Law might amount to "several hundred million" dollars and "referred to our

position that prompt, adequate and effective compensation should be made." (FRUS 404, Dec. 4, 1959) (Ex. 12).

14. Contemporaneously, a State Department analysis reported to the Assistant Secretary for Inter-American Affairs that Cuba's dollar reserves would probably be at USD 75 million or less, and that they had been at only 111 million on January 1, 1959, when Fidel Castro took power, the "lowest level in recent times." The analysis projected continuing low hard currency reserves. (FRUS 409, Dec. 14, 1959) (Ex. 13).

15. In January 1960, after the Eisenhower Administration had decided to employ economic pressure to replace the Castro Government but before President Eisenhower's March 17, 1960 authorization of the plan to overthrow the Castro regime by the use of force, *see* Defendants' Historical Appendix A, Assistant Secretary of State for Economic Affairs Mann, later to be the Assistant Secretary of State for Inter-American Affairs, wrote as to the nationalizations that had begun with the Agrarian Reform Law as follows (FRUS 417, Jan. 6, 1960) (Ex. 14):

> d) An attempt to make a hasty monetary settlement in the climate which prevails today is likely to lead to another bad debt settlement precedent. The sum of money involved is quite large. There are so many claims on Cuba's limited income that it might well be politically impossible for any Cuban leader to pay in full in money. Perhaps we ought to be thinking more in terms of a total restoration of industrial properties when another government takes over and (on the assumption that the old system of land tenure will never completely be reestablished) a partial return of land. In this way it might be possible to raise the percentage from the 10 percent we accepted for our Mexican oil claims to 100 percent of value. We need this kind of a precedent not only because the investors are entitled to payment, because of our investment stake in other underdeveloped countries, but because nationalization of the Castro type dries up private investment essential to their progress with all the headaches that this implies for us.

Assistant Secretary Mann also rejected the idea of arbitration or adjudication, stating:

> Likewise, I do not believe we should now think in terms of arbitration or adjudication. Our chances of recovery from the Castro policies are much better if we ourselves control decisions.

16. On January 11, 1960, the Acting Cuban Foreign Minister met with the U.S. Ambassador in Havana and stated that payment of compensation under the Agrarian Reform Law would need to be in bonds "since the Cuban Government was unable to pay in cash." (FRUS 422, Jan. 11, 1960) (Ex. 15).

17. On January 27, 1960, the Cuban President, Osvaldo Dorticós, publicly stated that "the differences of opinion which may exist between the two Governments, being subject to diplomatic negotiation, can in fact be settled by means of such negotiation. The Government of Cuba is entirely willing to discuss all those differences without reservation and to the fullest extent and expressly states that in its view there are no obstacles of any kind which should prevent the carrying out of such negotiations by means of one or another of the methods and instruments traditionally appropriate to that end." United Nations Security Council, Official Records, 874th Meeting, 18 July 1960, at 25 (quoting Cuban President's statement) (Ex. 16), available at https://undocs.org/en/S/PV.874.

18. On February 22, 1960, Cuba delivered to the United States a diplomatic note which read as follows:

> "The Revolutionary Government of Cuba, in accordance with its expressed proposal to renew through diplomatic channels the negotiations already begun on matters pending between Cuba and the United States of America, has decided to name a commission, qualified for the purpose, which could begin its negotiations in Washington on the date on which the two parties might agree.
>
> "The Revolutionary Government of Cuba wishes to make it clear, however, that the renewal and subsequent development of the said negotiations must necessarily be subject to no measure being adopted, by the Government or the Congress of your country, of a unilateral character which might prejudge the results of the aforementioned negotiations or cause harm to the Cuban economy and people.

> "It seems obvious to add that the adherence of your Government to this point of view would not only contribute to the improvement of relations between our respective countries but also reaffirm the spirit of fraternal friendship which has bound and does bind our peoples. It would moreover permit both Governments to examine, in a serene atmosphere and with the broadest scope, the questions which have affected the traditional relations between Cuba and the United States of America." Quoted in Security Council Official Records, 874th Meeting, 18 July 1960, at 25-26 (quoting Note) (Ex. 16)

> The United States rejected this proposal, stating:

> "The Government of the United States cannot accept the conditions for the negotiations stated in Your Excellency's note to the effect that no measure of a unilateral character shall be adopted on the part of the Government of the United States affecting the Cuban economy and its people, whether by the legislative or executive branch. As set forth in President Eisenhower's statement of January 26, the Government of the United States must remain free, in the exercise of its own sovereignty, to take whatever steps it deems necessary, fully consistent with its international obligations, in the defense of the legitimate rights and interests of its people." *Id.* at 26.

19. In May 1960, a commission established by Secretary of the Treasury Anderson at the request of President Eisenhower and headed by General Lucius Clay, (FRUS 514, May 2, 1960), recommended that the United States impose a tax on the import of Cuban sugar to generate funds for compensation for expropriated property. (FRUS 523, May 31, 1960) (Ex. 17).

20. This was consistent with the position that U.S. business interests had been urging on the Administration for some time, namely, the imposition of a tax on Cuban imports in general, or particularly sugar imports, to establish a fund for compensation. (FRUS 402, Dec. 1, 1959; FRUS 415, Dec. 30, 1959; FRUS 417, Jan. 6, 1960) (Ex. 18). At a December 1959 meeting of Acting Secretary of State Dillon with the National Foreign Trade Council, a State Department official informed the Council that if negotiations failed to resolve the issue of compensation, "the United States would have no recourse but to impose a[n] [import] tax from which to pay for expropriated properties." (FRUS 412, Dec. 22, 1959) (Ex. 19).

21. At the United Nations Security Council meeting on July 18, 1960, the Cuban Foreign Minister stated that Cuba had been willing, and remained willing, "to negotiate its differences with the United States Government through the diplomatic channel." Security Council Official Records, 874th Meeting, 18 July 1960, at 25 (Ex. 16), available at https://undocs.org/en/S/PV.874.

22. The Cuban Foreign Minister stated that, "when the land reform was put into effect," "[d]iplomatic pressure and propaganda for just, immediate and adequate compensation … began." *Id.* at 17 (Ex. 16).

With respect to the Agrarian Reform Law, the Foreign Minister stated:

> 59. The Agrarian Reform Act recognizes the right of estate owners to receive compensation both for their land and for any improvements they have made on it. But Cuba does not have, indeed no country has, the necessary amount of cash funds for immediate payment. Moreover, the defeated dictatorship left the Cuban Treasury, the state credit institutions and the country's foreign reserves in a ruinous state and saddled Cuba with a deficit of $1,000 million in its balance of payments with the United States. The agrarian reform is being financed by payment in bonds redeemable in twenty years and bearing interest at the rate of 4.5 per cent per ·annum. Cuba has more than once drawn attention to the fact that the land reform ordered in Japan by General Douglas MacArthur during the United States occupation provided for payment in thirty-year bonds at a 3.5 per cent rate of interest. *Id.* at 17 (Ex. 16).

23. In a submission to the United Nation's General Assembly dated 13 October 1960, the United States stated, with respect to compensation for properties taken under the Agrarian Reform, as follows:

> The facts: The United States never made such a demand. Several times, it is true, the United States has asked the Cuban Government to make "prompt, adequate and effective compensation" to American citizens whose lands had been taken under the agrarian reform law. But the United States never demanded payment "now, cash on the spot, and what we ask", or attempted to impose any other fixed or rigid terms. He sought only to bring about negotiation of the question of compensation, in accordance with accepted principles of international law."

United Nations General Assembly, A/4537, 13 Oct. 1960 at p. 13 (Ex. 20), available at https://digitallibrary.un.org/record/844569?ln=ar .

24. On August 17, 1961, four months after the failed Bay of Pigs invasion, the Special Counsel to President Kennedy met with Ernesto "Che" Guevara, President of Cuba's central bank, who advised the Special Counsel that Cuba would not return the expropriated property but "they could pay for them in trade." (FRUS, Vol. X, 257, Aug. 22, 1961) (Ex. 21).

25. There were eight CIA attempts at the assassination of Prime Minister Fidel Castro from 1960 to 1965. On November 30, 1962, President Kennedy authorized Operation Mongoose to overthrow the Cuban Government, including through the use of paramilitary force and sabotage. See Defendants' Historical Appendix A ¶40.

26. In a paper dated June 20, 1963, the State Department's Bureau for Inter-American Affairs stated that "Castro has indicated a willingness to negotiate concessions for expropriated properties, though his opening position is a rather onerous one, involving the use of Cuban receipts from the sale of sugar to the United States in excess of 3 million tons at 5.56#." (FRUS, Vol. XI, 349, June 20, 1963) (Ex. 22). The referenced Cuban position, which the State Department considered to be Cuba's "opening position," are the provisions for compensation set out in Law No. 851 of July 6, 1960.

The Bureau for Inter-American Affairs also stated that "it may be presumed that Cuba might agree to the following: … Negotiate agreement for some compensation for seized properties, presumably tied to the level of export earnings from sale of sugar to the United States." *Id.* at 2 (Ex. 22). The Bureau concluded that the State Department should not engage Cuba in negotiations.

27. Six decades later, the Congress Research Service reported that "U.S. and Cuban officials held three meetings on claims issues between December 2015 and January 2017."

Congressional Research Service, *Cuba: U.S. Policy in the 116th Congress* (March 29, 2019) at 44. According to the CRS, "The first meeting took place in December 2015 in Havana, with talks including discussions of the FCSC-certified claims of U.S. nationals, claims related to unsatisfied U.S. court judgments against Cuba (reportedly 10 U.S. state and federal judgments totaling about $2 billion), and some claims of the U.S. government. The Cuban delegation raised the issue of claims against the United States related to the U.S. embargo. A second claims meeting was held in July 2016, in Washington, DC. According to the State Department, the talks allowed for an exchange of views on historical claims-settlement practices and processes going forward. A third claims meeting was held in Havana in January 2017."

/s/ Michael Krinsky
Michael Krinsky (USDC, DC #NY0302)
Lindsey Frank (USDC, DC #NY0301)
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Dated: June 16, 2020

Counsel for Defendants

Historical Appendix B

Exhibit 1

OFFICE OF THE HISTORIAN

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

582. Letter From the Assistant Secretary of State for Inter-American Affairs (Mann) to the Ambassador in Cuba (Bonsal)[1]

Washington, September 27, 1960.

DEAR PHIL: I have your letter of August 2, 1960 to Dick Rubottom[2] which I gather has not been answered. You may consider your suggestions somewhat out of date in view of all that has transpired since.

In any case, it seems to me that we cannot really hope for any improvement in our relations with the Castro regime until it takes effective steps to diminish Sino-Soviet influence in internal Cuban affairs and to cease exporting its "revolution" to Latin America. The prospects that Castro will take action along this line seem to me to be very dim, if not non-existent.

Similarly, I don't believe we really have any chance of working out with the Castro regime a satisfactory solution of the problem of the expropriated properties. Our best bet is to wait for a successor regime in the hope that we can work out something fair and reasonable. In this connection, considering the magnitude of our claims and the need which Cuba will have for development capital, I would think we should try for a return of the industrial properties to their owners and [Page 1074] for at least the return of a part of the sugar and cattle properties. In this way we could hope for adequate compensation for the properties which remain expropriated.

If this is a sound premise, I see no point in proposing the setting up of a compensation fund to be created out of import or export taxes. There is no reason to believe the Cubans would agree. And even if they should, it would seem to me to give a certain degree of finality to the expropriations. Futhermore, the creation of a compensation fund in the manner you suggest, or in some other manner, is something which could be worked out later if this is thought to be wise. We lose nothing by delaying action on this and we might gain considerably by doing so.[3]

With every good wish,

Sincerely yours,

Thomas C. Mann[4]

1. Source: Department of State, Rubottom–Mann Files: Lot 62 D 418, Cuba (July–Sept.) 1960. Secret. Drafted by Mann.
2. Document 570.
3. In a reply of October 4, Bonsal acknowledged that his suggestions had been somewhat overtaken by events and agreed that postponement of the creation of a compensation fund as Mann had suggested would be wholly justified. He also observed:

"I believe that your approach to the expropriated properties is sound in principle. I do not believe we have any prospects of getting back lands taken or to be taken under the Agrarian Reform Law. Nor do I think the prospects of getting back the utility companies are good. This has been an issue in Cuban politics for the past generation. I doubt whether the prospects in connection with the refineries are particularly promising, but I am sure we should make a strong effort here. As for the sugar mills, the outlook may be somewhat better." (Department of State, Central Files, 837.19/10–460)

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4. Printed from a copy that bears this typed signature.↩

Historical Appendix B

Exhibit 2

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

579. Paper Prepared in the Department of State[1]

Washington, September 1, 1960.

PRELIMINARY OUTLINE CONTINGENCY PLAN COVERING US ASSISTANCE TO POST-CASTRO CUBAN GOVERNMENT

Note: This outline plan is valid for a period of approximately six months (through the next sugar harvest).

I. Assumptions:

1. The removal of Fidel Castro from power will follow a period of civil disorder involving riots, bombings, assassinations, guerrilla activities, inter- and intra-Service fighting among regular and irregular armed units.
2. Sino-Soviet Bloc assistance to Castro will fall short of the commitment of regular armed forces, or of actions likely to provoke war with the US. Such political and economic support as may be possible will be rendered Castro, and help may be provided through the services of individual advisers, technicians, tacticians and some "volunteers" from various countries, working through such entities as the "International Work Brigade."
3. There will be divisions in the loyalties of various groups, some, like the militia and police, predominantly loyal to Castro, and others, like the remnants of the regular armed forces and older traditional labor organizations, mainly opposed to Castro. Castro's chief support will be found among the Communists and groups that can be manipulated by them.
4. In whatever civil disorder may precede Castro's downfall, the Communist-manipulated groups will be better disciplined, directed and armed; and following his fall the Communists may go underground and harass the government.
5. The departure of key figures in the Castro government will be accompanied by the looting of the public treasury and the transfer of government funds on deposit abroad.
6. The degree of property damage and destruction is difficult to forecast. At best it may be limited to the breaking of shop windows, minor bomb damage to various structures, and the sacking and burning of some shops and homes. On the other hand, it may include substantial damage to power plants, and industrial and communications installations. At worst, however, there should be enough facilities in working condition to permit the maintenance of minimum essential public services.

II. The New Government:

1. Character and Composition.
   a) The new government is likely to be a coalition of various opposition groups, of fragile unity, left of center and strongly nationalistic in political orientation. It will, however, be willing to work with the US in bringing about political, social, economic and financial stability.
   b) Because of the widespread support enjoyed by many of the objectives and programs of the Castro government, the proclaimed policies of the new government will be variants of these—although initial measures of implementation

will probably be more responsible, and calculated to provoke less objection from the US.

2. Conditions to be Required for US Recognition.
   a) Ability to maintain domestic order.
   b) Willingness and ability to respect international commitments.
   c) Break-off of relations with the USSR, Communist China, and countries subservient to them.

3. Difficulties in US-Cuban Relations.
   a) Considering its presumably precarious popular support, the new government's tenure will depend on its ability to restore order and reactivate the economy quickly. Its nationalistic orientation and support will make US relations with it delicate and difficult. The difficulty will be exacerbated by the ignorance and marginal technical competence of many of the Cuban officials.

III. US Policies Prior to the Castro Downfall:

1. Measures that might be taken to bring about or hasten Castro's downfall are outside the scope of this paper. However, the following suggested actions would be desirable in order to provide a foundation on which relationships between the US and Cuba could be rebuilt.

a) Dismantling of the preferential structure of US-Cuban economic relations, including the 1902 Commercial Convention, the 1934 bilateral reciprocal trade agreement, the 1939 and 1941 supplementary agreements, and the preferential arrangements associated with US and Cuban participation in GATT.

b) Control of US-Cuban commercial and financial relationships through freezing of Cuban assets in the US and subjecting to licensing control of financial transfers and commercial exchanges.

c) It is recognized that legislation affecting the Cuban sugar quota is within the province of the Congress. However, insofar as possible, the Department of State should use its influence to discourage any further reduction in the Cuban sugar quota in order to make possible the rebuilding of the Cuban economy with a minimum of US financial aid, and to avoid creating interests in other sugar-supplying countries which could only be broken with difficulty.

d) Discreet, informal conversations at the highest level between Department of State officials and selected US business interests looking forward to the development of agreed-on lines of approach to a new Cuban government, regarding the resolution of problems involved in the return or other disposition of, and compensation for, intervened, expropriated and confiscated US properties. These conversations should also explore the feasibility and nature of programs envisaged in IV–7 (b) below. These conversations should be initiated from three to four months prior to an anticipated date of the Castro collapse.

IV. US Policies for the Three-Months' Period Following the Castro Downfall:

1. Military Aid.
   a) Military support should stop short of the commitment of US forces to defend or assist the new government. Assistance could, however, include the provision of arms and equipment, advice, and training of Cuban forces.

2. Political support in any ways that may be found appropriate.

3. Economic and financial assistance should be conditioned on:
   a) The restitution of intervened properties to US owners. In the case of this class of properties, where the proceedings have been "informal" and without clear legal basis, it is believed that direct and immediate return would be essential.
   b)

Agreement to adjudicate on the return to US owners of confiscated and expropriated properties, or, if some other disposition is agreed on with the US Government (see 7a below), to provide appropriate compensation.

c) Assumption of debts of previous Cuban governments, including that of Castro.

d) Agreement to cooperate with the US in programs of economic development and reconstruction of Cuban national institutions. (It might be preferable for this agreement to be informal and unwritten, but as a definite understanding between the top leaders of the Cuban government and the US Government.

4. With respect to US economic and financial assistance, the present plan recognizes as essential the need for the US to "capture" the vital forces of the Castro revolution, i.e., nationalism, obsession with "independence" (both political and economic), widespread pressures for land reform, industrialization, economic diversification, and, above all, with a solution to the abiding problem of unemployment and underemployment at all levels from manual labor to the utilization of skilled, technical and professional personnel. The success of the plan will depend on the ability of the US Government and US private interests to identify themselves with Cuban desires for social, political, and economic change.

5. Financial Assistance.

a) Local currency funds for budgetary support—although Cuban government demand deposits in local banks may be sufficient to meet pressing needs.

b) Cash grant for immediate critical foreign exchange needs, such as for fuels and lubricants, until lines of credit can be reopened and the economy can function again.

c) *The above proposals for financial support to the new Cuban government are limited in scope to assistance in meeting* immediate needs during the first 30 or 60 days. Measures proposed are temporary ones pending action by IMF or other agencies in the nature of stand-by agreements, stabilization loans, etc.

6. Economic Support.

a) PL480 foodstuffs (Titles II and III).

b) *Support of Cuban government measures designed to maintain maximum employment of both urban and rural* workers.

c) Stimulate a credit-expansion program through the Central Bank.

7. Other measures.

a) Establishment of a Joint Cuban-US Commission to provide for the orderly compensation and disposition of confiscated and expropriated properties.

b) Create a committee composed of representatives of major US business interests with investments in Cuba and the US Government to study ways and means of developing programs for (i) housing, home ownership, agricultural improvement and diversification for rural Cubans, and (ii) industrialization. These studies, which should eventually evolve into a cooperative US-Cuban effort, should take into account the desirability of technical and financial assistance to Cubans, preferably in association and cooperation with major US agricultural, livestock, mining and public utility interests.

c) Stimulate a cooperative Cuban-US program to completely reconstruct, modernize and improve the Cuban educational system, from pre-primary through university levels, and including vocational and technical training.

d) Devise an information program, including freedom of media and press, and rebuild desirable images distorted or impaired during the Castro era.

8. Devise, plan and establish other cooperative US-Cuban programs that may be considered desirable or necessary.

1. Source: Department of State, Central Files, 737.00/9–760. Secret. No drafting or clearance information appears on the source text. The paper was circulated for comments under cover of a September 7 memorandum from John Hoover (ARA/REA) to other members of ARA and to Marjorie Whiteman. Hoover noted that the draft had been prepared in response to a suggestion from Merchant and that after comments had been obtained, the revised draft would be circulated to E, U/MSC, S/P, USIA, and ICA.↩

Historical Appendix B

Exhibit 3

OFFICE OF THE HISTORIAN

FOREIGN RELATIONS OF THE UNITED STATES, 1961–1963, VOLUME X, CUBA, JANUARY 1961–SEPTEMBER 1962

118. Memorandum From the Executive Secretary of the Department of State (Battle) to the President's Special Assistant (Schlesinger)[0]

Washington, undated.

SUBJECT

Cuba Contingency Plan

Pursuant to your conversation with Mr. Coerr of April 18, 1961, I am enclosing the original of the Cuba Contingency Plan.

Since it may have some additional interest, I am also enclosing a penultimate draft of the plan[1] which touches on broader aspects of the possible post-Castro situation such as United States objectives, conditions for recognition, etc.

You will observe that the Contingency Plan is being sent to you before it has been submitted to the Secretary.

L.D. Battle[2]

[Page 266]

Attachment[3]

POSSIBLE US ASSISTANCE TO A FRIENDLY CUBAN GOVERNMENT AND SOME IMMEDIATE PROBLEMS AFFECTING US-CUBAN RELATIONS

1. A friendly government in Cuba might request from the US assistance in the following fields:
   (a) Loans and/or grants for critical foreign exchange needs.
   (b) PL-480[4] foodstuffs.
   (c) Critical medical and public health supplies, and technical assist-ance.
   (d) Loans and/or grants providing local currency for immediate budgetary support.

(e) Joint planning, in cooperation with the Cuban government and multilateral agencies and within the context of the "Act of Bogota"[5] and the "Kennedy Program",[6] toward programs for the economic, social and political reconstruction and development of Cuba.

(f) Cooperative arrangements, either on a bilateral or multilateral basis, for programs in such fields as the following: (i) Agrarian reform, agricultural improvement and diversification; (ii) Educational reconstruction; (iii) Public administration and Civil Service improvement; (iv) Technical and development assistance; (v) Accelerated industrial expansion and diversification; (vi) Increased employment.

2. *Financial Assistance.*

(a) *General.* The provision of immediate financial assistance for both critical foreign exchange needs and budgetary support will be required to permit the goverment to operate until lines of credit can be reopened and the economy can function again. Presumably, this period will not exceed 60-90 days, by which time, in addition to re-established commercial credits, action by other agencies in the nature of stand-by agreements, stabilization loans, etc., may have been taken.

(b) *Foreign Exchange.* It is estimated that there should be immediately available $35 million to cover foreign exchange needs during the early critical period. This amount should be provided on a grant basis calling upon Cuba to deposit counterpart equivalent in local currency, which may [Page 267] in turn be granted or loaned by the US for budgetary support or other agreed-on purposes. (See Tab A)[7]

(c) *Budgetary Support.* It is estimated that approximately $15 million per month may be required for budgetary support to enable a new Cuban government to continue paying salaries and wages of the minimum number of government employees and workers needed to maintain essential administrative services. The total required under this heading would be $45 million, which, if determined necessary, should be provided from counterpart funds generated from the grant $35 million contingency funds under 2(b) above, and as necessary by additional grant or loan. (See Tab B)

(d) *Need for New Currency.* If the convertibility of the Cuban currency to a par with the US dollar is to be restored, it will probably be necessary for a new Cuban government to issue new currency, exchanging the new for old bills on the basis of a rate determined to represent a fair value in relation to the dollar at the time. A prospective new Cuban government ought to have prepared in advance a new currency issue of approximately $500 million, (see Tab C) which would probably require a currency stabilization loan of approximately $100 million.

3. *Immediate Foodstuffs Requirements.*

(a) *General.* It is probable that a successor Cuban government will encounter an immediate need in feeding parts of the population owing to the interference of civil disorder, etc., in the normal production of local foodstuffs and to the presumed failure of the Castro government to maintain imports of basic necessities in sufficient quantity. (See Tab D)

(b) *Quantities and Value.* The following commodities will probably be required in the indicated amounts, and advance arrangements should be made to supply them under Title I of PL-480, during an immediate period of 60 days.

[Page 268]

Commodity	*Metric Tons*	*Approx. Value*
Lard	13,000	$3,000,000
Evaporated milk	1,000	300,000
Corn	18,000	$1,000,000
Rice	35,000	7,350,000
Wheat	23,000	1,850,000
Wheat flour	15,000	1,500,000
	Total	$15,000,000

Note: Any of the above not available through PL-480 should be financed by contingency funds.

(c) *Channels of Distribution.* It is recommended that the distribution of the foregoing quantities of food within Cuba be handled by a joint committee composed of representatives of the successor Cuban government and of an American liaison group to serve temporarily as an adjunct of the Embassy. The joint committee should determine the proportions of the supplies to be made available for free distribution to the needy, for handling by voluntary relief agencies, and for sale to the public through existing registered food dealers. (See Tab E)

If internal transportation facilities are seriously disrupted, the successor Cuban government may find it necessary to undertake distribution directly to retail outlets.

Any sales proceeds would be granted for work relief, direct economic development, or economic development activities in the Cuban budget. Concurrently a Title I program for meeting the continuing commercial requirements should be developed.

(d) *Procurement in the US.* Procurement and shipment in the US should be handled in accordance with established procedures under Title II of PL-480. Outward freight charges have not been taken into account in the values indicated in (b) above, but should be assumed by the US.

(e) *Stockpiling in the US.* In the belief that stocks of the basic commodities listed under (b) above are normally available at storage points at or near Gulf and East Coast ports, no special advance preparations would appear to be necessary for the stockpiling of foodstuffs for Cuba.

4. *Non-Food Requirements.*

(a) *General.* In addition to financial assistance and supplies of foods, it is anticipated that immediate supplies of non-food items will be required for the rehabilitation of critical installations such as electric power, telephones and other communications, oil refineries, docks and transportation; and machinery spares, tires, automotive spares, steel bearings, fuels, lubricants, iron and steel semi-manufactures, copper products, fertilizers, dyes and chemicals, textile fibers and yarns, [Page 269] wood pulp, plastic molding materials, etc., for restoring important local industries to production. (See Tabs F & G) There will also be a need for medical and public health supplies.

(b) *Medical and Public Health Needs.* Medical problems may arise, whether from military action, lack of doctors and supplies, or from a period of public disorder or paralysis cutting off medical supplies and shutting down health services. These problems might be met by emergency shipment of medicines, medical supplies, and equipment parts and replacements. The return of Cuban doctors, nurses and other medical personnel to Cuba should be facilitated by urgent means, and possibly a team of US doctors and sanitary engineers should also be sent to evaluate the situation and establish the basis for larger scale assistance. Dispatch of a hospital ship from the Atlantic Fleet would be a dramatic means of providing medical assistance. It is estimated that approximately $500,000 might be needed for medical and public health supplies, included in the $35 million in 2 (b) above.

(c) *Rehabilitation of Critical Installations.* It is assumed that critical installations will have been subjected to sabotage and other damage although the extent of damage cannot be foreseen, and that it will be of the utmost urgency to restore these installations to at least minimum operation.

Preliminary discussions have been held with representatives of the Cuban Electric Company and the Cuban Telephone Company alerting them to the necessity of having competent technical personnel ready on short notice to appraise the needs for rehabilitation parts and supplies.

It is estimated that emergency funds in the amount of $5 million be on hand (included in the $35 million mentioned in 2 (b) above) for this purpose. The major probable demands of supplies and parts follow:

Cuban Electric Company	$2.0	million
Cuban Telephone Company	1.5	million
Oil Refineries	.5	million
Railways	1.0	million

(d) To assist in processing the procurement of parts and supplies, the organization of a liaison group composed of Americans with experience in Cuba will be required to work with the Embassy. These men should have had technical experience in the following industries; sugar refining, electric power, telephones, petroleum refining, railroad, mining, rubber, textiles, metals, agricultural and automobile equipment. It is anticipated that these men would work with Cuban counterparts named by the new Cuban government. (See Tab E)

The liaison group should prepare detailed recommendations for the allocation of the contingency funds mentioned in 2 (b) above, would review and approve specific procurement orders, [Page 270] and assume responsibility for seeing that plans and orders are complied with.

5. *Seized US Properties.*

(a) *Steps to be Taken by the US.* The following steps should be taken by the US:

i. Assemble documented data on the claims of US interests against Cuba resulting from the actions of the Castro government.

ii.

Seek assurances from the new Cuban government that the ownership of property as it existed on January 1, 1959, be recognized, and an undertaking to accept as the premise for further discussions the provisions of the Cuban Constitution of 1940 which apply to seized properties.

iii. Seek a commitment from the prospective successor Cuban government to establish a joint claims commission to administer and dispose of seized properties and to treat with former owners.

iv. Correlate policies relating to US claims with the overall plan for the solution of the varied and complex economic and social problems that will face Cuba and which have been responsible for the development of political difficulties within Cuba during past years; and taking into account that the economic and political system prevailing in Cuba prior to the Castro period may be fundamentally modified in response to political necessities.

(b) *Principles Governing the Disposition of Seized Properties.* The following principles should govern the disposition of seized properties:

i. Prompt, adequate and effective compensation, including agreement for long-term compensation, in cases where the Cuban government decides to retain seized properties.

ii. The negotiation of terms of acquisition in cases where the Cuban government desires to retain the properties.

iii. The provision of legislation or regulations providing that uncompensated losses and damages sustained during the period of seizure may be taken as tax losses under U.S. laws by the United States owners upon restitution of their properties, allowing adequate carry-forward of losses to insure that the benefit of the losses actually accrues to the owners.

6. *Other Problems.*

(a) *Reconstituting US Embassy and Consular Staffs.* The Department of State should be prepared to send an American staff of 29 persons, including Defense Attaches and Marine Guards, to reopen the US Embassy at Habana, and four Americans to reopen the US Consulate at Santiago de Cuba. These persons should be ready to proceed to Habana and Santiago on the day that a new Cuban government assumes power. (See Tab I)

One week later an additional 5 Americans should proceed to Habana and one additional American to Santiago.

(b) *Control of Travel from the US to Cuba.* With a friendly Cuban government in power, many persons will probably wish to travel to Cuba from the US. Most of these will be persons concerned with the promotion or protection of legitimate interests, Cubans and persons of other [Page 271] nationalities resident in Cuba and tourists, and the US will probably wish to encourage their travel. There will be other persons, however—irresponsible speculators, gamblers, gangsters, etc.—whose purposes will not be in the best interests of either Cuba or the US, and whose travel ought to be minimized. In view of the above, it is recommended that present travel controls be retained at least for the initial period.

(c) *Voluntary Relief Agencies.* It may be anticipated that voluntary relief agencies, notably Catholic Welfare and the Church World Service will be active in post-Castro Cuba. A register of approved voluntary agencies is maintained by the Advisory Committee on Voluntary Foreign Aid of the

International Cooperation Agency. Government support for the operations of agencies listed in this register can be approved and provided in a minimum of time, and can include providing surplus foods and other supplies, paying the costs of ocean freight, etc. (See Tab K)

7. *Reconstruction of US-Cuban Relationships.* A friendly Cuban government may provide an opportunity to rebuild the structure of US-Cuban relationships on a new basis, eliminating factors which have been the cause of strain in past years. Such factors would include the preferential commercial relationships (see Tab L), and the role and structure of sugar and mining companies, public utilities, and other US investments.

It is considered essential for the successor government to "capture" the vital forces of the Castro revolution, i.e., nationalism, obsession with economic and political independence, widespread pressures for land reform, industrialization, economic diversification and, above all, employment at all levels from manual labor to the utilization of skilled, technical, managerial and professional personnel. It is equally essential that the US be closely identified with this movement and with the solutions to these problems.

Whatever policy the US adopts toward Cuba is likely to be regarded as a model for US relationships with the rest of Latin America and as having implications with respect to US policies toward the rest of the underdeveloped world in Africa and Asia as well. Needless to say, the magnitude of a long-term aid, technical assistance and social development program in Cuba will be great. Preliminary estimates indicate it might be initiated at approximately $125 million per year.

0. Source: Department of State, Central Files, 737.00/4-1861. Secret. Sent through Presidential Special Assistant Ralph A. Dungan. Drafted by J.P. Hoover in ARA on April 18.
1. Not printed.
2. Printed from a copy that bears this typed signature.
3. Secret. Drafted by Hoover on March 24.
4. The Agricultural Trade Development and Assistance Act of 1954; 68 Stat. 454, et seq.
5. Recommendation I of the Report of the Secretary General of the OAS to the Council of the OAS, October 11, 1960. For text, see *American Foreign Policy: Current Documents, 1960*, pp. 293-299.
6. An apparent reference to the Alliance for Progress proposed by President Kennedy in his inaugural address and in his initial State of the Union Address. See ibid., pp. 8 and 18-19.
7. None of the attachments cited in the contingency plan is printed.

Historical Appendix B

Exhibit 4

THE DEPARTMENT OF STATE Bulletin

VOL. XL, No. 1044 • PUBLICATION 6837

June 29, 1959

The Department of State BULLETIN, a weekly publication issued by the Public Services Division, Bureau of Public Affairs, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently.

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buried in the local scene. Our country looks to college graduates for leadership. The promotion of a better understanding of foreign affairs is a field where you can exercise leadership no matter what your occupation.

The task of preserving freedom through perseverance has been laid upon my generation and, to an even larger extent, upon your generation. We must meet this task or foreclose our country's future. We cannot simply pass along the assignment to our successors. It will not wait.

We must see the task before us in its historic perspective. We must not permit ourselves to be diverted from it by our involvement in the day-to-day problems of life in a complex world. America owes what it is today to our profound and enduring faith in freedom, justice, and equality of opportunity for all men, everywhere. This is the American message and promise. We must never allow ourselves to forget it.

U.S. Informs Cuba of Views on Agrarian Reform Law

Press release 417 dated June 11

The Department of State instructed the American Ambassador at Habana, Philip W. Bonsal, to deliver to the Cuban Minister of State, Roberto Agramonte, on June 11 a note stating certain views of the U.S. Government on the Cuban Agrarian Reform Law. The substance of the note is as follows.

I have the honor to refer to the Cuban Agrarian Reform Law, the text of which was published in the extraordinary special edition of the *Official Gazette* of June 3. This law, which is now being given detailed study by my Government, deals with matters of deep and legitimate interest to the United States consumers of Cuban products and to United States investors in Cuba.

Preliminary published drafts of this legislation have already given rise to such exchanges of views as those held in Washington on May 27 between Ambassador Dihigo and Assistant Secretary Rubottom and on June 1 between Your Excellency and the undersigned. As stated by the representatives of the United States in both these conversations, the Government of the United States understands and is sympathetic to the objectives which the Government of Cuba is presumed to be seeking to attain through this law. Various United States programs of technical cooperation and assistance in the agricultural field undertaken with other countries of this hemisphere and elsewhere have aimed at the same goal of encouraging greater agricultural production, new crops, and crop diversification so as to raise the standard of living of the inhabitants of rural areas and thereby contribute to the overall economic growth of those countries. The Government of the United States recognizes that soundly conceived and executed programs for rural betterment, including land reform in certain areas, can contribute to a higher standard of living, political stability, and social progress. In various international bodies over the past years my Government's position on this subject has been consistent and unequivocal.

At the same time it is evident that a widespread redistribution of land in a manner which might have serious adverse effects on productivity could prove harmful to the general economy and tend to discourage desirable private and public investment in both agriculture and industry. From the viewpoint of the interests of consumers in the United States of Cuban products and of private United States investors, present and prospective, in Cuba, it is the confident hope of the Government of the United States that agrarian reform in Cuba will be so carried out as not to impair or reduce but rather to increase the productivity of the Cuban economy.

The United States recognizes that under international law a state has the right to take property within its jurisdiction for public purposes in the absence of treaty provisions or other agreement to the contrary; however, this right is coupled with the corresponding obligation on the part of a state that such taking will be accompanied by payment of prompt, adequate, and effective compensation. United States citizens have invested in agricultural and other enterprises in Cuba for many years. This investment has been made under several Cuban Constitutions, all of which contained provisions for due compensation in case of expropriation, including the Cuban Constitution of 1940 which provided that should property be expropriated by the state there must be prior payment of the proper indemnification in cash, in the amount judicially determined.

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The wording of the Cuban agrarian law gives serious concern to the Government of the United States with regard to the adequacy of the provision for compensation to its citizens whose property may be expropriated. In view of the many occasions in the past in which consultation on problems affecting both countries has proved mutually beneficial I regret that to date the Government of Cuba has found no opportunity to hear the views of those United States investors in Cuba whose interest would appear to be adversely affected.

Many of these United States interests have been a part of the Cuban economy over a long period of time. They have contributed to the progress and expansion of that economy. So far as the Department of State is aware they have complied with their obligations under Cuban law. It is respectfully suggested to Your Excellency that they are entitled to considerate treatment because they are actually and potentially constructive factors in the expanding Cuban economy which, it is understood, Your Excellency's Government seeks to achieve.

Because of the traditional friendly relations and close economic ties between our two countries, Your Excellency will, I am sure, appreciate and understand the hope of the United States Government that it may be possible to hold further exchanges of views from time to time as required on the effects of the Agrarian Reform Law on matters which are of deep mutual concern to our two Governments.

United States Replies to Cuban Sugar Offer

Press release 413 dated June 10

The Department of State instructed the American Embassy at Habana to deliver to the Cuban Government on June 10 a note in reply to a cable sent to Secretary of Agriculture Ezra T. Benson by the Prime Minister of Cuba, Dr. Fidel Castro, in which the latter offered to sell to the United States 8 million tons of sugar in 1961 at 4 cents a pound. The substance of the note is as follows.

The procurement of sugar for consumption in the United States is made through private trade channels, and not through governmental agencies, under quotas established pursuant to the Sugar Act of 1948 as amended. We do not know whether private enterprises would be interested in entering into purchase contracts that far in advance for sugar not yet produced.

There is no reason for assuming that the United States will need as much as 8 million tons of sugar from Cuba in 1961. Current total requirements of our country are estimated at 9,200,000 short tons, raw value. Of this, 4,912,000 tons are to be supplied by domestic areas, 980,000 by the Republic of the Philippines and 248,000 tons by full duty countries. The current quota from Cuba amounts to approximately 3,060,000 tons. Our consumption appears to be increasing at a rate of about 150,000 tons per year.

Although the present sugar legislation extends only through 1960, the Executive Branch of this Government could certainly not make any recommendation to the United States Congress that it enact new legislation that would either destroy the domestic sugar producing industry or prohibit imports from foreign countries other than Cuba.

Economic Discussions Between the United States and Poland

Press release 412 dated June 10

DEPARTMENT ANNOUNCEMENT

Representatives of the Governments of the United States and Poland on June 10 entered into credit and sales arrangements providing for the shipment to Poland of surplus agricultural commodities and poliomyelitis vaccine. These arrangements will assist the Polish Government to meet immediate requirements for certain essential agricultural products. They will also permit orders to be placed now for deliveries of poliomyelitis vaccine to meet requirements this fall. Discussions will continue with respect to the request of the Polish Government for additional purchases of agricultural commodities, other raw materials, and agricultural and industrial machinery and equipment in the United States under credit or local-currency sales arrangements.

An amount of $44 million is provided for in an agreement for the sale to Poland of surplus agri-

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Historical Appendix B

Exhibit 5

LEGISLATIVE DISSEMINATION BOOKLETS

Laws enacted by the Provisional Revolutionary Government

VII

MAY 1 – MAY 31, 1959
(FOURTH EDITION)

Agrarian Reform Law

and Resolutions on Installment Sales

LEX – NOVEMBER 1960 – LA HABANA

EXECUTIVE POWER

———

COUNCIL OF MINISTERS

———

Additional Text to the Basic Law

———

Agrarian Reform Law of May 17, 1959

(*Gaceta Oficial*, June 3)

Agrarian Reform Law of May 17, 1959

*The Council of Ministers, in exercise of the constituent powers conferred upon it by the Basic Law of the Republic, has declared that the Agrarian Reform Law, which was signed in the historic village of La Plata, in the Sierra Maestra, on May 17, 1959, and published in a special extraordinary edition, Annual Number 7, in a certain number of copies of the "*Gaceta Oficial*" on June 3rd, even though the text of the Law was only distributed on Monday the 8th, the date on which this Booklet* VII of our Legislative Dissemination Series was issued, a coincidence made possible by virtue of the assistance we were officially granted, is an integral part of the Basic Law and an express addition to it.*

This is the text of this extremely important legislation:

I, MANUEL URRUTIA LLEO, President of the Republic of Cuba.

Make it Known: That the Council of Ministers has agreed, and I have enacted, the following

AGRARIAN REFORM LAW

[…]

(*) 1st Edition.

[…]

Article 29.- It is hereby recognized that the owners affected by this Law have the constitutional right to be compensated for the property being expropriated. Such compensation shall be established bearing in mind the sales value of the estates according to municipal assessment statements issued prior to October

[end of page in original text]

10, 1958. Facilities and buildings existing on the estates and being affected shall be subject to an independent assessment by the authorities in charge of implementing this Law. Cropping varieties shall also be independently assessed in order to compensate their legitimate owners.

Article 30.- In those cases in which it is not possible to assess the value in accordance with the provisions of the previous Article, the assessment of the affected property shall be carried out by the National Institute for Agrarian Reform [*Instituto Nacional de Reforma Agraria*] in the way and through the procedures to be established in the Regulations for the implementation of this Law.

When performing the assessments, and in accordance with the provisions of Article 224 of the Basic Law, the increase attained since the most recent transfer of ownership and prior to the enactment of this Law without the involvement of private capital and only due to the action of the State, Province, Municipality or relevant Autonomous Entities [*organismos*] shall be established and deducted from the assessed value. The National Institute for Agrarian Reform shall be assigned 45% of the appreciation [*plusvalía*] corresponding to the State under the abovementioned constitutional provision, and the relevant Province, Municipality or Autonomous Entity shall be assigned their corresponding proportion.

Deductions applied in favor of the National Institute for Agrarian Reform shall benefit peasants receiving free land in the corresponding proportion, and any remaining amounts shall be kept in the Agrarian Reform fund in order to be applied in accordance with the Law.

[end of page in original text]

These provisions shall also be implemented in any auction or forced sale of registrable rural estates, in the way to be established in the Regulations for the implementation of this Law.

Article 31.- Compensation shall be paid in redeemable bonds. To that end, bonds of the Republic of Cuba shall be issued in the amount and under the terms and conditions to be determined when appropriate. Bonds shall be named "Agrarian Reform Bonds" and shall be considered government bonds. Issuance or issuances shall be for a term of twenty years, with an annual interest rate not higher than four and a half percent (4½ %). The amount corresponding to payment of interests, depreciation and issuance costs shall be included every year in the Budget of the Republic.

Article 32.- Those receiving Agrarian Reform Bonds, or the corresponding amount, shall be exempted during ten years from payment of Personal Income Tax in the proportion corresponding to any investment of the compensation received they make in new industries. The Finance Minister [*Ministro de Hacienda*] shall be in charge of submitting to the Council of Ministers a Bill regulating this exemption.

The same right shall be granted to the heirs of the person receiving the compensation in case they are the ones carrying out the investment.

[…]

CERTIFICATE OF TRANSLATION

I, Nahum Hahn, am competent to translate from Spanish into English, and certify that the translation of the attached document, "Historical Appendix B – Exhibit 5", is true and accurate to the best of my abilities.

June 10, 2020

Nahum Hahn
161 Gordonhurst Ave.
Montclair, NJ 07043
(917) 680-4699

FOLLETOS DE DIVULGACION LEGISLATIVA

Leyes del Gobierno Provisional de la Revolución

VII

1º A 31 DE MAYO DE 1959

(CUARTA EDICION)

Ley de Reforma Agraria

y Resoluciones sobre Ventas a Plazos

EDITORIAL LEX —NOVIEMBRE 1960— LA HABANA

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PODER EJECUTIVO

CONSEJO DE MINISTROS

Texto Adicional a la Ley Fundamental

Ley de Reforma Agraria de 17 de Mayo de 1959

(Gaceta Oficial de 3 de Junio)

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Ley de Reforma Agraria de 17 de Mayo de 1959

El Consejo de Ministros en uso del Poder Constituyente que le está atribuído por la Ley Fundamental de la República, ha declarado parte integrante de esta Ley básica, considerándola como expresa adición, la de Reforma Agraria, firmada en el histórico poblado La Plata, en la Sierra Maestra, el día 17 de Mayo de 1959, habiéndose publicado en edición extraordinaria especial, Número Anual 7, en determinado número de ejemplares de la "Gaceta Oficial", el día 3 de Junio si bien no circuló el texto de la Ley hasta el lunes día 8, fecha en que aparece este Cuaderno (*) número VII de nuestra Serie de Divulgación Legislativa, coincidencia posible a virtud de las atenciones que nos han sido oficialmente dispensadas.

He aquí el texto de esta importantísima legislación:

MANUEL URRUTIA LLEO, Presidente de la República de Cuba.

Hago Saber: Que el Consejo de Ministros ha acordado y yo he sancionado lo siguiente:

LEY DE REFORMA AGRARIA

Por Cuanto: El progreso de Cuba entraña, tanto el crecimiento y diversificación de la industria para

(*) 1ª Edición.

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Artículo 26.—El propietario que no presentare los documentos a que se refiere el Artículo anterior y/o faltare a la verdad en la declaración jurada o alterare en cualquier forma dichos documentos, perderá el derecho a la indemnización que dispone esta Ley, sin perjuicio de la responsabilidad penal en que incurra.

Artículo 27.—Las autoridades encargadas de la aplicación de esta Ley, con vista a los documentos a que se hace referencia en el Artículo 26, efectuarán de inmediato las investigaciones pertinentes para comprobar la veracidad de lo declarado en un plazo de noventa días a contar del inicio del expediente y dictarán las resoluciones que sean necesarias para proceder a la distribución de las tierras y la entrega de los correspondientes títulos de propiedad a los campesinos beneficiarios.

Artículo 28.—Una vez firmes las resoluciones disponiendo las adjudicaciones de las parcelas distribuídas a sus beneficiarios, serán inscritas en la Sección de la Propiedad Rústica de los Registros de la Propiedad que se crea por esta Ley. A cada beneficiario le será otorgado su correspondiente título de propiedad con las formalidades que estableciere el Reglamento de esta Ley. A los efectos de lo dispuesto en el Artículo 3 de la Ley Hipotecaria se onsiderarán títulos inscribibles las resoluciones a que se contrae el párrafo anterior que dictare el Instituto Nacional de Reforma Agraria.

Artículo 29.—Se reconoce el derecho constitucional de los propietarios afectados por esta Ley a percibir una indemnización por los bienes expropiados. Dicha indemnización será fijada teniendo en cuenta el valor en venta de las fincas que aparezcan de las declara-

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ciones del amillaramiento municipal de fecha anterior al 10 de Octubre de 1958. Las instalaciones y edificaciones afectables existentes en las fincas, serán objeto de tasación independiente por parte de las autoridades encargadas de la aplicación de esta Ley. Igualmente serán tasadas de modo independiente las cepas de los cultivos, para indemnizar a sus legítimos propietarios.

Artículo 30.—En los casos en que no fuere posible determinar el valor con arreglo a lo dispuesto en el Artículo anterior la tasación de los bienes afectados se hará por el Instituto Nacional de Reforma Agraria en la forma y mediante los procedimientos que establezca el Reglamento de esta Ley.

Al efectuarse las tasaciones y de acuerdo con lo prevenido en el Artículo 224 de la Ley Fundamental, se apreciará y deducirá del valor fijado el incremento que se haya producido sin esfuerzo del trabajo del capital privado y únicamente por causa de la acción del Estado, la Provincia, el Municipio u Organismos Autónomos a partir de la última transmisión de la propiedad y producida con anterioridad a la vigencia de esta Ley. El 45% de la plusvalía que de conformidad con dicho precepto constitucional corresponde al Estado, se cederá al Instituto Nacional de Reforma Agraria, entregándose a la Provincia, Municipio u Organismo Autónomo de que se trate, la parte proporcional que les correspondiere.

Las deducciones que se realicen a favor del Instituto Nacional de Reforma Agraria quedarán a beneficio de los campesinos que reciban tierras gratuitamente en la proporción correspondiente, y el resto, si lo hubiere, se consignará en el fondo de la Reforma Agraria para aplicarlo de acuerdo con la Ley.

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Estas disposiciones se aplicarán también en todo remate y venta forzosa de fincas rústicas inscribibles, en la forma que determine el Reglamento de esta Ley.

Artículo 31.—La indemnización será pagada en bonos redimibles. A tales fines, se hará una emisión de bonos de la República de Cuba en la cuantía, términos y condiciones que oportunamente se fijen. Los bonos se denominarán "Bonos de la Reforma Agraria" y serán considerados valores públicos. La emisión o emisiones se harán por un término de veinte años, con interés anual no mayor del cuatro y medio por ciento (4½%). Para abonar el pago de intereses, amortización y gastos de la emisión, se incluirá cada año en el Presupuesto de la República la suma que corresponda.

Artículo 32.—Se concede a los preceptores de Bonos de la Reforma Agraria, o su importe, la exención, durante un período de 10 años del Impuesto sobre la Renta Personal, en la proporción que se derive de la inversión que hicieren en industrias nuevas de las cantidades percibidas por indemnización. El Ministro de Hacienda queda encargado de elevar al Consejo de Ministros un Proyecto de Ley que regule esta exención.

Igual derecho se concede a los herederos del indemnizado en el caso de que fueran ellos los que realizaren la inversión.

CAPITULO III

De la Propiedad Agrícola Redistribuída

Artículo 33.—Las propiedades recibidas gratuitamente en virtud de los preceptos de esta Ley no podrán ingresar en el patrimonio de sociedades civiles o mer-

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DADA en La Plata, Sierra Maestra, a los diez y siete días del mes de Mayo de mil novecientos cincuenta y nueve, "Año de la Liberación".

Manuel Urrutia Lleó,
Presidente de la República.

Fidel Castro Ruz,
Primer Ministro.

Roberto Agramonte Pichardo
Ministro de Estado.

Alfredo Yabur Maluf,
Ministro de Justicia.

Luis Orlando Rodríguez,
Ministro de Gobernación.

Rufo López Fresquet,
Ministro de Hacienda.

Manuel Ray Rivero,
Ministro de Obras Públicas.

Humbert Sorí Marín,
Ministro de Agricultura.

Raúl Cepero Bonilla,
Ministro de Comercio.

Manuel Fernández García,
Ministro del Trabajo.

Armando Hart Dávalos,
Ministro de Educación.

Julio Martínez Páez,
Ministro de Salubridad.

Elena Mederos Cabañas,
Ministro de Bienestar Social.

Enrique Oltuski Ozacki,
Ministro de Comunicaciones.

Julio Camacho Aguilera,
Ministro Encargado de la Corporación Nacional de Transportes.

Augusto R. Martínez Sánchez,
Ministro de Defenia Nacional.

Faustino Pérez Hernántez,
Ministro de Recuperación de Bienes Malversados.

Osvaldo Dorticós Torrado,
Ministro Encargado de la Ponencia y Estudio de las Leyes Revolucionarias y Ministro Encargado del Consejo Nacional de Economía.

Luis M. Buch Rodríguez,
Secretario de la Presidencia y del Consejo de Ministros.

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Exhibit 6

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

311. Telegram From the Department of State to the Embassy in Cuba[1]

Washington, June 1, 1959—8:45 p.m.

970. Considering fact that land reform law has not been officially promulgated and understanding that Cuban groups whose interests unfavorably affected by it are protesting to GOC, Department does not plan issue public statement at this time. However, as agreed during your consultation you should call on Prime Minister as soon as possible unless you perceive objection to express along following lines concern aroused in United States with respect proposed law.

United States Government is not opposed to sound land reform. On contrary it has been our policy support and give technical and other appropriate assistance constructive programs land reform.

At same time, in practical sense, we recognize that a contribution by land reform to attainment higher living standard for Cuban people can be achieved only by measures which will contribute to economic growth of nation. A system of land reform should be designed and carried out so as not to impair or reduce but rather increase present levels of productivity. This requires that implications and consequences each step taken in connection with land reform program should be carefully studied.

U.S. and Cuba have mutual interest in assuring stable and adequate supply sugar and it would be advantageous to both if consideration were given to effect proposed reform on character and likely yields all agricultural crops. Consultation between U.S. and Cuba in past has been productive in finding solutions sugar problems and might be helpful also in present situation. An early determination on this matter is important because U.S. Gov't, on behalf its citizens, must give careful [Page 516] study possible necessity for action looking to an uninterrupted supply of sugar. Such action would of course have to be taken many months before possible short-fall in sugar supply might occur.

United States also wishes bring to attention GOC fact that American private business having investments and interests in Cuba is greatly concerned and disturbed by proposed law in its present form. In addition seemingly unanimous opinion that overall effects law will be detrimental Cuban economy and tend discourage desirable private investment both domestic and foreign, there is opinion compensation provisions present measure are inadequate both as to question valuation and as to method payment. United States recognizes sovereign right every state, in absence applicable treaty provisions providing otherwise, to take property within its jurisdiction for public purposes, provided that such a taking is accompanied by payment prompt, adequate and effective compensation for property taken, [*sic*]

It is hoped GOC will consider these informal observations of United States in same friendly spirit with which they are made, and we are confident that it will give careful consideration to various factors involved and prospective results to be expected from a land reform measure of magnitude that contemplated by proposed law.

Murphy

1. Source: Department of State, Central Files, 837.16/6–159. Drafted by Stevenson; cleared with Mann, Turkel, Whiteman, and Ruth Gold (OFD); and approved by Rubottom who signed for Murphy.↩

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

321. Note From Minister of State Roa to the Ambassador in Cuba (Bonsal)[1]

Havana, June 15, 1959.

MR. AMBASSADOR: I have the honor to acknowledge receipt of Your Excellency's courteous note[2] concerning the Agrarian Reform Law which, in the exercise of the powers and prerogatives inherent in every sovereign state, the revolutionary government of Cuba has just promulgated.

Although in a certain sense the tone of the said note indicates the "understanding" and "sympathy" of the Government of the United States of America, with respect to the cardinal objectives of Agrarian Reform, an over-all impression thereof indicates, on the other hand, a balance of reservations, warnings, and observations regarding the method of carrying out this highly important and irrevocable measure. We do not dispute the right of the Government which Your Excellency so worthily represents to set forth its viewpoint on matters which it deems to be of "profound and legitimate interest to United States consumers of Cuban products and to United States investors in Cuba." What the Revolutionary Government of Cuba does dispute and take exception to is the validity which it is attempting to give to mere presumptions and the implied reluctance to accept the system of payments which it has been compelled to adopt. It is our hope, nevertheless, that the expression of these important points may contribute to a change in the viewpoint held concerning this matter, since apparently the differences between the two Governments are more adjective than substantive.

Although it is an inalienable right of the Revolutionary Government of Cuba, in the exercise of its sovereignty and in the light of treaties, conventions and pacts of a universal and regional character, to take whatever measures it may deem most adequate to further and ensure economic development with social progress and the democratic stability of the Cuban people, it is cause for much gratification, nevertheless, to note the express acknowledgment which your Government makes of our Government's right, from the viewpoint of its internal jurisdiction and in the light of the international juridical system, to expropriate the property of United States citizens for purposes of a public nature and of social usefulness, through appropriate indemnification. Such acknowledgement undoubtedly is a source of moral satisfaction to the Cuban people, so often hindered or fettered in the pursuit of their legitimate aspirations by an adverse combination of national and foreign factors. [Page 532] The efforts of the Revolutionary Government are precisely aimed at gradually fulfilling those aspirations and to that end it has, to begin with, tackled the pressing problem of transforming the system of landholding, which is the indispensable prerequisite in every underdeveloped country for its industrial, political, social, and cultural progress.

Unless large-scale landholding is abolished and a fair redistribution of the land is made, Cuba will continue to suffer economic stagnation and an increasing rate of unemployment. These measures are just as essential to the good of the Cuban people as they would have been for the people of the original thirteen American colonies if they had not had available a huge reserve of land to the West, which enabled them to expand their economy every time the exigencies of their development made it necessary. Furthermore, the semifeudal conditions existing in many countries of the Americas, Asia, and Africa constitute so formidable an obstacle to economic progress and are so much a cause of low agricultural productivity and a low living standard that the UN, the OAS, the ECLA, and the OIT have constantly urged the peoples and governments of those areas to study and

carry out as soon as possible a transformation in the system applying to rural property. Only a few days ago, the United Nations Economic and Social Council, meeting in Mexico, repeated this recommendation. The attitude of the Government of the United States of America in international organizations with respect to this question has, in fact, been "consistent and unequivocal."

The fundamental concern expressed in the note under reference—summary and compendium of the reservations, warnings and objections it contains—is the form of payment adopted by the Revolutionary Government of Cuba to indemnify North American citizens whose properties may be expropriated pursuant to the Agrarian reform law. It is true that the constitution of 1940 and the basic law in force provide that the price of expropriations shall be paid in advance and in cash in the amount fixed by the courts. But it is also no less true that the aforesaid form of indemnification is inexorably imposed by events in the public domain: the chaotic economic and financial situation into which the overthrown tyranny plunged the country, and the marked imbalance in the balance of payments between the United States and Cuba, which for us has meant an unfavorable balance of about a billion dollars during the last ten years. It should be noted that, had these events not occurred the Revolutionary Government would have been able to discharge the aforesaid constitutional obligation. As for the defalcation, full responsibility falls on those who used the resources of the public treasury and the reserves of state credit institutions for their illicit personal enrichment and for the unlawful purchase of war matériel for the inexorable extermination of the [Page 533] Cuban people. Furthermore, if it were possible to recover the huge funds that have been taken from the treasury and deposited in foreign banks, the extinction of large landed estates and [*then*] the Agrarian reform might be accomplished under conditions kinder to the interests concerned. However, between the constitutional obligation to abolish large-scale landholding and carry out Agrarian reform, and the precept of advance cash payment for expropriated lands, the Revolutionary Government, exercising the constituent power vested in it by the overwhelming support it enjoys—the primal sources of its democratic legitimacy—has elected the form of indemnification which, in the circumstances alluded to, it considers most advisable in the best interests of the nation, which interests it places above any others, however worthy of consideration they may be. In a similar manner, before the insuperable force of circumstances, the United States Government, in promoting Agrarian reform in Japan, ordered the transfer of the properties of landowners to their occupants within a period of four months, establishing as the form of indemnification the issuance of Agrarian bonds earning 3.5 per cent interest and payable in annual installments over a period of twenty-five years. Although it may be objected that Japan was then an occupied country, the Revolutionary Government of Cuba can state in reply that it found itself with empty coffers and is proceeding accordingly.

In the gigantic undertaking which has begun to transform the economic and social bases of Cuban life, with a concept of means and ends imbued with generous human feeling, the Revolutionary Government has not ignored nor does it intend to ignore those who have contributed to the expansion of Cuban economy, and it aspires to win not only their loyal cooperation but also their helpful assistance by offering them an opportunity to share in the plans for industrialization already under way or being considered. Now, as never before, the Cuban people need and are grateful for the contribution and support of all those who in the past have been a factor of positive national progress and have adjusted their conduct to the requirements of our legislation. They would therefore be highly pleased if Your Excellency's Government would induce United States investors affected by the Agrarian reform to help further the over-all development of the Cuban economy in accordance with the planned policy that is being carried out.

The purpose of this creative policy, the cornerstone of which is Agrarian reform, is to increase productivity, encourage investments, raise the standard of living, and eliminate unemployment, which fully ensures the supplying of Cuban products to American consumers. The manner of execution of the plans in this connection, carefully worked out, must ensure the expansion and progress of the Cuban economy, and their complete implementation will bring with them law and [Page 534] order, social well-being, and the strengthening of the democratic regime. The experience of the past shows that economic underdevelopment is the real reason for political instability, social injustice, administrative corruption, and cultural backwardness.

The Revolutionary Government of Cuba has never refused to enter into discussions, nor has it ever failed to read dissenting opinions. It has always listened with attention and respect to the opinions of all, including the opinions of those who may be affected by its decisions and measures and who have used and are using, without hindrance, the right to express them publicly. In the specific case of the Agrarian reform law, all suggestions and comments are heard in a genuine democratic spirit; the right is retained of deciding what it deems to be most in accord with the vital interests of the Cuban people; and it does not accept and will not accept any suggestion or proposal that might in the least impair the sovereignty and dignity of the nation.

In view of the foregoing and bearing in mind the traditional relations of friendship and cooperation that so closely link our peoples, the Revolutionary Government of Cuba has more than sufficient grounds for feeling confident that the Government of the United States of America understands and appreciates the strong arguments justifying the manner in which the Agrarian law will be enforced with respect to compensation, and will communicate them to the American citizens who might be affected, at the same time using its good offices to strengthen still further our historic and economic ties.

I avail myself of the opportunity to renew to Your Excellency the assurance of my highest and most distinguished consideration.[3]

1. Source: Department of State, Central Files, 033.3711/6–2259. a typewritten notation on the source text indicates it is a translation from Spanish.↩
2. See Document 318 .↩
3. The source text is not signed.↩

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

349. Airgram From the Embassy in Cuba to the Department of State[1]

Havana, August 2, 1959.

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The Department's attention is invited to the fact that with reference to the item "Crucial Months for Castro" in the July 22 issue of the Department's Secret publication *Current Foreign Relations*,[2] the Embassy takes a slightly different and more optimistic view of the Cuban situation than that reflected in this article. Specific points of difference follow:

The Embassy *does not feel that there has been a "swing to the left". The Communist influence has been present in the* revolutionary movement from January 1 on. It is sufficiently strong and widespread to be a cause for serious concern. While it is not declining, there is little indication that it is making significant gains at present. It is worthy of note that the leaders who seem to have marked pro-Communist tendencies, notably Raul Castro, "Che" Guevara and Nunez Jimenez, all categorically deny that they are Communists, and that Fidel Castro considers such charges to be calumnies. These men are anti-American, and in many respects they seem Communist in their thinking, but they should not be written off yet as definitively lost to the Communists.

It is certainly true that the PSP has assiduously devoted itself to attempts to infiltrate the Cuban labor movement. It [Page 581] is also true that the Communists have won some offices in the local unions and some in the National Labor Federations in which elections have thus far been held. It is equally true, however, that the PSP has not achieved the results it hoped for and that it has encountered frequent, sometimes forceful, opposition from non-Communist elements within the labor movement. The labor movement is in fact the one sector in which 26th of July spokesmen have openly attacked the Communists as such.

It is in the armed forces rather than in the ranks of labor that the Communists have their strongest infiltrations. Fidel Castro has publicly admitted to the presence of some Communists in the armed forces. He claims to know who they are and to have them under control so that they cannot engage in political activities. This is not altogether reassuring in the light of the pro-Communist tendencies of military leaders Raul and "Che".

Cuba's economic outlook is admittedly not promising for the period just ahead; on the other hand, it is not entirely dark. The Embassy doubts that the Government will face an economic crisis as early as November or that it will resort at any time soon to the devaluation of the peso.

With respect to the provisions in the Agrarian Reform Law for payment of expropriated lands, the Embassy does not view these as a sign of anti-Americanism, but is inclined rather to accept as sincere the Cuban Government's defense of these provisions on the ground that it is not in a financial position now to make just, prompt and effective compensation and that for revolutionary reasons it cannot postpone agrarian reform until its finances improve. This explanation, however sincere, does not of course make the provisions any more satisfactory from our standpoint.

Reference in the last paragraph of the article to the awakening of governmental and public opinion to the "true nature of the Castro regime" is confusing and perhaps misleading. The Embassy, which has been observing the Castro regime with closest attention from the beginning, does not know the true nature of the regime. In many respects it is the most hopeful regime Cuba has ever had; in others, particularly its anti-Americanism and its complacent tolerance of Communism, it is also the most disturbing. The Embassy continues to feel there is a good possibility that in its attitudes toward the United States and toward Communism, time and experience will bring about an improvement.

The Castro regime seems to have sprung from a deep and widespread dissatisfaction with social and economic conditions as they have been heretofore in Cuba and to respond to an overwhelming demand for change and reform. The universal support it has received from the humble and the lower middle classes is a witness to the strength of this compulsion. Similar [Page 582] conditions calling for reform probably exist in many other countries of the hemisphere. If Cuba is any indication, rightist, oligarchic governments in Latin America may be overturned in the not distant future by popular revolutionary movements which in the beginning at least establish extremist, socialistic governments. Under these circumstances the United States should perhaps be looking for a new formula that can win the confidence and support of such governments until they can be guided into more moderate channels. If we turn our back on them we risk pushing them into the arms of the Communists. What seems to be called for rather is forbearance and a resolute and sustained effort to understand and help and influence them. The outstanding accomplishments of the United States in the way of freedom, of representative government, of equality of opportunity, and of success in providing a high standard of living for all, should give us a great advantage over the Communists in appealing to emerging governments that aspire to these same privileges and benefits for their own peoples.

The Embassy realizes that its view may be influenced by its proximity to the Cuban situation, and that the Department is in a much better position for an overall perspective. To the extent that the Department shares the views herein expressed, however, it might be helpful, because of the possible influence of the referenced article on the thinking of U.S. representatives in other countries, if the next article relating to Cuba could bring out a little more the hopeful features of the situation.

Bonsal

1. Source: Department of State, Central Files, 737.00/8–259. Secret. Drafted by Brad-dock. Received on August 4 at 2:07 p.m.↩
2. A copy is in Department of State, *Current Foreign Relations:* Lot 64 D 189, July 1959.↩

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

363. Memorandum of a Conversation, Department of State, Washington, September 24, 1959[1]

Washington, September 24, 1959

SUBJECT

Meeting with American Sugar Interests Regarding the Situation of Their Properties in Cuba

PARTICIPANTS

William F. Oliver, President, American Sugar Refining Company

John A. Nichols, President, Cuban American Sugar Company

B. Rionda Braga, President, Francisco Sugar Company

Michael J.P. Malone, Manati Sugar Company

Frank G. Brown, Jr., V.P., Punta Alegre Sugar Corporation

Sam H. Baggett, V.P., United Fruit Company

Philip Rosenberg, President, Vertientes-Camaguey Sugar Company

Warren Lee Pierson, Director, Vertientes-Camaguey Sugar Company

W. Huntington Howell, First V.P., West Indies Sugar Corporation

Lawrence Crosby, Vice-Chairman, Atlantica del Golfo Sugar Company

Mr. Murphy—G

Mr. Mann—E

Mr. Rubottom—ARA

Ambassador Bonsal—Embassy Havana

Mr. Wieland—CMA

Mr. English—L/C

Mr. Kwiatek—L/C

Mrs. Mulliken—REA

Mr. Callanan—CSD

Mr. Stevenson—CMA

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In the absence of Mr. Murphy, who was detained at a meeting with the President, Mr. Rubottom opened the meeting. He referred to the useful conversations on this same subject which had been held last May[2] and said that in view of the many developments since that date it had been agreed with Mr. Crosby that another meeting for the purpose of exchanging views would be mutually beneficial—particularly with the presence of Ambassador Bonsal.

Mr. Crosby, speaking for the American sugar interests in Cuba, expressed his thanks for the earlier meeting and stated that the Department's note to the GOC[2] was a very able statement of the American investor's case. The reply of the GOC[3] to this note, on the other hand, he considers to be rather discourteous and not satisfactory. It amounts, in essence to a declaration that "necessity knows no laws." Until now he has agreed with the Department that a reply to the Cuban note would not have been useful. However, since the Santiago meeting of the Foreign Ministers he has seen signs of an easing of tensions in Cuba and now, as we approach the deadline for sugar quota legislation, the U.S.-Cuban Sugar Council is of the opinion that a reply, in firm language, might be useful. In his view any reply should reiterate the preoccupation of informed and serious-minded persons that the Cuban agrarian law in its present form will have a serious adverse effect on sugar production. Mr. Crosby and his associates are convinced that the law will not work, but will result in a growing paralysis of the Cuban economy. The U.S. should in his opinion be thinking in advance and planning having in mind the contingency of the Castro regime. The American sugar industry considers that the exemption of at least the cane lands from the law is a necessity. Other lands present no real problem—they are not a serious matter. The delay in the application of the Agrarian Law to cane lands is of no real significance and serves only to draw attention from the fact that a fundamental problem remains to be resolved.

Mr. Rubottom thanked Mr. Crosby for his frank presentation and his expressions of confidence in the officials and policies of the Department. He informed the group confidentially, that a further note on agrarian reform is in preparation to be delivered soon. In summary he stated that the policy of the Department with regard to Cuba has been: (1) to seek to convey to the GOC and the Cuban people that the U.S. is sympathetic to many of the goals of the revolution as we understand them to be, i.e. an end to corruption and graft, a higher standard of living and an end to unemployment, more and better education and the abolishment of illiteracy, etc. As Muñoz Marín has said, this Cuban revolution may well contain "elements of [Page 607] greatness"; (2) to seek not to build Castro into heroic proportions until we know with certainty what he is trying to do, and with this thought in mind to avoid denigrating his regime and his person so as not to add a martyr's halo to his bag of attractions; (3) to do nothing which might seem to Castro to constitute assent or acquiescence to acts harmful to American investment, but rather to indicate clearly and firmly that the U.S. expects reasonable, prompt and effective compensation in case of expropriation.

Ambassador Bonsal next spoke to the group stating that there can be no doubt in the minds of the Cubans of our position on compensation. Prior to his recent departure from Habana he had informed both the Cuban Minister of State and the President[4] that our position on compensation remained as stated in our note of June 11 and that a further note would be presented upon his return. Referring to Mr. Crosby's concern about the effects of the agrarian law on production, he noted that this feeling is widely shared also by Cubans and may well prove to be a constructive, positive factor in the picture. He doubts that the Cuban people are developing suicidal tendencies. The agrarian law contains impracticabilities and in the Ambassador's opinion, Castro's presently asserted uncompromising course may yet be subject to change. The note which the U.S.G. expects soon to present will not be made public by the Department in the thought that our best hope in this difficult situation is to try to appeal to the more responsible elements around Castro which perhaps we have a better chance of doing in an atmosphere of non-public excitement. In his many conversations with important Cuban officials, including Castro, on the subject of agrarian reform the Ambassador stated that he has emphasized the following points; namely, (1) the necessity for just compensation; (2) the falseness of the notion that there is something inherently wrong in being a big company operating in Cuba; (3) the positive role of American capital in Cuba and what it has done to make jobs and create wealth for Cuba (He noted that this concept is not popular with the "hot-rod" revolutionists, but it will ultimately have the weight which truth always has. In this regard he suggested that the American companies try to develop relationships within the GOC and seek to give a picture of their operations, making use of persons who have a vested interest in their continued operations.); (4) the fact that he is well aware of various things happening to American companies, particularly when there are arbitrary actions without legal basis.

(In these cases he expects to take positive actions of protest.) In conclusion the Ambassador observed that a line of thinking is developing in Cuba which takes into account the role of American interests and, hopefully, may ultimately lead to a [Page 608] greater flexibility more adapted to the realities of the situation.

Mr. Oliver said that speaking for his company which is both a producer of raw sugar in Cuba and a refiner in the United States he is faced with long-range problems which may be adversely affected by actions taken in response to the short range problems. Regarding the danger to the supply situation for the American consumer, he feels that sufficient sugar can be obtained from various sources other than Cuba should Congress decide to punish Cuba through the sugar quota. He stated that he had heard that Assistant Secretary Mann had recently agreed with the domestic beet-sugar growers that a weapon should be given to the Executive in the form of authority to revise quotas in the national interest if the need arises. He wished to emphasize that there are no secrets in the sugar business and that Mr. Mann's point of view will soon be widely known in Cuba. He wonders if the American people will demand something further. In his view the GOC will not modify its law, and this has been confirmed to him by a well-informed Cuban, Mr. Fernandez Grau.

Mr. Rubottom observed that we have not used, nor desire to use, the term "punish" with regard to Cuba. However, the United States may have to consider other sources of supply and new sources cannot be developed overnight. Mr. Mann stated that he concurred with Mr. Rubottom's remarks. He feels it unwise to talk in terms of punishment or retaliation. However, at this time it is not realistic or desirable to subsidize a Government engaging in extraordinary acts harmful to American interests. When the Executive goes to Congress with its recommendations on sugar legislation a flexible posture will be needed, showing an ability to deal with future circumstances. Mr. Mann knows no reason why the Executive, under these circumstances, should not fix quotas. He asked if anyone there had any better ideas. Mr. Oliver said that he had not meant to question the merits of Mr. Mann's proposal but wished merely to point out that it will be recognized as being done for a reason—this fact will be known. Mr. Mann remarked that Mr. Shields of the Beet Sugar Growers Association had come to a recent meeting of this group with a suggestion almost identical with his own. However, he wished to state that he is happy to share with Mr. Shields praise or censure as the case may be.

Mr. Baggett expressed his pleasure at Mr. Rubottom's comments. He considers that the agrarian reform in Cuba will have far reaching effects if it should become a pattern for other countries in Latin America. The low valuation of property and payment in I.O.U.'s, if it spreads, will force the United Fruit Company out of business. This Cuban attitude posses a serious problem for all investors in Latin America. He agreed that we should not make a hero of Castro, but observed that he will be one [Page 609] in any case if he gets away with his agrarian reform as it stands. He is glad that the Ambassador will be presenting another note and approves of the timing and that it is best not to publish it although its contents will soon get out in his opinion. As he sees it Mr. Mann expects fireworks on the Hill, and he needs his special clause to dampen it.

Mr. Mann said in summary of his views (1) that without change the old Sugar Act could not get through Congress; (2) that to encourage Congress to take a bite from Cuba is not desirable; and (3) that we should avoid the above by putting ourselves in a position to reduce the Cuban quota if it is in the national interest. He referred to the growing and rampant nationalism all over the world and said that the United States cannot in his opinion refrain from seizing such means as it has to protect its interests; otherwise we must brace ourselves for attacks of this nature from every quarter. Mr. Nichols queried whether it was contemplated that the new clause might affect the 1960 crop.[5] Mr. Mann replied that we are in the process of trying to establish a common front with all segments of the industry before going to the Hill and that the question has not been finally determined. Mr. Crosby observed that in order to be prepared to cope with any situation the power should be made available for immediate use. Mr. English remarked that when the Sugar Act came up for renewal in 1952 there was an amount of $900,000 outstanding in old claims against the GOC. Congress on this occasion refused to grant the Cubans a quota until these claims were settled and the Cubans paid up.

Mr. Rosenberg referred to his several conversations with Ambassador Bonsal and the Ambassador's suggestion that he consider the possibility of developing relations with the more moderate elements in the GOC. His company has tried to do this but it has proved impossible. Those they have talked with have suggested that the American companies suggest some plans for

alleviating their own difficulties. In Mr. Rosenberg's opinion these persons recognize the impracticability of many of the law's provisions and the difficulty of getting financing, but he questions their good faith. He believes they are merely trying to soothe the fears of the Americans hoping they will continue to invest and maintain production. In his opinion they are merely being kept in the death chamber awaiting execution day. Unless Castro is convinced, there is no hope of change; and these moderates have no rapport with Castro. He said that Cuba will have an ample crop in 1960 but a considerably shorter crop in 1961—probably 20% less for his own company which has 6,000 American stockholders. His company has stopped fertilization and new planting. He sees no reason to support financially a hostile Government and doesn't want to sit and suffer [Page 610] waiting for the executioner's sword to drop. Rather he wishes that the U.S. Government would explain to Castro in frank terms just what he is doing and what he may expect as a result. He estimated that the sugar crop in 1961 might drop to 3,800,000 tons.

Messrs. Malone, Rosenberg, Nichols, Braga, and Howell then described in some detail a series of harassments and illegal acts to which their mills and plantations in Cuba have been subject. Mr. Braga reported that his managers feel that hostile forces are closing in on them; that the INRA officials are watching the American firms like a cat watches mice. He said that he is not criticizing the Department but by Cuba we will we judged. If Castro succeeds unchallenged no respect for contracts will follow throughout the area. Mr. Howell agreed with him, declaring that the situation is desperate and that they are being nibbled to pieces. Mr. Nichols declared that agrarian reform is only a part of the gloomy picture and cited the arbitrary wage increases to labor, the decrees affecting utility rates, new tax laws and general arbitrary treatment.

Mr. Rubottom asked if anyone in the group had considered, or tried to initiate, negotiations on his own behalf. Mr. Crosby replied that there is no hope of trying this with Castro or INRA unless Castro is convinced that he cannot get away with his present course. The mill owners need to be in a position of strength before they can negotiate. Public opinion in the United States is highly critical of Castro now which is a keg of dynamite for him—he should be warned. Castro doesn't believe that the U.S. will cut the Cuban quota to protect the interests of its investors.

Mr. Murphy[6] noted that there are various factors in addition to sugar which the U.S. Government must consider in its relations with Cuba, e.g. Guantanamo, the utilities companies, Latin American opinion, etc.. He is confident that Ambassador Bonsal is trying to manipulate the situation to our best overall advantage. Castro, of course, seems genuinely to believe the things he says and with a man like this the question of how tough to be is a matter of timing. Castro has his own brain trust it seems—men like "Che" Guevara, and Raul Castro who certainly do not inspire trust on our part.

Mr. Wieland observed that no matter how useless it may seem, the American companies can help us by making such constructive efforts on their own behalf as may be possible. He asked them to consider, "what can you do in the way of constructive, progressive steps within reason?" As the Ambassador makes such approaches to the GOC as he can on behalf of the American companies it might well be important that the GOC not be able to say that the companies have made [Page 611] neither protests or suggestions on their own behalf. Several company representatives indicated that they will give further consideration to this possibility even though heretofore such action has not seemed feasible. Mr. Nichols said that his company had spoken with Minister of State Roa and had told him that unless something is done to improve the situation of the company there is not much the company could do to be of assistance to Cuba in line with Roa's desires.

Mr. Murphy thanked the representatives of the sugar companies for their patience and cooperative attitude and said that the Department desires to work closely with the group in our mutual interest.

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1. Source: Department of State, Central Files, 837.235/9–2459. Limited Official Use. Drafted by Stevenson and cleared with Wieland and Rubottom.↩
2. See footnote 3, Document 313 .↩
2. See Document 318 .↩
3. Document 321 .↩

4. See Document 360 .↩

5. Note: The present Sugar legislation runs through December 31, 1960. [Footnote in the source text.]↩

6. Mr. Murphy joined the group about 10 minutes before the end of the meeting. [Footnote in the source text.]↩

Historical Appendix B

Exhibit 10

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

418. Memorandum From the Deputy Assistant Secretary of State for Economic Affairs (Beale) and the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State[1]

Washington, January 8, 1960.

SUBJECT

Action Program for Cuba: Procedures re Compensation for Expropriation and Consequent Readjustment of Commercial Relations

Mr. Rubottom's memorandum of December 28, 1959, Tab C,[2] approved by you on December 30, 1959, outlines various aspects of an action program for resolution of the problem created by the expropriation of American properties by the present Government of Cuba. Certain elements of that program would, if implemented, involve actions contrary to existing legal commitments of this Government under international agreements to which the United States and Cuba are parties.

The program envisages, if discussions regarding a settlement of the expropriation claims should fail, the possibility of: (1) the withdrawal of the existing tariff preferences for Cuban products, (2) the imposition of a fee on sugar imported from Cuba but not on any other sugar or on other Cuban products,[3] and (3) appropriate legislation and institutional arrangements for use in the settlement of the expropriation claims of additional revenue derived from these measures. If duties were raised [Page 729] to the most-favored-nation levels and/or[4] if a discriminatory fee were imposed on sugar imports from Cuba, the additional revenue could be set aside (once the necessary legislation had been obtained) for a fund to be used in the settlement of expropriation claims.

However, the removal of Cuban preference or the imposition of a fee on imports of Cuban sugar would be contrary to our present legal commitments.

Furthermore, in the event that the President were to exercise his authority under the proposed sugar legislation (which is the subject of a separate memorandum) to modify sugar quotas in such a manner as to substantially reduce the Cuban quota without a comparable reduction of other sugar import quotas, the resultant discrimination would be contrary to our existing international commitments.

This memorandum proposes a procedure for negotiations regarding settlement of the claims for compensation as a result of the Cuban expropriation and, if these are unsuccessful, for the modification or termination of existing commitments to Cuba which would free the United States to take the measures proposed above, including the withdrawal of the Cuban preference. If the Contracting Parties were to grant a waiver which would permit the withdrawal of preferences to Cuba by raising of United States duties on Cuban products to the most-favored-nation rates, it is probable that the Contracting Parties would wish this waiver to authorize Cuba to take corresponding action.[5]

An outline of these steps follows: Each of the first six steps is explained more fully in a correspondingly numbered attachment to this memorandum.[6]

1. *Expropriation Compensation Discussions*

   After appropriate discussions in Washington and in Havana with representatives of the affected U.S. interests, the Department would instruct Ambassador Bonsal to renew discussions looking toward the resolution of the problem of expropriation and other damages inflicted on American properties in Cuba.

2. *Arbitration re Compensation*

   Ambassador Bonsal would—again after consultations with representatives of affected property owners had been held—discuss with the Cuban Government some form of judicial or semijudicial settlement of expropriation issues.

3. *Trade Discussions*

   At an appropriate time, should no solution of the compensation issue be achieved by steps 1 and 2 above,[7] Ambassador Bonsal would inform the Cuban Government of the United States Government's willingness to accede to Cuba's urgent request for a review of economic relations. We would hope that the outcome of this review would result in the joint termination of the Convention of Reciprocity of 1902 and the United States-Cuban Trade Agreement of 1934 and revision of the exclusive trade agreement of 1947.

4. *Cuban GATT Violations*

   Should it appear that efforts (steps 1 and 2 above) to settle the compensation issue are not likely to succeed within a reasonable time, following consultations with GATT leaders, the United States would consider requesting the Contracting Parties to examine its pending complaints of GATT violations by Cuba.

5. *Unilateral Termination of Bilaterals*

   At the same time, should Cuba not have agreed to terminate the 1902 and 1934 agreements by mutual consent (step 3 above) the United States would give Cuba notice of its termination of them in accordance with their provisions for unilateral termination.

6. *GATT Waiver*

   In connection with or following the presentation of the complaints against Cuba (step 4), the United States would consider the feasibility of requesting the Contracting Parties to grant it some form of waiver from its obligations to Cuba under GATT, sufficient to permit it to take the action then deemed appropriate. Whether a waiver is requested and, if so, its scope would depend upon the action the United States has in view at the time application is considered and the assessment then made of the probabilities of success in securing a suitable waiver.

7. *Claims Settlement*

   Should the United States (1) fail to have reached a satisfactory settlement with Cuba and (2) be free of conflicting international commitments as a result of actions taken pursuant to steps 3–6, the Administration would then consider requesting legislation authorizing the executive to [Page 731]

   (a) submit to a domestic claims commission the problem of determination of valuation and compensation of expropriated properties of U.S. citizens in Cuba and

   (b) impose a tax on Cuban sugar or utilize [several undecipherable handwritten words] and to assign revenue derived from this tax and/or from the elimination of preferences, to a fund to be disbursed by the aforesaid claims commission in the settlement of claims of affected American interests.

Recommendation:

That you approve the course of action set forth in steps 1–7 above.[8]

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1. Source: Department of State, CCA Files: Lot 70 D 149, Cuba. Confidential. Drafted by Walter Hollis (L/E), Herbert F. Propps (CPT), and Selma G. Kallis (TA); concurred in by Deputy Assistant Secretary of State for Congressional Affairs John S. Hoghland, Legal Adviser Eric H. Hager, Director of the Office of International Trade Theodore J. Hadraba, and Assistant Chief of the Trade Agreements Division Joe A. Robinson. Attached is a memorandum of January 8 from Rubottom to Dillon, in which Rubottom concurs in the memorandum provided "certain minor amendments and reservations" were taken into consideration. These amendments and reservations were set forth in a memorandum of January 8 from Wieland to Rubottom, also attached. In the memorandum Wieland noted that CMA had not yet had time to review carefully the tabs to the memorandum, except for tabs 1 and 2 on which CMA had no comment. Wieland's amendments and reservations are noted in footnotes below. Also noted are Dillon's responses, as described briefly in a memorandum of January 9 from T.J. Dunnigan, Duty Officer in the Executive Secretariat to Devine, also attached.↩
2. Document 414 .↩
3. In his January 8 memorandum to Rubottom, Wieland noted that the reference to any other sugar was unnecessary here and the reference to other Cuban products should be eliminated. Wieland argued that its elimination "would permit the imposition of a tax on selected Cuban products in the event the Department should consider this desirable as events develop." In his memorandum of January 9 to Devine, Dunnigan indicated that Dillon said: "No on other Cuban products."↩
4. In his January 8 memorandum, Wieland argued that "or", which was in the original text, should be changed to "and". His reasons were: "This is essential in order to make the sentence consistent with what has gone before. Eliminating the preferences alone would not provide compensation to the affected United States interests."

   In his memorandum of January 9 to Devine, Dunnigan indicated that Dillon had decided it should be "and/or".

   ↩
5. With regard to this paragraph, Wieland indicated in his January 8 memorandum that there was a difference of opinion as to whether Article I of the GATT required the United States to obtain a waiver from the Contracting Parties to withdraw tariff preferences. Wieland wrote that if it did prove necessary, CMA had no objection. Dillon apparently did not comment on this point.↩
6. None printed.↩
7. In his January 8 memorandum, Wieland suggested the insertion here of the phrase "should no solution of the compensation issue be achieved by steps 1 and 2 above." In his memorandum of January 9 to Devine, Dunnigan indicated that Dillon had approved this change.↩
8. Dillon initialed his approval of steps 1–7 on January 9.↩

Historical Appendix B

Exhibit 11

OFFICE OF THE HISTORIAN

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

414. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Under Secretary of State (Dillon)[1]

Washington, December 28, 1959.

SUBJECT

Action Program on Cuba

Discussion:

Agreement was reached in ARA early in December that the United States Government could no longer tolerate the continued harassment of American property owners in Cuba, the failure of that government to respond in a positive way to our repeated efforts to seek a friendly solution to the problem of expropriation, and the vicious, unjustified attacks by the Castro government on the United States.

Although our attitude of patience and forbearance in the conduct of our relations with Cuba has generally won approval in Latin America and in the United States press, it is believed that in the face of these continuous provocations the time has come for the United States Government to assume a more openly critical and challenging posture vis-à-vis Cuba in order that our attitude to date may not be considered a sign of weakness and thus give encouragement to communist-nationalist elements elsewhere in Latin America who are trying to advance programs similar to those of Castro. Such programs, if undertaken, could only result in undermining United States prestige abroad, exposing United States property owners to treatment [Page 717] similar to that being received in Cuba and, in general, prejudicing the program of economic development espoused by the United States for Latin America which relies so heavily on private capital investment.

ARA believes actions can and should be taken, beginning immediately, which would affirmatively undertake to overcome the present impasse in our relations with Cuba. It is, therefore, proposed that the following program in the time sequence indicated be instituted by the Department.

1. *Protection of American Property Owners Against Harassment.*

   It is proposed that a firmly worded, formal note be delivered early next week to the Cuban Government in effect protesting the continued harassment of American property owners. The note would relate to the occupation of properties, seizure of land, cattle and equipment, intervention in operations and other extra-legal, or quasi-legal activities to which these Americans have been subjected and the fact that in almost all cases they have been deprived of their rights under due process of law.

   It is proposed that the substance of the note be widely publicized after its delivery.

Although it is not believed that the note will produce a cessation of these offensive actions, its delivery and publication is considered essential as a first outward step in the change of approach to the Government of Cuba mentioned earlier, and as part of the record which may be needed in an eventual judicial contest under international claims procedures.

2. *Resolution of the Expropriation Problem.*

It is proposed that, following his return to Habana on approximately January 11, Ambassador Bonsal be instructed to renew discussions with Cuban officials looking toward a mutually satisfactory settlement of the problem of fair valuation and satisfactory terms of compensation, including a proposal that the Cuban Government voluntarily impose a tax (say 1 or 1–1/2 cent per lb.) on sugar exports to the United States, to create a fund to be used for compensating American owners of expropriated properties.

Upon failure to reach agreement, Ambassador Bonsal would then be authorized to propose the submission of the problem to a Bi-national Commission, to an arbitration commission under the auspices of the International Court of Justice or to the Court itself.

Meanwhile, and on the presumption that the Cuban Government will turn down these proposals, the United States Government would undertake the steps necessary to relieve itself of all contractual obligations of the GATT as they relate to Cuba. This would include the denunciation of the United States-Cuban Trade Agreement of 1934[2] and the Convention of Reciprocity of 1902.[3] [Page 718]

These steps are essential and preliminary to ARA's final proposal which is the unilateral imposition by the United States of an appropriate tax on all Cuban imports, the proceeds of which would be used to create a fund with which to settle claims of expropriated United States interests.

The details of this plan are contained in the Wieland to Rubottom memorandum of December 9, 1959 (Tab A).[4] The details of the plan are now under consideration by the legal division and have not yet been cleared.

Although this procedure will undoubtedly take time to execute, it is believed that the sequence proposed will help publicly to re-confirm the correct and reasonable posture of the United States in dealing with Cuba and the United States Government's respect for its international commitments. At the same time, it will permit firm dealing with the recalcitrant Castro government and provide for the eventual compensation of United States property owners.

3. *Publicizing the Program.*

It is believed that each proposal made to the Cubans, and each action taken by the United States Government in carrying out the program outlined in 1 and 2 above, should be accompanied by appropriate publicity in order to insure that the position of United States Government is made crystal clear at every step of the way.

As a first move in this direction it is proposed that, upon the departure of Ambassador Bonsal for Cuba on or about January 11, the Secretary publicly announce that he has instructed the Ambassador to seek an immediate resumption of discussions with the Cubans looking toward a friendly and mutually satisfactory resolution of the expropriation and other problems confronting the two governments. The Secretary would state that this effort in no way implies a modification of the traditional United States position favoring reasonable and legitimate agrarian reform intended to improve the economic condition of peoples. He would, however emphasize our firm belief that any expropriation measure carries with it the obligation, long recognized under international law, for prompt, adequate and effective compensation.

It is further proposed that appropriate public pronouncements by the Secretary or other officials of the Department accompany the initiation of the remaining proposals and action measures included in the program.

4. *Sugar Legislation.*

Between the tenth and twentieth of January it may be expected that several bills will be introduced into the Congress to modify and extend existing sugar legislation. One of these will certainly be an Administration bill which will include a provision granting the President discretionary authority to revise foreign sugar quotas.

At the time the Administration's position is made public, there will be an excellent opportunity at a press conference to state the fundamental position of the United States with respect to Cuba. It is, therefore, proposed that at the time the legislation is introduced or shortly thereafter, a presidential pronouncement should be made on this subject, perhaps in the form of questions and answers as suggested in Tab B attached.[5]

5. *Enlisting the Cooperation of Other Latin American Governments.*

The Foreign Minister of Brazil recently indicated to Ambassador Cabot[6] his concern regarding developments in Cuba. Our Ambassador believes that given sufficient encouragement and assurance of support, the Brazilians may be disposed to "point the finger" at events in Cuba.

In order to determine the extent to which this feeling may be shared by other Latin American Govenments, it is proposed that an instruction be sent to all Latin American Missions outlining the position of the United States Government with respect to Cuba and authorizing them to convey these views to the host government. They would, at the same time, be authorized to elicit the reaction of the government to this policy and discreetly inquire as to the government's own views on developments in Cuba and its relations with the Castro regime. The instruction would have the dual objective of clarifying the United States Government's change of approach in its policy toward Cuba, including the reasons for such change and sounding out the possibilities for a stiffening of attitudes toward Cuba by the other American Republics. At a subsequent time and depending upon the kind of responses received, further consultations with Latin American Governments may be undertaken looking toward some kind of multilateral action on the Cuban question.

6. *Countering the Castro Propaganda Offensive.*

Agreement has been reached with USIA for the full time assignment to ARA of Mr. Richard Cushing. Mr. Cushing will report on January 11. It is proposed that he undertake the coordination of an intensive though discreet campaign to counter the vicious "Hate America" propaganda being spread throughout Latin America and the world by the Castro Government. He will use all available material including "sanitized" intelligence reports in preparing a steady output for all media, not only presenting the United States side of the Cuban question but mounting our own offensive in this particular "cold war".

7. *Supporting Operations.*

   A. FSO George Gray, on transfer from Rome and now in the Department for orientation and briefing, will proceed to Habana early in January to work exclusively on problems connected with the Cuban Government's actions against American property owners. Mr. Gray is a lawyer and has already established close working relations with CMA and the legal division.

   B. The legal division has assigned Mr. Fabian A. Kwiatek to work with CMA on the legal aspects of the program described in 1 and 2 above. Mr. Kwiatek will assume responsibility for clearing all steps contemplated in this program with the various branches of the legal division. He will also propose alternative course of action as necessary.

   C. Mr. Carlos Hall, Director of RAR, will give priority to all research requests connected with the Cuban problem.

Recommendations:

1. That you approve the submission of a firmly worded note to the Cuban Government in effect protesting the continued harassment of American property owners.
2. That you approve the procedures outlined in section 2 above looking toward the resolution of the problem of expropriation of American properties in Cuba.

3. That you approve the proposal that appropriate publicity accompany these actions.
4. That you approve a pronouncement by the President which would set forth the fundamental position of the United States with respect to Cuba, such announcement to be made upon the publication of the Administration's position on sugar legislation.
5. That you approve an instruction to our Missions in Latin America requesting that they present the United States Government position in regard to Cuba and eliciting the host government's reaction thereto.
6. That you approve the initiation of a discreet campaign to counter the anti-American propaganda of the Castro government.[7]

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1. Source: Department of State, Central Files, 737.00/12–3059. Confidential. Drafted by Vallon, Leonhardy, and Turkel; concurred in by L, P, and E; and initialed by Rubottom.↩
2. Signed August 24, 1934, and subsequently amended; for text of the original agreement, see 49 Stat. 2559.↩
3. Signed December 11, 1902; for text, see 33 Stat. 2136.↩
4. Document 406 .↩
5. Not printed.↩
6. This conversation has not been further identified.↩
7. Dillon initialed approval of recommendations 1, 3, 4, 5, and 6 on December 30. He neither approved nor disapproved recommendation 2. Regarding his reaction to this recommendation, see footnote 4, infra .↩

Historical Appendix B

Exhibit 12

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

404. Airgram From the Embassy in Cuba to the Department of State[1]

Havana, December 4, 1959.

G–101

Accompanied by DCM I called today on Minister of National Economy Boti. I reviewed principal events in U.S.-Cuban relations since meeting on October 12 with Roa, Boti and Pazos,[2] noting deterioration that had occurred. I then referred to offer contained in Cuban note of November 13[3] to continue negotiations on pending questions (Deptel 732[4]). I asked if Boti disposed to resume these discussions and he indicated assent.

I referred to hostile attitude of Cuban leaders from advent of revolutionary government. He countered with unfriendly attitude of American press toward revolution. I defended our press as perhaps mistaken at times and at others as naturally reacting to anti-American attitudes of Cuban leaders and 26 July press, but nevertheless objective and not directed either by Government or by big business interests. We then proceeded to economic topics.

Boti spoke of very slender exchange reserves of Cuban Government and complained at withdrawal by American banks of normal commercial credits to Cuba amounting to 40–50 million dollars. He said situation required drastic exchange controls and still further controls might be necessary. He said emphatically revolutionary government would not be forced out however by low state of foreign reserves.

Re agrarian reform, I reiterated our concern at provisions for valuation and compensation, particularly in light of [Page 687] financial possibilities of GOC. I suggested that American properties subject to expropriation under law might well come to several hundred million dollars. He said "perhaps". I referred to our position that prompt, adequate and effective compensation should be made and at his request defined these terms. He said Cuba had never defaulted on its foreign debt yet and indicated he believed it could carry this one. I mentioned also indications of continued arbitrary takeover of property of U.S. citizens. I referred to our memo of October 12[5] and GOC failure reply. He referred to recent law on expropriation (Law 588 described in despatch 602[6]) and said he thought this might give solution.

I went over briefly present difficult situation of electric light company due to 1) reduction of electric rates which seriously hampered Company's earning capacity and its credit, 2) failure of Banco Nacional to extend ten million peso credit on terms Company had been led to believe were approved, and 3) failure of Bank to authorize $2 million remittance. Boti said Government's financial situation less good than when this loan first discussed and Bank did not now have $2 million to spare for Company's dollar obligations. I asked Minister to tell me frankly Government's intention regarding Company since from Government's actions it was hard not to believe that it intended to take over Company. Boti denied such intention and stated if this the case Government would not have considered lending Company 10 million pesos. He stated he had appointment to talk with Company officials tomorrow. (Latter have advised they have appointment with Boti and Oltuski tomorrow.) I left with him Aide-Mémoire as authorized by Deptel 686 but omitting unnumbered last paragraph.[7]

I referred to case of telephone company and to fact that "temporary intervention" had now lasted several months and inquired what Government's intention was. Boti replied intention was for company to operate this utility, but he declined to predict when intervention would cease. I said high level conversations had been requested by Company from last September and asked whether there was any current consideration by GOC to holding these talks. He said this matter not presently under discussion.

I brought up mining law and asked about Government's objectives in this field. He said purpose was to eliminate [Page 688] concession holders who were unable or unwilling to work their concessions, and to give financial assistance to new small mining enterprises. I asked intention re Moa and Nicaro. He said case of each mining company had to be worked out separately and that a successful arrangement had recently been concluded with Matahambre Copper Company. (This denied by Company official.) In answer my question, he said he knew nothing about recent action by Government authorities to prevent a shipment from Nicaro but he would investigate.

Re new petroleum law, Boti said Government's intention was to make petroleum exploitation eventually a Government operation. Government monopoly would not extend, he intimated, to petroleum refining.

I brought up Law 647[8] giving Labor Ministry authority to intervene any enterprise for various causes related to labor problems. He said this simply confirmed authority inherent in GOC and all Governments to intervene in case of dispute between labor and management.

Boti said if U.S. had worries about present situation, Cuba also had plenty of worries which he would be glad to discuss with me. I assured him I would like to do so at his convenience. I suggested that we could make a lot more progress on pending problems if Cuban leaders would stop treating U.S. Government and U.S. private companies as if they were enemies of Cuba and undeserving of fair and considerate treatment. I referred to my own efforts, which he recognized, to create atmosphere good will and good faith and said I felt these had not been reciprocated.

I do not know how much of this Boti will convey to Castro and others in Government. Our problem of communication is a most difficult one.

Bonsal

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1. Source: Department of State, Central Files, 611.37/12–459. Confidential; Limit Distribution. Drafted by Bonsal and Braddock.↩
2. See Document 367 .↩
3. See Document 392 .↩
4. In telegram 732, December 2, the Department instructed Bonsal, before he returned to the United States for consultations, to approach the Cuban Government with reference to its November 13 note and its implied willingness to discuss questions related to the Agrarian Reform Law. (Department of State, Central Files, 611.37/ 12–259)↩
5. See Document 367 .↩
6. See footnote 5, Document 367 .↩
7. In telegram 1191 from Havana, November 24, Bonsal provided the text of a memorandum on the situation of the Cuban Electric Company which he proposed to give to the Cuban Government. Telegram 686 to Havana, November 25, approved Bonsal's proposal and noted that other companies might view this action as a precedent. (Department of State, Central Files, 837.2614/11–2459) The unnumbered last paragraph requested the assistance of the Minister of State "because of the serious damage to credit reputation of the two companies, in which the credit reputation of Cuba itself is also involved".↩
8. This law, which was published in the *Official Gazette* on November 25, was summarized in telegram 1214 from Havana, November 27. (*Ibid.*, 837.19/11–2759)↩

Historical Appendix B

Exhibit 13

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

409. Memorandum From the Chairman of the Working Group on the Cuban Economic Situation (Young) to the Assistant Secretary of State for Economic Affairs (Mann)[1]

Washington, December 14, 1959.

SUBJECT

Estimate of Economic Outlook for Cuba

At the suggestion of Mr. Dillon a working group within the Department considered the economic position of Cuba. This group came to two conclusions:

Conclusions:

1. Although it is possible that economic pressures will build up in the near future which would be sufficient to endanger the Castro government, it is not probable that such will be the case. Despite the substantial decline in Cuban foreign exchange earnings, the extremely low level of official dollar reserves, and the internal economic frictions resulting from government policies aimed at increased state direction of and participation in the economy, the indications are that the Castro government will be able to maintain a viable economy for an indefinite period. This conclusion assumes that the government will be technically competent to deal with its intensified economic problems, and that it will not [Page 701] adopt measures which result in civil unrest of substantial proportions, assumptions which may or may not be valid.
2. Any economic sanctions which are feasible would not have a very serious impact, but would be an irritant and probably counterproductive. A partial reduction of the Cuban sugar quota would be annoying to the Castro government but would have only a slight injurious effect on the Cuban economy. Even the total exclusion of Cuban sugar from the U.S. market—not considered feasible—would reduce Cuban national income by only about 5 per cent.

Discussion:

The Cuban national income for the foreseeable future is likely to decline moderately, or, at best, remain at about the present level. This will result mainly from a reduction in export earnings because of lower sugar prices, the loss of tourist earnings, and the virtual disappearance of foreign capital inflows. It is estimated that for the foreign sector alone Cuba will suffer a decline of about $195 million in total income in 1959 as compared with 1958.

On the other hand, the Cuban government is taking strenuous measures to live within this reduced income. The expected reduction in imports will offset almost all of the above decline of $195 million in foreign exchange receipts. In addition, the government is curtailing foreign payments for services, capital, and financial transactions. It is possible that Cuba can balance its external accounts at a lower level largely by reducing imports from the abnormally high levels of 1956 through 1958. For 1960 and beyond it may be expected that export earnings will be somewhat lower than for 1959. Cuban imports might be reduced even further if necessary to create external balance without an unbearably depressive effect on the economy.

The Cuban government's plans for ambitious public works programs indicate strongly that inflationary potentials will be generated if the announced plans are implemented by deficit-financing. However, the government has so far evidenced appreciation of the dangers of inflation and of the importance which Cubans of all classes attach to the stability of the Cuban peso. It is therefore probable that serious inflation will not occur in Cuba during the short-run period of a year to 18 months which is considered in this paper.

Cuban national income in 1959 is expected to be about $2 billion, a decline of about 6 per cent from 1958 and 13 per cent below 1957. Over the short run it is probable that there will be further reductions in national income as the disorganizing impact of government policies takes effect. It is not believed, however, that these declines will be of any great magnitude; there may even be some economic expansion later as government spending gets underway, and if the government directs [Page 702] sufficient energies toward agricultural production (to implement the agrarian reform program), and does not starve the agricultural sector in order to promote forced-draft industrialization. In any case, it is estimated that the Cuban national income will fall by perhaps another 5 per cent in 1960 as compared with 1959.

In view of the government's policy of redistributing income away from foreigners and upper-income groups to the lowest-income groups and the lower middle classes, it is anticipated that the standard of living of the great majority of the population will show no serious decline and may even improve. By such measures as price freezing, arbitrary reductions in rents and utilities, forced wage increases, forced maintenance of employment, transfers of unutilized urban land, agrarian reform, and other pressures on foreign and domestic companies, basic steps in the direction of a redistribution of income have already been taken. In the eleven months that Castro has been in power the standard of living of low-income groups appears, on the basis of available statistics, to have improved. Although such apparent increases in incomes cannot be indefinitely maintained by purely redistributional measures not accompanied by increased overall output, income disparities in Cuba are very wide, and the present trend can probably be maintained for an appreciable period of time.

By the time the Castro government came into power Cuban official dollar reserves had fallen to $111 million net, the lowest level in recent times; in the five years since 1953 Cuba lost gold and dollar reserves amounting to about $379 million. By the end of 1959 it is expected that official reserves will decline to about $75 million or less. This low level of reserves is likely to force the Cuban government to maintain an extremely cautious policy with regard to imports and external payments. While this low level of reserves reduces significantly the Cuban government's room for maneuver, it is not believed that it will lead to such a large reduction in imports as to further depress the level of economic activity.

Any likely reduction in the Cuban sugar quota to the U.S. would not significantly alter the above analysis. In view of U.S. dependence on Cuban sugar, as well as other considerations, the total cutting off of the Cuban quota is not feasible; if so drastic a sanction were possible, it would result in a significant but tolerable loss to Cuba of around $120 million, or between 4 and 5 per cent of the 1959 national income. Any partial reduction in the sugar quota would, of course, have a proportionately smaller economic impact. A partial reduction would be irritating, rather than materially injurious, to Castro.

The above conclusions assume that the Cuban government will show a reasonable amount of technical competence in handling its economic and financial problems. The recent dismissal of high-ranking relatively moderate Cuban officials and their replacement by technically less competent left-wing officials tend to weaken somewhat an assumption that Cuba's [Page 703] economic programs will in fact be implemented effeiciently. In addition, the possibility cannot be ruled out that civil unrest could occur to an extent sufficient to upset any economic estimates.[2]

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1. Source: Department of State, ARA Special Assistant Files: Lot 62 D 24, Cuba 1959. Confidential. Drafted by Albert Post (ARA/REA) and Benjamin R. Moser (OFD/FN) and cleared with Stevenson, Carl F. Norden (OT/TA), and John P. Rourk (OR/CSD). Also addressed to Rubottom. A handwritten note on the source text by Devine indicates that Rubottom had a copy of the memorandum.↩
2. A copy of this memorandum was sent by Post under cover of a letter of December 16 to Eugene A. Gilmore, Jr., Counselor for Economic Affairs at the Embassy in Havana. Post, noting that Gilmore had seen a preliminary draft of the

memorandum while he was in Washington and that Ambassador Bonsal had also seen a draft more recently, asked for Gilmore's and Braddock's evaluation of it. (Washington National Records Center RG 84, Habana Embassy Files: FRC 67 A 677, Economic—Cuba) Since Gilmore was not expected to return to Havana until mid-February, Commercial Attaché Leonard Price replied on December 23 that Braddock and Agricultural Attaché Chester Davis thought the general approach was sound, but offered a number of specific suggestions to correct statements that appeared to have been overtaken by recent events. (*Ibid.*)↩

Historical Appendix B

Exhibit 14

OFFICE OF THE HISTORIAN

Search

FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

417. Letter From the Assistant Secretary of State for Economic Affairs (Mann) to the Deputy Assistant Secretary of State for Economic Affairs (Beale)[1]

Washington, January 6, 1960.

DEAR TOM: Having read the first draft of the memorandum entitled "Action Program for Cuba",[2] perhaps I should make a few comments of a general nature which you are free to ignore or use.

I [Page 725]

In recent years the most difficult and delicate task in our Latin American policy has been to avoid, on the one hand, encouraging irresponsible acts by anti-United States demagogues and, on the other, using our superior strength in such a way as to injure the inter-American system. Sumner Welles, Rockefeller, Braden and Paul Daniels in turn all had to defend themselves against charges, however unfair, of being too "tough" or too "soft", or of "breaking hemisphere solidarity", or of "intervening" in the international affairs of weaker states, or of tolerating an erosion of United States prestige in the area. The result was a bewildering inconsistency in our policies over a period of years which cost us dearly in prestige. Only in the last ten years has this debate subsided to manageable proportions so that we have been able to maintain a consistent posture. The Castro problem may well revive this same fruitless and harmful debate unless we handle ourselves with care. Our job is to devise an action program which will, on the one hand, not re-arouse Latin American fears of United States imperialism and "dollar diplomacy" or involve us in violations of various international agreements and, on the other, demonstrate to all of Latin America that we are not powerless to react—that hostility towards the United States does not pay. Our job is to do this in such a way that we will have enough support in public opinion to enable us to carry through an action program to conclusion.

II.

The present situation suggests two measures which can be taken at this time.

The first is a further reduction in the Cuban sugar quota accompanied by inferences that it may be necessary gradually to continue to reduce our dependence on Cuban sugar. We can do this only by permanently allocating the reduction in the Cuban quota to other claimant countries. To take the quota away from Cuba with the intention of returning it later would make us vulnerable to charges of intervention.

The second is termination of the 1902 and 1934 bilateral trade agreements with Cuba; and, unless there are good reasons for merely amending it, the 1947 agreement as well, so that our tariff relations with Cuba will be governed solely by GATT. (I assume that past Cuban violations of these agreements give us a solid basis for doing this.) After these bilaterals are out of the way, we would be in a position to take whatever action is necessary in GATT to completely do away with the tariff preference.

These steps do not involve discrimination against Cuba. They can and should be justified solely on economic [Page 726] grounds entirely separated from any U.S. political objective. They minimize the formidable political risks both at home and abroad inherent in any action we take against Cuba. And they hit at Castro where it hurts the most, his pocketbook, without

closing the door to a fair compensation settlement in the future and without foreclosing the possibility of Cuba's economic reconstruction by a decent, future government.

III.

This leaves the question of compensation and the suggestion of the investors that the United States impose an import tax on sugar.

This presents a tactical question: Is it better, even from the investors' point of view, for us to go now to Castro with our hats in our hands and attempt to get Castro's agreement to such a tax? Or is it better to apply pressure in the way I suggest and wait for Castro or his successor to come to us in the realization that Cuba's long-term interests require a settlement with the United States? I believe the latter is preferable for several reasons:

a) Cuba's economy is tied to ours and sooner or later Cuba will have to recognize this. Only then will we be in an advantageous bargaining position. The investors lose little by waiting for a reasonable time since the possibility of a satisfactory and immediate settlement is remote.

b) The creation of a compensation fund derived from U.S. import taxes involves a considerable risk of alienating important segments of Latin American and domestic public opinion—a much greater danger in my opinion than the course which I suggested because (i) opprobrium still attaches in the Latin American mind to enforced collection of debts whether by military or economic means, (ii) we do not have sound economic reasons which we can use to explain action of this kind and (iii) the legality of the proposed compensation fund is open to question. All of these problems may well disappear if we have the patience to wait for Cuba to come to us as a result of the indirect type of pressures which I have suggested.

c) To suggest, however indirectly, to Castro that he impose an import tax in order to create a compensation fund is less dangerous than a U.S. import tax. But I think even this would be unwise because there is little prospect of Castro agreeing. We would therefore gain nothing except a turn-down and further loss of prestige.

d) An attempt to make a hasty monetary settlement in the climate which prevails today is likely to lead to another bad debt settlement precedent. The sum of money involved is quite large. There are so many claims on Cuba's limited income that it might well be politically impossible for any Cuban leader to pay in full in money. Perhaps we ought to be thinking more in terms of a total restoration of industrial properties when another government takes over and (on the assumption that the old system of land tenure will never completely be reestablished) a partial return of land. In this way it might be possible to raise the precentage from the 10 percent we accepted for our Mexican oil claims to 100 percent of value. We [Page 727] need this kind of a precedent not only because the investors are entitled to payment, because of our investment stake in other underdeveloped countries, but because nationalization of the Castro type dries up private investment essential to their progress with all the headaches that this implies for us.

e) If we go too far too fast with Castro and in consequence he becomes a martyr not only will the possibility of Russia exploiting this by large-scale aid be increased, but his ability to lead or influence left wing elements in other American Republics will be enhanced.

IV.

I question whether we should try to obtain the agreement of any other Latin American Government to any program of action which we may undertake. They will not only understand that part of our dispute with Cuba (e.g., compensation for expropriated properties) is bilateral rather than inter-American in character but they will find it politically difficult openly to support us. Some may view it as a sign of indecision on our part and seek to water down our program in the typical Latin American spirit of compromise.

It is of course important that we inform selected Latin American governments in advance of what we are going to do and the reasons for it. It is equally important to explain to public opinion abroad and at home that our motives are non-political.

V.

Likewise, I do not believe we should now think in terms of arbitration or adjudication. Our chances of recovery from the Castro policies are much better if we ourselves control decisions.

Sincerely,

TCM

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1. Source: Department of State, Central Files, 611.37/1–660. Confidential.↩
2. Document 414 .↩

Historical Appendix B

Exhibit 15

OFFICE OF THE HISTORIAN

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

422. Telegram From the Embassy in Cuba to the Department of State[1]

Havana, January 11, 1960—5 p.m.

1605. I delivered today to acting Foreign Minister Marcelo Fernandez Font note (number 203)[2] protesting illegal actions and abuses of INRA (Deptel 923 [963][3] et seq.) and gave him copy of our press release (Deptel 964[4]). I also handed him copies of five memoranda on specific cases which have been delivered to Ministry in past few weeks and three memos on new cases.[5]

By way of introduction I reviewed situation of American private interests in Cuba which after having contributed substantially to country's economic development, complied with Cuban laws, and provided employment to many people at pay standards that equalled or exceeded best elsewhere in Cuba, now find themselves divested of their properties and treated as if they were enemies and exploiters. Fernandez interrupted to say that as regarded provisions for compensation, Agrarian Reform Law made no distinctions between Cubans and aliens and that all would be paid in bonds since Cuban Government was unable to pay cash. I replied our position on this question had been set forth in our notes of June 11 and October 12,[6] to latter [Page 740] of which we had received no reply, and that we had already held certain conversations on this subject with GOC and hoped shortly to resume these discussions. Fernandez said GOC was prepared to resume talks on compensation at any time. This was not however subject of our present protest, I said.

I then read our note, translating it into Spanish. I said this note would not be published by US Government but that a press release on this subject was being published today. I handed him text of release, with Spanish translation. Emphasizing further the extreme importance of protecting American property owners from abuses to which they are being subjected in name of Agrarian Reform, in violation of both Cuban and generally accepted international law, I urged that GOC seek means of preventing recurrences, and suggested as a possibility that a responsible official be named to devote full time to such matters. I told him US official, congressional and public opinion deeply and rightly exercised this matter.

Fernandez said that while government fully defended principles and objectives of Agrarian Reform it did not defend "exceptions" to law and admitted some "errors" might have been made. He said he would bring matter to attention of President Dorticos and send us reply in due course.

Have given out press release here as agreed.

Bonsal

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1. Source: Department of State, Central Files, 837.16/1–1160. Confidential; Priority. Bonsal had returned to Havana on January 10.↩
2. A copy of this note is *ibid.*, 737.00/1–1060.↩
3. Telegram 963, January 7, instructed Bonsal to deliver the note. (*ibid.*, 837.16/ 1–760)↩
4. Not printed. (*ibid.*, 737.00/1–1060)↩

5. None of these eight memoranda has been further identified.↩
6. See Documents 318 and 367 .↩

Historical Appendix B

Exhibit 16

UNITED NATIONS / NATIONS UNIES

SECURITY COUNCIL
OFFICIAL RECORDS

FIFTEENTH YEAR

874th MEETING: 18 JULY 1960

874ème SÉANCE: 18 JUILLET 1960

QUINZIÈME ANNÉE

CONSEIL DE SÉCURITÉ
DOCUMENTS OFFICIELS

NEW YORK

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(42 p.)

S/PV.874

owned giant estates comprising half of Cuba's land. The large sugar companies left about half of their land idle, meanwhile denying access to it to the rural workers who had no jobs, no land and no protection of any kind. In 1958 land ownership in Cuba was more highly concentrated, proportionally, than in Mexico before the 1910 revolution.

était exploité. Une faible minorité, qui représente moins de 2 pour 100 de la population totale, possédait la moitié des terres de Cuba, occupées par d'immenses propriétés. Les grandes compagnies sucrières laissaient en friche près de la moitié de leurs terres et en interdisaient l'accès aux paysans sans emploi, sans terres, et sans protection d'aucune sorte. En 1958, à Cuba, la concentration de la propriété était, compte tenu de la superficie de chaque pays, plus grande qu'au Mexique avant la révolution de 1910.

58. When the land reform was put into effect, difficulties began to arise with foreign owners, most of them absentees, represented by corporations. As the Cuban Prime Minister, Dr. Fidel Castro, pointed out: "It is not our fault that a large portion of Cuban land was in the hands of foreigners. The reform is just, its implementation is the basis for the nation's economic independence, and nothing can hold it back." Diplomatic pressure and propaganda for just, immediate and adequate compensation also began at that time.

58. Lorsque a eu lieu la réforme agraire, on a commencé à se heurter aux propriétaires étrangers, pour la plupart absentéistes, représentés par des sociétés anonymes. "Ce n'est pas notre faute, a souligné M. Fidel Castro, premier ministre, si une proportion considérable des terres cubaines était aux mains d'étrangers. La réforme est juste, sa réalisation est le fondement de l'indépendance économique du pays et rien ne peut l'arrêter." En même temps, on a commencé à exercer des pressions par la diplomatie et la propagande pour obtenir une indemnisation équitable, rapide et adéquate.

59. The Agrarian Reform Act recognizes the right of estate owners to receive compensation both for their land and for any improvements they have made on it. But Cuba does not have, indeed no country has, the necessary amount of cash funds for immediate payment. Moreover, the defeated dictatorship left the Cuban Treasury, the state credit institutions and the country's foreign reserves in a ruinous state and saddled Cuba with a deficit of $1,000 million in its balance of payments with the United States. The agrarian reform is being financed by payment in bonds redeemable in twenty years and bearing interest at the rate of 4.5 per cent per annum. Cuba has more than once drawn attention to the fact that the land reform ordered in Japan by General Douglas MacArthur during the United States occupation provided for payment in thirty-year bonds at a 3.5 per cent rate of interest.

59. La loi relative à la réforme agraire reconnaît pleinement le droit des propriétaires des grandes exploitations à obtenir une indemnisation tant pour les terres que pour les installations qui peuvent y être aménagées. Mais, comme tous les autres pays, Cuba ne dispose pas de l'argent liquide nécessaire pour verser immédiatement des indemnités. Ajoutez à cela l'état déplorable dans lequel l'ancien régime dictatorial a laissé le trésor public, les institutions de crédit de l'Etat et les réserves en devises, ainsi que le déficit de 1 milliard de dollars de la balance des paiements avec les Etats-Unis. Le financement de la réforme agraire s'effectue au moyen de bons payables en 20 ans et portant intérêt au taux annuel de 4,5 pour 100. Cuba a rappelé plusieurs fois que la réforme agraire imposée au Japon par le général Douglas MacArthur sous l'occupation américaine s'était effectuée au moyen de bons payables en 30 ans, avec un taux annuel d'intérêt de 3,5 pour 100.

60. In the attempts that have been made to lower the prestige of the Cuban agrarian reform, there has been much talk of the way in which the National Institute of Agrarian Reform has carried out the initial occupation and subsequent expropriation of landholdings. The Agrarian Reform Act has constitutional status in Cuba and the Supreme Court, in accordance with the legislation in force, has upheld the legality of the National Institute's acts in the intervention and initial occupation of estates subject to the application of the Act.

60. Un des arguments que l'on a le plus invoqués pour porter atteinte au prestige de la réforme agraire à Cuba est la manière dont l'Institut national de réforme agraire est intervenu tout d'abord et a ensuite exproprié les grandes exploitations. La loi relative à la réforme agraire est une loi constitutionnelle et, conformément à la législation en vigueur, le Tribunal suprême a établi une doctrine sur la légalité des actes que l'Institut accomplit quand il intervient ou occupe initialement une propriété à laquelle s'applique cette loi.

61. Act No. 588 of 7 October 1959 establishes the legal procedure for the compulsory expropriation of properties covered by the Agrarian Reform Act. The ordinary civil courts have jurisdiction in the expropriation proceedings and the owners can appear before these courts in defence of their rights; they may also designate experts to assess on their behalf the value of the property, improvements, buildings and growing crops. The owners may also appeal to a higher court, the Chamber of Constitutional Guarantees of the Supreme Court.

61. La loi No 588 du 7 octobre 1959 fixe la procédure à suivre pour l'expropriation forcée des exploitations frappées par la loi relative à la réforme agraire. Ce sont les tribunaux civils ordinaires qui connaissent des affaires relatives à l'expropriation et les propriétaires peuvent faire valoir tous leurs droits devant eux; ils peuvent en outre désigner un expert pour procéder à l'évaluation de leurs exploitations, des installations, des bâtiments et des plantations. Le propriétaire peut avoir recours à deux instances, l'instance supérieure étant la Chambre des garanties constitutionnelles du Tribunal suprême.

62. Once expropriation has been authorized, the National Institute of Agrarian Reform orders the National Bank through the Tribunal of Accounts to pay the compensation.

62. Une fois l'expropriation décidée, l'Institut national de réforme agraire donne à la Banque nationale, par l'intermédiaire de la Cour des comptes, l'ordre de verser l'indemnité.

tives of the twenty-one American republics. On that occasion, despite the stubborn dissent of the United States delegation, Dr. Castro stressed the urgent need for a broad plan of public financing which would achieve the objectives of Operation Pan America as speedily as possible.

86. Even the United States Press has pointed out the inappropriateness of the moment chosen to announce this "new Marshall Plan", which vainly seeks to counteract the impact of Premier Fidel Castro's ideas on Latin American public opinion by crude political alchemy. As a number of United States commentators have warned, with more foresight than certain presidential advisers, the peoples of Latin America will look upon this improvised and hastily concocted plan—and they have done so—with profound reservations, and it will be very difficult to convince them that it is not once again intended to buy their support with dollars in a crisis when it is recalled that they were scorned and treated with contempt at a time when unconditional solidarity and strategic raw materials were not so urgently needed.

87. Spokesmen for the Department of State have frequently asserted, with the object of deceiving world public opinion, that the Revolutionary Government of Cuba does not show any willingness to negotiate its differences with the United States Government through the diplomatic channel. The facts show that the reverse is true. What the Revolutionary Government has not accepted is the claim that Cuba's national and international policy can be dictated from Washington, as in the past.

88. In corroboration of what I have just said I should like to read out certain passages from the statement made by Osvaldo Dorticós, President of the Republic of Cuba, on 27 January 1960 in reply to statements made by President Eisenhower:

"The differences of opinion which may exist between the two Governments, being subject to diplomatic negotiation, can in fact be settled by means of such negotiation. The Government of Cuba is entirely willing to discuss all those differences without reservation and to the fullest extent and expressly states that in its view there are no obstacles of any kind which should prevent the carrying out of such negotiations by means of one or another of the methods and instruments traditionally appropriate to that end. The Government of Cuba wishes to maintain and expand its diplomatic and economic relations with the Government and people of the United States on the basis of mutual respect and reciprocal benefits for both countries and considers that on this basis the traditional friendship between the peoples of Cuba and the United States will prove indestructible."

89. In accordance with this policy, which has consistently guided Cuba's diplomatic relations with the United States, on 22 February 1960, in my capacity as Minister for Foreign Affairs of Cuba, I delivered to the United States Chargé d'affaires at Havana a note the substantive part of which read as follows:

"The Revolutionary Government of Cuba, in accordance with its expressed proposal to renew through

représentants des 21 Etats américains, tenue l'an dernier à Buenos Aires. A cette occasion, M. Castro a soutenu, contre l'opposition obstinée de la délégation américaine, l'urgente nécessité d'un vaste plan de financement public qui permettrait d'atteindre, dans le plus bref délai possible, les objectifs de l'opération panaméricaine retardée depuis trop longtemps.

86. La presse américaine elle-même a signalé l'inopportunité du moment choisi pour annoncer "ce nouveau plan Marshall" dont les auteurs aspirent vainement à dresser, par une grossière alchimie politique, l'opinion publique latino-américaine contre les idées du Premier Ministre de Cuba, M. Fidel Castro. Comme l'ont déjà fait remarquer plusieurs journalistes américains plus perspicaces que certains conseillers du Président, les peuples de l'Amérique latine vont accueillir — et ont déjà accueilli — ce plan improvisé et inopportun avec de très grandes réserves; en effet, il sera extrêmement difficile de les persuader que ce plan ne vise pas à acheter à coups de dollars, une fois de plus, leur adhésion et leur appui dans une conjoncture difficile, alors qu'ils ont été oubliés et dédaignés quand leur solidarité inconditionnelle et les matières premières stratégiques dont ils disposent n'étaient pas aussi nécessaires et aussi urgentes.

87. Afin de désorienter l'opinion publique mondiale, des porte-parole du Département d'Etat prétendent fréquemment que le Gouvernement révolutionnaire de Cuba se montre peu enclin à négocier par la voie diplomatique ses différends avec le Gouvernement américain. Les faits prouvent tout le contraire. Ce que le Gouvernement révolutionnaire n'a pas admis et n'admettra pas, c'est que Washington prétende dicter à Cuba, comme autrefois, sa politique nationale et internationale.

88. A l'appui de ce que je viens de dire, je citerai textuellement quelques phrases des déclarations qu'a faites, le 27 janvier 1960, M. Osvaldo Dorticós, président de la République cubaine, en réponse au président Eisenhower:

"Les divergences d'opinions qui peuvent exister entre nos deux gouvernements sont susceptibles de faire l'objet de négociations diplomatiques et peuvent par conséquent être effectivement résolues au moyen de pareilles négociations. Le Gouvernement cubain est parfaitement disposé à discuter de ces différends sans réserve et dans toute leur ampleur, et il déclare expressément qu'a son avis il n'existe aucun obstacle de quelque nature que ce soit qui empêche d'entreprendre ces négociations en utilisant l'un quelconque des moyens et instruments traditionnels institués à cette fin. Sur la base du respect mutuel et de l'intérêt réciproque, le Gouvernement cubain désire maintenir et renforcer ses relations diplomatiques et économiques avec le gouvernement et le peuple des Etats-Unis; il pense que, si elle repose sur une telle base, l'amitié traditionnelle entre le peuple cubain et le peuple américain sera indestructible."

89. Conformément au principe que je viens d'exposer et dont la diplomatie cubaine s'est toujours inspirée dans ses relations avec les Etats-Unis, j'ai, le 22 février de cette année, remis au chargé d'affaires des Etats-Unis à La Havane, en ma qualité de Ministre des relations extérieures de Cuba, une note où il est dit en substance que:

"Conformément à son intention de reprendre par la voie diplomatique les négociations qui avaient

diplomatic channels the negotiations already begun on matters pending between Cuba and the United States of America, has decided to name a commission, qualified for the purpose, which could begin its negotiations in Washington on the date on which the two parties might agree.

"The Revolutionary Government of Cuba wishes to make it clear, however, that the renewal and subsequent development of the said negotiations must necessarily be subject to no measure being adopted, by the Government or the Congress of your country, of a unilateral character which might prejudge the results of the aforementioned negotiations or cause harm to the Cuban economy and people.

"It seems obvious to add that the adherence of your Government to this point of view would not only contribute to the improvement of relations between our respective countries but also reaffirm the spirit of fraternal friendship which has bound and does bind our peoples. It would moreover permit both Governments to examine, in a serene atmosphere and with the broadest scope, the questions which have affected the traditional relations between Cuba and the United States of America."

90. What was the reaction of the United States Government to this concrete proposal by the Cuban Government, which was both dignified and friendly? It was the following:

"The Government of the United States cannot accept the conditions for the negotiations stated in Your Excellency's note to the effect that no measure of a unilateral character shall be adopted on the part of the Government of the United States affecting the Cuban economy and its people, whether by the legislative or executive branch. As set forth in President Eisenhower's statement of January 26, the Government of the United States must remain free, in the exercise of its own sovereignty, to take whatever steps it deems necessary, fully consistent with its international obligations, in the defense of the legitimate rights and interests of its people."

91. The unilateral measures had already been decided upon at that time. It had been resolved to strangle the Cuban revolution economically, to put economic aggression into effect, by drastically reducing the sugar quota, a step which constituted a flagrant violation of the tacit agreement undertaken with the Cuban sugar producers, who had made large investments in order to guarantee that the United States market would, as at all times, be adequately supplied.

92. If a great Power refuses to negotiate and at the same time commits economic aggression against another smaller nation which has no thermonuclear bombs, or guided missiles, can it complain about the diplomatic difficulties which it has itself provoked? In its diplomatic relations the Government of Cuba, the friend of all Governments and all peoples which reciprocate its friendship, asks only genuine respect for its sovereignty and reciprocal treatment on a basis of equality and mutual benefit. The Government of the United States, as the text of the note which I have quoted reveals, writes off the international obligations to which it has subscribed and seeks to negotiate its differences with Cuba from a position of strength, which is intolerable and inadmissible to the dignity of any Government that respects itself and the people whom it represents.

été entreprises sur les affaires à régler entre Cuba et les Etats-Unis d'Amérique, le Gouvernement révolutionnaire de Cuba a décidé de nommer une commission dotée des attributions nécessaires, qui pourra commencer ses travaux à Washington à la date qui conviendra aux deux parties.

"Toutefois, le Gouvernement révolutionnaire de Cuba tient à préciser que la reprise de ces négociations, ainsi que leur déroulement futur, doit nécessairement être subordonnée à la condition que ni le gouvernement ni le Congrès de votre pays n'adoptent aucune mesure de caractère unilatéral qui préjuge les résultats des négociations précitées ou qui risque de nuire à l'économie ou au peuple de Cuba.

"Il paraît superflu d'ajouter qu'en acceptant ce point de vue, le gouvernement de Votre Excellence ne contribuerait pas seulement à améliorer les relations entre nos pays respectifs mais réaffirmerait aussi l'esprit de fraternelle amitié qui a lié et lie encore nos peuples. Il permettrait en outre à nos deux gouvernements d'étudier, dans une atmosphère sereine et avec la plus grande largeur de vues, les questions qui ont ébranlé les relations traditionnelles entre Cuba et les Etats-Unis d'Amérique."

90. Quelle a été la réaction du Gouvernement des Etats-Unis devant la proposition concrète, digne et amicale du Gouvernement cubain? La voici:

"Le Gouvernement des Etats-Unis ne peut accepter les conditions de négociation exposées dans la note de Votre Excellence, d'après laquelle le Gouvernement des Etats-Unis ne devrait prendre aucune mesure unilatérale, d'ordre législatif ou exécutif, qui puisse affecter l'économie de Cuba et de son peuple. Comme le président Eisenhower l'a déclaré le 26 janvier, le Gouvernement des Etats-Unis doit, dans l'exercice de sa souveraineté et conscient de ses obligations internationales, rester libre de prendre les mesures qu'il estime nécessaires pour la défense des droits et intérêts légitimes de son peuple."

91. Les mesures unilatérales étaient déjà arrêtées. Il avait été décidé d'étouffer économiquement la révolution cubaine, de porter l'agression économique jusqu'aux voies de fait en pratiquant une coupe sombre dans le contingent d'importation du sucre et en violant de façon flagrante l'accord tacite contracté avec les producteurs cubains qui avaient fait des investissements considérables pour garantir, comme de tout temps, l'approvisionnement du marché américain.

92. Une grande puissance qui se refuse à négocier tout en attaquant sur le plan économique une autre nation petite, dépourvue de bombes thermonucléaires et de projectiles téléguidés peut-elle se plaindre des difficultés diplomatiques qu'elle-même a provoquées? Le Gouvernement cubain, ami de tous les gouvernements et de tous les peuples qui le veulent bien, s'est borné à réclamer, dans ses relations diplomatiques, que sa souveraineté soit effectivement respectée et que les rapports mutuels s'établissent sur un plan d'égalité et d'avantages réciproques. Le Gouvernement des Etats-Unis, comme le révèle le texte de sa note, fait fi de ses obligations internationales et prétend régler ses différends avec Cuba à partir d'une position de force, intolérable et inadmissible pour la dignité de tout gouvernement qui se respecte soi-même et respecte le peuple qu'il représente.

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Exhibit 17

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

523. Memorandum of a Telephone Conversation Between the Assistant Secretary of State for Inter-American Affairs (Rubottom) and the Assistant Secretary of State for Economic Affairs (Mann), Washington, May 31, 1960[1]

Washington, May 31, 1960

Mr. Mann telephoned Mr. Rubottom to inquire about the Cuban-Russian oil deal which he planned to discuss with Secretary Anderson at Mr. Dillon's request.

Mr. Rubottom said, first, there is a backlog of payments; however, this seems to be resolved to some extent in terms of U.S. companies principally. They have been instructed by the National Bank, by letter from Guevara, to purchase crude that would be delivered by the Soviets and run through their refineries. We have talked to them along the lines that this was a decision they would have to make, but that we would not have any objection to their turning the Cubans down on this if they felt they could. They are keeping an eye on each other. There is the problem of precedence which has been established in other places, such as Guinea, India, maybe Uruguay and Brazil.

Mr. Rubottom said he had the impression in recent weeks in talking to many of the oil people that they are pretty soft on this now. They discussed the angle of how this would affect the Venezuelans. They would probably react to it. Mr. Rubottom said that Perez Alfonso's statement[2] was very understanding and sympathetic to this. He had said "we will sell crude elsewhere; we do not have anything to worry about." That did not jibe very much with the tough position on the part of the companies.

In the same week Mr. Rubottom said he talked to Crossland, Derby and Pipkin of the Texas Co., and people from Standard who were down here on this matter, as well as Proudfit,[3] and they were all tough-minded. Since that time Crossland and Derby went down and got some money on their backlog. They have a 90-day agreement and a letter from Guevara which said [Page 931] that the deal was off because they have not responded favorably to it.

Mr. Mann asked what we should do about it—let the companies decide what is best in their own interests? Mr. Rubottom replied he did not think we should tell them to go ahead and do it; on the other hand it would be worse to tell them not to do it. Mr. Mann agreed.

Mr. Rubottom said the meeting with Secretary Anderson this morning may have to do with a letter which came over to Dillon from Anderson enclosing a memorandum[4] prepared by a committee headed by Lucius Clay. In that memorandum it was agreed we ought to get a tax on sugar to take care of the expropriated companies down there.

Mr. Mann said if we were to go all out to get Castro it would obviously be what we would do. What would the effect be in the other Latin American countries? He said we have to maintain a steady pressure and keep our motives well disguised in this business.

Mr. Rubottom said he thought the ground was paved for us to go ahead. The pressure can be a little more out in the open. We are at the point of having to cut back on the sugar legislation and are prepared to use this power. He said he would like to get the legislation through first and could see no reason why we shouldn't move ahead hard and fast through bilateral approaches to them under GATT or other agreement procedures called for, in view of the unilateral action the Cubans have taken.

Mr. Mann said perhaps he should get something started in his shop. Mr. Rubottom indicated that the people in Mr. Mann's shop are bound legalistically on this thing and we sometimes have a lot of trouble with them. Mr. Mann suggested starting seriously to consider the abolition of the tariff preference, to which Mr. Rubottom indicated this would be fine with him. Mr. Mann said he would get them started on it.

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1. Source: Department of State, Rubottom–Mann Files: Lot 62 D 418, Cuba (April–June) 1960. Confidential. Drafted by Dorothy W. Miller. Sent to CMA, CMA/C, and REA.↩
2. Not further identified.↩
3. No records of these meetings have been found.↩
4. Not found.↩

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Exhibit 18

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

402. Memorandum of Discussion at the 426th Meeting of the National Security Council, Washington, December 1, 1959[1]

Washington, December 1, 1959

[Here follows discussion of matters unrelated to Cuba.]

Turning to Cuba, Mr. Dulles said the appointment of "Che" Guevara, an Argentine soldier of fortune, as head of the National Bank was a blow to those who thought the Cuban Government would not move toward the Left. Mr. Dulles thought we must now be prepared for radical moves to seize the financial products of the sugar crop. He noted also that the new [Page 684] Minister of Public Works was probably a Communist. Although Castro had appeared to suffer a mild set-back in a recent meeting of the Cuban Labor Federation, his hand-picked candidate, who in the past had worked closely with the Communists, had been chosen Secretary General of the Federation. Mr. Dulles characterized the situation in Cuba as gloomy.

Secretary McElroy inquired whether Castro was engaged in setting up a Communist government in Cuba. Mr. Dulles said Cuba was drifting toward Communism. Secretary McElroy said that in view of the assistance Castro is getting from the U.S.S.R. and from Communist China, it appeared to him that Cuba was becoming more and more Communistic. Mr. Dulles said the U.S.S.R. was being very clever in not permitting its interest in Cuba to be openly identified. For example, Mikoyan had decided not to go to Cuba. Secretary Herter believed the U.S.S.R. did not want to be identified with any steps tending toward Communism in Cuba because it was convinced we would take action against an identifiable Communist government in Cuba similar to the action we had taken in Guatemala.

Secretary Anderson asked whether the U.S. did not buy most of the Cuban sugar crop. Mr. Dulles said the U.S. bought about half the sugar crop and provided the Cubans with about two-thirds of their income from the sugar crop. Secretary Anderson pointed out that when Mossedegh began to take action contrary to Western interests in Iran, the Western countries ceased to buy oil from Iran. He felt we might consider a similar proposition with respect to Cuban sugar if the Cuban Government appears to be about to go Communist, whether by design or accident, and we want to discourage such a development. At present it appeared that the U.S. was supporting the price of sugar while permitting Cuba to confiscate American-owned property. Secretary Herter said that Congress would be taking up the sugar problem inasmuch as the sugar quota is up for renewal. Mr. Dulles pointed out that the Cubans had not yet seized sugar properties. The President did not see how Castro could gain very much by seizing current revenues. Mr. Dulles doubted that the actions which solved the Mossedegh problem in Iran could be applied to Cuba because there was not enough production of sugar world-wide to permit such a solution. Secretary McElroy thought that if the subsidy to sugar ceased, we could buy all the sugar we needed on the world market. The Vice President asked whether the purpose of the subsidy was to obtain sugar or to support Cuba. Mr. Dulles said the purpose was to support Cuba. Secretary Herter said any suggestion by the Administration that the sugar subsidy be stopped would be interpreted as an effort to push Cuba downhill. He felt that any pressure for changing the sugar subsidy should [Page 685] come from Congress. Secretary Dillon said the sugar interests planned to suggest that the President impose a tax on sugar equal to half the subsidy, to be used to pay for seized properties.

Mr. Dulles reported that Guevara's assumption of his new position was the first step toward a nationalization of the Cuban banks and the issuance of bonds to bank depositors.

[Here follows discussion of matters unrelated to Cuba.]

Marion W. Boggs

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1. Source: Eisenhower Library, Whitman File, NSC Records. Top Secret. Prepared by Boggs on January 26, 1960.↩

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

415. Memorandum of a Conversation, Department of State, Washington, December 30, 1959[1]

Washington, December 30, 1959

SUBJECT

The Cuban Program

PARTICIPANTS

The Under Secretary

Mr. R. R. Rubottom, Jr.—Assistant Secretary, ARA

Mr. W.T.M. Beale, Jr.—Acting Assistant Secretary, E

Mr. H.R. Turkel—Director, REA

Mr. Edwin E. Vallon—Acting Director, CMA

Mr. Rubottom referred to the forthcoming meeting on January 8 with Mr. True Morse and representatives of the sugar industry and the need for a firm Administration position on sugar legislation by that time. He said we should oppose a cut in the Cuban quota since such action would only increase resentment in Cuba against the United States and would give Castro additional ammunition to rally support around him. He mentioned that elements of the sugar trade were either opposed to such a cut or were not pressing for it.

Mr. Rubottom stated that the Administration position should favor the granting of discretionary authority to the Executive to cut foreign quotas. He believed that we should be prepared to say exactly how such authority would be used. We should also favor a four to five year extension of the Sugar Act which is also favored by the sugar industry itself.

He said that in dealing with compensation for expropriated properties he favored eventual imposition of a tax on Cuban imports. This was supported by the United States-Cuban Sugar Council. He believed that we should not move on the tax at this stage in the game, but that we may have to come to it if our efforts to negotiate a solution with the Cubans are unsuccessful.

A discussion ensued regarding the reallocation of any cuts which might be made in the Cuban quota. Mr. Rubottom and Mr. Turkel favored granting authority to the CCC to purchase such quantities at world market prices. Mr. Beale supported the thesis contained in Mr. Mann's memorandum[2] that this would put the Administration into the sugar business and was in opposition to Administration policy. He favored reallocating such quota cuts to other underdeveloped countries who would benefit by the additional income derived from such sales. Mr. Rubottom said that such reallocation of quotas would create [Page 722] difficulties in our relations with other countries, would promote the uneconomic growth of sugar production and probably create unmanageable surpluses.

At this point Mr. Rubottom suggested that Mr. Dillon read the memorandum entitled "Action Program on Cuba".[3] He said that time is running out and that if Cuba gets by with the actions she is taking against American property owners, our whole private enterprise approach abroad would be in serious danger. In discussing Item 2 of the memorandum, which includes a number of steps leading eventually to the imposition of an import tax on Cuban products, Mr. Beale stated that such a tax might set a precedent and bring forth demands for like treatment by Americans whose properties had been expropriated in other countries. Mr. Beale also expressed concern regarding the timing and manner of denouncing our commitments under GATT, feeling that unless this is properly done it might represent a threat to United States-GATT objectives elsewhere in the world. He also pointed out that Cuba might very well withhold its sugar from the United States market, thus blocking the objective we sought in imposing an import tax. On the latter point, Mr. Turkel observed that if such action were taken by Cuba, it would be possible for the United States to pick up between one and one and one-half million tons of sugar on the world market.

Mr. Dillon stated that he did not feel the tax would be looked upon as a precedent but rather would be understood as being directly related to the premium on sugar which Cuba enjoys in its sales to the United States.

Mr. Beale pointed out that the action in denouncing GATT commitments for the purpose of establishing a tax on Cuban imports could be interpreted as an interjection of a political issue in GATT, something which the United States and other members have scrupulously avoided in the past. Mr. Dillon believed, however, that the action could be defended on economic grounds, particularly by pointing out the economic aid which Cuba has received in the form of the premium on sugar.

Mr. Dillon read Mr. Mann's memorandum on sugar legislation and observed that, in the matter of quota cuts, the problem appeared to be one of timing more than anything else. He said that we urgently needed a program which would lead to the solution of expropriation problems in Cuba. He observed that Mr. Mann's paper does not solve this problem. Mr. Dillon did agree with Mr. Mann's suggestion that any quota cuts be reallocated to other countries rather than calling upon the GOC to purchase such differences on the world market. He suggested that a clause in the proposed sugar legislation might be added which would call upon the President to submit in writing his proposals for transferring the quota cuts, these [Page 723] proposals to become effective in 60 days if no objection is raised by Congress. He said nibbling at the Cuban quota will not produce the results we seek, but that we should, however, reduce our dependence on Cuba as a source of supply. This, he believed, was more a question of timing rather than one of principle.

In regard to Item 2 of the action program, Mr. Dillon said that the details of this program should be worked out in a hurry by ARA, E and L and that any eventual tax on Cuban imports should be limited to sugar. He said that the GATT Secretariat should be kept informed of our purposes.

Mr. Dillon approved all items contained in Mr. Rubottom's memorandum on the Cuban action program with the modifications indicated above on Item 2.[4]

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1. Source: Department of State, Central Files, 811.235/12–3059. Confidential. Drafted by Vallon.↩
2. Document 413.↩
3. Supra.↩
4. In a December 30 note to Devine, Frank Mau (S/S–RO) briefly described Dillon's response to the proposed action program and requested, with regard to recommendation 2, that ARA, E, and L submit a coordinated recommendation to Dillon no later than January 5. (Department of State, Central Files, 737.00/12–3059)↩

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

417. Letter From the Assistant Secretary of State for Economic Affairs (Mann) to the Deputy Assistant Secretary of State for Economic Affairs (Beale)[1]

Washington, January 6, 1960.

DEAR TOM: Having read the first draft of the memorandum entitled "Action Program for Cuba",[2] perhaps I should make a few comments of a general nature which you are free to ignore or use.

I [Page 725]

In recent years the most difficult and delicate task in our Latin American policy has been to avoid, on the one hand, encouraging irresponsible acts by anti-United States demagogues and, on the other, using our superior strength in such a way as to injure the inter-American system. Sumner Welles, Rockefeller, Braden and Paul Daniels in turn all had to defend themselves against charges, however unfair, of being too "tough" or too "soft", or of "breaking hemisphere solidarity", or of "intervening" in the international affairs of weaker states, or of tolerating an erosion of United States prestige in the area. The result was a bewildering inconsistency in our policies over a period of years which cost us dearly in prestige. Only in the last ten years has this debate subsided to manageable proportions so that we have been able to maintain a consistent posture. The Castro problem may well revive this same fruitless and harmful debate unless we handle ourselves with care. Our job is to devise an action program which will, on the one hand, not re-arouse Latin American fears of United States imperialism and "dollar diplomacy" or involve us in violations of various international agreements and, on the other, demonstrate to all of Latin America that we are not powerless to react—that hostility towards the United States does not pay. Our job is to do this in such a way that we will have enough support in public opinion to enable us to carry through an action program to conclusion.

II.

The present situation suggests two measures which can be taken at this time.

The first is a further reduction in the Cuban sugar quota accompanied by inferences that it may be necessary gradually to continue to reduce our dependence on Cuban sugar. We can do this only by permanently allocating the reduction in the Cuban quota to other claimant countries. To take the quota away from Cuba with the intention of returning it later would make us vulnerable to charges of intervention.

The second is termination of the 1902 and 1934 bilateral trade agreements with Cuba; and, unless there are good reasons for merely amending it, the 1947 agreement as well, so that our tariff relations with Cuba will be governed solely by GATT. (I assume that past Cuban violations of these agreements give us a solid basis for doing this.) After these bilaterals are out of the way, we would be in a position to take whatever action is necessary in GATT to completely do away with the tariff preference.

These steps do not involve discrimination against Cuba. They can and should be justified solely on economic [Page 726] grounds entirely separated from any U.S. political objective. They minimize the formidable political risks both at home and abroad inherent in any action we take against Cuba. And they hit at Castro where it hurts the most, his pocketbook, without

closing the door to a fair compensation settlement in the future and without foreclosing the possibility of Cuba's economic reconstruction by a decent, future government.

III.

This leaves the question of compensation and the suggestion of the investors that the United States impose an import tax on sugar.

This presents a tactical question: Is it better, even from the investors' point of view, for us to go now to Castro with our hats in our hands and attempt to get Castro's agreement to such a tax? Or is it better to apply pressure in the way I suggest and wait for Castro or his successor to come to us in the realization that Cuba's long-term interests require a settlement with the United States? I believe the latter is preferable for several reasons:

a) Cuba's economy is tied to ours and sooner or later Cuba will have to recognize this. Only then will we be in an advantageous bargaining position. The investors lose little by waiting for a reasonable time since the possibility of a satisfactory and immediate settlement is remote.

b) The creation of a compensation fund derived from U.S. import taxes involves a considerable risk of alienating important segments of Latin American and domestic public opinion—a much greater danger in my opinion than the course which I suggested because (i) opprobrium still attaches in the Latin American mind to enforced collection of debts whether by military or economic means, (ii) we do not have sound economic reasons which we can use to explain action of this kind and (iii) the legality of the proposed compensation fund is open to question. All of these problems may well disappear if we have the patience to wait for Cuba to come to us as a result of the indirect type of pressures which I have suggested.

c) To suggest, however indirectly, to Castro that he impose an import tax in order to create a compensation fund is less dangerous than a U.S. import tax. But I think even this would be unwise because there is little prospect of Castro agreeing. We would therefore gain nothing except a turn-down and further loss of prestige.

d) An attempt to make a hasty monetary settlement in the climate which prevails today is likely to lead to another bad debt settlement precedent. The sum of money involved is quite large. There are so many claims on Cuba's limited income that it might well be politically impossible for any Cuban leader to pay in full in money. Perhaps we ought to be thinking more in terms of a total restoration of industrial properties when another government takes over and (on the assumption that the old system of land tenure will never completely be reestablished) a partial return of land. In this way it might be possible to raise the precentage from the 10 percent we accepted for our Mexican oil claims to 100 percent of value. We [Page 727] need this kind of a precedent not only because the investors are entitled to payment, because of our investment stake in other underdeveloped countries, but because nationalization of the Castro type dries up private investment essential to their progress with all the headaches that this implies for us.

e) If we go too far too fast with Castro and in consequence he becomes a martyr not only will the possibility of Russia exploiting this by large-scale aid be increased, but his ability to lead or influence left wing elements in other American Republics will be enhanced.

IV.

I question whether we should try to obtain the agreement of any other Latin American Government to any program of action which we may undertake. They will not only understand that part of our dispute with Cuba (e.g., compensation for expropriated properties) is bilateral rather than inter-American in character but they will find it politically difficult openly to support us. Some may view it as a sign of indecision on our part and seek to water down our program in the typical Latin American spirit of compromise.

It is of course important that we inform selected Latin American governments in advance of what we are going to do and the reasons for it. It is equally important to explain to public opinion abroad and at home that our motives are non-political.

V.

Likewise, I do not believe we should now think in terms of arbitration or adjudication. Our chances of recovery from the Castro policies are much better if we ourselves control decisions.

Sincerely,

TCM

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1. Source: Department of State, Central Files, 611.37/1–660. Confidential.↩
2. Document 414 .↩

Historical Appendix B

Exhibit 19

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FOREIGN RELATIONS OF THE UNITED STATES, 1958–1960, CUBA, VOLUME VI

412. Memorandum of a Conversation, Department of State, Washington, December 22, 1959[1]

Washington, December 22, 1959

SUBJECT

Protection of American interests in Cuba

PARTICIPANTS

Representatives of National Foreign Trade Council:

Mr. H. Harvey Pike, President, H.H. Pike & Company, Chairman, NFTC Cuba Committee

Mr. G.P. Gardner, Chairman, United Fruit Company Mr. H.B. Sargent, President, American & Foreign Power

Mr. H.W. Balgooyen, Director of Council and Executive Vice President, American & Foreign Power

Mr. Emilio Collado, Treasurer, Standard Oil Co. (ESSO) Mr. John Akin, Secretary of NFTC

Department of State:

Acting Secretary Douglas Dillon

ARA—Lester D. Mallory, Acting Assistant Secretary

L—Eric H. Hager, Legal Adviser

ARA:REA—Harry R. Turkel, Director

ARA:CMA—Edwin E. Vallon, Deputy Director

U—Dixon Donnelley

ARA:CMA—Robert A. Stevenson, Cuban Affairs

ARA:CMA—George O. Gray

E—Carl Norden

Mr. Pike informed the group that the Cuba Committee of the NFTC has held many meetings since Castro's advent to power in Cuba. He said it is concerned about the loss of liberty to the Cuban people and other abuses, but at this meeting wished to discuss the property rights of Americans. He asked Mr. Balgooyen to present the Cuba Committee's views.

Mr. Balgooyen said that the Committee felt that if Castro stays in power, all American investments in Cuba are doomed. He is also fearful of the Communist direction of the Government, with agrarian reform, expropriation, taking of private property, and the loss of personal liberties, all of which parallel the pattern followed in China, Czechoslovakia and Poland. He is

especially fearful that the example of Cuba might be followed in Latin American, African and other countries throughout the world. There is also a real and growing concern for the welfare and safety of American employees in Cuba.

He said the Committee takes the position that, without evidence that Cuba is going to pay and without any strong evidence that the United States is going to take any actions,

(1) they want to make clear their concern regarding the effect of Cuban events on all Latin America,

(2) they wanted to present a specific resolution adopted by the National Foreign Trade Council last month, and

(3) they hoped after the presentation of their proposal that Acting Secretary Dillon might be able to tell of any plans the Department may have dealing specifically with the Cuban problem.

Mr. Balgooyen said that the Council felt that there is a growing disrespect throughout the world for property rights and contractual obligations. Also they sense that the feeling seems to be growing that there is no disposition on the part of the United States Government to give adequate protection to American investment interests abroad, although the United States Government has encouraged American capital to invest in foreign countries. He said that in addition to a concern for investment the NFTC, in a civic sense, is alarmed at the invasion by Communists of the labor movement in Latin American countries, and the infiltration of Communists in the press and in colleges and universities. He said the Council feels convinced that the Communists have almost complete control in Cuba.

Mr. Balgooyen stated that a proposal of the NFTC at the Forty-Sixth National Foreign Trade Convention held in [Page 709] New York, November 16 to 18, 1959 had been approved by the 2000 delegates of the Council and that the Board of Directors had given its approval to the policy set out in the resolution. Of the $27 billion which Americans have invested abroad, he felt the $19 billion invested in Latin America is endangered. He said there is a broadening concept of the right of eminent domain to include nationalization and redistribution of wealth which constitutes one of the greatest threats of our time. He said the Council feels that it is the responsibility of the United States to take whatever steps it can to ensure that this does not occur without prompt, adequate and effective compensation.

Mr. Balgooyen said the Council feels that a broad statement of policy should be issued by the United States Government, covering, not just Cuba, but the whole field of private investment abroad.

(Mr. Balgooyen then read from the recommendations of the 46th National Foreign Trade Convention, as follows):

> That the Government of the United States recognizes the right of any sovereign nation to manage its internal affairs as it sees fit, including the right to take property within its jurisdiction for a well-recognized public purpose; but that it firmly maintains that all rights, sovereign or otherwise, are coupled with reciprocal obligations, and that the right to take private property for a public use is coupled under international law with the corresponding obligation to provide prompt, adequate and effective compensation; that it is therefore the policy of the United States that no agency of the United States Government shall lend, grant or give public funds or economic assistance to any government or to any agency of a government which expropriates, or in any other manner takes possession of the property or property rights of a United States citizen, or of a corporation owned or controlled by citizens of the United States, without payment of prompt, adequate and effective compsensation; or which persists in dishonoring the contractual rights of such citizens or corporations.

Acting Secretary Dillon said the problem has two aspects: (1) what we do about Cuba, and (2) the general effect on other parts of the world. He said the Department has felt, as a basic policy, that in preserving our interests in Cuba we must be careful that we don't actually strengthen Castro without accomplishing our objectives and that we don't provide increased sympathy for Castro among other countries, particularly in Latin America. The Department shares with the NFTC the same concern and the same goals with regard to Cuba, and it is only a question of the best means, from the standpoint of overall U.S. interests for achieving them. He expressed a doubt as to the efficacy of a broad statement of the sort recommended by the NFTC and

suggested that certain planned actions on our part rather than such a statement might have a much greater effect. He added he does not believe that the Cuban action has reached the point of affecting our interests throughout the world or that [Page 710] there is the feeling that Cuba is getting away unscathed.

Mr. Dillon pointed out that Congress during its last session added to the Mutual Security Act a provision prohibiting the extension of assistance to any country which failed to give suitable compensation for expropriated property. From a practical point of view this policy applies to all government loans except for those of the Export-import Bank. This policy could be played up in speeches being given by Government officials.

Mr. Gardner reported that his Company's people report many Latin American Governments are completely fed up with Castro and are asking how long the U.S. is going to stand by. Through his appeal to people, he can cause pressures that some governments cannot stand.

Mr. Sargent reported that regarding American & Foreign Power's claim against the Brazilian state of Rio Grande del Sul, he had called on the Brazilian President (by an appointment worked out with the British Ambassador) but that their claim is still before the court where 23 judges are writing separate opinions on the appraised value of the property.

Mr. Collado reported that there is a gradual erosion of his company's position in Cuba arising from taxes, currency transfer controls, labor agitation and other extreme demands. The Government is not releasing pesos to pay for their crude imports; the sugar industry is asking for petroleum products on credit; Cubana Airlines hasn't paid for months. Castro has developed the technique of going over the heads of government to the people and this is a big problem—he has influence with large segments of the people. ECLA has put together a good "facade" with regard to the need for government planning and control of economics and the deficiencies of private foreign investment. Its staff work on government ownership has been very good. A real and vigorous effort is necessary if we are to counteract this trend which did not begin with Castro although he has given it impetus.

It was asked if the United States position would not be supported by some other Latin American countries (and not only with reference to action through the OAS).

It was asked if any consideration is being given to answering the erroneous accusations that are being made by Castro. Mr. Collado said that his company has had recommendations that its stockholders start a ground-swell of grass-roots opinion directed at Congressmen. He said some of the "best written" letters urged a cut in Cuba's sugar quota. Mr. Balgooyen said this would be a mistake and that we do not want to do permanent damage to the Cuban economy. He added, however, that unless something is done to let stockholders and Congress know that steps are being taken by the Government, it will be [Page 711] difficult to keep Congress from taking undesirable action. Mr. Dillon agreed that this is a real problem to which the Department is giving active thought and expects soon to begin certain careful steps which will make it evident that the U.S. is determined that its investors will be fairly treated. Timing is, of course, a factor which must be considered most carefully.

Mr. Collado said that talking about protection alone would be bad, but that the U.S. position must be put on a higher plane relating to the benefits to be gained from private foreign investment. We should take a positive line—should sell the real good which we know lies in a free, capitalistic economy. He expressed his personal view that there is little the U.S. can do to prevent the situation in Cuba from getting much worse; that it will run its course in two or three years and then maybe a modus vivendi can be worked out.

Mr. Dillon informed the group that the Department will help in every way possible concerning any particular problem individual companies might have. He said that the Department is working on developing a specific program as far as Cuba is concerned. Mr. Pike stated that they would be glad to do anything individually or as a group that they can do.

Deputy Assistant Secretary Mallory informed the group of the visit of the President of the American Chamber of Commerce of Cuba, Mr. Ken Campbell, to inform appropriate officials that the Chamber requested the U.S. Government to take all steps to protect American property rights in Cuba, but recommended against any reduction in the Cuban sugar quota.

Mr. Turkel told the group of the Department's position with the sugar people. The Department plans to recommend that Section 202 be amended to permit the President to revise the quotas, but in order to prevent doing permanent damage to Cuba and creating permanent rights in other countries, to require the President to fill any reductions by buying sugar at world market prices. It is hoped this can be used in negotiations. A tax idea is a difficult one, but, if every effort to solve the problem by negotiation fails, the United States would have no recourse but to impose a tax from which to pay for expropriated properties.[2]

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1. Source: Department of State, Secretary's Memoranda of Conversation: Lot 64 D 199, December 1959. Official Use Only. Drafted by Stevenson and George O. Gray.↩
2. In a December 22 memorandum to Rubottom and others in ARA, Mallory noted that following this meeting, Dillon asked him to stop in his office for a talk. Dillon praised a paper prepared by Wieland (apparently Document 406) and told Mallory that very soon the timing of the steps recommended by Wieland had to be determined. Dillon referred specifically to the concerns expressed by Vice President Nixon at the last NSC meeting about public and congressional opinion toward U.S. Latin American policy. When Dillon requested his observations, Mallory suggested that either the Secretary of State or the President make a declaration of U.S. "solidarity with and such help as we could give" regarding capital formation within the Latin American countries, and a statement concerning the U.S. attitude toward expropriation. Dillon suggested that it would be "desirable to get on with the thinking and formulation of some program of this sort". (Memorandum by Mallory; Department of State, ARA Deputy Assistant Secretary Files: Lot 61 D 411, Policy 1959)↩

Historical Appendix B

Exhibit 20

NITED NATIONS

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LETTER DATED 12 OCTOBER 1960 FROM THE REPRESENTATIVE OF THE UNITED STATES OF AMERICA TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On 26 September 1960, the Prime Minister of Cuba, while addressing the General Assembly, made many untrue and distorted allegations against the United States which could not be allowed to stand unanswered. In my brief reply before the Assembly on the following day I stated that the United States would shortly make available a document dealing fully with the issues involved.

On the instructions of the United States Government, therefore, I have the honour to request that the enclosed document, entitled "Facts concerning relations between Cuba and the United States: a reply to allegations against the United States by Prime Minister Fidel Castro of Cuba", be circulated to all Members of the United Nations for their information.

The United States Government, which together with the people of the United States entertains feelings of the warmest friendship and goodwill toward Cuba and her people, deeply regrets that such unfounded and hostile statements should have been made and that it should be necessary to correct the record by means of this reply.

(Signed) James J. WADSWORTH

FACTS CONCERNING RELATIONS BETWEEN CUBA AND THE UNITED STATES

A REPLY TO ALLEGATIONS MADE IN THE UNITED NATIONS AGAINST THE UNITED STATES BY PRIME MINISTER FIDEL CASTRO OF CUBA

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INTRODUCTION

On 26 September 1960, the Prime Minister of Cuba, Mr. Fidel Castro, addressed the General Assembly at considerable length on the relations between the present Cuban regime and the United States. His speech contained many unfounded accusations, half-truths, malicious innuendoes and distortions of history - all aimed against the historic friendship between Cuba and the United States, a friendship which he seems anxious to destroy.

The most important charges against the United States which Prime Minister Castro made in this address had already been considered and rejected in two meetings of the Organization of American States, consisting of twenty-one Republics of the Western Hemisphere, before he made them in the General Assembly. The Foreign Ministers of the OAS heard and rejected them at their meeting in San Jose, Costa Rica, in August. The delegates to the OAS economic conference in Bogota, Colombia, in September heard essentially the same charges from the representative of Cuba and again rejected them. Now, in view of the repetition of these and other unfounded charges before the General Assembly, and out of respect for the opinions of the entire membership of the United Nations, the United States feels compelled once again to set the record straight.

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1. Cuban-United States relations since 1898

The charge: That in times past "Cuba was virtually a colony of the United States;" ... "the apple was ripe and the United States Government held out its open hands." That the Platt Amendment, granting the United States the right to intervene and to lease naval bases in Cuba, was "imposed by force" on Cuba. That the "colonization" of Cuba then began with "the acquisition of the best land by United States firms, concessions of Cuban natural resources and mines, concessions of public services for purposes of exploitation, commercial concessions, concessions of all types." That "a greater part of the sugar production, the lion's share of the arable land of Cuba and the most important industries ... belonged to North American companies."

The facts: When the people of Cuba sought independence from Spain toward the end of the 19th century, the American people overwhelmingly sympathized with them. In 1898 the United States became the active ally of the newly independent Cuba. American soldiers fought side by side with Cuban patriots in the war for Cuban independence.

In the years after Cuba became independent the new nation stood in obvious need of political and economic stability and of investment capital. The Platt Amendment, which governed United States relations with Cuba after the withdrawal of United States troops from the island, helped to assure these conditions.

Prime Minister Castro did not mention the fact that the Platt Amendment was abrogated in 1934 - twenty-six years ago - by agreement between the two Governments. This step was taken during the Presidency of Franklin D. Roosevelt, author of the "Good Neighbor" policy, a policy which has remained in effect ever since.

The Prime Minister also neglected to mention that in empowering the use of military forces to assist in the liberation of Cuba the Congress of the United States in 1898 adopted a joint resolution, signed by the President the next day, explicitly disclaiming any intention of the United States to exercise sovereignty, jurisdiction or control over Cuba as an aftermath of this assistance and endorsing the right of Cuba to be free and independent and under the control of its own people.

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As regards United States interests in Cuban sugar, it is probably true that at one time American-owned firms owned or leased most of the sugar lands and produced most of the Cuban sugar crop. However, long before Prime Minister Castro came to power United States citizens were reducing their sugar holdings. By 1959 they had an interest in no more than one-third of the sugar lands of Cuba, about 1,210,000 acres on which about one-third of the Cuban sugar crop was produced.

Sugar production accounted for only a minor part of United States investment in Cuba. Only 25 per cent of United States investments were devoted to agriculture, and of that more than half represented sugar mills, not the growing cane. The remaining 75 per cent were such as to promote not a one-crop economy but a highly diversified economy, with emphasis on industry and manufacturing. The major portion was invested in public utilities - electricity and telephones - both indispensable to industrial growth and diversification and both regulated by the Cuban Government. As a result Cuba had the fifth highest rate of electrical consumption in Latin America. In addition, 10 per cent of United States investments were directly in manufacturing industries.

2. The United States, alleged ally of monopoly and reaction

The charge: "Why does the United States Government not want to speak of development? ... Because the Government of the United States does not want to quarrel with the monopolies, and the monopolies need natural resources ... The Government of the United States cannot propose a plan for public investment, because this would divorce it from the very raison d'être of the United States Government, which is the United States monopolies. That is the true reason why no true program of economic development is planned: to preserve the land of Latin America, of Africa and of Asia, to keep it the private domain of those who with to invest their surplus capital." The United States has betrayed its revolutionary origin and has "become today the ally of all the reactionaries of the world, the ally of all the gangsters in the world, the ally of the landowners, the monopolists, the militarists and the fascists of the world, the ally of the most retrograde and reactionary groups of the world."

The facts: The United States does speak of economic development of under-developed countries, and not only speaks of it but contributes increasing

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sums of money and energy to it, both through the United Nations and through other agencies, including the inter-American system.

In fact, the United States Government contributes more to economic development of other countries than any other Government in the world. Still larger is the outflow of United States private investment - which we believe, as do most other nations, makes a major favourable impact on the economic growth of under-developed countries and on the well-being of their peoples.

As for "monopolies", United States industries are forbidden by law from engaging in monopolistic practices - by the Sherman Anti-Trust Act of 1890 and the Clayton Anti-Trust Act of 1913, both of which are actively enforced by the United States Government. The Marxist idea of "monopolies", applied to the United States, is a hundred years out of date.

The picture of the United States as the ally of "gangsters ... landowners ... monopolists ... militarists ... fascists" is straight out of the mythology of Soviet communism - as are the economic theories quoted above.

The raison d'être of the United States Government is not "monopolies". It is, in the words of the United States Constitution, "to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty for ourselves and our posterity."

3. The U.S. Naval Base at Guantanamo

The charge: That "because of the Platt Amendment, imposed by force on our people, the Government of the United States took upon itself the right to establish naval bases on our territory, a right that it imposed on us by force and which it has maintained by the same means."

The facts: The United States never "took upon itself" or "imposed by force" any right respecting Guantanamo. Nor do United States rights in Guantanamo arise from the now-defunct Platt Amendment.

In 1902 and 1903 the United States conducted diplomatic negotiations with the Republic of Cuba for the purpose of acquiring the right to establish coaling and naval stations on Cuban territory. As a result of these negotiations, two

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executive agreements were signed in 1903. The first provided for the lease to the United States of certain designated territory at Guantanamo Bay. The second agreement spelled out the terms of the lease.

The validity of these agreements was reaffirmed by Article III of the 1934 Treaty of Relations between the United States and Cuba, which is still in effect and which provides:

> "Until the two contracting parties agree to the modification or abrogation of the stipulations of the agreement in regard to the lease to the United States of America of lands in Cuba for coaling and naval stations signed by the President of the Republic of Cuba on February 16, 1903, and by the President of the United States of America on the 23rd day of the same month and year, the stipulations of that agreement with regard to the naval station of Guantanamo shall continue in effect. The supplementary agreement in regard to naval or coaling stations signed between the two governments on July 2, 1903, also shall continue in effect in the same form and on the same conditions with respect to the naval station at Guantanamo."

These instruments were not imposed by force. They were negotiated between sovereign Governments. It is particularly necessary to recall their provisions because Prime Minister Castro has raised a current question concerning Guantanamo (see item 14 below).

4. <u>The United States attitude toward the Batista Government</u>

<u>The charge</u>: That "the military group that tyrannized over our country ... was based upon the foreign interests that dominated the economy of the country" - meaning those of the United States - because it was "the type of government that was chosen and preferred by the monopolists."

<u>The facts</u>: The type of government existing in Cuba is the affair of the Cuban people. Since World War II the United States has maintained normal relations with Cuban Governments of varying political tendencies: Colonel Batista in 1940; Dr. Ramón Grau San Martín in 1944, who promoted social reforms against opposition from both right and left wings, including the Communists; Dr. Carlos Prio Socarras in 1948, who won out over both Communist and Batista forces and sought economic progress for his country; beginning in 1952, the second Batista Government; and,

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until frustrated by systematic hostility, the present Cuban Government. The idea that leaders of such varying persuasions could have been imposed on the Cuban people by United States "monopolists" is ridiculous, and is an insult to the capacity of the Cuban people to govern themselves.

The United States has a firm policy of non-intervention in Latin American affairs, stemming from the "Good Neighbour" policy of 1934 and in harmony with the United Nations Charter and the Treaty of Rio de Janeiro. The United States regards the principle of non-intervention as one of the cornerstones of the Inter-American system.

j. U.S. military aid to Cuba

The charge: That "the Batista regime stayed in power with the assistance of tanks, planes and weapons supplied by the Government of the United States;" that the officers of the army under Batista "were instructed and trained by a military mission of the United States;" and the use of this U.S. materiel and training "to fight the Cuban revolutionaries ... had received the previous agreement of the Government of the United States."

The facts: The United States military missions in Cuba were established in 1950 and 1951, pursuant to mission agreements between Cuba and the United States. This took place during the Presidency of Dr. Carlos Prio Socarras, not of Colonel Batista. These agreements, like similar agreements with most of the other American Republics, had as their sole purpose co-operation in the military defence of the Western Hemisphere and, in this case, specifically of Cuba and the United States. The function of the missions was to give technical advice, arrange for the admission of Cubans to United States military schools and academies, and to help in the procurement of military equipment and arms needed for the common defence.

Equipment was provided to the Cuban Government under a military assistance agreement for hemisphere defence negotiated with and signed by the Prio Government, prior to the advent of President Batista.

Any use made by the Batista Government of this equipment, or of military training provided by the United States, in order to combat Cuban revolutionaries,

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as done without the consent of the United States authorities and in disregard f the agreement. The missions had no contact whatever with any military operations gainst the revolutionaries, trained no personnel for this purpose, and were not resent at any time in the zones of operation.

When it became evident that Cuba was undergoing a revolution which had the upport of a large part of the Cuban population, the United States showed its etermination to stay out of Cuba's internal conflict by suspending all sales and hipments of combat arms to the Batista Government. This suspension was publicly nnounced in March 1958, ten months before the Castro forces took power. After arch 1958 the United States did not make any combat arms available to the atista Government, either directly or through third countries or in any other ay.

. Cuba's balance of payments: "monopolies ... sucking its blood"

The charge: That "the balance of payments in the last ten years, from 1950 o 1960, has been favourable for the United States vis-à-vis Cuba to the extent f $1 billion." Thus, that Cuba, "a poor and under-developed country ... was ontributing to the economic development of the most highly industrialized ountry in the world." That the President of the United States did not want this ituation changed but rather wanted the new Government to be "true to the monopolies hat were exploiting Cuba and sucking its blood."

The facts: These assertions are factually incorrect and the inferences rawn from them are illogical and untrue.

In the decade 1949-1958, the latest for which reliable figures are available, uba's exports to the United States earned $4,405,000,000. (This includes 756 million of premium payments for Cuban sugar sold in the U.S. market, over nd above world sugar prices.) In the same decade Cuba imported from the United tates goods worth $4,676,000,000. Thus Cuba's adverse trade balance toward the nited States was not $1 billion in this decade, but about $271,000,000.

But even this figure does not truly describe Cuba's international trading osition. During the same decade Cuba's imports from all countries amounted to 6,319,000,000, while her exports to all countries totalled $6,835,000,000 - a

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ıvourable over-all balance of $516,000,000 for the decade, indicating a healthy rading position.

It is this over-all trading balance that is most significant. Normally a ree-trading nation does not seek a bilateral trade balance with each and every rading partner, but rather an over-all balance of payments with all countries. ttempts to balance trade bilaterally, as on the barter principle, restrict trade ınecessarily and impede economic growth and the improvement of living standards. ıus, for example, the United States has a favourable balance of trade with some f the American Republics, whereas in others the balance is adverse to the ıited States by ratios as high as two to one. This principle of balancing trade ıltilaterally is one of the cornerstones of the General Agreement on Tariffs and rade, of which both Cuba and the United States are members.

The advantage of this multilateral trading system to Cuba is easily shown. ıe dollars which Cuba earned for goods sold to the United States could be used reely to import other goods into Cuba from anywhere in the world. The fact that ıbans actually bought from the United States slightly more than they sold to the ıited States did not result from any artificial barter or quota requirement and as not "blood sucking". It was purely the result of competitive forces and of ıe free choices of Cuban traders.

Under the present Government, Cuba has artificially reduced imports from ıe United States by more than one half. There was no economic necessity for ıis. In the years before Prime Minister Castro came to power Cuban foreign xchange reserves, averaging $270,000,000, were sufficient to cover temporary luctuations in Cuba's balance of payments. The only possible conclusion is that ıe reduction of trade with the United States was artificial and politically otivated.

In exchange for its former dollar earnings, and its freedom to seek the greatest dvantage for Cuban traders and consumers in the markets of the world, Cuba has een developing a new system of barter transactions with the Soviet Union. In ıose transactions Cuba will have no choice as to the country to which it will ell or from which it will buy. It will have no chance to benefit from competition ı price, quality or style among various potential trading partners. Its

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transactions, instead of earning hundreds of millions of dollars a year which can be spent anywhere in the world, will yield only fractional amounts of free currency for Cuba's use in world trade.

7. Terms of payment for seized lands in Cuba

The charge: That the United States, in demanding "speedy, efficient, and just" payment for United States-owned lands seized by the Castro regime, was in effect telling Cuba: "Pay now, cash on the spot, and what we ask for our lands" - thus forcing Cuba "to choose between an agrarian reform and nothing".

The facts: The United States never made such a demand. Several times, it is true, the United States has asked the Cuban Government to make "prompt, adequate and effective compensation" to American citizens whose lands had been taken under the agrarian reform law. But the United States never demanded payment "now, cash on the spot, and what we ask", or attempted to impose any other fixed or rigid terms. We sought only to bring about negotiation of the question of compensation, in accordance with accepted principles of international law.

This was the least that could be asked. The laws prevailing in Cuba in the years when the seized lands were originally bought by United States citizens all contained provisions for prior compensation in case of expropriation. Yet, over one year after the Cuban agrarian reform law was passed, not one American owner has received compensation for lands taken under this law. In his United Nations speech, in fact, Prime Minister Castro asserted an alleged right to seize such properties "without indemnity" - a notion which directly flouts international law.

The United States has a long record of co-operation with countries seeking to carry out sound land reform programmes. On 11 June and 12 October 1959, the United States expressed to the Cuban Government its full support for soundly conceived programmes of rural betterment - including badly needed land reform. The implication that the United States sought to interfere with the Cuban land reform programme, either by making unreasonable demands for compensation or in any other way, is groundless.

3. Cuban sugar exports to the United States

The charge: That the United States, by reducing in 1960 the quota of Cuban sugar annually imported into the United States at premium prices, committed "economic aggression" against Cuba.

The facts: This charge is absurd. It was Cuba under Prime Minister Castro, not the United States, which first caused drastic reductions in Cuban-United States trade. In the sugar trade alone, months before the United States reduced Cuba's sugar quota, Cuba made firm agreements to export a large part of its present and future sugar crops to the Soviet Union and Communist China. In the interest of its own economy the United States could not remain tied to a source of supply burdened with this new obligation and with many other new uncertainties.

These facts deserve to be set forth in more detail.

In January 1960, seven months before the United States Congress acted to reduce the Cuban sugar quota, the present Cuban Government began a series of steps to obstruct trade with the United States. These steps included:

- New import licensing requirements contrary to Cuba's obligations under the General Agreement on Tariffs and Trade.
- Threats and pressures on traditional Cuban customers of the United States to divert their orders to suppliers in other countries.
- Reduction of the import quota on United States rice by more than 25 per cent; severe limits on dollar exchange allowed by the Government for rice imports from the United States; imposition of a new "contribution" (i.e. duty) on all rice imported from the United States; and, meanwhile, duty-free importation of at least 16,500,000 pounds of rice from a third country under a new bilateral trade agreement.
- New surcharges, ranging from 30 per cent to 100 per cent, on remittances of dollar exchange needed by Cuban importers to pay for certain kinds of commodities normally imported from the United States.
- A new order that all Cuban exporters and other Cubans who earn dollars or other foreign exchange in their business must surrender all this foreign exchange to the Government.
- Refusal to lend money to United States-owned banks in Cuba, forcing them to bring in funds from abroad to meet normal business requirements.

If the aim of these steps has been to reduce Cuban imports from the United States, they have succeeded. There is now an estimated backlog of over $150,000,000 owed to United States citizens for goods shipped to Cuba and for services and earnings. During the first four months of 1960 Cuban imports from the United States were 50 per cent below those in the same four months of 1958 and 75 per cent below those in the same four months of 1959.

Meanwhile Cuba's export trade to the United States continued to flourish. Cuban exports to the United States in the first four months in 1960 were only slightly below those for the same part of 1958 and well above the figure for the same part of 1959.

Then in 1960 the Cuban Government concluded barter agreements with the Soviet Union and Communist China involving the export of a very large part of its annual sugar crop. The agreements provided for payment not at premium prices, as had been true of Cuban sugar exports to the United States, but at prices at or even below the world market level. Moreover, only a minor portion of the payment was to be in convertible currencies, whereas the entire payment for Cuban sugar imported into the United States has been in dollars which Cuba could spend anywhere in the world.

The present leaders in Cuba have often referred to the sugar quota arrangement with the United States, by which Cuba earned convertible dollars at preferential prices, as a form of "bondage" or "slavery". For instance, on 2 March 1960, Dr. Ernesto Guevara, the president of the National Bank of Cuba and a ranking official of the regime, said of the United States citizens concerned: "They have never stopped to analyze what amount of slavery the three million tons of our sugar which we customarily sell at supposedly preferential prices to the giant of the north has meant and means to the people of Cuba." When the United States Government queried the Cuban Government about these remarks, there was no reply. The inference was left that the Cuban rulers regarded the sugar quota as a form of slavery imposed by the United States on the Cuban people.

It is hard to understand how a traditional pattern of Cuban sugar exports paid for in dollars, at prices above the world market, the proceeds of which Cuba was able to use to purchase goods anywhere in the world, can be described as "slavery" - whereas new barter agreements at lower prices, agreements which tie

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he Cuban economy to the Sino-Soviet bloc and infringe on Cuba's right to choose he origin, cost and quality of its imports, can somehow be portrayed as economic freedom".

At all events, it became apparent that the present rulers of Cuba were orcing a radical change in Cuba's entire foreign trade system, and that the otives in their minds in doing this were not economic or commercial but political. his was confirmed when the Foreign Minister of Cuba, Dr. Raul Roa, said in ontevideo, on 10 June 1960, that Cuba had decided "to break the structure of its ommercial relations with the United States".

It was against this background that the United States Congress and the resident of the United States acted in the summer of 1960 to reduce the referential quota for imports of Cuban sugar. Despite the vindictive attitude f the Cuban leaders over many months, this act by the United States was not an ct of retaliation or revenge. Indeed, it would have been strange to take evenge by reducing a quota which Cuban leaders themselves had condemned as a orm of bondage. Rather, the reduction in the quota was necessary in defence of he United States economy, which has for many years depended heavily on Cuba as source of sugar.

Cuba normally has supplied about 71 per cent of the sugar import equirements of the United States. In the years 1931-1958 the United States mported from Cuba an average of 2,580,000 tons of sugar - all at preferential rices. Cuba's dollar earnings from this trade rose from a low of $39,000,000 in he depression years of the early 1930's to $100,000,000 in 1936 and $400,000,000 n 1947. In 1959 the earnings were $350,000,000.

Cuba's preferential position in the United States sugar market goes back o 1902. It was made more secure in 1934 by a quota system which gave Cuba a ore stable United States market at the higher United States domestic price and n addition a 20 per cent tariff preference as compared with other foreign roducers. This arrangement was a matter of mutual advantage. It helped the uban economy by providing a most important source of dollar exchange to pay for mports from all parts of the world. It helped the United States economy by roviding a reliable source of needed sugar imports at all times, including times

of war and crisis. Thus during both the Korean war and the Suez crisis, when world markets were disturbed, the Cuban sugar industry maintained large stocks which were made available to the United States at fair prices.

This arrangement could last only as long as both parties wanted it to last. The events of early 1960 in Cuba made it doubtful that the Cuban Government was either able or willing to continue it. The highest officials of the Cuban Government made repeated statements describing the supposed political and commercial advantages of selling Cuban sugar elsewhere. On 13 August 1960, the Minister of Finance, Raul Cepero Bonilla, said: "For the next year, it would be much more advantageous to Cuba if the United States did not buy a single grain of sugar." Meanwhile agreements were made committing Cuba to sell a major part of her sugar crop to the Sino-Soviet bloc, and indications appeared that that bloc was prepared to import even larger quantities of Cuban sugar by purchase or barter. Finally, it appears that these new obligations must be met out of a smaller Cuban sugar crop. United States experts estimate that the 1961 Cuban sugar crop may fall as low as 4,900,000 Spanish long tons - as compared with 5,700,000 Spanish long tons in 1960.

For all those reasons the United States was forced, slowly and reluctantly, to conclude that Cuba is no longer a reliable source of supply for vital United States sugar requirements. This was the reason why the United States reduced the Cuban sugar quota and thus freed itself to turn to other sources of sugar supply.

The conditions leading to this decision were created by the present authorities in Cuba. Their right as a sovereign nation to order their foreign trade as they wish is not in dispute, except when in so doing they violate their agreements. Buf if they claim that right for themselves, they cannot deny it to others.

There are ample grounds for the belief that the present Government of Cuba set out deliberately to provoke, by its own action and threats, a United States action - unavoidable as a matter of economic self-defence - which it could then picture in its propaganda as "economic aggression". Now that it has achieved this dubious success, at a very considerable economic cost to the Cuban people, the cry of "economic aggression" against the United States sounds utterly hollow.

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9. Presence of anti-Castro Cubans in the United States

The charge: "The first unfriendly act perpetrated by the Government of the United States was to throw open its doors to a gang of murderers, bloodthirsty criminals who had murdered hundreds of defenseless peasants, who had never tired of torturing prisoners for many, many years, who had killed right and left".

The facts: The number of people who have fled Cuba and have taken refuge in the United States since the Castro Government came to power does indeed run into the hundreds. In view of the fact that the Castro Government has effectively banned all political opposition or public criticism as "counter-revolutionary", and has sought to brand those who dissent from its policies as "war criminals" and adherents of the deposed Batista regime, it is not surprising that many Cubans who value freedom have gone into exile - some of them in the United States. Here they enjoy the traditional right of political asylum. They do not enjoy protection against criminal charges of murder or any other extraditable crime.

In all cases where the Cuban Government sought extradition of Cuban refugees on criminal charges, the United States Government has given the fullest possible co-operation consistent with its traditional legal safeguards and with the very limited co-operation of the Cuban Government itself.

The provisions for extradition of persons from the United States to Cuba are set forth in the United States-Cuban Extradition Treaty and in United States statutes. Cuba can file extradition proceedings in United States courts without even notifying the executive branch of the United States Government.

All this was explained to the new Cuban authorities when, in January 1959, they raised the question of the return to Cuba of certain Cubans who had taken refuge in the United States. Yet to the best of the knowledge of the Department of State, from that day to this the Cuban Government has never requested extradition for a single one of those persons commonly defined by the Government of Cuba as war criminals from the Batista regime.

In fact, the only extradition case which the Cuban Government has followed through to conclusion is that of Major Pedro Diaz Lanz, a former member of the Castro revolutionary group and chief of the Cuban air force after the Castro Government came to power in 1959. In the case of Major Diaz Lanz a United States

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istrict Court denied extradition on the ground that the Cuban authorities had iven insufficient evidence of his alleged "crimes".*

In some cases the United States Embassy in Havana has certified extradition apers against certain Cuban refugees, but the Cuban Government has failed to ollow up this step. In still other cases Cuban authorities have asked that the nited States exercise its "good offices" to detain certain Cubans, but have not aken any step to have them extradited or even indicated the offences with which hey were charged in Cuba.

This record strongly suggests that the Cuban Government has no serious desire o obtain extradition of those whom it has branded as "war criminals", preferring o keep the issue alive as one item in its campaign of anti-United States ropaganda.

). Explosion of the munitions ship "La Coubre"

The charge: That "a mysterious explosion - an explosion that was too ysterious - took place in the harbor of Havana, an explosion of a ship carrying elgian weapons to our country, after many efforts made by the United States overnment to prevent the Belgian Government from selling weapons to us" - in ther words, by clear implication, that the United States Government caused the xplosion.

The facts: The explosion of the French vessel La Coubre in Havana harbour n 4 March 1960, while it was discharging ammunition purchased by the Castro overnment, resulted in many deaths and injuries and wide-spread damage. The nited States Government promptly expressed its condolences to the Government of uba over this tragic disaster, the cause of which is unknown to this day.

Within a few hours of the disaster, before any investigation could be carried ut, the propaganda agencies of the Cuban Government, including the controlled ress and radio, implied that the United States had caused the explosion. No vidence whatever was adduced to support this charge. The following day, March, at the public funeral of the victims, Prime Minister Castro directly ccused the United States of the responsibility - while in the same breath dmitting "we do not have conclusive evidence". The same charge, only thinly

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Major Diaz Lanz is referred to in item 11 below.

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eiled and again completely unsubstantiated, was repeated in a pamphlet entitled atria o Muerte (Fatherland or Death) issued by the Department of Public Relations f the Cuban foreign ministry. This pamphlet was widely disseminated in Latin merica and was distributed by the Cuban representative on the Council of the rganization of American States to all his diplomatic colleagues. Despite repeated nited States protests and denials, the charge has now been repeated by the Cuban rime Minister before the United Nations.

To this day not one piece of evidence, conclusive or otherwise, has been ivulged by the Cuban authorities to support this extremely serious charge against he United States. The only possible conclusion is that there is no such vidence, and that the Cuban Government is cynically using this disaster to add uel to the fire of its propaganda against the United States.

1. Charges of aerial bombing of Cuba from U.S. territory

The charge: "A plane manufactured in the United States ... flew over avana, our capital, dropping pamphlets and a few hand grenades ... The result as more than forty victims, between the grenades dropped and the anti-aircraft ire ... . Pirate planes continued to fly over our territory dropping incendiary ombs. Millions upon millions of pesos were lost in the burning fields of sugar ane ... . The American Government was an accomplice in these aerial incursions."

The facts: The United States Government, in endeavoring to prevent nauthorized flights of aircraft from United States soil in the Caribbean area, as imposed upon such flights the most vigorous and elaborate system of controls n its peacetime history. Since there are 75,000 private aircraft in the United tates, and 200 airports in Florida alone, the prevention of unauthorized flights s not easy - as Prime Minister Castro and his associates must know very well, aving been political exiles in the United States before they came to power in uba.

There have been only five unauthorized flights over Cuba concerning which the nited States Government possesses any substantial evidence. The Cuban Government as been asked repeatedly to give evidence of other flights so that United States uthorities may investigate - but no such evidence has been furnished.

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In one of the five known flights, in March 1960, the pilot William Shergalis was, by his own admission, an agent of Fidel Castro - directed to make the flight in order to fabricate evidence of an alleged "United States provocation". Shergalis is now under indictment in the United States District Court of the Southern District of Florida for violating the United States laws applying to agents of a foreign principal and for making an illegal flight.

Another flight, that of Rafael del Pino, on 25 July 1960, is surrounded by circumstances similarly suspicious. Del Pino flew to Cuba in a light, unarmed airplane which he had rented from a private company in Florida. After landing in Cuba, he was attempting to take off when a force of Cuban police opened fire and shot the plane down, wounding Del Pino in the process. The firing took place from ambush and without warning, in circumstances such that the police could not have known the purpose of the flight or the identity of the pilot unless by prior arrangement. The suspicion of prior arrangement is heightened by the fact that Del Pino was a long-time friend of Fidel Castro, knew him at the University of Havana, participated with him in the Bogota riots of 1948, and was with him in Mexico in 1956. Moreover, it is known that Del Pino had been in communication with a member of the Castro family shortly before the flight.

Of the three remaining known flights, the best known is that of Major Pedro Diaz Lanz.

Major Diaz Lanz had fought in the mountains with the Castro revolutionary forces. He had been chief of the Cuban air force under Prime Minister Castro. On 30 June 1959, he broke with the Government of Prime Minister Castro, stating that the Government was under Communist influence and that Communist pressure had forced him out. He thereupon left Cuba.

On 21 October 1959, Major Diaz Lanz eluded the surveillance of United States authorities and made an illegal flight from United States territory over Havana, the Cuban capital. When the United States Government determined the facts on this flight it expressed its regrets and apologies to the Cuban Government. It was in this flight that Prime Minister Castro told the General Assembly that hand grenades were dropped on Havana. The Cuban Government had earlier charged, both in the Security Council and in a pamphlet which was widely distributed, that this plane had dropped bombs and strafed. This charge was false, as the

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nited States demonstrated in the Security Council in July. The converted bomber aking this flight had a permanent luggage rack in its bomb bay and had completely ealed gun positions, as revealed by an investigation by United States authorities fter it returned to a United States airport. Perhaps this is why the renewed harge, as stated by Prime Minister Castro in his speech to the General Assembly n September, was that the plane had dropped "grenades", not bombs.

In its efforts to establish the facts about the Diaz Lanz flight, the nited States Government has had no help from the Cuban Government which has ubmitted no official information on the subject. The United States possesses o evidence that the plane dropped hand grenades on Havana. A report by the uban Government's own police at the time, moreover, attributed the injuries uring the incident either to anti-aircraft fire or to grenades or bombs thrown rom automobiles by terrorists, not to bombs, strafing or any other objects oming from an airplane.

The foregoing accounts for three of the five known illegal flights.

A fourth illegal flight took place on 18 February 1960. Its apparent urpose was to bomb a sugar mill. The flight failed when the bomb exploded in id-air, destroying the airplane and killing its occupants. In the case of his flight also, the United States Government offered its regrets and apologies o the Cuban Government - for which it has received no acknowledgement.

The fifth flight, in May 1960, is still under investigation. The United tates has asked the Cuban authorities for help in this investigation but has eceived no reply.

The stream of unsubstantiated charges on this subject by the Cuban uthorities caused the United States to propose, at the Seventh Meeting of oreign Ministers of the American Republics in San José in August 1960, that a pecial committee be created to clarify the facts. The Foreign Ministers approved his proposal but the Government of Cuba has shown no sign of willingness to o-operate with such a committee.

The conclusion is inescapable that the Cuban Government is less interested n preventing these unauthorized flights than it is in keeping the charges alive s a part of its campaign against the United States.

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12. Alleged propaganda and subversion on Swan Island

The charge: That the United States has "taken over" Swan Island, "which belongs to Honduras"; that "There are now American infantrymen there"; that the United States "has set up a very powerful broadcasting station" on the island "which it has placed at the disposal of war criminals... and maneuvers and training are being carried out on that island to promote subversion in Cuba and to promote the landing of armed forces in our islands".

The facts: The two Swan Islands have been under United States control for almost 100 years. The United States has offered to discuss with Honduras, at an early date, the latter's claim to the islands.

There is a private commercial broadcasting station on the islands, operated by the Gibraltar Steamship Company. The United States Government understands that this station carries programs in Spanish which are heard in Cuba, and that some of its broadcast time has been purchased by Cuban political refugees.

The assertion that manoeuvres and training are being carried out in the Swan Islands with a view to subversion or the landing of armed forces in Cuba is totally false.

13. Alleged "red smear" against the Government of Prime Minister Castro

The charge: That United States news agencies told the world that "Cuba was already a communist government, a red peril ninety miles from the United States, with a government dominated by communists" at a time when the present Cuban Government "had not even had the opportunity of establishing diplomatic and commercial relations with the Soviet Union".

The facts: Unlike the press of a totalitarian country, the press and news services of the United States are free to write and interpret the facts as they see them, without governmental guidance or restraint. It is true that many American newspapermen, even during the early months after the present Government came to power in 1959, reported what they regarded as clear signs of communist influence in the new Government. Far from seeking to "smear" the new Government, however, the Government of the United States -- which alone can speak officially for the American people in international affairs -- exercised great restraint in commenting publicly on political trends in Cuba.

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In fact, on 26 January 1960, over a year after Prime Minister Castro ame to power and long after the press reports referred to above, President isenhower issued a major restatement of United States policy toward Cuba. In t he reaffirmed the adherence of the United States Government to the policy f non-intervention in the domestic affairs of other countries, including Cuba; e explicitly recognized the right of the Cuban Government and people, in the xercise of their national sovereignty, "to undertake those social, economic nd political reforms which, with due regard for their obligations under nternational law, they may think desirable"; and he expressed the sympathy of he American people for the aspirations of the Cuban people.

Had the United States Government not followed such a policy of restraint, t could have mentioned various developments: the silencing of almost all the nti-Communist forces in Cuba; the consequent flight into exile of many of the eading editors and commentators of the nation; the emergence of the Communist arty newspaper Hoy and the increasing influence of its editor, Carlos Rafael odriguez, in the governmental machinery of censorship; and the fact that the nly political party permitted to function in Cuba is the Communist party.

It is quite true that these developments took place, and were discovered nd reported through the free press, long before Prime Minister Castro established ormal diplomatic and commercial relations with the Soviet Union. But the point s irrelevant. Diplomatic and commercial relations are not the only means by hich outside influence may be exerted.

4. Guantanamo: alleged "pretext" for aggression on Cuba*

The charge: That the United States is using the naval base at Guantanamo, uba, "as a means of promoting self-aggression, to justify an attack on our ountry"; that various speculations in the United States about a possible Cuban ttack on Guantanamo are published in order "to set the stage for aggression"; hat Guantanamo is "pointed at the heart of Cuba and pointed at the heart of he Revolutionary Government of Cuba, in the hands of those who declare hemselves enemies of our country, of our revolution and of our people".

For discussion of Guantanamo base agreement see item 5 above.

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The facts: It is not the United States but the Government of Cuba whose responsible officials appear intent on provoking an incident concerning the base at Guantanamo. Prime Minister Castro and his brother Raul Castro have both issued frequent hints and warnings about the possibility that the Cuban Government might reclaim the United States naval base -- notwithstanding the legal and binding international agreements which cannot be abrogated except by the mutual consent of both parties.

The idea of a United States threat of aggression against Cuba, whether because of Guantanamo or for any other cause, is a figment of the imaginations of the leaders of the Cuban Government and cannot be substantiated by any action or any statement by the responsible spokesmen of United States foreign policy.

The war of nerves launched against Guantanamo by the Cuban leaders can have no result but to incite Cuban citizens against the United States and against the naval base itself. The personnel and authorities of this base have always enjoyed the best relations with the Cuban people; the base has contributed substantially to the economy of the nation; and it is an important factor in the military security of all the nations of the Western Hemisphere.

The assertion by Prime Minister Castro that the United States authorities who control the Guantanamo base "declare themselves enemies of our country, of our revolution and of our people" is totally false. The command of the Guantanamo naval base has always been, and is still, under orders to stay out of the internal affairs of Cuba. It has done so and will continue to do so. The base is in the hands of the United States, whose Government and people are friends of Cuba, of the Cuban people, and of their just aspirations.

15. United States policy concerning Puerto Rico

The charge: That the United States "has destroyed the Puerto Rican nationality"; is destroying Puerto Rico's "national spirit"; has been destroying Puerto Rico's nationality 'for fifty years".

The facts: These assertions can best be answered by quoting two statements. The first statement was made in the General Assembly on 27 November 1953, by the United States Representative, Mr. Lodge, at the time when the United States ceased to report to the Committee on Non-Self-Governing Territories concerning Puerto Rico, which had now attained complete self-government and commonwealth status. It reads:

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"I am authorized to say, on behalf of the President, that if at any time the Legislative Assembly of Puerto Rico adopts a resolution in favor of more complete or even absolute independence he will immediately thereafter recommend to Congress that such independence be granted. The President also wishes me to say that in this event he would welcome Puerto Rico's adherence to the Rio Pact and the United Nations Charter."

The second statement is a message by Luis Muñoz Marín, Governor of 'uerto Rico, to the President of the General Assembly, dated 27 September 1960, 'hich reads:

"In view of the charges of United States colonialism against Puerto Rico, raised at the General Assembly of the United Nations by the Soviet and Cuban delegations, I have the honor of bringing to your attention the following views of the Commonwealth Government:

"The people of Puerto Rico strongly adhere to the democratic way of life, based on the respect of minority rights, the protection and furtherance of individual freedoms, and the effective exercise of the right to vote in free, unhindered elections. There can be no genuine self-determination unless these conditions are met.

"Puerto Rico has truly and effectively met them and it has freely chosen its present relationship with the United States. The people of Puerto Rico are a self-governing people freely associated to the United States of America on the basis of mutual consent and respect. The policies regarding the cultural and economic development of Puerto Rico are in the hands of the people of Puerto Rico themselves for them to determine according to their best interests.

"The United Nations General Assembly, by Resolution of November 1953, has solemnly recognized that the people of Puerto Rico effectively exercised their right to self-determination in establishing the Commonwealth as an autonomous political entity on a mutually agreed association with the United States. In further regard to the principle of self-determination, the Commonwealth Legislative Assembly has approved this very year a law authorizing another vote on Puerto Rico's status whenever 10 per cent of the electors request it.

"More than 13,000 visitors and trainees from all over the world, including thousands from the new states in Africa and Asia now represented at the United Nations, have seen with their own eyes the social and economic achievements of the Commonwealth under free, democratic institutions. As an example of Puerto Rico's great forward strides as a Commonwealth, the rate of growth of the net Commonwealth income in 1959 was 9.4 per cent, one of the highest in the entire world.

"The People of Puerto Rico fully support the United Nations as a symbol of a world order, ruled by law and the principle of self-determination,

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and hope that through the United Nations a militant campaign for peace is developed that would avoid the nuclear extinction of our civilization."

16. Confinement of Cuban delegation to Manhattan

The charge: That the Cuban delegation to the General Assembly was "singled out for... confinement to the island of Manhattan"... and was subjected to "hostility under the pretext of security."

The facts: As host country to the United Nations, the United States is obligated to afford to accredited delegates "any necessary protection to such persons while in transit to or from the Headquarters District". In the case of Prime Minister Castro and his delegation, the United States made extraordinary efforts to fulfil this obligation - efforts made necessary by the fact that the conduct of Prime Minister Castro and his associates, both before and during their visit to New York, created extraordinary difficulties.

For more than a year and a half Prime Minister Castro and his Government have carried on a systematic campaign of defamation against the United States Government in terms which were contrary to known fact and offensive to the American people. In addition, hundreds of Cubans who fled Cuba since the coming to power of Prime Minister Castro have taken up residence in the United States rather than live under the present Cuban Government. Thus, in the interest of Prime Minister Castro's personal safety, and given the heavy demands upon United States security personnel because of the large number of Prime Ministers in the United States, it was necessary to confine his movements to Manhattan. The same decision was made concerning the delegations of the Soviet Union, Hungary, and Albania.

17. Cuban difficulties in New York hotels

The charge: That notice was given by unnamed persons, presumably United States officials, "to all hotels not to rent rooms to us"; and that, when the Hotel Theresa in Harlem offered to rent rooms to Prime Minister Castro's party, "an official of the State Department did all in his power to try to stop us from being given rooms in the hotel".

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The facts: The United States Government never gave, or caused to be given, notice to any hotel "not to rent rooms" to the Cuban delegation. This is the very reverse of the truth. When the management of the Hotel Shelburne in New York asked the State Department whether he should accept an application for rooms for the Cuban delegation, the Department of State informed him that it hoped he would "accept the request of the Cuban Consul General of New York for accommodations for the Cuban Delegation to the General Assembly of the United Nations". As a result, the management of the Hotel Shelburne agreed to accommodate the Cuban delegation.

Nor was there any attempt by any United States official to prevent the Cuban delegation from moving to the Hotel Theresa. The remoteness of that hotel from the United Nations headquarters placed a greater burden on the already overburdened police whose duty it was to assure the safety of Prime Minister Castro. Nevertheless, to assist Prime Minister Castro, who was at this point at United Nations Headquarters, an immediate security check was undertaken. By 10.30 p.m., 19 September, the United States Mission to the United Nations informed Prime Minister Castro that his party could proceed to the Hotel Theresa. Simultaneously Prime Minister Castro had instructed his own security officers to check the hotel. This investigation was not completed until midnight. The Prime Minister then proceeded under police escort to his new accommodations.

It is also true that a private citizen offered to house the Prime Minister and his party at the Hotel Commodore, only a few blocks from the United Nations, free of charge - an offer which the Cuban delegation rejected.

18. Death of Magdalena Urdaneta

The charge: That the shooting and subsequent death of a nine-year-old Venezuelan girl, Magdalena Urdaneta, in New York during the Castro visit was "provoked by those who receive support from the systematic campaigns against Cuba and with the connivance of the authorities"; and that "a spokesman from the White House" in an act of "hypocrisy" made a statement "fixing the guilt on the Cuban delegation".

The facts: On 21 September a large group of Castro supporters assaulted members of a small anti-Castro group while the latter was patronizing a New York

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City restaurant. During the mêlée, several shots were fired by a pro-Castro combatant, one of which struck Magdalena Urdaneta, a nine-year-old Venezuelan girl, as she sat with her parents having dinner. Miss Urdaneta died shortly afterward.

The following day, the Department of State (not White House) press officer stated that this Venezuelan girl was the innocent victim of an aggressive attack by adherents of the present Cuban Government and that the Department of State wished to express to the parents of Magdalena Urdaneta its deep sympathy and regret over her untimely death.

Francisco Molina, a Cuban national known as "Pancho the Hook", has been identified by a witness as the assailant who fired the shot which took the life of Magdalena Urdaneta. Molina lost his right hand in an industrial accident several years ago and in its place alternately wears a metal hook or flesh colored artificial hand. Molina is known to anti-Castro forces in the New York City area as the head of a group of Castro followers intimidating anti-Castro people.

Assistance was requested of the Federal Bureau of Investigation when it appeared that Molina had fled the State of New York to avoid prosecution for the murder of the Venezuelan girl. The Federal Bureau of Investigation has distributed 140,000 "wanted" flyers on Molina.

19. Alleged refusal of the United States to renegotiate with Cuba

The charge: That "the Government of Cuba has always been ready to discuss its problems with the Government of the United States, but the Government of the United States has not been ready to discuss these problems with Cuba"; that "the Government of the United States does not deign to discuss matters with the small country of Cuba on the Cuban problems".

The facts: Since the advent of the Government of Prime Minister Castro on 1 January 1959 the United States has officially expressed a willingness to negotiate matters at issue between Cuba and the United States on more than twenty-five separate occasions.

This is the fourth time that the present Government of Cuba has alleged to a responsible international body that the Government of the United States

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refused to negotiate with the Government of Cuba. Prime Minister Castro's reference to the Cuban Government's willingness to negotiate presumably relates to the proposal of the Government of Cuba last February to name a commission to conduct negotiations in Washington. Secretary Herter described the actual circumstances of this case at the meeting of Foreign Ministers at San José, Costa Rica on 26 August 1960 in the following words:

"The Cuban Foreign Minister has asserted that the United States Government refused to negotiate with the revolutionary Government of Cuba when, last February, it decided to name a commission to conduct negotiations in Washington. I need not point out that the Government of Cuba, in its proposal, suggested that the Government of the United States should bind both the executive and the Congress to refrain from any action whatever which the Government of Cuba might consider to affect its interests while leaving the Government of Cuba free to negotiate or procrastinate as it chose. It is appropriate to ask, however, why the Government of Cuba deliberately refrained from quoting my government's reply in its entirety. I say deliberately refrained because, Mr. Chairman, this is the third time that the Government of Cuba has trumpeted this note before responsible international bodies to serve its own purpose in completely distorting the position of the U.S. Government in this matter. The fact is that the part of the United States note which Minister Roa has again deleted from his presentation to this body went on to affirm the friendship between the Cuban and American peoples and to welcome any proposals which the Cuban Government might wish to make, the subjects which might be discussed, as well as the manner and the place in which negotiations might be conducted. It may be well to recall to the Foreign Minister of Cuba the full text of the closing paragraph of the note sent on February 29, 1960, by the U.S. Ambassador in Cuba which he has again found it so convenient to omit:

"'The Government of the United States for its part firmly intends to continue by its conduct and through its utterances to reaffirm the spirit of fraternal friendship which, as Your Excellency so well stated, has bound and does bind our two peoples, and which the United States Government believes is earnestly cherished by them. Prior to the initiation of negotiations and through normal diplomatic channels the United States Government would wish to explore with the Government of Cuba the subjects to be discussed and the manner and place in which negotiations might be conducted. Accordingly, I would welcome, for transmittal to my government, any proposals which Your Excellency might care to submit in these respects.'

"To this date, despite the several subsequent efforts to elicit a reply from the Government of Cuba, none has been forthcoming. When, shortly after the note referred to above was delivered, the revolutionary

Government of Cuba designated Dr. José Miró Cardona, who preceded Dr. Castro as Prime Minister of the revolutionary Government, as its Ambassador to Washington, there was high expectation that he would carry forward the negotiations. He never arrived. After months of waiting, he was forced to seek asylum in the Argentine Embassy in Havana after protesting the increasing role of communism in Cuba."

Dr. José Miró Cardona, incidentally, is still in the Argentine Embassy in Havana.

CONCLUSION

The relationship between Cuba and the United States is no mere accident of geography and trade. It is part of our mutual history. Tear the history of either country from that of the other, and there would be a gap making much of the rest inexplicable. It is our belief that such a wrench will never come. Neither the people of the United States nor - we are convinced - the Cuban people would consider it.

Like all the other American Republics, Cuba and the United States began as colonies. Our first English settlement was in Virginia in 1607 and our independence came 169 years later in 1776. Cuba, discovered by Columbus on his second voyage and settled approximately 100 years before Jamestown, was a colony from 1510 to 1898, a period of 388 years.

Both Cuba and the United States were born of revolutions dedicated to the common purpose of independence and freedom. In the United States we are proud to remember that the heart of our people went out to Cuba in the Cuban struggle for liberty. Although we are a peaceful people, we declared war in Cuba's behalf, and the blood of our young men was shed with that of Cuban patriots for Cuban independence.

The great apostle of American liberty was Thomas Jefferson. The great Cuban apostle of liberty was José Martí, a man whose name and ideals are respected in the United States.

On the centenary of Martí's birth the Soviet Union tried to indicate some spiritual tie between Martí and communism. No such tie exists, nor could exist. Martí's opinion of Marxism was expressed in his famous letter to Fermin Valdez Domingues. The Marxian concept has two basic dangers, he said: "that of extraneous, confused, and incomplete interpretations, and that of the pride and dissimulated violence of ambitious men, who in order to raise themselves in the world begin by pretending - in order to have shoulders of other men on which to stand - to be impassioned defenders of the helpless."

Martí perceived correctly the dangers of communist imperialism under a pretense of defending and succouring the oppressed. He perceived correctly that the strength of the Western Hemisphere depends on the fraternal unity of its

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peoples. He perceived correctly that the true goal and glory of mankind is brotherhood, peace, dignity; and that unity is the key to strength and progress.

Prime Minister Castro has accused the United States of holding back Cuban development as a free nation. The facts are to the contrary. Cuba has not only consistently received higher prices from the United States for sugar than any other supplier but has also been a partner with the United States in a mutually preferential tariff with special low import duty rates. In per capita gross national product Cuba ranks third in Latin America. It is quite true that in the Republic of Cuba these developments were not matched, as the United States hoped they would be, by corresponding progress in eliminating corruption in public life, and achieving greater social justice and a more equitable distribution of the national income, in guaranteeing free elections, and ensuring government of, by, and for the people - progress which only the Cuban people could make for themselves.

When Prime Minister Castro came to power in January 1959, with promises to his people seemingly made in all sincerity, the United States hoped he would perfect the revolution by needed internal reforms. The United States tried to show its understanding and sympathy for his stated aims: honest and efficient government, the perfection of democratic processes, and economic development leading to higher living standards and to full employment. On 11 June and 12 October 1959, we expressed officially to the Cuban Government our full support for soundly conceived programmes for rural development. We particularly endorsed its stated desire to do something for land reform.

Not even the shock of the many executions in the first month following the establishment of the revolutionary government, nor the sharp attacks on the United States Government by high officials, could dampen the friendly feeling with which Prime Minister Castro was greeted when he came to the United States in April of 1959. There was a genuine reluctance to believe that Cuba, a country for which the people of the United States have long had a special affection, could be embarked on an unfriendly course.

On 26 January 1960, President Eisenhower issued a major restatement of American policy toward Cuba, reaffirming the adherence of the United States Government to a policy of non-intervention in the domestic affairs of other

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ɔuntries, including Cuba, and explicitly recognizing the right of the Cuban ɔvernment and people, in the exercise of their national sovereignty, "to ıdertake those social, economic and political reforms which, with due regard to ıeir obligations under international law, they may think desirable", and ɪpressing sympathy for the aspirations of the Cuban people.

Unfortunately, these policies of the United States were not reciprocated. ıe present Government of Cuba has deliberately and consciously sought to ɪacerbate relations with the United States. For openly announced political ɜasons Cuba's imports from the United States have been reduced to less than ıe-half of the level of two years ago. Property is not expropriated, but ɔnfiscated without payment, to serve political rather than social ends.

Growing intervention in Cuban affairs by the Soviet Union and Communist ıina is welcomed by the Government of Cuba. The present Cuban Government itself ɜeks to intervene in internal affairs of other American States and to undermine ıe inter-American system.

The present Cuban Government claims to speak for the Cuban people but ɜnies them the right to choose their own spokesmen in free elections. It ɪaims to believe in democracy, yet only the Communist party is permitted to ınction. It speaks of the rights of man, but Cuban jails are crowded with ɔousands of political prisoners.

It boasts of freedom of expression in Cuba, yet the editors of the great ıban papers are all in exile while every expression of opposition to the ɔlicies of the Government, or to communism,is suppressed as counter-revolutionary. t interferes with the free exercise of religion. It affirms the independence f the judiciary but the right of a fair and impartial trial is denied those who ɪffer with the government in power.

We regret that these things are true, but they are true. The people and ɔvernment of the United States, who are friends of the Republic of Cuba, still ɔok to see it again become what its great son Martí declared he would have it ɜ: "A democratic and cultured people zealously aware of her own rights and the ıghts of others."

Historical Appendix B

Exhibit 21

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FOREIGN RELATIONS OF THE UNITED STATES, 1961–1963, VOLUME X, CUBA, JANUARY 1961–SEPTEMBER 1962

257. Memorandum From the President's Assistant Special Counsel (Goodwin) to President Kennedy[0]

Washington, August 22, 1961.

SUBJECT

Conversation with Commandante Ernesto Guevara of Cuba

The conversation took place the evening of August 17 at 2 A.M. Several members of the Brazilian and Argentine delegations had made efforts—throughout the Punta del Este Conference—to arrange a meeting between me and Che. This was obviously done with Che's approval, if not his urging. I had avoided such a meeting during the Conference. On Thursday we arrived in Montevideo and I was invited to a birthday party for the local Brazilian delegate to the Free Trade area. After I arrived, and had been there for about an hour, one of the Argentines present (who had been on the Argentine delegation) informed me they were inviting Che to the party. He arrived about 2 A.M. and told Edmundo Barbosa DaSilva of Brazil and Horatio Larretta of Argentine that he had something to say to me. The four of us entered a room, and the following is a summary of what took place. (The Argentine and Brazilian alternated as interpreters.)

Che was wearing green fatigues, and his usual overgrown and scraggly beard. Behind the beard his features are quite soft, almost feminine, and his manner is intense. He has a good sense of humor, and there was considerable joking back and forth during the meeting. He seemed very ill at ease when we began to talk, but soon became relaxed and spoke freely. Although he left no doubt of his personal and intense devotion to communism, his conversation was free of propaganda and bombast. He spoke calmly, in a straightforward manner, and with the appearance of detachment and objectivity. He left no doubt, at any time, that he felt completely free to speak for his government and rarely distinguished between his personal observations and the Official position of the Cuban government. I had the definite impression that he had thought out his remarks very carefully—they were extremely well organized. I told him at the outset that I had no authority to negotiate my country's problems, but would report what he said to interested Officials of our government. He said "good" and began.

Guevara began by saying that I must understand the Cuban revolution. They intend to build a Socialist state, and the revolution which they have begun is irreversible. They are also now out of the U.S. sphere of influence, and that too is [Page 643] irreversible. They will establish a single-party system with Fidel as Secretary-General of the party. Their ties with the East stem from natural sympathies, and common beliefs in the proper structure of the Social order. They feel that they have the support of the masses for their revolution, and that that support will grow as time passes.

He said that the United States must not act on the false assumptions that (a) we can rescue Cuba from the claws of communism (he meant by other than direct military action); (b) that Fidel is a moderate surrounded by a bunch of fanatic and aggressive men, and might be moved to the Western side; (c) that the Cuban revolution can be overthrown from within—there is, he said, diminishing support for such an effort and it will never be strong enough.

He spoke of the great strength of the Cuban revolution, and the impact it has had on liberal thought throughout Latin America. For example, he said, all the leftwing forces in Uruguay were joining forces under the banner of Cuba. He said civil war would break out in many countries if Cuba were in danger—and such war might break out in any event. He spoke with great intensity of the impact of Cuba on the continent and the growing strength of its example.

He said that in building a communist state they had not repeated all of the aggressive moves of the East. They did not intend to construct an iron curtain around Cuba but to welcome technicians and visitors from all countries to come and work.

He touched on the matter of the plane thefts.[1] He said he didn't know if I knew but they had not been responsible for any hijackings. The first plane was taken by a young fellow who was a good boy but a little wild and who is now in jail. They suspected that the last plane was taken by a provocateur (a CIA agent). He is afraid that if these thefts keep up it will be very dangerous.

He began to discuss the difficulties of the Alliance for Progress. He asked me if I had heard his speech at the closing of the conference. I said I had listened to it closely. He said that it explained his viewpoint on the Alliance for Progress. (In this speech he said the idea of the Alianza was fine, but it would fail. He spoke also of the play of historical forces working on behalf of communism, etc.—that there would be either leftist revolutions or rightist coups leading to leftist takeovers, and there was also a strong chance that the commies would get in through popular election.) He then said he wished to add that there was an intrinsic contradiction in the Alianza—by encouraging the forces of change and the desires of the masses we might [Page 644] set loose forces which were beyond our control, ending in a Cuba style revolution. Never once did he indicate that Cuba might play a more direct role in the march of history.

He then said, now that he had discussed our difficulties he would like to discuss his own problems—and he would like to do so very frankly. There were in Cuba, he said, several basic problems.

1. There was disturbing revolutionary sentiment, armed men and sabotage.
2. The small bourgeoisie were hostile to the revolution or, at best, were lukewarm.
3. The Catholic Church (here he shook his head in dismay).
4. Their factories looked naturally to the U.S. for resources, especially spare parts and at times the shortages of these resources made things very critical.
5. They had accelerated the process of development too rapidly and their hard currency reserves were very low. Thus they were unable to import consumer goods and meet basic needs of the people.

He then said that they didn't want an understanding with the U.S., because they know that was impossible. They would like a modus vivendi—at least an interim modus vivendi. Of course, he said, it was difficult to put forth a practical formula for such a modus vivendi—he knew because he had spent a lot of time thinking about it. He thought we should put forth such a formula because we had public opinion to worry about whereas he could accept anything without worrying about public opinion.

I said nothing, and he waited and then said that, in any event, there were some things he had in mind.

1. That they would not give back the expropriated properties—the factories and banks—but they could pay for them in trade.
2. They could agree not to make any political alliance with the East—although this would not affect their natural sympathies.
3. They would have free elections—but only after a period of institutionalizing the revolution had been completed. In response to my question he said that this included the establishment of a one-party system.
4. Of course, they would not attack Guantanamo. (At this point he laughed as if at the absurdly self-evident nature of such a statement.)
5. He indicated, very obliquely, and with evident reluctance because of the company in which we were talking, that they could also discuss the activities of the Cuban revolution in other countries.

He then went on to say that he wanted to thank us very much for the invasion—that it had been a great political victory for them—enabled them to consolidate—and transformed them from an aggrieved little country to an equal.

Guevara said he knew it was difficult to negotiate these things but we could open up some of these issues by beginning to discuss subordinate issues. He suggested discussion of the airplane issue (presumably, we would use the airplane [Page 645] issue as a cover for more serious conversation).

He said they could discuss no formula that would mean giving up the type of society to which they were dedicated.

At close he said that he would tell no one of the substance of this conversation except Fidel. I said I would not publicize it either.

After the conversation was terminated I left to record notes on what had been said. He stayed at the party, and talked with the Brazilian and Argentine.

The Argentine fellow—Larretta—called me the next morning to say that Guevara had thought the conversation quite profitable, and had told him that it was much easier to talk to someone of the "newer generation."

The above is substantially a complete account of the entire conversation.[2]

Dick

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0. Source: Kennedy Library, President's Office Files, Countries Series, Cuba, Security, 1961. Secret.↩
1. See Document 252 .↩
2. On August 23 the Department of State summarized in circular telegram 312 to all Latin American posts a statement released by the White House on August 22 in which it was pointed out that the conversation between Goodwin and Guevara at Punta del Este was a casual cocktail party conversation in which Goodwin restricted himself to listening. The posts were authorized to assure their host governments that there had been no change in U.S. policy toward Cuba, as recently defined by President Kennedy and Secretary Rusk in public statements. (Department of State, Central Files, 737.00/8-2361)↩

Historical Appendix B

Exhibit 22

OFFICE OF THE HISTORIAN

349. Paper Prepared by the Bureau of Inter-American Affairs of the Department of State[0]

Washington, June 20, 1963.

FUTURE RELATIONS WITH CASTRO

I. *Background*

The cardinal point of Castro's foreign policy until the missile crisis was to bind Cuba tightly to the USSR as a means of ensuring *the regime's survival in the shadow of United States power—based on the proposition, as Cuba goes so goes world* communism. Soviet refusal to rUN the quarantine and its acquiescence in withdrawing the missiles shook the foundation of Cuban foreign policy.

Since the missile crisis, Castro has indicated, sometimes vaguely, sometimes rather clearly, through various channels, public as well as private, that he is interested in an accommodation with the United States. His immediate disillusion over the Soviet missile crisis posture probably prompted him to grope for a policy which would diminish his depend-ence upon the Soviet Union, lessen his ties with the communist world and enable him to establish counter-balancing relations elsewhere. In casting about for some sort of new alignment, he may possibly have envisioned Cuba's emergence as a neutralist state. [Page 839] (Given Castro's temperament and ambition, any such neutralization would have to be dynamic and proselytizing rather than passive.) Although it is of course impossible to be certain, it would seem that Castro, at least in his early post-missile crisis flirtings with accommodation, was acting essentially in his own interest and may have been prepared to move further from the Bloc than the USSR, despite its general urging that Castro seek ways to reduce tensions, would have liked.

Castro's Moscow visit re-cemented Cuban-Soviet relations, at least for some time. In his TV broadcast upon his return to Cuba, Castro left no doubt that he accepted Khrushchev's leadership of a communist world that included Cuba, and he specifically and flatly rejected the possibility that he might stray. Whatever possibility may have existed immediately after the missile crisis that Castro might in fact adopt an independent and more neutralist policy has probably vanished under present circumstances. Viewed in this context, Castro's latest gesture toward "normalcy" in United States-Cuban relations appears clearly to constitute a concerted Soviet-Cuban initiative, encouraged by the Soviets and fully consistent with the policy of "peaceful co-existence."

Castro's comments have not made clear what he envisages as the terms of such an action. Castro has indicated a willingness to negotiate concessions for expropriated properties, though his opening position is a rather onerous one, involving the use of Cuban receipts from the sale of sugar to the United States in excess of 3 million tons at 5.56#. He has implied that his subversive activities in Latin America would be no problem, but largely by denying that he is currently engaged in anything of the sort. He has made clear that nothing can change the fact that his regime is Communist and must continue to have the closest of political ties to the Soviet Union.

There have been indications from Soviet sources that Soviet military presence in Cuba could be removed if that is an obstacle.

The general tone of Castro's discussion of this subject in his TV broadcast on his return from Moscow is that we need a settlement more than he does and therefore we should offer the concessions. In this connection he again mentions the abandonment of Guantanamo as one of the conditions he would affix to a reconciliation.

II. Motivation

It seems likely that the motives both for Castro and the Soviets in seeking some kind of an accommodation are both economic and political. Castro's economy is not doing well, and he needs trade with the United States both as a market for sugar and source of supply for spare parts and equipment generally. He may even hope to get some United States technical [Page 840] aid to supplement that from the bloc with which he seems to have considerable dissatisfaction.

The Soviets probably wish to get some relaxation of the burden they are now carrying to keep the economy going at all. It would certainly cost them nothing not to have to buy Cuban sugar whatever the price.

It may be also that Castro retains some interest in such an accommodation in order to have more maneuverability vis-a-vis the Soviets. From a long-term standpoint as well as in the incidents at the time of the missile crisis, an independent egoist such as Castro must find his dependence on the Soviets galling.

From a longer-term standpoint Castro and the Soviets may also feel that there will be a better opportunity to make Cuba more nearly a showcase of communism in the hemisphere rather than a glaring example of economic failure, if an accommodation with the United States is possible. Not only would economic benefits accrue but the respectability and prestige that Castro would derive from successful accommodation, which would be played as "victory over the United States," would significantly advance both the Soviets and Castro toward their long range goals in the hemisphere. Support for the regime from within Cuba might well become wider and more active with an effect on economic prosperity as well as political attitudes.

III. Concessions

For any negotiation to have a prospect of success, we should probably have to agree to the following:

1. Stop overflights.
2. Stop giving support to Cubans who are attempting to overthrow the regime.
3. Pass legislation restoring a sugar quota to Cuba.
4. Take legislative action, and executive action in consultation with Congress, permitting trade with Cuba on at least as extensive a basis as the Soviet bloc.
5. Possibly seek to remove the strictures against Cuba and her activities in the hemisphere adopted in the Inter-American System and perhaps accept Cuba back into the OAS and its subordinate bodies.
6. Agree to continuation of political, economic and some international ties with the USSR.

In return it may be presumed that Cuba might agree to the following:

1. Send back Soviet personnel except for training missions in connection with Soviet military assistance programs of a type similar to those which accompany United States military assistance programs.
2. Halt Cuban assistance to subversion in Latin America.
3. Agree that Cuban armed forces will not be used outside of Cuba except in accordance with decisions of the Inter-American System.
4. Agree that the Soviets will not be permitted to use Cuba as a base for armed action.
5. Negotiate an agreement for some compensation for seized properties, presumably tied to the level of export earnings from sales of sugar to the United States.

IV. Conclusion

This is not an acceptable arrangement for the following reasons:

1. It would be an agreement with Castro and in no general sense with the regime as a whole or the people as a whole. It would fall with his fall. Even with his continuation, his word has too frequently been demonstrated as worthless to give us much long-term assurance of quiet in the Caribbean.
2. Without the political break with Moscow a precedent would be established for other communist regimes in the hemisphere and the whole effort to keep them out of this area and to establish its special status would fall to the ground. It could mean the death of the Inter-American System.
3. Since subversive activities in Latin America are to a very considerable extent covert anyway, there would be no effective means of ensuring that Castro had kept his word. Moreover, it would be all too simple for activities which he has been conducting to be shifted in large part to other bloc countries, who are already extensively engaged.
4. Approval of a communist regime would be a great encouragement to native communists in Latin America and would increase their power.
5. With the threat perhaps increased or at least substantially unchanged, there would inevitably be a major relaxation of anti-communist effort on the part of the Latin American countries since there has been so much focus on the threat of Cuba. The prospect of communist take-over would thus be enhanced.
6. It is exceedingly difficult to envisage this as a two stage operation with the second stage the elimination of communism or Castro. Any such compromise would enormously strengthen him with the Cuban people and make the regime less dependent on him personally than it has been. A communist regime in Cuba would be even more securely entrenched than it is now.
7. An essential component of the economic aspects is legislative action by the United States Congress. This must take place *before Castro limits in any way his present dependence and close relations with the Soviet bloc. He cannot afford* economically the possible gap. It is probably not feasible at any time, but particularly under these circumstances, to secure Congressional assent to the economic measures while Castro maintains his full present relationship with the [Page 842] bloc. The sugar legislation will be made particularly difficult by the need to deprive other friendly countries of sugar quotas and to assign a sugar quota before adequate assurances have been secured with respect to compensation for United States sugar property owners.
8. Any such settlement will cause serious problems of order within the United States so far as a couple hundred thousand Cuban exiles are concerned. They, and all parties of the right in Latin America, in many cases supported by Cuban exile groups, will denounce the United States for surrendering to communist pressure. Our posture in Latin America would be seriously prejudiced in important circles heretofore friendly to us.
9. The United States attitude toward communism and expropriation which such an accommodation would reflect and the *encouragement to subversion in Latin America from this acceptance of a communist regime will completely dry* up investment there as well as encourage capital flight. The success of the Alliance for Progress will become clearly impossible.

0. Source: Department of State, ARA/CCA Files: Lot 66 D 501, Cuba—1963. Top Secret. According to a covering memorandum, Assistant Secretary Martin sent this paper to U. Alexis Johnson on June 20.↩