

*Belgium Arms
Shipment to Cuba*

86

American Embassy,
Habana, Cuba,
August 4, 1959.

~~CONFIDENTIAL~~

Dear Dick:

I am sure that Embassy Brussels telegram No. 106 has been brought to your attention. This indicates quite clearly that, in spite of our various efforts to prevent military hardware from reaching the Caribbean under present circumstances, Cuba has obtained from the National Arms factory in Belgium, a NATO member, 25,000 or 26,000 automatic or semi-automatic rifles for delivery this year.

I would be grateful for any guidance as to our future policy in this matter. These weapons obviously multiply considerably the capacity for mischief of our Cuban friends.

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

~~CONFIDENTIAL~~

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DECLASSIFIED
E.O. 13292, Sec. 3.4
By *g/jc* NARA, Date *3-16-09*

TELEGRAM

AMERICAN EMBASSY
INCOMING

Foreign Service of the
United States of America

Auth

1959 JUL 30 PM 12:53 ~~CONFIDENTIAL~~
Classification

Control:

July 30, 1959

Recd:

Dictation

86a

FROM: BRUSSELS

NO : 7 July 29, 4 p.m.

SENT: DEPARTMENT 106

INFO: CIUDAD TRUJILLO 6 HABANA 7 LONDON 22 PARIS TOPOL 11

EMBTEL 82.

FOHOFF TODAY gave us following information from Fabrique Nationale on deliveries arms to Cuba:

1. One thousand rifles and one million cartridges shipped aboard EDERSTAL March 28.

2. One million cartridge shipped ALGOL April 30.

3. Eight thousand rifles, one million cartridges shipped BARBARA BROVIG June 28.

4. Two thousand rifles, two million cartridges on ALGOL July 13.

Regarding future deliveries, names ships and departure dates not yet known but expect ship five thousand rifles and fifteen million cartridges during August; five thousand rifles, ten million cartridges during September; five thousand rifles, ten million cartridges in October or November; and final five million cartridges during December. This accounts for 26 thousand rifles and 45 million cartridges (rather than 52 million previously reported). Delivery dates grenades unknown but will not commence before September.

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Classification

FOLGER
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E.O. 13292, Sec. 3.4

By *mg/jc* NARA, Date *3-16-09*

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

SEP. 1 1959

*Belgium Arms
Sale to Cuba*

AUG 31 1959

86b

OFFICIAL-INFORMAL
CONFIDENTIAL

Dear Phil:

In Dick's absence I am taking the liberty of replying to your letter of August 4 about the sale to Cuba of a large number of rifles by the National Arms Factory in Belgium.

We, too, were very disturbed when we heard about the transaction and the details of it as they unfolded came to be regarded as a major hole in our up-to-then quite successful efforts to restrict the shipment of military equipment to the troubled Caribbean. The fact of the matter is that the Belgians have not been particularly cooperative and Ed Little brought this transaction to the attention of a Belgian Embassy officer at about the time you wrote to Dick; a memorandum of that conversation is attached. In addition, we have jogged our Embassy at Brussels to take up the question in Brussels, as you will have seen from our telegram of August 21, repeated to Habana as No. 255.

While the Belgian sale is a step backward and a large one, we had, in fact, never thought that our efforts to restrict the shipment of this type of material to countries of the area would be entirely successful or could be considered more than a holding operation. We still are thinking about whether we can make any relaxation in our practice without harming our basic position, but right now we see little likelihood of making any significant change in our approach to this question.

Sincerely yours,

William P. Snow

Enclosure:
Memo of
Conversation.

The Honorable
Philip W. Bonsal,
Ambassador of the
United States of America,
The American Embassy,
Habana.

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *g/jk* NARA, Date 3-16-09

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Tariff Negotiations
between Cuba & U.S.

DECLASSIFIED
E.O. 13292, 25X-114
By 91/c, NARA, TRG-34609

American Embassy,
Habana, Cuba,
July 22, 1933.

OFFICIAL-INTERNAL

CONFIDENTIAL

Dear Dick:

I am concerned at the prospects of tariff negotiations between Cuba and the United States. Full background is, of course, available to you. The Cubans are determined to raise their tariffs in such a way as to promote industrialization and agricultural diversification and to withdraw many of the preferences which the United States has traditionally enjoyed in this market. Extravagant accusations are often launched against us in the sense that the present reciprocal arrangement which dates back to 1902 forces Cuba into an extreme dependence on a stagnant or diminishing sugar market and promotes a highly adverse balance of trade with the United States. There is much that is fallacious and unsound in the argumentation used. On the other hand, it seems to me that a sharply increased protectionism here is inevitable, and that the reciprocal principle in our relations with Cuba will become inoperative because of an absence of compensatory concessions or of possible compensatory tariff increase on our side.

We must, of course, try to keep Cuban protectionism within reasonable bounds. On the other hand, I doubt whether we can take too rigid an attitude or deny absolutely the aspirations of the Cubans, as an underdeveloped country, to use their tariff as a means of accelerating the application in their country of industrial and agricultural techniques which were unknown when the present framework of trade relations between the United States and Cuba was devised.

I am

The Honorable
Roy R. Habetton, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

FEDERAL BUREAU OF INVESTIGATION

CONFIDENTIAL

~~CONFIDENTIAL~~

-1-

I am puzzled as to how to develop a sound attitude. Perhaps we could encounter a formula for a ceiling on Cuban duties. In the case of the electric light bulb plant which General Electric is going to put in, I am told that the Cuban public will have to pay at least 20 per cent more for the locally manufactured bulb than for the imported bulb. The necessary protection for the national factory will be achieved through a prohibitive duty. Could we work toward a formula involving a relationship between the present price of the imported article and a maximum price to be established through the tariff to be applied? A maximum percentage of increase might be established on a basis of a series of practical findings including added local jobs created.

On the other hand, we have always relied quite heavily on American exporters to Cuba for support of the Cuban share of the United States sugar market. If these people are too badly hurt by the new tariffs, we will obviously lose that support.

My question is whether it would be possible, looking at this matter from a realistic point of view and granting in part the validity of the Cuban claim that there has been a change in basic conditions which should be recognized in our tariff arrangements, to work out some sort of a general proposal which we could discuss with the Cubans and within which we could suggest that they limit their own demands on us. I know that this is very much tied up with GATT matters and with our tariff relations with other underdeveloped countries. I am hopeful that if we can get away from the purely technical aspects of reciprocity, we might be able to prepare a new framework which would show an awareness of the political and economic aspects of this problem in Cuba.

Sincerely yours,

Philip W. Bonsai

cc; Mr. Stevenson, ARA/CMA

~~CONFIDENTIAL~~



DEPARTMENT OF STATE
WASHINGTON

*Auth 15 copy -
Please return to V.K.*

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

July 31, 1959

AUG 5 1959

8bd

~~OFFICIAL-INFORMAL~~
~~CONFIDENTIAL~~

Dear Phil:

I was very much interested in your letter of July 22, 1959 setting forth some of your ideas about the forthcoming tariff renegotiations with Cuba. We too are concerned about these renegotiations.

Here in the Department it is realized that the Cuban Government will insist on coming out with considerably increased protectionism and that as a result there is likely to be a difference of opinion in the interdepartmental Trade Agreements Committee and the high-level interdepartmental Trade Policy Committee regarding whether the United States Government should insist on the reciprocal principle in our trade relations with Cuba and withdraw a considerable part of the concessions the United States has granted that country. In fact, the matter may have to be taken to the White House, as was done in the case of renegotiations with Brazil when the Department of State did not agree with the views of the other agencies on these Committees that the principle of reciprocity should be strictly adhered to.

As you mention, everything possible should be done to try to keep Cuban protectionism within reasonable bounds. I noticed especially what you said about the report that the price of electric light bulbs will go up after a plant to manufacture this product comes into production in Cuba. If the Cubans can be convinced that high tariffs almost always mean high prices to the consumer, perhaps they will be more moderate in their proposed increases. I understand that Fidel Castro is worried about the possibility of inflation. Recently the Department arranged, at the request of the Cuban Embassy, for appointments for Dr. Oscar Echevarria, Cuban Director General of Products Supply (Abastecimiento), of the Cuban Ministry of Commerce, with persons in the Office of Defense Mobilization who had experience with price control during World War II and who are developing stabilization measures that would be required in the event of another

WAR

The Honorable
Philip W. Bonsal,
Ambassador of the
United States of America,
The American Embassy,
Habana.

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E.O. 13292, Sec. 3.4
By *gjk* NARA, Date *3-16-09*

~~CONFIDENTIAL~~

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CONFIDENTIAL

- 2 -

war, as well as with persons in the Bureau of Labor Statistics who have to do with such things as making surveys of prices and cost of living. This would seem to indicate that the Cuban Government is very much interested in keeping down prices, but we are afraid that government administered price control in Cuba would create more problems than it would solve.

Perhaps you might be able to find some opportunity in your friendly discussions with Cuban officials on the subject of the tariff renegotiations to stress the fact that high tariffs nearly always penalize the consumer.

As to your suggestion that a formula might be found involving a relationship between the present price of the imported article and a maximum price resulting from the tariff, this is apparently what the Cubans have in mind. We understand that they propose to change all their specific rates of duty to ad valorem rates. Since the duty would then be assessed on the value of the imported product, the resulting price to the importer would be the value plus the duty and other charges. Such a price would not be an established one but would ordinarily fluctuate with the cost of living. The big problem involved would be to persuade the Cubans to aim at relatively moderate prices.

If you have any other ideas from time to time about these tariff negotiations, we would be very glad to receive them. We will also look forward to hearing whether or not you are able to make any progress in convincing the Cuban officials that they should keep their tariff increases from being extreme.

With warmest regards,

Sincerely yours,

R. R. Rubottom, Jr.

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ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D.C.



OFFICIAL-INFORMAL
~~CONFIDENTIAL~~

AIR MAIL

*Observer at Cuban Forum
on Agrarian Reform. From H. H. H. Am. Braddock*

DEPARTMENT OF STATE

WASHINGTON
June 30, 1959

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

JUL 2 1959

*per see 86e
PWB
FJW*

Dear Mr. Ambassador:

I am enclosing a copy of a memorandum of conversation dated June 26 between Mr. Rubottom and Dr. Cecilio Morales of the OAS which Mr. Rubottom asked that I send to you under cover of a letter.

He believes that distribution of this memorandum should be kept to a minimum.

Sincerely yours,

Robert A. Stevenson

Robert A. Stevenson

Enclosure:

As stated.

The Honorable
Philip W. Bonsal,
Ambassador of the United States
of America,
American Embassy,
Habana, Cuba.

~~CONFIDENTIAL~~

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E.O. 13292, Sec. 3.4
By *g/jc* NARA, Date *3-16-09*

PRESERVATION COPY

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: June 26, 1959

SUBJECT: OAS Observer at Cuban Forum on Agrarian Reform

PARTICIPANTS: Dr. Cecilio Morales, Chief of the Department of Economic and Social Affairs, OAS
 ARA - R. B. Rubottom, Jr., Assistant Secretary
 Ambassador Randall, U.S. Representative to IA/ECOSOC
 CMA - R. B. Owen, Cuban Desk

COPIES TO: American Embassy, HABANA (cc)
 ARA (cc)
 CMA/C (cc)

~~BY: [unclear], [unclear], [unclear]~~

DECLASSIFIED
 E.O. 12356, Sec. 3.4
 NEJ 94-238
 By [signature], NARA, Date 1-30-95

Dr. Morales stated that he has received an invitation to attend the Primer Forum Nacional Sobre Reforma Agraria to be held in Habana from June 28 to July 12. He had been undecided as to whether it would be proper or not for him to attend, but upon learning that he would be merely going as an observer and would not be expected to participate, he had decided that it would be best if he were to attend. However, he only plans to stay for the opening sessions and then will return to Washington leaving a deputy to attend the remainder of the sessions.

He is rather concerned because of the political problem which agrarian reform may present for the OAS and he does not feel that it is appropriate for the OAS to become identified in any way with the agrarian reform. He mentioned the possibility that the OAS might be asked to render assistance through providing technicians or advisers and he felt that this was a risky proposition as information which he has received from Mr. Robicsek of the IAF is that an economic blow-up is coming in Cuba, and Morales believes that the Cubans will then be looking for a scapegoat. He thought it entirely possible that if the OAS or the Pan American Union were identified with agrarian reform, they would be likely candidates for such a role. Mr. Rubottom agreed and rejoined jokingly that he could think of only one better candidate for a scapegoat—the United States.

Speaking as one member of the OAS, Mr. Rubottom said that we feel that the OAS observer should certainly avoid giving any appearance of taking sides either for or against agrarian reform and expressed the hope that Dr. Morales or his deputy would not be expected to travel around the country to witness the take-over of property or any other implementation of agrarian reform. Dr. Morales

~~CONFIDENTIAL~~
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said

said that he thought that their only role would be one of observation of the discussion sessions.

Dr. Morales stated that he is a close personal friend of the Argentine Ambassador in Bahama and thought that the opportunity might present itself for him to speak personally to Dr. Castro. He said that he would not be at all hesitant in expressing his opinion, as a private person of course, on the agrarian reform situation. Mr. Rubottom said that he thought that this might be helpful and we would be grateful to him for any useful influence which he might exert.

Mr. Rubottom continued that the United States had done everything it could to be sympathetic to the Cuban revolution, but that the Cubans had not asked us for any help. The United States is in substantial agreement with the political, social and economic objectives which the Cuban Government apparently wants to achieve, but we are fearful that such harsh measures as the agrarian reform will have a harmful effect particularly if they are implemented too rapidly. It now looks as if Castro wants to go ahead even faster than the Agrarian Reform Law stipulates and he cited the recent takeover of cattle ranches in Camaguey by the Cuban Government as an indication of this. Although this applies equally to Cuban and American cattle interests, nevertheless, we believe that an operation such as the King Ranch has in Camaguey deserves some special consideration. He told Dr. Morales that the King Ranch has been in Cuba since 1952 and has investments of about \$3 million. Last year was the first year which showed a profit and this was only \$892. In addition, the King Ranch people have brought a number of technical benefits to the Cuban cattle industry.

The conversation then passed to Dr. Morales' role in preparing a work priority program for the July 1 meeting of IA-ECOSOC. Ambassador Randall mentioned the difficulties which this poses as everyone seems to believe that his pet project should receive priority treatment, and Dr. Morales is sorely needed here at the present time to work out the program. Dr. Morales then mentioned that a Dr. Castañeda, who he characterized as an opponent of the OAS, is now head of the International Organizations office in the Mexican Foreign Ministry, and is taking an obstructionist position with respect to the recommendations that came out of the Buenos Aires conference.

He then gave Mr. Rubottom a memorandum dealing with his ideas about joint cooperation between OAS and ICA. Ambassador Randall said that such a proposal would have to be considered in conjunction with Mr. Atwood of ICA and it would, of course, pose a number of administrative problems. However, we would certainly give it every consideration. Mr. Rubottom joined Ambassador Randall in this expression and said that he would be most interested to read the proposal.

6/29/59

*Possible appearances by
Rosen on "meet the press"
type TV programs.*

86h

American Embassy,
Habana, Cuba,
August 7, 1959.

OFFICIAL-INFORMAL

CONFIDENTIAL

Dear Dick:

If this reaches you before your departure for Santiago, which I doubt, it brings all my warmest good wishes for a successful and effective conference. I would like your advice on the matter discussed below. There is no particular urgency but it would be helpful if I could have a reply by the end of this month.

From time to time I have been asked to appear on television programs of the "meet the press" type. Presumably, I would be on for about an hour answering questions from a panel of newspapermen. I could exercise some control over the composition of the panel and even over the questions asked, but that control would not be complete. In the case of both programs of this type which are conducted here, the so-called moderators are friends of ours.

It seems to me that a time might come when such an appearance by me would be possibly more advantageous than not. I have heretofore refused because of a belief that I would probably be obliged to say in public some things which I would rather not say in public, or by keeping silent give an entirely false impression of the United States position. Now, I think we may be approaching the moment when a definition of our position in public could be helpful.

I would like to know from you whether there is any policy which would prevent an Ambassador from appearing on this type of program. If there^{is} no such

policy

The Honorable

Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

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E.O. 13292, Sec. 3.4

By *rg/jc*, NARA, Date 3-16-09

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policy, could you have somebody sit down and jot down a few ideas as to points which I might make. I do not want a draft speech or anything of that kind but merely an indication of specific matters which you in the Department think can be usefully stated publicly by me here in Cuba.

I recognize that there are risks and pitfalls involved but I also think that we might get some considerable benefit if I could make certain points in a manner to which the Government could take no exception but which would counteract some of the poison which has been spread around here so abundantly in recent weeks.

Sincerely yours,

Philip W. Bonsal

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*Prensa Latina story re.
impact - Khrush/Eisenhower
visits*

861

American Embassy,
Habana, Cuba,
August 5, 1959.

OFFICIAL-INFORMAL

~~CONFIDENTIAL~~

Dear Dick:

I expect the attached has reached you from other sources. It is a Prensa Latina story with a Rio dateline, speculating on the impact of the Khrushchev-Eisenhower visits on our policy in Latin America. I would hope that we would find an opportunity to express ourselves vigorously and clearly on this subject, leaving no doubt in anyone's mind that while we are willing to go to considerable lengths to avoid war over Berlin and, above all, to give the Russians no excuse for miscalculation as to our position and determination, this does not mean that we would go along with a complete reversal of anti-Communist attitudes in the inter-American field. Certainly, Communist attacks on us, falsifications of our actions and motives, as well as tactics designed to promote anti-Americanism wherever possible, show no signs whatever of abating.

This Prensa Latina bunch is very bad news.

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

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E.O. 13292, Sec. 3.4
By *rg/jc*, NARA, Date 3-16-09

86j

DEPARTMENT OF STATE
WASHINGTON



EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

September 9, 1959

my file
[Signature]

OFFICIAL - INFORMAL
~~CONFIDENTIAL~~

SEP. 10 1959

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Dear Phil:

Somewhat belatedly I wish to thank you for your letter of August 5 enclosing the Prensa Latina story from Rio speculating on the impact which the Khrushchev-Eisenhower visits may have on United States policy in Latin America. The letter reached us on the eve of the meeting of Foreign Ministers at Santiago and its enclosed clipping was of very considerable interest and use to all of us and especially those charged with preparation of briefing papers for the use of our Delegation.

I note in your letter your expression of hope that our current relationship with the USSR, particularly in the light of the exchange of visits, may be vigorously and clearly explained so as to lay to rest any misconceptions which might otherwise be circulating in Latin America. Since receiving your letter the Department has gotten out its circular telegram 128 of August 12, which was intended to serve much the same purpose as you have in mind. While perhaps not the high-level, forthright public statement which you seemed to contemplate, it was designed to equip all of our Embassies throughout Latin America with the necessary information and sense of perspective required to enable them on every appropriate occasion to respond to inquiries and situations pertaining to the subject. In addition, as you may already know, the Secretary himself made a very forthright and helpful presentation along these lines to the Foreign Ministers assembled in Santiago.

Thanks again for your letter and all best wishes to you in this complex and difficult moment facing your mission in Habana.

Sincerely yours,

[Handwritten signature: Dick]

R.R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

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E.O. 13292, Sec. 3.4
By *[initials]* NARA, Date 3-16-09

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*1. This is a memorandum of the
copy given to Mr. Noel
Fresquet and Mr. Braddock
returned [redacted] and destroyed by V. H.*

86 K

25X1A

American Embassy,
Habana, Cuba,
November 9, 1959.

EYES ONLY ~~CONFIDENTIAL~~

Dear Dick:

I am sending you, for your information, a memorandum covering a conversation which I had with Rufo Lopez Fresquet yesterday at my house. This should be given very limited circulation. I will show it to Braddock and Topping and will give a copy to [redacted] for his information and guidance.

25X1A

We are getting into a very critical phase here and indiscretions in the handling of sensitive information are apt to cost something more than a sensation in the press. I, therefore, leave to your judgment the circulation which will be given the enclosed in Washington.

Sincerely yours,

Philip W. Bonsal

Attachment:
As stated.

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk EYES ONLY - CONFIDENTIAL

SANITIZED
Authority NLJ 022.005.003/1
By jc NARA, Date 3-16-09

862

MEMORANDUM

Habana, Cuba,
November 9, 1959.

~~CONFIDENTIAL~~

EYES ONLY

Subject: Conversation with Mr. Rufo Lopez Fresquet,
Minister of Finance

Rufo Lopez Fresquet and his wife (an American) dropped in unexpectedly at the Residence at about 11 a. m. on Sunday, November 8. After thanking me for the courtesies he had received on his recent trip to Tampa and Bradenton on family business, the Minister made the following comments:

He said that he is increasingly impressed with Fidel Castro's tendency toward "paranoia". He said that Castro is in fact weak and easily influenced in spite of his extremely sensitiveness to criticism and his spectacular rages. According to Lopez Fresquet, Castro's temperament and tactics closely resemble those of Hitler. He referred particularly to Castro's attitude toward the United States and his attempt to develop hostility toward the United States in the Cuban people.

Lopez Fresquet expressed the view that he and other members of the Government who thought as he did were only being kept on sufferance and would be ruthlessly dismissed when they had served their purpose. He described himself as a technician rather than as a politician. He said that he was sure he was under close observation of the Government's intelligence services and that his movements and contacts were watched. He said, however, that he had already functioned successfully in the underground against Batista and that he thought he could handle himself under these present conditions. He described an incident the other day in which he arrived at the Palace in his own car, parked the car, walked through the Palace and took a taxi at the other entrance in order to evade observation.

Dr. Lopez Fresquet

CONFIDENTIAL

EYES ONLY

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Authority FRUS 1958-60, Vol. VI, pp 660-663

By SP, NARA, Date 8/24/93

~~CONFIDENTIAL~~

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Dr. Lopez Fresquet made the point that what he was telling me was to be considered highly confidential but that he wished it to be made available to the top people in the Department of State.

Lopez Fresquet stated that developments of recent weeks represented a definite triumph for the radical "Sierra" element in the Government (especially Raul Castro and Ché Guevara) over the more moderate "llano" element (represented by such people as Manuel Ray, the Minister of Public Works, Faustino Perez, the Minister of "Recuperación de Bienes Malversados", and Felipe Pazos. He described the ^{Cabinet} meeting held on Thursday, October 29 as an illustration of this victory (see Embassy telegram 998 of November 2, Limit Distribution).

At this meeting the following occurred:

(1) Raul Castro spoke for an hour and a half regarding his idea of how the Cuban economy should be organized. Lopez Fresquet described the thesis advanced as being one of "national socialism". He said that it could not exactly be traced to Communism, that it was rather a sort of Fascist approach with the state in control of basic industries and natural resources. Lopez Fresquet stated that Fidel Castro had told him later that he considered Raul's speech to have been magnificent. There was apparently no extended discussion at the meeting of this maiden effort by Raul Castro who has only recently become a member of the cabinet as Minister of the Armed Forces.

(2) Castro denounced Minister Faustino Perez for incompetence and inefficiency. Faustino Perez replied in a highly emotional speech, during which he cried profusely.

(3) Fidel Castro asked President Dorticós to describe a recent conversation with Felipe Pazos. Dorticós did so, claiming that Pazos had said that the influence of Communism was leading Cuba into holocaust. Fidel Castro raved and ranted over this. Armando Hart said that Pazos should be shot. Lopez Fresquet, after giving Minister of Economy Boti an opportunity to speak, which the latter did not take advantage of, endeavored to defend Pazos pointing out his valuable services to the revolution, the importance of retaining him in his present position and saying that if Pazos had

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CONFIDENTIAL

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any weakness, it was that he would sacrifice a good deal for a brilliant phrase. The meeting was suspended in order to enable Castro to keep an appointment with Juan J. Arevalo, the former President of Guatemala. There was some talk of having Pazos come to the meeting in order to defend himself but the idea was abandoned. So far as Lopez Fresquet knows, this issue has not yet come to a head. Pazos has been tipped off by Lopez Fresquet and others regarding developments.

Lopez Fresquet said it had been highly injudicious of Pazos to talk to President Dorticos as if the latter were a friend, such as Lopez Fresquet, with whom he could talk freely and confidentially. Lopez Fresquet expressed the view that Minister of Economy Boti is perhaps in the Raul Castro camp. He based this partly on Boti's failure to come to Pazos' defense at the cabinet meeting and partly on the alleged failure of Boti to push matters of interest to private investors. Lopez Fresquet said that he thought Minister of Commerce Cepero Bonilla was a sound man whose views were generally along the lines of those of Pazos and Lopez Fresquet.

Lopez Fresquet said that the way in which Fidel Castro had thrown himself heart and soul in the search for Camilo Cienfuegos and was neglecting practically all other business for this purpose reflected both his profound affection for Cienfuegos and a desire by feverish activity of this kind to avoid grappling with the political and personal problems confronting him. In speaking of Camilo Cienfuego's disappearance, Lopez Fresquet said that he had heard that shortly after Camilo's plane took off from Camaguey on the evening of October 28 a Sea Fury took off in pursuit. He added that according to certain peasant witnesses, there was an air battle between two planes near Cruces (this is over half way to Habana from Camaguey), and that a plane resembling Camilo's fell into the sea south of Cruces. He said that he knew that the crew of a Sea Fury from the Camaguey base was currently in jail. He said that perhaps this had been an attempt by friends of Huber Matos to avenge him.

Speaking of Huber Matos, Lopez Fresquet described a conversation which he had had with him in early September, at which time Huber Matos had stated his conviction that Raul Castro's ruthless drive for power would perhaps lead him to eliminate Fidel by assassination if necessary.

CONFIDENTIAL

EYES ONLY
CONFIDENTIAL

-4-

According to Lopez Fresquet, an important tip-off, in the power struggle now going on within the armed forces, will be the designation of the new Chief of the Army General Staff to replace Camilo Cienfuegos. If Ramiro Valdez gets it, that will be a complete triumph for Raul Castro and the extreme radicals. If, on the other hand, Calixto Garcia is designated, that will be a success for the more moderate elements. (Calixto Garcia is currently military Commander at Santiago; according to Lopez Fresquet, he is a close personal friend of Fidel and was a member of the Ortodoxo party.)

Lopez Fresquet said that he thought that our policy toward Cuba had been generally correct. He said we must do everything possible to make a favorable impression on Cuban public opinion. He had no objection to the presentation we made on October 27 to President Dorticos. He said that our willingness to assist in the search for Cienfuegos had been very well received. He added that we should take every possible initiative to indicate a friendly attitude toward the people of Cuba.

I stated that I had come to the reluctant conclusion that I was now accredited to an unfriendly Cuban Government. I pointed to the malevolent, cynical way in which the so-called "bombardment" over Habana had been handled. I referred to the pamphlet on the subject which has been put out under the auspices of the Ministry of State. Lopez Fresquet agreed with my position on this subject.

PWBonsal:vk

CONFIDENTIAL
EYES ONLY

Forwarded 11/22/59

86m

American Embassy,
Habana, Cuba,
November 21, 1959.

CONFIDENTIAL - EYES ONLY

Dear Dick:

With my letter of November 9, I sent you a memorandum describing a conversation which I had had the previous day with Rufo Lopez Fresquet. I have now learned that late on the night of November 18, Rufo expressed himself in similar terms in the presence of two American newspapermen. My source of information is one of these newspapermen.

The same source had a lengthy conversation on November 19 with Felipe Pazos. The latter spoke very much along the same lines as Rufo except that his language was somewhat more moderate. He said just about the same things, however, and gave the same account of the situation here. The only marked difference is that while Rufo describes Minister of Economy Boti as a "Communist", Felipe regards Boti as more or less "on our side."

My source does not plan to use these conversations directly in his reports on the Cuban situation. I did not tell him that Rufo had spoken to me along the lines which I have reported and I do not think that Rufo disclosed our conversation. The fact, however, that Pazos and Lopez Fresquet have spoken to Americans in this fashion will undoubtedly become known, probably sooner rather than later, and will precipitate a considerable crisis. (By the way, I do not yet have the low-down on the Cabinet meeting of November 19 and 20, but obviously the new law on revolutionary tribunals clears the way for extremely expeditious handling of cases involving what the Castro brothers may consider to be treason.)

Incidentally,

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

CONFIDENTIAL - EYES ONLY

DECLASSIFIED

Authority NLS.022.005.003/2
By JC, NARA, Date 3-16-05

CONFIDENTIAL-EYES ONLY

-2-

Incidentally, Pazos told my informant that he had thought as late as October 19 that the chances were at least ten to one in favor of a victory for the forces of moderation and economic sanity which he represents, but since then the situation had changed drastically and that he considers "all is lost" for the present.

In this dark picture, it is a pleasure to be able to report that the Communists are having a lot of trouble at the Labor Confederation Convention, and that it looks as though they are going to suffer a pretty serious defeat.

With warm regards,

Sincerely yours,

Philip W. Bonsal

PWBonsal:vk

CONFIDENTIAL - EYES ONLY

*Rebollox V. to list
copy of notes w/ Castro
Returned to Amb of Gov*

860

American Embassy,
Habana, Cuba,
June 19, 1959.

~~CONFIDENTIAL~~

Dear Dick:

In the course of my recent conversation with Dr. Castro, the question of your projected visit here came up. Dr. Castro recalled his talk with you in Buenos Aires and expressed the hope that you would be coming to Cuba one of these days. I would suggest that you give me some indication of your schedule over the next few weeks and that then I can make a recommendation as to the best time for a visit here. I would hope that you would bring Bill Wieland with you, as I know that Bill has been most anxious to get down here.

I hope that you are planning to take some time off this summer. Margaret and I want to do so also but we have not yet made any definite plans.

I believe that our exchange of notes with the Cuban Government has been, on the whole, a very good thing, and I do not see how else we could have coped with the situation. We are now ready to deal with individual cases affecting our interests as they come up. It is my hope that they will not come up too rapidly. I am hopeful that Boti will be able to play a really constructive role here, although there are far too many destructive or incompetent elements in key positions. Castro himself remains very strong politically in spite of what people try to make you believe to the contrary.

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *gjc* NARA, Date *3-16-09*

PRESERVATION COPY

*Senator Capehart is
Trip to Caribbean*

860

OCT 22 1959

OFFICIAL-INFORMAL
OFFICIAL USE ONLY

Dear Phil:

Pat Holt has informed me that Senator Capehart is planning on a trip the latter part of November which will take him to the Caribbean and northern South America. Although his itinerary is not yet firm the trip will presumably include Colombia, Jamaica, the Dominican Republic, Haiti and perhaps one or two of the Central American countries. The Senator is wondering whether he should spend a longer time in some other place or whether to add Cuba to the list. Pat asked my advice on Cuba. I said I would like to discuss it with others in ARA before giving him a definite answer.

The Senator would be accompanied by George Denny of his Staff, representatives of the DIF and the ExImBank, as well as a number of personal friends from Indiana who will travel with him but on their own. The Senator is interested in talking to American and local businessmen. His attitude would be that of passing no judgment on Castro but looking at the situation very closely.

I would appreciate receiving your views by phone any time before noon on Monday when I expect to leave for Alabama. If you can not reach me before my departure I suggest you phone Ed Vallon. I believe it will be unnecessary to mention any names in discussing the matter over the phone.

Sincerely yours,

R. R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
Ambassador of the United
States of America,
The American Embassy,
Habana.

OFFICIAL USE ONLY

80p

American Embassy,
Habana, Cuba,
October 26, 1959.

OFFICIAL-INFORMAL
OFFICIAL USE ONLY

Dear Dick:

I refer to your letter of October 22 and to our telephone conversation yesterday on the subject of a possible trip by Senator Capehart to Cuba. I note that the Senator would be accompanied by a member of his staff, by representatives of DLF and the Export-Import Bank, as well as by a number of personal friends from Indiana, and that he is mainly interested in talking to American and local businessmen.

By and large I would be in favor of a trip of this kind and I would enjoy meeting with the Senator. As I suggested to you, it might be a good scheme to inform Ambassador Dihigo of the Senator's plans and, thus, to give the Cuban Government a chance of inviting him to Cuba and giving him their point of view. We should avoid the impression that he is going to limit himself to only one sector of the community. I would very much like him to spend some time with Pazos, Lopez Fresquet, Boti and others.

What would be the chance of getting some other senator such as Mansfield or Fulbright to come down this way?

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

OFFICIAL USE ONLY

PWBonsal:yk

869

NOV 5 1960

OFFICIAL-INFORMAL
OFFICIAL USE ONLY

Dear Phil:

Events seem to have overtaken your letter of October 26 regarding the possible trip by Senator Capehart to Cuba. By this time you have undoubtedly received Ed Vallon's memorandum of conversation of October 28 with George Denny, Staff Assistant of the Senator, informing us that the Senator had decided not to include Cuba on his itinerary unless the situation had changed substantially. We informed him that under normal conditions the Department would favor the Senator's trip but that at the time, it appeared that the circumstances would not provide an appropriate atmosphere for his visit. Mr. Denny agreed with these views.

Although it may be difficult at this late date for the Senator to revise his itinerary, we would, if you feel it worthwhile, request that he include Cuba at the end of his tour.

Meanwhile, we have been informed that Senator Frank Carlson of the Senate Foreign Relations Committee plans to visit Cuba on November 18 to 22. Further details will shortly reach you. The Senator has indicated he would like to speak to Fidel Castro and has asked our opinion on this. Please let me have your views on the subject.

Sincerely yours,

R. R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

OFFICIAL USE ONLY

*Export of 5 B-26's to
Oscar Squella,
Chile*

Sincerely

8br

American Embassy,
Habana, Cuba,
November 9, 1959.

OFFICIAL-INFORMAL

CONFIDENTIAL

B

Dear Dick:

I am puzzled with regard to the facts surrounding the export from the United States of five b-26's which were supposed to be sent to one Oscar Squella in Chile. It would be helpful if I could be informed of what has developed, since it appears that these planes have not reached Chile (Santiago telegram 258).

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *raj/c* NARA, Date *3-16-09*

PRESERVATION COPY

*Possible Replacement of
Gene Gilmore
as head of USOM*

86t

American Embassy,
Habana, Cuba,
October 19, 1959.

LIMITED OFFICIAL USE

Dear Dick:

When I was in Washington last month, William FitzGerald, Rollie Atwood, and Saccio of ICA spoke to me about their interest in having Gene Gilmore relieved as head of USOM and replacing him with a full-time ICA Director. Gene is currently Economic Counselor. It was stressed that this was a matter of organization and that there was no intent to criticize Gene's performance. I am frankly not particularly anxious to make a change at this time. On the other hand, I would like to be able to relieve Gene of some of his USOM responsibilities in order that he can concentrate more on his job as Economic Counselor and can give more time to Agrarian Reform problems. This latter aspect is particularly important as I anticipate that the Department will not be able to find an officer to serve as a special assistant on Agrarian Reform matters that I have requested.

I expect that Rollie will be spending a few days here early in November and that he will be discussing this matter with me again. Have you any particular views which you would like us to take into account?

If I were to agree with Rollie, I would like to insist that Gene's replacement be Jack Nepple, currently his Deputy and an officer in whom Gene and I have considerable confidence. He knows the picture very well having been

here

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

-2-

here nearly four years. This latter fact, however, may make it difficult for him to stay on.

Sincerely yours,

Philip W. Bonsal

PWBonsal:vk

LIMITED OFFICIAL USE

804

American Embassy,
Habana, Cuba,
October 19, 1959.

LIMITED OFFICIAL USE

Dear Dick:

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here

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

LIMITED OFFICIAL USE

RUBOTTOM, R. R.

LIMITED OFFICIAL USE

-2-

here nearly four years. This latter fact, however, may make it difficult for him to stay on.

Sincerely yours,

Philip W. Bonsal

PWBonsal:vk LIMITED OFFICIAL USE



DEPARTMENT OF STATE
WASHINGTON

86v

October 28, 1959

OFFICIAL-INFORMAL
LIMITED OFFICIAL USE

Dear Phil:

I appreciate the concern expressed in your letter of October 19, 1959 about the ability of Gene Gilmore to continue as Director of USOM and at the same time discharge effectively his responsibilities as Economic Counselor, especially in view of the need to pay more attention to Agrarian Reform matters. But I am firmly opposed to any organizational change re-establishing USOM under its own Director.

I am convinced that the conducting by our government of an effective economic program can be achieved only by the continued integration of these two jobs under the Embassy's Economic Counselor. I believe your feelings on this subject are similar to my own.

To resolve your immediate problem, I suggest Gilmore divest himself of the day to day operational aspects of the USOM, leaving those to Jack Nepple. Gene should confine his efforts to such guidance as is necessary to assure a well balanced, coordinated program within the framework of United States economic policies and objectives.

The Department is assigning George O. Gray, FSO-3, to the Agrarian Reform job for arrival in late December or early January on direct transfer from Rome. Gray is a graduate lawyer and has had considerable experience in the Department as an adviser on legal matters. His latest job of this kind was in 1955 in the Office of Legislative Management. For the past few years he has been Executive Assistant to the DCM at Rome. In addition, for several months he served as Acting Supervisory Consul General. He has a good record and his legal background should prove

especially

The Honorable
Philip W. Bonsal,
American Ambassador,
American Embassy,
Habana.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

- 2 -

especially useful in analyzing the legal aspects of the land reform job. His Spanish is rated at the S-2 and R-2 level. He has a fluent knowledge of French and Italian.

With all best wishes,

Sincerely yours,

R. R. Rubottom, Jr.

LIMITED OFFICIAL USE



DEPARTMENT OF STATE
WASHINGTON

Personal
To Mr. Gilmore 86W
Gene - to discuss
with me
PW3
11/2

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

October 28, 1959

OFFICIAL-INFORMAL
LIMITED OFFICIAL USE

NOV 2 1959

Dear Phil:

I appreciate the concern expressed in your letter of October 19, 1959 about the ability of Gene Gilmore to continue as Director of USOM and at the same time discharge effectively his responsibilities as Economic Counselor, especially in view of the need to pay more attention to Agrarian Reform matters. But I am firmly opposed to any organizational change re-establishing USOM under its own Director.

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especially

The Honorable
Philip W. Bonsal,
American Ambassador,
American Embassy,
Habana.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

- 2 -

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With all best wishes,

Sincerely yours,



R. R. Rabottom, Jr.

LIMITED OFFICIAL USE

86X

American Embassy,
Habana, Cuba,
November 4, 1959.

LIMITED OFFICIAL USE

Dear Dick:

Thank you for your letter of October 23. Rollie Atwood has canceled his trip here; so the question raised in my letter of the 19th and your reply of the 23rd is academic for the moment. I agree with you strongly that we should not make a change here at the present time and that Gene Gilmore should continue as head of USOM under the circumstances.

Generally speaking, I agree fully with the integration of economic activities when the ICA program includes economic assistance and has responsibility for stabilization activities as, for instance, in Bolivia and in Spain. When only technical assistance is involved, I think a case can be made for a separate ICA activity not drawn into the daily economic relations and negotiations between the two governments.

Gene Gilmore is already following your suggestion of divesting himself to the extent possible of the operational aspects of USOM.

I am, of course, pleased to learn of the assignment of Mr. George O. Gray to fill the Agrarian Reform job here. He will have plenty to do. I am disappointed that he has no agricultural background and that his knowledge of Spanish is not yet useful. However, if he has the right type of personality and is anxious to work hard at his Spanish, his legal background should be invaluable to us. As you have undoubtedly

gathered

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

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LIMITED OFFICIAL USE

-2-

gathered from our reporting, the head of steam by Agrarian Reform is going up and our hopes for a more gradual, more reasonable approach are much dimmer than they were three months ago.

With cordial regards,

Sincerely yours,

Philip W. Bonsal

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PWBonsal:vk

APRA Falucci

864

American Embassy,
Habana, Cuba,
September 10, 1959.

OFFICIAL-INFORMAL

CONFIDENTIAL

Dear Dick:

I have before me a memorandum of a conversation held in Lima on August 21 between Sr. Arturo Jauregui and Second Secretary Robert Sayre on the subject of "APRA Policies". The following sentences seem to me to be of interest:

"I discussed with him APRA policy on Cuba. I said that I had noted over the last two years that APRA had been carefully trying to build respect for the Party and to demonstrate to the military that APRA could be trusted with running the Government. I said I thought all of that had been lost by the continued support of Fidel Castro. I said in all of our discussions with Peruvian military and civilian officials we had not run across one single official who favored the Castro Government. The military disliked it more than any of the rest because of Castro's policy of executing military personnel. He agreed and noted specifically the feeling of the Foreign Minister (Raul Porras) on the subject. He said that there was considerable internal struggle within the Party on this subject with persons like Lopez Aliaga believing that the Party should be even more vigorous in its support of Castro. I noted that it was the Party's business what policy it followed, but as a friend of many persons in the Party I could not help wondering whether APRA was trying to achieve power in Peru or claim success for helping Castro in Cuba."

I am not giving you the full quotation since I assume a copy of the memorandum is available to you. May I

point

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

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E.O. 13292, Sec. 3.4
By *ra/jk* NARA, Date 3-16-09

~~CONFIDENTIAL~~

-2-

point out that I do not think that we should endeavor to influence people like Jauregui against the Castro Government. This man Jauregui I assume is a labor man and also a member of APRA. Castro and his friends tend to believe that we are actively engaged in trying to run them down with other countries in the hemisphere. I have tried, with the Department's approval, to point out that our policy toward the Castro Government, somewhat in contrast with the Castro Government policy toward us, has been thoroughly straightforward and loyal to the principles which should prevail in relations between friendly governments. I assume that it is not the Department's desire to endeavor to influence APRA with regard to the Cuban revolution. I believe that this sort of conversation, in the circumstances which we face here, has great possibilities for harm.

Sincerely yours,

Philip W. Bonsal

~~CONFIDENTIAL~~

PWBonsal:vk

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Expropriation of American Property -

86Z

American Embassy,
Habana, Cuba,
August 26, 1959

OFFICIAL-INFORMAL

~~CONFIDENTIAL~~

Dear Bob:

Thank you for your letter of August 24. I am, of course, most interested in the interest of National Bank officials (Pazos and Guerra) in trying to solve the problem of American owners of agricultural property here affected by the Reforma Agraria. I believe that I reported on this matter in a letter to you or to Bill Wieland, or possibly even to Dick Rubottom, over a month ago. If anyone can help these particular people are in a good position to do so.

I am delighted that Joaquin Meyer is feeling the way he is. I had a long talk this morning with Dr. Luis Baralt, Jr. and tried to share with him some of our worries. He believes, nevertheless, that what he understands to be the "wait and see" policy which we are adopting toward Cuba is not enough and that we should strive to say some friendly and encouraging things about the Castro Government and the revolution. I tried to review for him the various factors involved from our point of view. I strongly believe in the soundness of the advice to be patient and understanding we receive from all quarters but don't see how this can be interpreted into a sort of open season on all American interests in Cuba.

Thank you very much indeed for the material on Nicaro. I hope that the GSA people will be down here without too much delay. We will be very glad to help them.

I think it would be an excellent idea for me to come to Washington for consultation. I hope that I can have a good talk with Roa and Castro before I come.

I have

Robert A. Stevenson, Esquire,
Bureau of Inter-American Affairs, CMA,
Department of State,
Washington, D. C.

~~CONFIDENTIAL~~

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E.O. 13292, Sec. 3.4
By *rg/jc* NARA, Date *3-16-09*

Field assessment
of Country Situation

86bb

~~CONFIDENTIAL~~

August 4, 1959

Dear Phil:

I am writing to you and to each of our Ambassadors in the other American Republics to underscore the importance of sending in to the Department from time to time in a single telegram or despatch their own overall assessment of the situation in the countries to which they are accredited, together with their recommendations with respect to the action which the United States should take.

Most of our posts are doing a good job of reporting and assessing individual political, economic and other developments as they occur and the quality of this work generally is to be commended. However, this kind of report cannot substitute for a single wrap-up document having the personal endorsement of the Ambassador which, together with any comments from the Bureau, can be brought to the attention of the top-ranking officers in the Department and elsewhere in the Government.

The need for such overall assessments from the field has been rather vividly brought to our attention on several occasions lately when other agencies with responsibilities in foreign affairs have presented timely overall evaluations from their field representatives to the ranking officials in Washington at times when we have not had on hand in a single document the assessments and recommendations of our Chiefs of Mission. We are also constantly reminded that in this age of increasing interest and contacts with Latin America, prominent

private

The Honorable
Philip Bonsal,
American Ambassador,
Havana

SANITIZED
E.O. 12958, Sec. 3.6
NLJ 09-157
By isl, NARA, Date 10-8-09

~~CONFIDENTIAL~~

private citizens also find opportunities to put their views and recommendations before the top officials here. It is, accordingly, important that the senior reporting officers in our Embassies be constantly aware that, in the circumstances prevailing here, we need overall evaluation and recommendations not only as a basis for action but to support our case with the ranking officials of the Administration.

In this connection, I would also like to stress the importance of current reporting and evaluation of Communist activities in the area. Recently, despatches of high quality have come in from several Embassies assembling the available information on Communist and Communist Bloc activities and evaluating the Communist problem in the context of the general political and economic situation prevailing in those countries.

33
(b)(1)

In general, however, I do not think we are giving the coverage and analysis that we should to Communism in the area. It has always been my view that our Embassies should assume primary responsibility for reporting on all overt Communist activities and particularly for field collation and evaluation of Communism in the context of the overall situation. [redacted] other agencies, of course, do an invaluable job in gathering information about Communism, particularly in the [redacted] but I am particularly anxious that we not let their good work detract from our primary responsibilities for reporting and analysing Communism and adjusting our programs as necessary.

I would be grateful if you would give these matters your personal attention in order that all officers are alert to these needs.

Sincerely yours,

R. R. Rubottom, Jr.

~~CONFIDENTIAL~~

Foreign Ministers Meeting in Santiago

87a

July 25, 1959

~~CONFIDENTIAL~~

Dear Phil:

In reply to your letter of July 21 regarding the Foreign Ministers Meeting in Santiago, I want you to know that nothing would be more pleasing or useful to me than to have you there to help the Secretary and the rest of us on the Delegation to achieve our objectives which are so directly related to Cuba. However, it seems to me that it is precisely because of Cuba's role in Caribbean developments of the past few months, and the attention which will inevitably be focused on that role, that your presence at Santiago might make your job in the future more difficult. In view of this, I hope you will understand if we do not recommend your inclusion in the Delegation. I think it will be a rather small one.

With best wishes to you and Margaret,

Sincerely yours,

R.R. Rubottom, Jr.

The Honorable *13*
Philip W. Bonsal,
American Embassy,
Habana.

~~CONFIDENTIAL~~

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E.O. 13292, Sec. 3.4
By *g/jc* NARA, Date *3-16-09*

PRESERVATION COPY

87b

American Embassy,
Habana, Cuba,
July 21, 1959.

~~CONFIDENTIAL~~

Dear Dick:

It has occurred to me that it might be useful for me to be present at the forthcoming Santiago meeting in order to assist the Secretary and you in the interpretation of Cuban matters. I know that there are factors with which I am not familiar but I pass the thought on to you for what it may be worth.

With warm regards,

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

~~CONFIDENTIAL~~

PWBonsal:vk

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E.O. 13292, Sec. 3.4
By 19/k NARA, Date 3-16-09

PRESERVATION COPY

*Establishment of
Consular Agency
in Isle of Pines*

87c

American Embassy,
Habana, Cuba,
April 25, 1959.

OFFICIAL-INFORMAL

UNCLASSIFIED

Dear Dick:

In reply to your letter of March 18, I have gone into the problem of establishing a Consular Agency in the Isle of Pines. There does not seem to be at this time any strong sentiment on the part of anyone in the Embassy or the Consulate for making this move. I will, however, keep in touch with the situation. I enclose a memorandum on the subject prepared by Consul General Brown.

Sincerely yours,

Philip W. Bonsal

Enclosure:
Memorandum from Mr. Brown.

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

87d

Unclassified

American Embassy,
Habana, Cuba
April 17, 1959.

MEMORANDUM

To: Ambassador Bonsal

From: James E. Brown, Jr., Counselor-Consul General

Subject: Inquiry regarding the possible need of a Consular Agency in the Isle of Pines, Cuba; negative opinion after a review of the matter

After reviewing the situation, I find it would be difficult for me to recommend establishing a Consular Agency in the Isle of Pines in the near future, but I shall be on the watch in case a real need for one should develop later on.

As you may know, there is an airplane service with two round-trips daily between Habana and Nueva Gerona, the principal town in the Isle of Pines. The flight takes only a half-hour, and the Habana airport for this service is only twenty-five minutes from the center of the city. The schedule is so arranged that a person may come to Habana in the morning from Nueva Gerona, have four or five hours here, and return by a mid-afternoon flight. Americans who have business to take up with the Embassy seem to fit it in with other business, which is really what leads them to make the trip. In other words, few apparently come here solely to visit the Embassy.

The number of consular services performed by the Embassy up to the present this year for Americans from the Isle of Pines have been very few. They have consisted of five citizenship transactions (registrations or passports), and three reports of death which were dealt with satisfactorily by correspondence. Notarial services, such as affidavits and acknowledgments, have averaged about one a month over a long period. The five cases of varied types of welfare and protection services that have occurred since the beginning of this year were handled satisfactorily by telephone and correspondence.

Americans living in the Isle of Pines, including their dependents, are estimated at 113 in number, and the actual count of those

registered

registered at the Embassy is only 87. The number of tourists there is believed to be small, but at a guess might perhaps be as high as fifty on a given day. However, the Embassy very seldom hears from them, and it consequently seems reasonable to assume that the tourists who go there are usually not of the type who run into need for the Embassy's assistance.

The Embassy has had an average of one or two cases per month related to ownership of land in the Isle of Pines over the last couple of years. A few of these cases can be dealt with by correspondence with the Cuban authorities at Nueva Gerona. The majority, however, involve title to land, and such questions are so complicated that the services of a lawyer are required. Often, in any event, the other party claiming the land takes the case to court.

One or two persons have gone so far as to suggest that the Embassy arrange for an officer to be in the Isle of Pines simply to pay taxes on land there of absentee American owners. That, of course, would not be permissible because of being in the nature of carrying on private business for private Americans, some of whom are land speculators and do not live on or work the land. Those who live in the Isle of Pines have not reported any unusual difficulties in effecting payment of their land taxes. The more practical absentee owners of land in the Isle of Pines make arrangements to pay taxes through an agent there, a lawyer or a bank.

Recording political matters, the Isle of Pines has been inactive, and the need for political reporting from there does not exist.

Within the last few days, I have had separate conversations with two Americans, each of whom has lived in the Isle of Pines more than forty years. These conversations, at first on the general subject of life in the Isle of Pines, were brought around to the possible need of a Consular Agent there. Neither of these persons could think of any basic need of one, and the conversations with them did not indicate that they might have overlooked any important points. As to candidates for such a position, in which neither of them would be interested, they were at a loss for suggestions, except for one person. They were, however, inclined to recommend against naming an American of recent or even comparatively recent arrival since he would not be well acquainted with Cuban authorities there or with Cuban laws and ways in general, and might bring on more confusion than assistance; and also against one who might be a promoter or "developer" of some sort and who would be boosting his own affairs rather than those of the U.S. Government. I believe that these comments have much merit. There is also the factor of knowing the Spanish language well.

If for

If for some reason it were to become necessary to name a Consular Agent in the Isle of Pines, I would suggest Mr. A. B. Kelm. Originally from New Jersey, now sixty-eight years old but still very active, he has lived in Nueva Gerona since 1916, and is well known to Cuban authorities and probably most other residents there. He has been a subordinate officer of the shipping company which operated the ferry from the main island to the Isle of Pines, and also has worked on the forwarding of fruits and vegetables exported to the United States. He is the one exception to whom the two "old-timers" referred. They thought, but did not know definitely, and the Embassy's records do not cover the point, that some years ago Mr. Kelm had been asked to be Consular Agent, but had declined. It seemed, according to them, that he had not wanted to assume responsibilities which he might not be free at all times to fulfill, but that nevertheless he offered to assist the Embassy whenever it desired to call on him. In any event, this has been the case for the past few years, at least. When the Embassy has communicated with him, usually regarding a problem of an individual, he has responded to the point and usually promptly. It is understood that a number of Americans, new in the Isle of Pines, have turned to him for advice, and also that he has assisted, voluntarily or as their agent, numerous absentee American property owners regarding land titles or taxes. Because of all this, and because of a lack at present of other suitable candidates, I would recommend consideration of Mr. Kelm, should a need for a Consular Agent arise in the near future.

For your convenience, I mention that the salaries per year of the different classes of Consular Agents are: Class I - \$1425; II - \$1069; and III - \$712. Although you are doubtless aware, probably I should add that a Consular Agent is authorized to perform only certain limited consular services, not all such services.

OFFICIAL-INFORMAL
UNCLASSIFIED

March 19, 1959

87e

Dear Phil:

I am enclosing a copy of a letter from The Honorable Frank T. Bow, Member of Congress from Ohio, in which he suggests the possibility of our establishing official representation in the Isle of Pines, Cuba, and asks us to consider the appointment of Mr. Edward E. Krause as our representative should we establish an office there.

I believe the growing importance of the Isle of Pines warrants consideration of the possibility of establishing a Consular Agency. You will recall we had a consular office there a number of years ago, but we were forced to close it because of budgetary limitations.

I would appreciate your views on the Congressman's suggestions and any ideas you might have as to whom we might consider for Consular Agent should we decide to open a Consular Agency there.

Best personal regards.

Sincerely,

R. R. Rubottom, Jr.
Assistant Secretary

Enclosure:

Copy of letter from Mr. Bow.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

UNCLASSIFIED

*Establishment of Consular
Agency - Isle of Pines*

874

American Embassy,
Habana, Cuba,
August 25, 1959.

OFFICIAL USE ONLY

Dear Dick:

I have kept the question of establishing a consular agency in the Isle of Pines in my pending file since your letter of March 18, which I answered on April 25. From time to time we receive intimations from the people on the Island (there are about 200 Americans) that, particularly during disturbing times such as those we are passing through, they feel very isolated. For example, during the past couple of weeks normal telephone and telegraph service has been frequently cut off. However, I do not know that the establishment of a consular agency would be any great help and I continue to feel that, as long as we have consular agencies at such places as Camaguey, Sagua la Grande and Antilla, and no representation at all in Santa Clara and Cienfuegos for example, it would be difficult to recommend the establishment in the Isle of Pines of a consulate and, of course, we can reach the Isle Pines by plane from Habana in a very short time.

On the other hand, the establishment of a consular agency at Nueva Gerona would be well received by the Americans on the Island and might be justified during these difficult times because of the morale effect rather than because of any specific benefit. A consular agent might be useful to collect information on local developments, including the impact of Agrarian Reform. Attached is a memorandum by Acting Consul General Geerken on the subject. Mr. A. B. Kelm has been consistently helpful and, although he is now 68 years old, I believe that if anyone is designated at this time, he should at least be given the first refusal, in view of his outstanding services and cooperative spirit over a period of many, many years.

Could

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

OFFICIAL USE ONLY

-2-

Could a consular agent be designated without special Congressional authorization and would you have the money to do so? Meanwhile we plan to establish a more regular system of visits to the Isle of Pines by a consular representative from Habana.

Sincerely yours,

Philip W. Bonsal

Enclosure:

Memorandum from Mr. Geerken,
August 21, 1959.

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PWBonsal:vk

OFFICE MEMORANDUM

To: The Ambassador
Mr. Braddock

Date: August 21, 1959

From: F. K. Goerken

Subject: Question of the establishment of a consular agency
on the Isle of Pines

As directed by the Ambassador at his staff meeting on August 19, 1959, I have reviewed the attached file relating to the proposal and arguments advanced, principally by Mr. Edward E. KRAUSE, for the establishment of consular representation at the Isle of Pines. This matter was discussed briefly with Mr. Krause during his visit at the Embassy on August 18.

In my opinion the memorandum on this subject prepared by Consul General James E. Brown, Jr., on April 17, 1959, contains observations currently valid, and I am not convinced that enough consular traffic exists to justify the formal establishment in the Isle of Pines of U.S. consular representation. The selection of a consular agent poses somewhat of a problem. It is doubtful whether Mr. Krause's designation would prove to be satisfactory, and at this time we enjoy the informal assistance of Mr. A. B. KELM, who if formally designated, might be considered too advanced in age for the post.

I observed to Mr. Krause last Tuesday when he was here that the creation of a consular agency was also a budgetary item for the Department of State. In reviewing the requirements for all of Cuba, it could be decided that other cities and areas in Cuba should be designated for U.S. consular representation on a priority basis in advance of the Isle of Pines, particularly such places where we formerly had Consulates and where we now have no representation. I observed further, in passing, that to meet the need for auxiliary, perhaps official, communications between the Embassy and the Isle of Pines, it might be well to consider the designation of someone able to operate two-way radio equipment. He did not say that he could operate such equipment, nor did he intimate in any way that he would be able to act in the capacity of a consular agent.

At such time as the services of Mr. Kelm are no longer available, or wherever American interests and activities on the Isle of Pines increase, we might justify the establishment of a consular agency there.

EKG/w

PRESERVATION COPY

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

SEP 28 1959

EMBASSY OF THE UNITED STATES
OF AMERICA,
HABANA

SEP 29 1959

OFFICIAL-INFORMAL
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*Establishment of Consulate
Routed to it Isle of Pines*

The Amb.

Mr. Braddock

Mr. Brown 8th

Mr. Wilson

Emb. Files

SEP 28 1959

Dear Phil:

After reviewing the question of consular representation for the Isle of Pines, I have decided that it would not be feasible to establish a post there at this time.

The procedure we must follow to set up a Consular Agency is outlined in I FSM I 120. It is the same procedure we use to establish any new Foreign Service post. Aside from the budget and personnel ceilings involved, I believe it would be difficult to justify a Consulate or Consular Agency on the Isle of Pines. The small number of Americans who reside there, the apparent drop in the number of American tourists who visit there, and the rapid air transportation from the Isle to Habana all argue against a post on the Isle of Pines.

If you feel that some consular problems can best be handled on the spot, you might consider arranging for regular visits to the Isle by an officer from your Consular Section. If such a regularly planned schedule of visits could be worked out, some of the clamor for consular representation there might subside.

We keep the question of where new posts are needed always before us, and if you find in the future that conditions have changed enough to justify a post on the Isle of Pines, please let us know.

Sincerely yours,

W. R. Subotton, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

OFFICIAL USE ONLY

*us policy towards Cuba
Bob Hill interest in Cuba*

87i

American Embassy,
Habana, Cuba,
November 7, 1959.

CONFIDENTIAL

Dear Dick:

One of my colleagues here is an old friend of nearly 30 years standing. He recently visited Mexico where he was sought out by Bob Hill, "whose staff thinks he has a very good chance of becoming President of the United States." Hill pumped him as much as he could about the Cuban situation and, in the course of the conversation, told him that the intelligence reports available to him (Hill) indicated a very much more serious situation here in Cuba than did the reports emanating from the American Embassy in Habana. My colleague was somewhat startled at this and reported the matter to me in confidence.

Now I expect the fact that our policy toward Cuba should be criticized and that I personally should be attacked for whatever responsibility I may have for it, but I do not think that conversations of the kind described above, are either helpful or desirable.

There is clearly nothing which you can or should do about this particular incident. I am merely sending it on to you as an "elemento de juicio".

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

CONFIDENTIAL

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *ra/k*, NARA, Date *3-16-09*

PRESERVATION COPY

*Copy of letter from Bonsal
& Herbert Matthews*

87j

American Embassy,
Habana, Cuba,
August 19, 1959.

OFFICIAL-INFORMAL

CONFIDENTIAL

Dear Dick:

For your information, here is an exchange of letters which I have had with Herbert Matthews. I certainly did find his attitude toward my concern regarding anti-Americanism in Cuba as well as the Communist influence both unsympathetic and stubborn as well as involving a refusal to face and evaluate plain facts. There can, however, be no doubt of his sincerity and also, in my judgment, no doubt of the fact that his friendship for Castro and the revolution give him an influence which may well be useful as things develop here.

Sincerely yours,

Philip W. Bonsal

Enclosures:

- 1. Letter from Mr. Matthews, July 27, 1959.
- 2. Letter to Mr. Matthews, August 14, 1959.

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

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E.O. 13292, Sec. 3.4
By *ra/jc*, NARA, Date *3-16-09*

ECB Luncheon Mtg: 7/8/59

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that the principals would make available at least two hours in order to deal first with the Bachner report on the inspection proposal, as well as the way the group felt the negotiations should be handled from now on in. Mr. McCone stated his strong preference for a recess promptly in order that the U. S. could reassess its views.

3. Public Information Aspects of the U. S. Test Suspension Position

Mr. Gray reported that Dr. Killian had chosen not to use his "swan song" speech at the National Press Club as a means of informing the U. S. public with regard to the reasons for our position on the Geneva test negotiations. Mr. Gray said Dr. Killian had other things which he wished to get across on this occasion, and furthermore, was not convinced that if he spoke on nuclear testing he would not adversely affect the course of the negotiations in Geneva. Mr. Gray said that an effort to find another person who would make a speech on nuclear testing, he had discussed the possibility of Ambassador Wadsworth returning to the U. S. during a recess of the Geneva negotiations for a major television appearance. (Further discussion on this subject was inhibited by the knowledge that the Policy Group would be meeting the following day, possibly to recommend a change in the line we have been taking in Geneva.)

4. Briefing by Assistant Secretary Rubottom on Cuba

Mr. Rubottom joined the Board at 1:45 to present a twenty-minute briefing on the present situation in Cuba. He added little that was new from the intelligence point of view. He appeared to be seeking support for a low key treatment of Castro that compared current problems in Cuba with those encountered following the Mexican revolution and following the Bolivian revolution in 1952. He indicated our policy toward Cuba had passed from the testing phase in which Castro had failed practically every test we had given him, to the pressure phase in which we were resorting to wide range actions in an effort to induce Castro to follow the line compatible with U. S. national interest. He concluded that at the present there was no new policy line. He wished to recommend that he would feel free to call on the Board if he felt the Board could contribute to resolution of a future situation.

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There was limited Board discussion and the consensus was that as of now no future Board action would be profitable.

5. Soviet Man in Space

Mr. Gray told the Board that Dr. Killian's replacement, Mr. Kistiakowsky, had raised at a White House Staff meeting, the question of how the U. S. would react to Soviet success in putting a man in space. Mr. Kistiakowsky did not think the Russians had this capability as of now, but would have in the not too distant future.

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NLJ/RAC D7-37
By jal, NARA, Date 10-1-08

CCB Luncheon Mtg: 7/1/59

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Mr. Dulles indicated that the epidemic was not of serious proportions. Mr. Murphy said he had received a letter from Mr. Gates which referred to 3, or 4, 000 cases and 100 dead in East Germany.

Mr. Murphy said the Department's preliminary view was that the epidemic was not of sufficient gravity to make a noisy U.S. effort without producing results harmful to our interests. He noted that the Command in Heidelberg had reported the epidemic to Washington but our Embassy in Bonn had made no recommendation concerning the suggestion that the U.S. actively intervene in the situation in East Germany.

6. Moroccan Bases and Arms

Mr. Murphy summarized recent developments in connection with the Moroccan bases and our agreement in principle to provide arms to Morocco. He said it had been decided not to state publicly before an August meeting of the Moroccan King and Prime Minister de Gaulle that the U.S., in principle, was agreeable to evacuating Moroccan bases. Mr. Murphy said the Board should keep its eye on the situation in Morocco. At present, he added, both the Moroccans and French are playing for our support in an effort to improve the situation of each on the eve of the mid-August meeting.

7. Indonesia

Mr. Gates raised the question of arms shipments to Indonesia and referred to the views which a U.S. general had expressed over the weekend at Quantico; namely, keep up the momentum of our current U.S. arms shipments to Indonesia rather than stopping such shipments and awaiting expected actions by Sukarno.

Mr. Murphy replied that this had been our policy for over a year and we contemplated no change in it. He said the Department believed the Indonesians would work out their present difficulties with respect to the Constitution. He said the U.S. must not get in the middle on the Constitutional issue. He believed that the Moslems would support a compromise referring to their religion in the Preamble to the Constitution.

8. Cuba

Mr. Gray asked whether the Board should discuss current developments in Cuba. Mr. Murphy said he welcomed Board discussion and would ask the Department to prepare for him information which he would use in an oral report to the Board luncheon meeting next week.

Mr. Gates referred to the request of the Combined Commander in the Caribbean Area for an increase in U.S. forces in order to be able to protect the Canal if the Panamanians sought to take it over in a Nasser-type strike.

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NLJ/RAC 07-37

By *isl*, NARA, Date 10-1-08

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Existing forces are inadequate to control the area, in the Commander's opinion.

Mr. Dulles admitted he was worried about the penetration of Communists in the Cuban Government. He cited an estimate, just out, which covered the entire Caribbean area. 2

Mr. Murphy stated, in response to a question by Mr. Harr, that it would not necessarily be in the U.S. interest to encourage those groups seeking to overthrow dictators in the Caribbean area because the new governments might be penetrated or susceptible to penetration by Communists.

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LCB Luncheon Mtg: 7/22/59

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6. U.S. Attitude Toward Castro

" Mr. Harr called attention to a State Department cable to Havana summarizing a Communist Chinese news report of the reception of an interview between Raul, Castro and the Chinese Communist delegation. (Deptel 67 to Havana and Havana 182). He wondered whether this evidence of sympathy toward Communists added to other evidence did not raise the question as to our attitude toward Castro.

Mr. Murphy said that Ambassador Bonsal had talked to the Nationalist Chinese Ambassador in Havana about the Raul interview and would discuss the interview with Castro and Raul following the Chinese Ambassador's presentation to the Cuban Government. He indicated his concern about the developing situation in Cuba but did not state anything new with respect to our attitude toward Castro: "

7. Coordination of Privately Sponsored Medical Activities in Overseas Areas

Mr. Harr explained the purpose of his memorandum (copy attached) and requested Mr. Saccio to comment. Mr. Saccio said basically the problem was a feud between Dr. Walsh of Project HOPE and the MEDICO people. He expressed serious concern about the future of the HOPE Project and called attention to the fact that the Government had already spent \$2 million refitting the ship to be turned over to the HOPE organization.

Attention was called to the issue of life which presented a 9-page spread on the "Great White Fleet" of U.S. ships to be taken out of moth balls and turned over to private organizations to use in fighting disease, disasters, etc.

Mr. Dulles said C.D. Jackson had asked him to request the President to support the Great White Fleet plan. Mr. Dulles said he declined to do so and expressed his belief that although the idea was good, it would not work.

Mr. Gates said he was enthusiastically behind the HOPE Project and said that he thought it was one of the best ideas he had ever heard of. He cited as an illustration a small ship which circulates among the islands off Maine providing medical care for communities which have neither doctors nor hospitals.

Almost every member of the Board volunteered various rebuttals to the points made by Mr. Gates. The consensus was that nothing but trouble could arise out of U.S. support of the HOPE Project, particularly because of the publicity-seeking proclivities of Dr. Walsh.

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ACB Luncheon Mtg 7/29/59

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indicating that they could be read but not removed. The Sears Roebuck catalogue is now chained to the wall after several had disappeared.

Mr. Gray called attention to the Soviet press attacks on the Fair. He wondered whether the State Department felt that the articles would lead to physical harassment of Russians seeking to see the exhibit. Mr. Murphy doubted that the Russians would go this far. Mr. Washburn said the Russians could affect Fair attendance by their distribution of tickets. He added that Russian agents were actively mingling with the Fair visitors to voice critical comments and to disparage U. S. accomplishments as depicted in the exhibits.

(Rickover trip to Moscow with Nixon, including a heart-to-heart talk between McCone and Rickover with respect to defense and advice against taking him because of his tendency to seek headlines. Request of Rickover to McCone to ask Nixon to arrange for an hour's interview with Khrushchev in which he, Rickover, could arrange everything.)

4. Chinese Interview with Raul Castro

Mr. Dulles circulated a copy of the Peking news service report from Havana, an interview by visiting Chinese journalists with Raul Castro (copy attached). Mr. Murphy indicated our Embassy in Havana accepted the facts with regard to the interview as stated in the news story.

(copy attached) (1/3)

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5. Situation in Laos

Mr. Dulles called attention to the current situation in two provinces in Laos which he described as disturbing. He cited a July 28 cable from our Ambassador in Vietiène reporting the Ambassador's view that a long-range plan to deal with Communist subversion might be required if Laos were to be kept free. He indicated he was doing no more than calling this situation to the attention of the Board members.

6. Vienna Youth Festival

In response to a question by Mr. Harr, Mr. Dulles indicated that developments in Vienna at the Communist dominated youth festival were favorable to the non-Communist efforts to upset the orderly control of the festival. He described certain actions which had been taken, including the publication of a Communist newspaper, which he felt would result in the Communists not getting their money's worth out of the festival. He predicted that the youth festival scheduled for Latin America will not be held, and he said he doubted the Communists would ever again attempt to hold a festival in any country outside the Bloc.

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By isl, NARA, Date 10-1-08

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OCB Luncheon Mtg., 8/12/59

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Mr. Gates commented on the fine cooperation between State, Defense and CIA officials who were meeting to work out future courses of action for the U. S. to take in Laos.

In this connection, Mr. Dulles said he was concerned about the possibility of a future dramatic action by Communist China. He reported that he had cleared with Cummings an outgoing message which listed a number of rather mysterious actions of the Chinese Communists, which added up to nothing, but which did give rise to an uneasiness that Communist China might be contemplating some dramatic and important action. One such indicator was the absence of most Communist Chinese Presidium members from Peking for several days. He said he expected to see a report from the field within the next few days which would either reduce or increase his concern that Communist China was planning some momentous event.

4. Cuba

" Mr. Gates asked Mr. Murphy what was going on in Cuba.

Mr. Murphy said the Department was very disturbed by current developments in Cuba, and called attention to the fact that one person involved in the current struggle in Cuba was an American named Murphy.

Mr. Murphy reported that Portugal was prepared to give Batista a visa, and the problem now was how to get Batista to Portugal without difficulty caused either by Trujillo or by anti-Batista Cubans. One suggestion was a direct flight from the Dominican Republic to the Island of Madeira, where Batista has agreed to live.

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5. Allen's Report on the Moscow Fair

Mr. Allen reported at length on his impressions of the U. S. exhibit in Moscow, and the events which took place during the Nixon visit to the USSR. He explained the utter confusion which resulted from the surprise visit of Khrushchev to the Fair prior to its official opening. He felt that in the debate with Khrushchev, Mr. Nixon had done extremely well in that he was the host and he had not picked the fight with Khrushchev, nor had he come to the USSR for the sole purpose of fighting in public with the Russian leader.

Mr. Allen explained the difficulties surrounding the book exhibit and the compromise which was reached with respect to the books on the shelves and the theft of books by Russian visitors to the exhibit. His over-all evaluation was that the exhibit was tremendously effective.

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OCB Luncheon Mtg 10/28/59

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NLJ/RAC 07-37
By isl, NARA, Date 10-1-08

2. Illness of Bedell Smith

Mr. Dulles informed the Board of the serious illness of Bedell Smith. Mr. Murphy volunteered to convey the sentiments of the Board to Mrs. Smith.

3. Report on U S. Balance of Payments

Mr. Scribner summarized the current status of the balance of payments problem. His briefing consisted primarily of an updating of Secretary Anderson's speech to the Bank and Fund. He said one new serious development was a report which he had just received to the effect that the British desired to convert \$200 million to gold.

Mr. Scribner summarized Secretary Anderson's concern which has been growing as the outflow of gold from the U.S. became an increasingly serious problem. He said the Secretary's objective was to reverse this trend in order to prevent any psychological situation developing which might lead to large scale withdrawals such as occur when there is a run on the bank.

Mr. Gray asked Mr. Scribner whether the newspaper columnists were correct in reporting that there was a major fight going on within the Administration concerning actions being taken to deal with the balance of payments problem. Mr. Scribner confirmed that at "certain levels" in the Administration there were serious differences of opinion. However, he pointed out that the President had authorized the line which Secretary Anderson had recommended to him.

(The balance of payments problem has been scheduled by Mr. Gray for discussion at Friday's Planning Board meeting.) *later cancelled*

4. Situation in Cuba

894

OCB Luncheon Mtg, November 12, 1959 ~~SECRET~~

Mr. Reinhardt said this might be done at a later time after the existing situation calmed down.

Mr. Irwin pointed out that any restatement of U.S. acceptance of residual sovereignty would immediately be linked with our policy toward Okinawa. He added that when we stated that Japan had residual sovereignty in Okinawa, the result had been to encourage the Japanese to take a much more active interest in the way the U.S. is governing the island.

Mr. Allen recalled that Dr. Milton Eisenhower recently had told a group of persons interested in Latin American policy that he favored turning the Canal over to the OAS.

In response to a question from Mr. Harr, Mr. Irwin commented that the U.S. military forces could handle any situation in the Canal Zone but that the current problems were basically political. Mr. Irwin, therefore, was not responsive to the suggestion that State and Defense engage in contingency planning for the Zone.

Mr. Gray reminded Mr. Irwin that the Army exercised control in the Canal Zone and that when he was in the Department of Defense, the Office of the Secretary of Defense did not interest itself extensively in zonal affairs. He suggested that in the light of recent developments, the Office of the Secretary of Defense should not delegate full control to the Secretary of the Army.

Mr. Irwin said he was not familiar with the details of problems in the Canal Zone but would look into them with a view to being certain that the broader perspective of the Office of the Secretary of Defense would be reflected in actions taken by the Secretary of Defense.

4. Response to Cuban Propaganda

Imo 5 (circled) Mr. Harr asked whether the USIA had taken any actions to rebut allegations made in the Cuban pamphlet which charged that Cubans had been killed by bombs dropped from a plane coming from the U.S. He asked whether wide dissemination had been given to the statement made by Assistant Secretary Rubbottom, which labeled the Cuban allegations as completely false. *3*

Mr. Allen, Mr. Reinhardt and General Cabell agreed to check what actions their agencies had taken.

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NLJ/IRAC 07-37
By ist, NARA, Date 10-1-08

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OCB Luncheon Mtg - November 25, 1959

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appointed U. S. Ambassador to Bulgaria. He merely called this attack to the attention of the Board because he doubted whether Fulton Lewis' credibility was such as to create a problem in connection with Paige's new assignment.

Mr. Dulles said he was familiar with the charges which had been made about a year ago, but felt that Lewis had been so discredited that his broadcast would have little effect.

4. Nicarao Plant in Cuba

Mr. Harr called the Board's attention to the problem of the wholly U.S. Government-owned nickel plant, Nicaro, in Cuba. He said the problem was primarily that of the General Services Administration, but the question of what the Cuban Government would do to prevent production of nickel in the plant was of concern to other Government agencies. He mentioned the possibility of Cuban expropriation of the plant or the levying of a confiscatory export tax. Mr. Dulles reminded the Board that all private firms were facing expropriation in Cuba and doubted whether we should become too much concerned with the expropriation of a small firm merely because it was owned by the U. S. Government.

Mr. Gray said there was a defense interest in the plant, because nickel is going into the strategic stockpile. He wondered what our policy would be should the Cubans seize a ship carrying nickel to the United States.

5. Cuban Sugar

Mr. Dulles informed the Board that he had heard of a proposal to be made by the American sugar companies in Cuba which would authorize the United States to hold back from the Cubans the price differential now being paid for Cuban sugar. The funds held back would be used to compensate U. S. firms expropriated or discriminated against by the Cuban Government. None of the Board members had heard of this proposal, which Mr. Dulles indicated would be stated as having world-wide application, although in fact it would apply only to the Cuban situation.

6. Puerto Rico

Mr. Gray raised, and promptly withdrew, a question as to what in Government is finally responsible for policy toward Puerto Rico.

7. Panama

Mr. Gray raised again his concern that all agency heads understood that while the Department of the Army was the agency responsible for the Canal Zone, all Government agencies had an interest in our policy toward Panama and the Canal.

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By isl, NARA, Date 10-1-08

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OCB Luncheon Mtg December 9, 1959 ~~SECRET~~

Mr. Merchant appeared to agree with Mr. Harr's view. He proposed that the problem which had arisen in connection with the Turkish paper be flagged for the Council's attention. He suggested that the report be submitted to the Council with additional wording reflecting that certain changes have taken place on the question of Turkish force goals since the NSC paper was approved, but that the State and Defense Departments do not believe that the operational decisions taken since the paper was approved are of such importance to recommend to the Council that the policy be reviewed.

The Board members agreed to proceed in this way.

4. "On The Beach"

The members were informed that USIA was showing the film, "On The Beach", at 2:30 PM the following day, and any members who could attend were urged to do so.

Mr. Gray wondered mischievously whether USIA should inform Ambassador Lacy and Mr. Thayer of the showing. Ambassador Lacy and Mr. Thayer were listed as sponsors of the premiere of the film to be held on December 17 in Washington.

Mr. Harr said that programs had already been printed before Mrs. Bacon was told that Government officials were being asked not to participate in the premiere. Because she is one of the active "cold war warriors" in Washington, she at first wanted to make a public statement stating her withdrawal from any association with the sponsorship of the film. She was persuaded to ~~not~~ do so. However, advance publicity and printed invitations had already been prepared and could not be recalled.

5. Sino-Soviet Divergence

Mr. Harr called Mr. Merchant's attention to a telegram from Moscow which Ambassador Thompson forwarded indicating additional evidence of differences between the USSR and Communist China. Ambassador Thompson predicted that these differences would increase and become better known publicly. Mr. Merchant cast some doubt on whether Ambassador Thompson's prediction would come true in the immediate future.

6. Cuban Anti-American Pamphlets

Mr. Merchant reported that following demarches in Washington and Havana, Castro had apparently moderated his anti-U. S. attacks. Castro had not repeated the charge that U. S. planes had bombed Havana, and apparently only 10, 000 copies of the 50, 000 pamphlets printed had been distributed to Foreign Offices by the Cuban Government.

DECLASSIFIED
E.O. 13292, Sec. 3.5
NLJ/RAC 07-37
By isl, NARA, Date 10-1-08

*Time Mag Article
on Castro*

90

OFFICIAL-INFORMAL

American Embassy,
Habana, Cuba,
May 18, 1959.

LIMITED OFFICIAL USE

Dear Dick:

I am informed by a reliable source that Time Magazine may be preparing a new vicious attack on Fidel Castro. Inasmuch as Castro's attitude toward the United States has greatly improved following his trip to our country and since we are going to have to work with him probably for quite some time to come, I sincerely hope our task is not made more difficult by unwarrantedly severe criticism of him by Time. Objective reporting, even when it adds up to criticism, is all to the good, but a hostile attitude on the part of Time, can do us much harm.

I realize that you may be unable to do anything about this, but if you can get Time onto an objective, helpful course regarding Castro, I hope you will.

With best wishes,

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary,
Bureau of Inter-American Affairs,
Department of State,
Washington, D. C.

DMBraddock:jmcn

LIMITED OFFICIAL USE

W. Hemisphere' 91
Does mentioned following Intps.

5/4

6/8, 15, 22

7/6

9/21

TELEGRAM

Foreign Service of the
United States of America

OUTGOING

~~SECRET~~

93

Charge:

Classification

Control:

Date: April 14, 1959

SENT TO Secstate WASHINGTON - PRIORITY 1197

DECLASSIFIED

LIMIT DISTRIBUTION

Authority FRUS 1958-60, Vol. VI, pp. 456-457

FOR RUBOTTOM

By [initials], NARA, Date 8/24/93

3 for - cables 1

In appraising Castro's prospects and possible means influencing his words and actions believe following are major factors:

1. Castro continues to enjoy ~~very~~ wide kpopularity here not limited to lower classes.

2. Communists are working hard to consolidate positions they have achieved and to make further gains but are encountering increased awareness in many Cuban circles including elements of press.

3. I am increasingly impressed "bourgeois mentality" here and vast number constructive vested interests. I believe that effective resistance to Communists among Cubans can be expected to grow rapidly as initial revolutionary fervor decreases.

4. If Castro is to fail and be eliminated as factor here, as some people here, in US and elsewhere believe probable, it seems most important to me that failure or elimination, not, repeat not, be ascribed to words or actions of US Government (This, of course, subject alteration

~~SECRET~~

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Foreign Service of the
United States of America

OUTGOING

~~SECRET~~

Charge:

Classification

Control:

Date:

-2-

if Castro's actions as distinct from words appear threat our vital interests. We are not unaware Castro's speeches themselves have harmful effect.)

5. If on other hand Castro remains in power and carries on his "revolution", we will have many opportunities of discreetly influencing choice of courses of action and of bringing him to a closer understanding of political and economic conditions to which he is subject. I respectfully submit that some slight progress has already been made and am convinced that Castro can recognize and be guided by facts, although his temperament and sensitivity to criticism will probably lead to further unfortunate utterances.

6. Condemnation of Castro for these utterances alone will be taken as US opposition to Cuban revolution which still has very considerable support^k and was justified on many counts.

My conclusion is that we should give the Cubans themselves as much opportunity as possible to straighten and Castro themselves/out before unlimbering our artillery against Castro.

The above represent my personal views which I have discussed with Braddock^{and Topping} who agree but with no one else in Embassy due shortness of time.

PWBonsal:vk

~~SECRET~~

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BONSAL *pwb*

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TELEGRAM

Foreign Service of the
United States of America

OUTGOING

~~CONFIDENTIAL~~

Charge:

Classification

Control:

94

Date:

April 14, 1959
10:45AM

SENT TO: Secstate WASHINGTON NIACT 1191

Last night I met with Castro. Agramonte, Boti, Cepero Bonilla and Boti were with him and Braddock and Gilmore with me. I told Castro we considered his coming visit very important and offered to help in any way required. He said trip was even more important to Cuba than to U. S. since Cuba needed U. S. more than U. S. needed Cuba, and added that if he did not believe trip would be constructive, he would not be going. Castro has apparently not yet consulted with his advisers regarding economic relations with U. S.

I reminded Prime Minister of critical time through which U. S. was living, and of sacrifices it was making to preserve for itself and free world against attacks of international Communism the same values as those for which Cuban revolution waged. I mentioned sensitivity of U. S. to neutralism in this situation, and said that just as we were trying to understand his problems, I hoped he would try to understand ours. He said he would. I stressed importance defining Cuban position.

Castro expressed annoyance with misleading press reporting, mentioning UPI, and said press freedom seemed to mean "freedom to lie". He mentioned yesterday's story out of Washington to effect he had told me Cuba would support U. S. in East-West conflict, to which I commented story had not

#350 Cuba Gen - Visit with Castro 4/13/59

DECLASSIFIED

Authority FRUS 1958-60, Vol. VI pp. 455-456

~~CONFIDENTIAL~~

By [Signature] NARA. Date 8/24/93

Classification

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FORM FS 413
3-1-55

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☆ U. S. GOVERNMENT PRINTING OFFICE: 1956-376649

TELEGRAM

Foreign Service of the
United States of America

OUTGOING

~~CONFIDENTIAL~~

Charge:

Classification

Control:

- 2 -

Date:

originated with me. (This story attracting much local attention, and Embassy receiving many requests for confirmation or denial to which it making no reply. Department is of course aware I have made no report on which it could be based. May have originated with Ambassador Dihigo who was present at my April 1 lunch with Castro and who together with Agramonte took optimistic view of Castro's statements on democracy and human rights.)

Castro was cynical re basic goodness of man and re effectiveness of constitutions in achieving good democratic government and attributed success of U. S. in latter field to education of people rather than U. S. political forms.

He asked if I were going to be in Washington at time of his trip and expressed disappointment at learning I was not. (I do not think it would be appropriate for me to go to Washington in view nature of visit but wish confirm suggestion made Rubottom that someone from Department in agreement with Dihigo be assigned to party as liaison.)

Castro said composition of his party not finally determined. I understand it will include, in addition to names previously supplied (Embtel 1133), Pepin Bosch, Ernesto Betancourt, Raul Gutierrez Serrano, and Luis Sangenes.

BONSAL

PWB

PWBonsal:DMBraddock/jmcn
4/14/59

~~CONFIDENTIAL~~

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TELEGRAM

Foreign Service of the
United States of America

OUTGOING

~~SECRET~~-LIMIT DISTRIBUTION

95

Charge:

Classification

Control:

Date: April 1, 1959

SENT TO: Secstate WASHINGTON 1127 PRIORITY

I have just returned from four-hour session with Castro, with Agramonte, Dihigo and Besbe also present. The conversation ranged over wide variety of topics and was in my judgement moderately constructive.

Castro accepts with pleasure invitation for lunch Thursday 16th (he would have preferred dinner that date but I gave him no encouragement to believe plans could be altered).

At my suggestion, Castro plans send his aide, Captain Yanez, to Washington about 11th to coordinate security arrangements. I have stressed our need for list of party and detailed schedule soonest.

As of now schedule includes ASNE lunch, diplomatic reception, Cuban colony reception, appearance on "Meet the Press", possible trip Monticello, lunch at National Press Club, visit to Princeton, visit to Columbia, to New York Times, Overseas Press Club lunch, visit to UN and luncheon by UN correspondents, possible call on Hammarskjeld, etc.

On basis recent press stories, Castro has expressed desire pay call on Vice President Nixon and I hope his wish can be realized early in visit as this would be most ^{con} instructive.

I hope telegraph detailed schedule tomorrow. Dihigo returns Washington third.

PWBonsal:jmcn

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By rg/jc NARA, Date 3-16-09

BONSAL
PW3

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3-1-55

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☆ U. S. GOVERNMENT PRINTING OFFICE: 1956-376640

350 Cuba - Amb Talk w/Castro re US Visit

*James Baker letter to
Senator Morse re View
on Cuban Situation*

96

OFFICIAL-INFORMAL
CONFIDENTIAL

American Embassy,
Habana, Cuba,
April 1, 1959

Dear Dick:

Mr. James D. Baker, Director of Ruston Academy, has written a letter to Senator Wayne Morse outlining his views on the Cuban situation, especially the widespread disillusionment caused by some of Fidel Castro's acts, and urging patience and forbearance on the part of the United States as our best policy.

I am sending you a copy of this letter because of its interest. With Mr. Baker's thesis I am generally in agreement.

Sincerely,

Philip W. Bonsal

Enclosure:

Copy of letter from
James D. Baker to Senator Morse

The Honorable

Roy R. Rubottom,
Assistant Secretary, ARA,
Department of State,
Washington, D. C.

~~CONFIDENTIAL~~

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E.O. 13292, Sec. 3.4
By *gjk* NARA, Date 3-16-09

PRESERVATION COPY

*Visa for Amadeo Lopez
Castro*

97

OFFICIAL USE ONLY

American Embassy,
Habana, Cuba,
March 27, 1959.

Dear Dick:

As you probably know, Scott Thompson is one of the oldest and most respected American residents of Cuba. He is Vice President and General Manager of the Cuban Portland Cement Company. I have known him for a great many years and have admiration and affection for him. He is very prominent in all community activities and has been extremely helpful to the Embassy.

Here is a letter from Scott Thompson regarding the possibility of granting a visa to Amadeo López Castro. The letter speaks for itself. I may add that I too knew Amadeo quite well from 1939 to 1944 when I was in the Department, as well as in 1938 and '39 when I was in Cuba. I have always thought very highly of his ability and integrity. He is certainly not in the same class with those who were guilty of stealing and other crimes during the last regime.

I do not know whether it is possible to make an exception for Amadeo López Castro and perhaps one or two other people in the matter of visas, but if it is, I most heartily recommend to you the case of Amadeo López Castro.

With cordial regards,

Sincerely yours,

Philip W. Bonsal

Enclosure:

Letter from Mr. Thompson
of March 24, 1959

The Honorable

Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

97a

APR 4 1959

OFFICIAL-INFORMAL
OFFICIAL USE ONLY

Dear Phil:

Thank you for your letter of March 27, 1959, in which you recommend the issuance of a visa to Amadeo Lopez Castro. There is no question in my mind that he is a person of high integrity and I certainly endorse your opinion of him.

To our knowledge Lopez Castro has not as yet applied for a visa. However, in the event that he does so I can see no reason why we would have any objection to one being issued. As you know, the Department, after consultation and clearance with the Embassy, has been authorizing the issuance of visas to a few persons who, although identified with the Batista regime, have no particular notoriety attached to their names because of this association. I certainly believe that Lopez Castro falls in this category, and if he applies we will not object to the issuance of a visa in his case on political grounds.

Sincerely yours,

R.R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

OFFICIAL USE ONLY

Visit of Ministry
Communications
Oltuski to Wash

98
—

American Embassy,
Habana, Cuba,
March 19, 1959.

Official-Informal

CONFIDENTIAL

Dear Dick:

I had a long conversation with the Minister of Communications here, Enrique Oltuski, the other day. He is a very young man, aged about 28, who spent some years at the University of Miami, speaks good English, and is generally well disposed. As you know, he bears a very heavy responsibility in connection with the intervention of the Cuban Telephone Company and the various public opinion pressures which have developed around that situation.

Oltuski told me that he was interested in working up for Cuba a regulatory system of public utilities by which the interests of the consuming public, of the investors, and of the workers in these companies would be protected, as they are in the United States. He would welcome an opportunity to study our regulatory system both at the level of the Federal Communications Commission and of the Federal Power Commission, as well as on the State commission level. I think that he and possibly some of his associates would profit very much from this type of study. I do not know when it would be politically feasible for them to get away. I am wondering, however, whether someone could not look into this matter and see whether a tentative plan for a visit by Oltuski to

Washington

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D.C.

~~CONFIDENTIAL~~

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By 13/jc NARA, Date 3-16-09

CONFIDENTIAL

-2-

Washington, and possibly also to some State regulatory commission (perhaps in the District), could not be worked out. This should be handled on a confidential basis for the present.

Sincerely yours,

Philip W. Bonsal

PWBonsal:vk

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DEPARTMENT OF STATE
WASHINGTON

*Given to
Mr. Bradloch
with previous
4/8/59 98a*

APR 4 1959

AIR MAIL

OFFICIAL-INFORMAL
CONFIDENTIAL

Dear Phil:

Many thanks for your letter of March 19, 1959, concerning your conversation with the Minister of Communications, Enrique Oltuski, and his interest in coming to Washington to study our system of regulating public utilities. I certainly agree with you that such a visit could be highly productive, and I have made some preliminary inquiries along the lines you suggested to determine what might be possible.

Francis de Wolf who is head of the Telecommunications Division of E is of the opinion that setting up a program for Minister Oltuski and his associates would present no particular problems, as similar studies have been arranged in the past for foreign officials. The only things that he would need to know beforehand are when the Minister planned to come, how long he intended to stay and as much detail as possible on what he would like to see and study. Mr. de Wolf asked to be remembered to you and sends his best wishes.

If the cost of the Minister's trip were not defrayed by the Cuban Government, it would be possible to obtain an IES leader grant for him, and I understand that the Embassy has ample funds at the present time for such purposes. Givon Parsons of IES will be in Habana on Tuesday, April 7 and can furnish any needed details concerning a leader grant. However, in view of the Minister's responsibility for decisions directly affecting American-owned companies in Cuba, it might not be desirable either from his or our point of view for the United States to pay the costs of his visit.

In the event that the Minister does decide to make the trip, you may be sure that we will do everything we can to make it a successful one.

Sincerely yours,

R. R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

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By *ra/jc*, NARA, Date 3-16-09

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copy for the Club.

98b

American Embassy,
Habana, Cuba,
April 15, 1959.

CONFIDENTIAL

OFFICIAL - INFORMAL

Dear Dick:

Many thanks for your letter of April 4, 1959, in response to mine of March 19, 1959, concerning the interest of the Minister of Communications, Dr. Enrique Oltuski, in visiting the United States.

I had Gilmore call on the Minister to develop his plans somewhat more concretely, and on the basis of this conversation we sent Embassy telegram No. 1200 today. I enclose a memorandum containing further details which it seemed unnecessary to include in the telegram.

I continue to believe that this visit would be useful to the Minister and his associates, and would quite possibly be beneficial to us.

Please consider this letter as in lieu of the despatch mentioned in our telegram.

Sincerely yours,

Philip W. Bonsal

Enclosure

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D.C.

EAGilmore:yo

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By rg/jc, NARA, Date 3-16-09

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Cong. Porter to Castro
This document consists of 1 page.
Copy No. 4 of 4 copies.
*Re Am. Officials Taking
Money from Batista*

99

American Embassy,
Habana, Cuba,
March 11, 1959.

OFFICIAL-INFORMAL

SECRET

Dear Dick:

Here is a copy of a letter from Congressman Porter to Dr. Castro. The Congressman sent it to me "blind". It is news to me that there is supposed to be evidence that American "officials" have been taking money from Batista. Have you any background on this, other than, of course, the baseless and poisonous allegations which have been made about my predecessors here.

We are trying to get you as much information as possible about Castro's plans to visit Washington next month. I assume that detailed arrangements will be coordinated through the Cuban Embassy in Washington rather than with us here. My only suggestion would be that we not firm up arrangements until the last moment, in view of the constant possibility of embarrassing developments in this rather dynamic situation.

Sincerely yours,

Philip W. Bonsal

Enclosure:

Copy of letter from
Congressman Porter, March 5, 1959.

The Honorable

Roy R. Rubottom, Jr.,

Assistant Secretary for Inter-American Affairs,

Department of State,
Washington, D. C.

PWBonsal:vk

~~SECRET~~

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E.O. 13292, Sec. 3.4

By 12 NARA, Date 3-16-09

His Excellency Señor Dr.
~~Riexk~~ Fidel Castro

March 5, 1959

For their private information I am sending copies of this letter to Ambassador Dihigo, Mrs. Tete Casuso, and Dr. Ulises Carbo.

With best wishes and warm regards,

Sincerely

~~Charles O. Porter~~ Charles O. Porter
Member of Congress

99a

OFFICIAL-INFORMAL
~~SECRET~~

MAR 25 1959

Dear Phil:

Thank you for your letter of March 11, 1959, concerning the letter which Congressman Porter wrote to Dr. Castro. You asked whether I have any background concerning Porter's allegations that American officials might have been accepting money from Batista.

We frankly can find nothing here which would explain Congressman Porter's statements. There have been, of course, certain rumors concerning your predecessors, but as you properly point out these are completely baseless. I am sorry that we cannot be of more help to you on this, but there just is no information on the subject. However, I have been told that Porter's statement was intended to caution Castro not to make such allegations unless he could back them up with proof.

As you know, we are following your suggestion that firm arrangements for the Castro visit be delayed until the last possible moment in order to permit as accurate an assessment of the situation as possible.

Sincerely yours,

R. R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
Ambassador of the United States
of America,
American Embassy,
Habana, Cuba.

~~SECRET~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *gjk* NARA, Date *3-16-09*

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100a

American Embassy,
Habana, Cuba,
March 12, 1959.

PERSONAL
CONFIDENTIAL

Dear Dick:

I have your letter of March 6 about the Bolivian situation. I have been extremely distressed and indeed heartsick at the news from La Paz. I am sure that President Siles and our Bolivian friends feel the same.

In answer to your specific question, I know that the Time correspondent in question was given all sorts of facilities while he was in La Paz. He saw the President, several of the Ministers, many local businessmen, and people from the Embassy and Point IV, including, of course, me. I can only attribute the story that came out to the reckless irresponsibility and sensationalism which characterize Time's New York office, since I am sure that they also received the constructive side of the picture.

I share Wym Coerr's view that it is inconceivable that any member of the Embassy could have made a remark of this kind. There are a good many people, however, in Point IV and perhaps also in the Embassy who are out of sympathy with our Bolivian program. This matter was debated at some length in a paper sent up by the Director of Point IV and commented on by me in a despatch in June or July of 1958. Many of our Point IV people particularly tend to confine their Bolivian contacts to bitter enemies of the present regime. The bitterness of these people is such that the national interest is of no importance whatever to them.

It

The Honorable
Roy R. Rubbton, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

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By 10/10 NARA, Date 3-16-09

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-2-

It is also true that the altitude, the conditions of work, the frustrations arising from the incompetency, selfishness and indeed corruption of a good many Bolivians are such as to sour even the best disposed of our people. The Bolivian program is a vitally needed one and fully justified precisely because of the backwardness of Bolivia and the almost entire lack, outside of Siles and his immediate top staff, of any sort of real leadership except in areas of the far left, including the Communists.

Our program is criticized (a) on the basis that we are keeping in power a Marxist regime, and (b) on the basis that we have destroyed the Bolivian revolution and are turning Bolivian natural resources to imperialistic trusts and monopolies. So we get it from both sides.

By and large, from a personnel point of view, we have too many people in Bolivia. We have overestimated our ability to help the Bolivians and their ability to receive assistance. I refer here to technical assistance and not to economic aid. Our program needs and will get from Rey Hill a careful overhauling. On the other hand, it should be recognized that we have a small number of devoted and able public servants working in Bolivia under extremely difficult conditions.

My views on how we can influence the Bolivian situation were set forth at considerable length in the despatch to which I refer above, sent in early in July of last year.

So far as the Embassy proper is concerned, I was very happy with the staff and believe that it was thoroughly loyal even when there may not have been agreement with the Department's policies or with my views. I cannot think that such disagreement would have been reflected in such poisonous comments as those reported in Time. One of our staff, Clarence Breaux, the Economic Counselor, was frankly of little use to me or to Wym. I spoke to Clint Olson about getting him transferred last August, but Clint felt that we should

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-2-

let him complete his tour in La Paz, which expires in May or June of this year. I cannot believe that Clarence, a Foreign Service Officer of some years' experience, would make remarks such as those printed in Time.

I continue to believe strongly in our Bolivian program and in its importance not only in Bolivia but in other countries. We can and will come to a point where heavy grant assistance will no longer be needed and the country will be able to move forward under its own steam and justify credits. My views on what we should do are well known to everyone interested in the Department. If one of my suggestions, that having to do with YPFB, had been adopted when it was first made in August of 1957, we would, in my judgment, be much closer to a real reduction in our grant assistance. Of course, we had a lot of hard luck, including the American recession, or whatever you wish to call it, and the heavy Russian tin sales plus the termination of tungsten purchases. I don't think that the lead and zinc quotas bothered Bolivia appreciably although much was made of them in the press.

I am sending you an extra copy of this letter so that you can send it to Wym Coerr for his comments if you so desire.

Sincerely yours,

PWB

Philip W. Bonsal

PWBonsal:vk

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DEPARTMENT OF STATE
WASHINGTON

D. J. [unclear] 100b

Rec'd 4/1

March 27, 1959

Free

OFFICIAL - INFORMAL

CONFIDENTIAL

Dear Phil:

I certainly appreciate your thoughtful letter regarding the situation in Bolivia. It will take a long time for us to forget the courageous leadership which you gave to our program in that difficult situation. The reports which we have received from Ernie Siracusa since his return from a quick survey trip there and from others on the spot, only underline the validity of your analysis.

It is beginning to look more and more as though the TIME correspondent was completely off-beam in attributing that famous remark to an Embassy officer. Actually, we have reason to believe that the remark was buried deep inside a long and fairly objective analysis, and there is not much telling where the truth really lies with respect to who said what and when.

We are still sweating out the matter of the treatment to be given Castro if and when he comes to the U.S. Most of us agree that it is unfortunate that he plans to come at this time and are hoping that he may find enough business there to keep him at home. You will be hearing from us on this subject, of course.

It is almost certain that we shall be having a Chiefs of Mission meeting in San Salvador on April 10 and 11 which we shall want you to attend. Such a meeting will have important and useful impacts, in our opinion, in addition to its intrinsic value.

With all the best to you and Margaret,

Sincerely,

Dick

R. R. Rubottom, Jr.

The Honorable
Philip W. Bonsal,
American Ambassador,
Habana.

CONFIDENTIAL

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E.O. 13292, Sec. 3.4
By *[initials]*, NARA, Date 3-16-09

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OFFICIAL-INFORMAL
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MAR 4 1959

COPY AND PREVIOUS SENT
TO EMBASSY FILES

Dear Phil:

I was most pleased to receive your letter of February 23 and to learn that you have been received warmly and cordially. Your mission is indeed a most difficult one and I, too, am sorry that I did not see you again before you left in order that I might have expressed personally the good wishes and support which you may count upon from all of us here in ARA.

Our thought with regard to the Gridiron dinner on March 17 is that under the present circumstances and serious ambiente now prevailing in Cuba this occasion might not be particularly suitable for such a visit. Also, that it is perhaps too soon for you to leave Cuba even for such a short visit. On this subject I recall certain critical remarks regarding the frequency and purpose of Ambassador Earl Smith's visits which were made when I attended a hearing on the Hill last December. I do think that a visit here for consultation at your convenience in April or May would be most useful, and I hope you will plan on it.

I checked with Ed Clark of H concerning the possibility that Senator Morse might wish to see you and was informed that there have been no new developments on this subject. However, in view of current happenings in Bolivia I would not be surprised if a sudden renewal of interest should occur!

I will be very much interested to receive your impressions and comments following your first visit with Castro. I must say that he does not make it easy for us to be friendly and cooperative.

Sincerely,

R. R. Rubottom, Jr.
Assistant Secretary

The Honorable
Philip W. Bonsal,
Ambassador of the United States
of America,
American Embassy,
Habana, Cuba.

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E.O. 13292, Sec. 3.4
By *raj/c* NARA, Date 3-16-09

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Possible Consultation in Wash.

COPY AND PREVIOUS SENT
TO EMBASSY FILES

10/a

American Embassy,
Habana, Cuba,
March 7, 1959.

OFFICIAL-INFORMAL

CONFIDENTIAL

Dear Dick:

Your unsigned letter of March 4, in reply to mine of February 23, arrived here yesterday. I shall await word from you regarding the timing and appropriateness of consultation in Washington in April or May.

I have now completed my presentation of credentials, initial press conference, and am well on my way with my visits. Things are certainly difficult and complicated here and will probably only be straightened out through painful experiment rather than through cool argument and debate, leading to considered decision.

Sincerely yours,

Philip W. Bonsal

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

PWBonsal:vk

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E.O: 13292, Sec. 3.4
By *g/c* NARA, Date *3-16-09*

PRESERVATION COPY

*To meet trip
Possible Personal trip
to Washington*

102

American Embassy,
Habana, Cuba,
February 23, 1959.

CONFIDENTIAL

Dear Dick:

I note from the papers that the President's Mexican trip has been a great success. I wish that we could look forward to a similar occasion in Cuba, but I assume that this would not be feasible.

I was sorry not to see you before I left. I have been received here with great cordiality and have already informally seen quite a number of people, although not yet Fidel Castro. My reception has certainly been as warm and cordial as anyone could wish for, and this has increased the enthusiasm and optimism with which I undertake my mission.

I have been asked by a couple of newspapermen, including J. Hayden of the Detroit Free Press and Paul Wooton who represents the New Orleans Times Picayune, to attend the Gridiron dinner about March 17. I do not wish to leave Cuba quite so soon; on the other hand, there is a certain amount of value in talking to the press and in attending a function of this kind. Have you any advice? (If I do come up, I would, of course, do it on my own, although later on, perhaps in April or May, I believe that you will wish to let me come up for consultation in Washington and for a visit to New York to confer with people having interests down here.)

When I appeared before the Foreign Relations Committee something was said about the possible interest of Senator Morse and others in seeing me (Morse was not

The Honorable
Roy R. Rubottom, Jr.,
Assistant Secretary for Inter-American Affairs,
Department of State,
Washington, D. C.

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By *ra/jk* NARA, Date 3-16-09

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not present). I told Senator Fulbright that I would be glad to make myself available to Senator Morse. I heard nothing further on the subject, although Ed Clark of H did make a note and may have communicated with Morse's office. There is not much that I can add on the Bolivian situation to what you and others in the Department have already given Morse, but I certainly would not like to appear to be avoiding him.

Margaret joins me in warm regards to Billie and to you.

Sincerely,

Philip W. Bonsal

PWBonsal:vk

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UNITED STATES
OF AMERICA,
HABANA

DEPARTMENT OF STATE

Memorandum of Conversation

MAR 12 1959

DATE: February 11, 1959

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SUBJECT: Bolivian Petroleum Prospects - YPFB Financial Problem

PARTICIPANTS: Acting Secretary Dillon
Ambassador Bonsal
Acting Assistant Secretary Snow
Assistant Secretary Mann
W/MS-C-Mr. Bell
ICA-Mr. Saccio

COPIES TO: WST-Mr. Siracusa

Mr. Dillon-W
Mr. Mann-E
Mr. Snow-ARA
Ambassador Bonsal
AmEmbassy La Paz

W/MS-C-Mr. Bell
ICA-Mr. Saccio
WST-Mr. Pitts
WST-(2 ccs Mr. Siracusa)

During a discussion of the management of the Bolivian aid program (reported by separate memorandum) Ambassador Bonsal expressed the strong conviction that the only hope we have of freeing ourselves from the need to support the Bolivian economy lies in the increase of productivity, especially of exportable products, and that in this regard the only visible prospect is the production and export of petroleum. Every feasible effort should thus be made, he said, to accelerate the development of Bolivian oil output.

Although mineral output is always a possibility in Bolivia, he said, the fact is that production has been declining over a long period, the tin mines are becoming depleted or submarginal and efficiency is very poor. There has not been any important investment in Bolivian mineral production in the last 20 years, and since at least 5 years before the MNR revolution there has been insufficient investment to maintain necessary capital equipment. The results are only what could be expected and the prospects are rather gloomy.

The Ambassador continued to say that our major accomplishment in Bolivia is the changed atmosphere, at least temporarily, with regard to oil production. Due to our influence and help, he said, Bolivia adopted a petroleum code which has proved attractive to foreign investors. As a result, some 21 foreign firms, many of them large and responsible companies, have obtained contracts or concessions in Bolivia and are now engaged either

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either in geological analyses or exploratory drilling. Thus far, he said, no oil has been discovered by these companies. Gulf has drilled two dry wells and is now choosing a site for a third try. Chaco is on its second drilling effort. Others will be in drilling soon, according to the terms of their contracts. While the outlook in 5 or 10 years is hopeful, prospects for immediate relief from oil production by foreign companies are not apparent.

The one apparent and real prospect for an almost immediate increase in Bolivia's export earnings through petroleum exists with the national company, YPFB. YPFB, the Ambassador said, is a sound company of technical competence. It has made a good record in increasing output from about 2,000 barrels per day in 1952 to some 10,000 barrels per day last year. It has demonstrated a healthy and cooperative attitude toward foreign companies and, unlike other national companies such as Petrobras, Pemex and YPF, has even given over to foreign companies a substantial share of its own reserve area.

YPFB, however, is faced with extreme financial difficulties and is unable to finance expansion of its operations in its proven area at a satisfactory rate. YPFB and the Bolivian Government had hoped, in view of their attitude toward foreign companies, that YPFB might qualify for a US Government loan. The frustration of this hope so far, the Ambassador continued, has helped to generate a serious political problem which threatens the prospects, not only of YPFB in the long run, but also of the foreign companies now having concessions in Bolivia. The line, inspired by Communists and anti-Siles Leftists, and which is gaining momentum and acceptance, is that YPFB's acquiescence in the petroleum code and in the granting of foreign contracts will lead to its ultimate undoing. Further, that the refusal of the US Government to help YPFB demonstrates a conspiracy between the Government and the foreign oil companies to monopolize petroleum production in Bolivia. It is also alleged that the foreign companies are not seriously attempting to produce oil but are merely patterning the outline of deposits which they intend to hold in reserve. All of this, the Ambassador said, has generated a strong move for revision of the petroleum code, and has attracted support by such strong moderates in the Bolivian scene as the Minister of Government, Walter Guevara, and the Vice President, Alvarez Plata.

The Ambassador said he could not urge too strongly the advisability, in our own interests, in the interests of US oil companies, and in the interests of US tax payers who hope ultimately to be relieved of the burden of Bolivia, for the US to agree now to help YPFB financially. He said the requirement would not be large and that from \$3 million to \$5 million would meet present needs. He said that YPFB has just brought in a new well which is producing about 1,000 barrels per day and which proves the existence of a new pool in the Camiri fields. YPFB feels that some 60 wells could be drilled in this new pool but it needs money for equipment and perhaps to pay

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to pay the fees of US contract drillers. The reserves are proven, he said, and the export pipeline in existence. Only funds are lacking to develop this certain resource.

Mr. Dillon said that we had recently discussed the possibility of such a loan with Messrs. Roosevelt and Whiteford of Gulf and had received a somewhat negative reaction. Gulf, he said, felt that it had not been treated too well in Bolivia, and had also raised questions regarding the possibility for marketing any output which might be achieved.

The Ambassador responded that the attitude of the home office and of the people in the field might be somewhat different with regard to treatment in Bolivia. He felt that Bolivia had lived up to its commitments reasonably well but that the home office was probably sore because Gulf had failed to obtain the Madrejonas concession. With regard to marketing, the Ambassador said that some output could be marketed in Argentina and some in Chile. YPFB also hoped to sell some in Japan and some, possibly, in the US westcoast market. While it is possible that YPFB could successfully market its output, in a pinch, it would probably look to the US companies like Gulf to help. In this event, it would surely be in the interest of Gulf to cooperate, as quantities, relatively, would be small. Assuming Gulf begins to produce oil, it would be intolerable politically for it to market its own oil if YPFB could find no outlet.

Mr. Mann said that while he appreciates the need to help YPFB he feels the timing is inappropriate for a loan. He said he might favor doing something for YPFB through ICA on grant aid. The Ambassador said it would be exceedingly difficult to defend grant aid to YPFB, which is the one credit-worthy institution in Bolivia and which is capable of servicing a loan of the magnitude in question. He also pointed out that YPFB is never able to obtain its total budget of bolivianos and if we were to provide it grant aid in dollars we would probably have to also give it boliviano counterpart with which to buy the dollars. He felt this would be a most unsound procedure in the circumstances and that it would deny us the valuable political effect of a loan.

Mr. Dillon suggested that before Ambassador Bonsal departs for Cuba he make arrangements to discuss this matter with Mr. Whiteford of Gulf and with representatives of Tennessee Oil and Gas. He said he felt it important to have them hear the Ambassador's opinion that assistance for YPFB would be beneficial for their interests as well as for those of the US Government. Mr. Mann said he would make arrangements for Ambassador Bonsal to meet the people indicated.

Mr. Dillon

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Mr. Dillon said that following these discussions, and depending on their outcome, the relative merits of aid through a loan or through grant aid could be discussed. In response to an observation by Mr. Mann, Mr. Dillon said that Ambassador Bonsal should make it quite clear that the Department is not attempting to pass on to the oil companies its responsibility for decision as to whether aid should or should not be made available. What we are interested in, he said, is the reaction of the companies to the possibility that we might help YPF, and to the proposition that such a move would be beneficial to them.

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: February 11, 1959

SUBJECT: Management of Bolivian Aid Program

my file

PARTICIPANTS: Acting Secretary Dillon
Assistant Secretary Mann
Ambassador Bonsal
Acting Assistant Secretary Snow
W/MS-C-Mr. Bell
ICA - Mr. Saccio
COPIES TO: WST - Mr. Siracusa

Mr. Dillon-W
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WST-(2 ccs Mr. Siracusa)

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Mr. Dillon said that while the meeting had originally been arranged to consider the problem of YPFB's financing, he also wished to discuss the overall management of the Bolivian aid program in the context of comments and recommendations submitted by the USOM Director in La Paz, Mr. Rey Hill, in TOICA 1099. He said he had read the report which seemed to him to make a good deal of sense. He said we are quite likely to be closely questioned on the Bolivian program by Congress this year. If this occurs we must be able to show the possibility of progress toward restoring Bolivia's ability to get along without US grant aid. He asked Ambassador Bonsal for his views on this subject.

Ambassador Bonsal said he had a very high opinion of Mr. Hill and expects he will do an outstanding job in Bolivia. He has a vigorous approach to the problem and refreshing new ideas. Hill's general recommendations for streamlining technical assistance programs appear in principle to be sound and undoubtedly much can be done to improve our operations in this respect. The Ambassador said it is clear we have sometimes over-estimated our own ability to help, and to provide people capable of giving help. At the same time, we have over-estimated the ability of the Bolivian Government to absorb help. The Technical Assistance program, in his opinion, certainly should be streamlined. He can only encourage Mr. Hill's efforts in this regard.

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As for Hill's recommendations on the stabilization program and the establishment of specific conditions for continued US aid, Ambassador Bonsal said that he could not so readily agree. In the first place, he said, Mr. Hill had addressed himself here to very fundamental matters which really ought to have been considered by the country team according to established procedures. He felt that Mr. Hill had been well-intentioned, but perhaps ill-advised to have sent such sweeping recommendations on his own and without consultation.

Mr. Saccio observed that it was not unusual for new USOM Directors to put their own personal views and analysis on record. Ambassador Bonsal agreed but said there are well-established and approved procedures for a USOM Director to express dissent from the Ambassador's or the country team's views if he so desires. All things considered, he believes it preferable to follow this procedure.

The Ambassador went on to analyze the political and economic situation in Bolivia in the light of the advisability and feasibility of attaching rigid conditions to the aid program. He said the Bolivian Administration is fundamentally weak and is under extreme pressures from both the Left and the Right. From the Right, which is growing in strength, Siles is accused of being Marxist-oriented and of having surrendered Bolivia's sovereignty and independence to the US. The US is also attacked from the Right for supporting a "Marxist-Socialist" regime. From the Left, Siles is accused of having permitted the principles of the revolution to be destroyed as the price of obtaining US aid, and of having turned the Government over to the "imperialist trusts". While Siles is thus under political attack from both extremes, he also faces⁹² increasingly acute economic situation. The bleak fact is that the economy of Bolivia is contracting and declining in output. Even with US help, resources available to the country have followed a diminishing curve. In the circumstances, and since the Government is well-intentioned and so dependent on US support for survival, it is very easy, the Ambassador said, to get agreement on commitments. At the same time, he added, it is not so easy for the Government to honor its commitments, in spite, frequently, of the best of intentions. This inability results both from political pressures against unpopular measures and from the squeeze of economic factors.

Here, the Ambassador went on, in the 6th year of US aid for Bolivia and the 3rd year of stabilization, the free world system is really on trial. What we are trying to do, he said, is demonstrate that our system is good for Bolivia and can solve its problems. We are trying to do this, he said, in the face of attractive blandishments and opposition from the Communist and anti-US world. Unfortunately, he said, we have not yet demonstrated that we can handle the problem.

While

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While we have undoubtedly made mistakes in the concept and application of our programs, the Ambassador continued, the problem has also been severely complicated by Bolivia's economic decline and contraction of productivity. In 1953 when we initiated our aid programs, he said, Bolivia was earning close to \$140 million from minerals export. In 1956 when we started the stabilization program Bolivia was earning around \$80 million in this way. Last year, he said, Bolivia's export earnings were somewhere between \$55 million and \$60 million. Adding about \$20 million in US aid, Bolivia's total dollar availabilities are still much less than they were when we first felt it necessary to help in order for Bolivia to survive economically and to avert political chaos. It is true, he added, that we have had certain successes in improving agricultural output in Bolivia's self-sufficiency in terms of most basic foodstuffs. Nevertheless, the picture remains one in which a growing population is being forced to get along with less. At a time of rising expectations and with a revolutionary Government founded on promise of a better deal for the masses, it is obvious that extreme political pressures would be produced in such a situation.

The stabilization outlook for 1959, the Ambassador said, is fairly hopeful due to several factors. These are, principally, the possibility of obtaining additional income through tin barter, the fairly high and stable price of tin, and the possibility that international tin agreement quotas might be somewhat increased. Nevertheless, what the US and the free world have to offer Bolivia today is still a picture of decreasing employment in the mines, in the railroads and in the factories, and the prospect of only vague compensations in return for the sacrifice which is said to be inevitable.

In these circumstances, the Ambassador said, he firmly believes that the basic tenet of our position with regard to grant aid should be to stand behind the conditions imposed by the IMF rather than to attempt to impose conditions ourselves. He observed in this connection that the Fund conditions are not by any means exclusively monetary and fiscal. The Fund demands and obtains conditions of a general economic order which affect employment, budget policy, credit policy, investment, wage policies, etc. Any conditions imposed outside of the standby agreement, the Ambassador said, should be considered carefully, on a very selective basis, and with full appreciation of their political implications. Especially, he said, we should not allow a sense of frustration to lead us ill-advisedly to impose unavoidably rigid conditions which might destroy the program itself or lead to intolerable political reactions. Observing that the Bolivian Government has not done too badly in fulfilling some of its commitments, the Ambassador mentioned that since the beginning of stabilization from 12,000 to 14,000 employees had been released by COMIBOL. At the same time, we have been able to absorb probably no more than 2,000 persons in ICA-sponsored programs and the oil companies have employed perhaps another 2,000. The remainder, the Ambassador said, just seem to disappear into the landscape. Presumably they returned to subsistence agricultural employment.

At this

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At this point Mr. Dillon asked for Ambassador Bonsal's comment on Mr. Hill's assertion we should not rely so heavily on the IMF because of its interests are limited to monetary and fiscal matters; that it does not concern itself sufficiently with general economic matters and is, in fact, opposed to development as being inflationary. Ambassador Bonsal replied that he did not feel the statement justified. It may stem, he said, from the feeling among USOM employees that we are letting the IMF tell us how to spend our money. Actually, he said, as the recent letter of intent to the IMF indicates, general economic and investment matters are given importance by the IMF. In the budget approved for 1959, he said, a fairly substantial figure is allowed for an investment program. He also observed that we have full opportunity to make our views known regarding conditions we think desirable in the IMF agreements.

Mr. Dillon said he was inclined to share the Ambassador's views and asked if the IMF had capable people in Bolivia. The Ambassador said the IMF is represented there by Mr. Herbert Zassenhaus for whom the Ambassador has the highest respect. He said he maintained the closest possible relations with Mr. Zassenhaus who is an extremely able and effective man.

There followed general discussion of various elements of the program. Ambassador Bonsal pointed out that our timetable for the Bolivian program had been upset and that we had never yet been able to move into the third, or development phase, which was to increase productivity, following the emergency and stabilization phase. We are still trying to stabilize, he said, and it is imperative that new productivity be developed if we are to have any hope whatsoever of reducing and ultimately eliminating our grant aid program. The ultimate solution to our problem must lie in increasing productivity, he said, and not in ourselves imposing rigid stabilization conditions which of themselves won't affect this basic problem.

The Ambassador also commented on unsatisfactory results we have had (in spite of good intentions and rather hopeful commitments) in carrying out an effective and meaningful resettlement program. He also discussed the employment possibilities in the El Alto Airport project which he urged receive favorable consideration by the DLF. In response to Mr. Dillon's queries on the investment code and mining code the Ambassador said he definitely felt we should not attempt to make any legislative action a quid pro quo for elements of grant aid on our part. Our approach on these matters, he said, should be to counsel their adoption and point out why they are desirable, maintaining as much pressure as we possibly can. In this regard, he said, he has consistently pointed out to the Bolivians that in recent years both Peru and Chile have attracted more than \$400 million in private investment in metallic minerals whereas Bolivia has attracted virtually nothing. He said he has urged Siles to adopt the codes so that favorable conditions will be established to attract such investment. He believes, he said, there is some possibility that the investment code will be adopted. Siles told him just before his departure that he will put

the code

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the code into effect by decree and submit it to the Congress at a later date. The Ambassador said he could not speculate on what its fate might be in the Congress since it is very undisciplined and almost impossible for the Government to manage. He is not so hopeful, he said, about the mining code. At the Bolivian Government's request the ICA financed the preparation of a mining code which came under severe attack immediately on its publication as project in Bolivia. As a result, a different code was drafted by Dr. Sologuren. At the moment, the Ambassador said, there is much tugging and hauling in an effort to wed the two concepts into a single useful code but the prospects are doubtful.

Mr. Dillon at this point mentioned Rey Hill's criticism that some \$200 million in investment opportunities had been proposed to the Bolivian Government in recent years, but that none had been approved. Ambassador Bonsal said he was not sure how valid this statement should be considered. Actually, he said, many of the so-called proposals had either been made by fly-by-night operators or had simply been politically unacceptable. For example, he mentioned proposals by the Hemisphere Development Corporation and by Bolivex (Ventures, Limited), which involved acquisition by these companies of large territorial rights. Such proposals, he said, met immediate and powerful political opposition from all quarters. For their part the Communists and extreme Leftists seemed to be opposed to any development or investment which would appear to help put Bolivia back on its feet. The only investment made in recent years, he said, was a relatively small investment in gold mining. As to the possibilities for sound and productive mineral developments he is not sure. While the geology of Bolivia seems favorable, it may well be that modern methods would dictate the development of more accessible though possibly less rich ore deposits found in other places. He is also not too hopeful that a good investment code would really attract important private investment in industry and commerce due to the very small market and very low purchasing power of the people. The inevitable conclusion which he draws, the Ambassador said, is that the single hopeful possibility in Bolivia today lies in the development of her petroleum resources.

The discussion then turned principally to the problem of general petroleum prospects and of YPFB's financial difficulties. This is reported by separate memorandum.

At the conclusion of the discussion Mr. Dillon again expressed the need for reviewing the management approach to the Bolivian problem. He said he recognized the difficulty and danger of attempting to impose rigid conditions but felt we ought to have another careful look, in the light of Hill's recommendations, to see whether we are doing all which might be done. He suggested that a paper outlining our approach and including such conditions as might be feasible, in addition to those imposed by the Fund, should be developed.

OCB Luncheon Mtg, 1/7/59

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(In this connection, the State Department Top Secret Summary of January 8 contained the following paragraph:

"Meanwhile, Mikoyan in conversation with the Secretary has questioned our desire to reach agreement in the talks, mentioning our position on voting procedures in the control commission as arousing Soviet suspicions. The Soviets, Mikoyan said, could not accept US insistence on a majority vote."

2. Governor Herter spoke about Mikoyan's conversation with Secretary Dulles. He did not indicate there was anything which the OCB should be doing in connection with the visit. He said the Department officials had spent an hour and a half with him that morning pouring over the memorandum of conversation in an effort to ferret out what it was that Mikoyan really wants. (In this connection, I informed Mr. Lay of the note in the Top Secret Summary to the effect that Mikoyan had said that his government was prepared to announce within the next two months its desire for a conference to negotiate the German treaty, at which time the Soviets would advance a draft.)

Governor Herter doubted that there would be any incidents in connection with the remainder of Mikoyan's visit, which would include San Francisco, New York (Council on Foreign Relations), Boston, and possibly Florida.

George Allen stated that Arthur Krock had prepared a 7-page report on the dinner which Eric Johnston had given for Mikoyan Monday. Mr. Allen indicated the general line of Mikoyan's replies. The only significant one he mentioned concerned Mikoyan's effort to reassure the group that the USSR had no intention of denying our access to Berlin -- no statement was made concerning access of West Germans to Berlin.

3. Allen Dulles mentioned disturbing reports concerning Communist penetration in Cuba. He stated that BRAC files had been taken by military force under the authority of Guevera. (BRAC is an anti-Communist organization with which we had been connected.)

4. Allen Dulles referred to the ~~tie-in~~ oil question in connection with the OCB Report on Italy. He indicated that Secretary Anderson wished to go a little less far than is implied in the language in the OCB report. Mr. Scribner said he had revised language which he would send to Mr. Dulles promptly in order that agreement could be reached on the report.

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