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note	Ruth to George with attached memo of telephone conversation between Bob Kleberg and Senator Johnson, 6/16/59 <i>open 5/10/84</i>	6/16/59	C

FILE LOCATION

LBJA Subject File [Foreign Relations]
Cuba

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Mr. President:

I am reliably informed that the Cuban Government has started today to seize large quantities of land under its recently promulgated land-redistribution law.

This means that American citizens are going to lose property which represents investments made in good faith.

At the present time, the situation is still highly uncertain. It is not clear precisely how the law will work and what standards will be used by the Cuban Government of Fidel Castro.

There is a major issue involved here, not only of the policy of the Cuban Revolutionary Government in seizing the land, but of the policies of compensation that will be followed. The Cuban Government thus far has indicated only that it intends to compensate those who lose their holdings with 20-year bonds. Grave doubts have been expressed as to the value of these bonds.

Mr. President, I hope that our Government will continue to follow this matter vigorously. I hope that it will seek to protect the legitimate interests of our people -- not only for the benefit of American citizens but for the benefit of Latin-America itself.

(more)

The future of Latin-America depends upon stable capital investment and it will be unfortunate if the Cuban land-reform law shakes the confidence of investors throughout the world.

Our citizens have legitimate rights which should be protected. Our Government should be unrelenting in asserting those rights.

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#64 - Today's papers published another dispatch from Santiago de Cuba with the following statement made by Monsignor Perez Serantes on the Agrarian Reform Law and in reference to previous statements he made on this subject a few days ago.

FIRST: We said that we approved the Agrarian Reform, and we will approve it insofar as it tends to redeem the peasant from the deplorable state in which he finds himself, which more than poverty is, in many cases, of true misery in this privileged country where no one should feel the pangs of hunger.

SECOND: We also said that we congratulated, and we do congratulate, the maximum revolutionary leader for the inspiration he has had and for the marked purpose he maintains to carry the revolution and its benefits to the economic field, not hesitating, as was the general custom of other politicians, and trying, in this manner, to serve the vital interests of the people in material things.

THIRD: We also said, and we repeat, that nothing of the above mentioned would imply that the agrarian reform, as a humane work, is free of defects, some of which are of considerable importance, but which can be easily remedied in time, knowing, as we rightly think there is, the greatest desire to succeed, to construct and not to destroy without real necessity.

FOURTH: Nothing was said regarding the success of said agrarian reform nor of the manner to carry it out; nothing of the success which depends on many and varied factors, as we lack knowledge to judge on such a complicated matter; but we surely desire that this Agrarian Reform does not suffer the same fate as similar ones which have preceded in other countries. Nothing was said on the manner to carry it out, which we do not find as well adjusted as we would desire with views towards a better result, therefore coinciding, in some points, with other persons well authorized through their knowledge, capability and honorability, who, having carefully studied the Agrarian Reform Law reject it in its written form, precisely due to the defects of its form. In all cases, well versed experts in communist doctrine as revealed in Cuba for the Cubans, discover in the form, I mean, in the mentioned Agrarian Reform, a similarity and affinity - some of them say - with the thoughts of the faithful and disciplined disciples of Moscow, so much so that they suspect that these (the Moscow disciples) and the editors of the Agrarian Reform have drank of the same fountain, which is not, they emphatically assert, neither that of the Gospel nor that of the learned encyclicals of Leon XIII or Pius IX. Dr. Castro, foreign to the orientations of the Moscovites, surely should know perfectly well that such orientations do not favor in the least the success of the revolution.

Having stated this, we must add that, had we the least authority to do so, we would advise to try to carry on the agrarian re-

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form on a plan of the most perfect harmony between the interested parties, without harshness and without provoking unnecessary collapses in the construction of the magnificent economic structure, fortunately designed, and to which structure, no doubt, would contribute those who today are justly alarmed and threatened.

In this way we would all profit, joining voluntarily, adding and not subtracting; and the dissatisfied, which we well know whom they will be, should not be of concern to the triumphant revolution that only looks towards the common welfare, to the good of Cuba and to the stability and continued advancement of the economy and welfare of the people.

Lastly, should it be of any use, we repeat what we said on Jan. 3rd in a public document addressed to the new government:

"It is necessary to make the peasant love the land and to make him feel at home in the country, which so many hate today. Little does it matter to give a piece of land (even though with rightful ownership as we say today) to one who does not love it and hates the country".

The solution of this problem is more practical than theoretical and a solution must be given to it.

ENRIQUE, Archbishop of Santiago de Cuba

June 17, 1959

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United States Senate

MEMORANDUM

June 16

George--Senator said to give this to you and ask you to talk to Jack White at the State Department. The call concerned Cuban sugar operations.

Ruth

Telephone Conversation between Bob Kleberg of Kingsville, Texas, and
Sen. Johnson, June 16, 1959

K ...If you could say something backing up what the State Department has already said.

J Alright.

K You'd have to be the judge of that. It seems to me like all of our hopes of private enterprise doing anything in South American countries is going to be terribly damaged unless we can find some way to straighten this thing out.

J Yeah.

talk

Mike K And I don't know if there's any use in going into long ~~detail~~ over the 'phone I'm satisfied that you've been thinking about the thing a lot. But if you could say something, it would encourage the people ~~axokz~~ that are making a fight down there it might stimulate our State Department still further. It's one of those things where ~~ixz~~ I think they've done what they could up to this point and we're going to have to watch for the next week or ten days. I'll keep trying to get ~~Jack~~ Malone's group here to furnish you with any new information that they get on the ~~gozxfx~~ ground.

J Fine, fine--I'll go into it and see what's indicated and talk to the people in the department and do what I think is indicated.

K And I think it would be a good policy all around -- every way you look at it if you can think of the right thing to say. If I can think of anything that would help you, I'll phone your office about it.

J I wish you would. Just call Walter Jenkins anytime.

K I just wanted to raise the question with you. If you can, do something fairly soon.

J I will. He's talked to some of your folks and we've been in touch with the Department, but I'll move on it right away.

K Alright. And at some point, I'm coming by to see you on some things I think we might do in the future that will be helpful in a thing like this.

J Wonderful. You let me know ahead of time and I'll buy you a meal.

MANIFESTATION OF THE NATIONAL ASSOCIATION OF CATTLEMEN OF CUBA

The National Cattlemen's Association of Cuba, with a strong feeling of patriotic responsibility and of social welfare, repeats once again their approval of an agrarian reform program which would bring the welfare and happiness to the rural population by a balanced adjustment of all the factors involved. This would produce a desired social justice, away from the narrowness of concepts and the infringements of human rights. We are in favor of a reform that would benefit the agrarian population within a system of free enterprise as corresponds to a country of democratic principles like ours.

We are opposed to the Agrarian Reform Law in the form that has been published because it destroys the right to own private land and because it strangles the freedom of the producing classes in order to change it for a system of government controlled production, which is contrary to the democratic ideals of our nation. In the long run, this would cause more harm than good to the general public which it is trying to help.

Before the Agrarian Reform Law is put into effect, we would like to be given a reasonable length of time, so that the government could obtain the opinion of the economists and of the producing classes affected, in order to put forth an Agrarian Reform Law that would not damage either national interest or established production. While filling an important economic function to furnish the people with their basic foods, the cattlemen of Cuba have made major advances in animal husbandry through years of hard work.

WE REJECT THE LAW

1. Because it is an attack against the fundamental principles of our Constitution of 1940.

2. Because it destroy our system of private property.

3. Because it annuls free enterprise.

4. Because the economic crisis that has already begun in Cuba is due to the law has been presented. This crisis should never be blamed on the cattlemen or on the rest of the producing sectors of our economy.

5. Because contrary to what the Maximum Leader of the Revolution Dr. Fidel Castro Ruz has stated, the land will not belong to those who work it, but to the State through the National Institute of Agrarian Reform. (I.N.R.A.)

6. Because it puts the land and its economy in the hands of the I.N.R.A., which is turned by this law into a monstrous superstate Organism which subjects all labor, managements, and owners to its mighty will. This organism will be both judge and part, and in a very short time absolute dictator and ruler of the lands in Cuba.

7. Because it disrupts our National Economy, especially in its most important sectors like sugar, cattle, tobacco, rice, coffee, etc. and in consequence production will fall and unemployment will increase.

8. Because it creates a state of economical insecurity which has paralyzed all private investments, intensifying the contraction of national capital and provoking the departure of foreign investments.

Because it subjugates almost all business, contracts and also the use, the availability and the value of rural property to the absolute unappealable decisions of a State Agency, the I.N.R.A., or of the Land Courts.

10. Because it confiscates private rural property, lawfully acquired, worked and developed by individuals, expropriating the lands without paying a just price in cash. In this way the State, without Agricultural experience, without technical knowledge and without enough working capital, becomes absolute and omnipotent owner and latifundist.

11. Because basing its principles on the Constitution of 1940 which prohibits the latifundium, it violates the other principle sacred in this fundamental text, and also establishes that, in cases of expropriation, payment must be made in cash and not in bonds.

12. Because it pretends to pay in bonds according to the value of assessment with full knowledge that this value is based on declarations made 20, 30, or 40 years ago, and because it ignores the real value, disregarding the investments, the employments, and the improvements created by the proprietor.

13. Because it divides and subdivides agricultural units almost all of them in full production, to constitute forced government communes where the rural worker loses his individual initiative and the guarantee of permanence on the land, to become a servant of the local I N R A, representative.

14. Because the land which is to be redistributed and presented to the rural workers, will not be transferred as private property, but will be given under government control converting these men into government servants.

15. Because it destroys agricultural units in full production and economic prosperity in order to create forced government controlled communes of doubtful success, eliminating individual initiative and guarantee of permanence on the land.

16. Because it prohibits free enterprise to the people which it tries to benefit. It leads us forcibly to a regime of State controlled economy typical of totalitarian countries.

17. Because according to the law, only the eldest son can inherit the property or its use; the Agrarian Reform, the way it is now, tends to disrupt the harmonious unity of the family.

18. Because it unnecessarily creates a climate of social resentment and a state of hostility between labor and management which can be the beginning of violence and mob action.

19. Because this law does not make an exception of the small farmer, who in some cases will be deprived of his birth rights; nevertheless it protects and grants land to squatters.

20. Because we are sure that the support given until now by the cattle industry and all the producing sectors to the Agrarian Reform project, does not mean the acceptance of the present law, which was not known until now. The backing that we all have been giving this program, was in a decided support of the revolution and of an Agrarian Reform that would be constructive, just, and operative.

This is the opinion of 145,000 cattle men and their families not counting their employees which would bring up the total to half a million people.

PLEASE READ AND PASS ON TO YOUR FRIENDS

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106 WALL STREET
NEW YORK 5, N. Y.

July 1st, 1959

Senator Lyndon Johnson
Senate Office Building
Washington, D. C.


Dear Senator Johnson:

Mr. Robert Kleberg, Jr. has talked to you recently concerning Cuba and has given you certain information about the current situation.

He has asked that I send you the enclosed material which we hope will be helpful in your thoughts about this situation.

We are most grateful for your consideration and interest.

Sincerely yours,



George A. Braga

GAB:mjs

Cuba Seizes Big Area of Ranch Land

Castro Will Set Up Cattle Co-operatives

HAVANA, June 25 (UPI).—The revolutionary government today expropriated 2,370,000 acres of grazing lands in Camaguey Province, Cuba's "beef belt."

Under direct orders from Premier Fidel Castro to break up large landed estates in the area, Rural Guard units served expropriation notices on the ranchers. Each rancher is allowed to retain 335 acres.

The Camaguey expropriations were the first to be carried out on a large scale since enactment of the controversial agrarian reform law several weeks ago.

Some 400 ranches owned by 131 persons were affected in today's action.

Camaguey cattle ranchers and Pinar Del Rio Province tobacco growers have led a campaign for modification of the agrarian reform law.

Dr. Castro charged yesterday that cattle interests were trying to block the government with a program designed to force up beef prices, and ordered their lands expropriated immediately.

Expropriated lands will be used to establish cattle co-operatives, which will enable Cuba to export beef within five years, Dr. Castro said.

Raul Castro, chief of the armed forces and a brother of the Premier, asserted in a speech at Camaguey City today that only a "sectarian minority" was opposed to the revolution, which he said was "as Cuban as our palm trees."

The Cuban revolution, he added, cannot be considered as solely Cuban because in reality it signifies the awakening of Latin America. Cuba . . . has become the beacon and guide of the continent which sooner or later must become one great country."

Havana police, meanwhile, arrested eleven men on charges of terrorism and illegal possession of firearms. They face death by firing squads if convicted under recent drastic anti-terrorism laws.

In another development, the provincial leadership of Dr. Castro's July 16 revolutionary movement proclaimed its "solidarity" with the revolutionary movement in the Dominican Republic.

A statement published on the front page of "Revolucion," organ of the Castro movement, said the "example of the Cuban revolution is behind these efforts for liberation . . . which must triumph."

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It appears abundantly clear that Cuba is being dominated and run by agents of Soviet Communism. It would not seem to matter whether Fidel Castro is himself a Communist or is being used by the Communists - the results are the same - and Castro himself has been the Cuban Dictator since January 1, 1959.

A battle for the hemisphere between the United States and Russia is being engaged in by the Russians, and the United States must recognize this and take the necessary steps to keep the hemisphere free.

The Cuban so-called Agrarian Reform Law promulgated by the Castro Government seems more a deliberate Communist effort to block the flow of American capital to all Latin-America, create eventual chaos and soften the hemisphere for Communism.

This so-called Agrarian Reform is ill-conceived and has no chance to succeed. History has demonstrated that it takes long experience to handle land and make it productive. Taking the land from those who have cultivated it and maintained it and turning it over to others to work under State direction can only lead to disaster. By removing those with experience and the knowledge needed to finance their operations and substituting the inexperienced without proper backing, we can soon expect chaos which would undoubtedly wreck

the Cuban economy and cause serious famine in the Island.

It seems that no consideration has yet been given to the fact that large areas of Cuba do not lend themselves to cultivation. Therefore, the figures stated as to land available in Cuba are misleading. Some is savannah land; some of it is comprised of large areas subject to flooding, which because of their nature cannot be drained. In addition, much of the land is already infested by marabu (a very serious jungle pest - extremely difficult to permanently eliminate). This land can only be made productive by keeping the marabu shaded out by sugar cane or certain introduced grasses. No ordinary crops can be grown on this land. These are but a few of the reasons why this so-called Agrarian Reform Law has no chance of success.

If the Castro Government is permitted to get away with the confiscation of American property it will have a serious effect on all existing American investment in Central and South America. It is a pattern which is already unfolding throughout the entire hemisphere.

It is a clear-cut action to destroy democratic processes in Government, usurp individual freedom, and cripple the flow of investment capital.

It could bring to a standstill the flow of American investment capital to the Latin and South American countries as well as other areas of the world because of the fear of confiscation such as is taking place in Cuba.

The United States Government cannot allow this to happen. We urge our government to take all necessary steps to protect and, if necessary, guarantee American investment in Cuba and the other Latin-American countries. It is a well known fact that other nations do guarantee varying amounts of the overseas investments of their nationals, and the United States might well do the same rather than let our very hemispheric solidarity be shattered and our national defense weakened.

In addition to these main reasons involving national security, the United States Government must look with alarm on the Cuban Government's attempt to expropriate American property without adequate compensation and without any recourse to Judicial Review. (The Agrarian Reform Institute allows no appeal from its decisions and is valuing land at ancient and absurd levels. Payment is to be in twenty-year bonds whose worth is open to serious question). This actually is not expropriation, but confiscation. The law is actually contemptuous of all accepted standards of International

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Law.

We urge our government to stand behind its citizens who have invested in Cuba. In this Cuban Case, the United States should recover its losses by taking away the preferential treatment accorded Cuban sugar imports and by increasing the tariff on these imports in order to reimburse the United States Nation and its citizens for the full value of their properties.

It should be clearly pointed out that the United States has, in effect, extended for generations a protective umbrella to the entire Cuban economy by sharing with Cuba the benefits of our economic system and our Sugar legislation. Cuba has been accorded such preferential treatment as a favored neighbor and friend as to seemingly make our bonds inseparable. We have sought by this favored treatment to allow Cuba to share in the economic growth of the United States. This has raised the Cuban standard of living, trade has increased, and good for all has resulted.

Now however, such movements as the nationalization of land by the Agrarian Reform, and other drastic measures recently promulgated are having the effect of orienting the Cuban economy away from the free enterprise system in such a way as would ruin the Cuban economy, lower wages, make the Cuban citizens servants of the state and

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rip asunder the historic ties with the United States thereby completely destroying the trade and intercourse so essential to the well being of both peoples. The Cuban peso, always par with the dollar, has already been seriously weakened by the irresponsible acts of the Castro government.

We must serve notice that if this course continues we will withdraw the benefits of our economy from them, remove their sugar quota, cut off any present or future aid and if necessary, impound their funds to pay for this confiscated property.

It is, however, to be fervently hoped that Cuba will soon become a truly democratic nation and seek to maintain its close historical ties with the United States in order to promote a safer and more stable hemisphere. The United States capital, which has played such an important part in Cuba's development, really hopes for the opportunity to continue to do so and to be of assistance to Cuba and its people.

Not only in Cuba, but throughout the hemisphere our country at the present time appears to be the subject of the strongest and most sinister attack that Communism - both Russian and home-grown - has yet mounted against us. It is, therefore, paramount that we command respect and

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exert leadership in the Americas - with tact and friendship whenever possible, but with intelligent firmness of purpose when this is called for in any special situation.

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174

United States Senate

MEMORANDUM

George

no, I don't think so

LBJ

United States Senate

MEMORANDUM

20812
Senator:

The State Department has now received its first solid information from the Embassy in Cuba. Information is still sketchy.

Apparently the Cuban government is seizing cattle lands in Camaguay Province. The seizures so far are confined to cattle lands only, and it is not known whether cattle as well as land is being seized.

Information is somewhat vague because the State Department does not even have a Consulate in Camaguay Province, and this action took both the State Department and the Embassy by surprise.

It is the belief of the State Department that the seizures are motivated by a desire to slap down the Cuban Cattlemen's Association. This Association has been vigorously anti-Castro and has protested the land law. The Embassy had asked the Cuban government not to move, at least until there was further consultation with the United States. In this instance, the Cubans have ignored the request.

United States Senate

MEMORANDUM

The Department is considering action and will keep us informed. Perhaps you might want to call Mr. Kleberg. Until now the Department had no more information than he had--even less, in fact, because he had a man on the scene and they didn't.

GER

Cuba

June 20, 1959

Dear Bob:

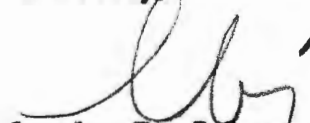
I just wanted you to know that we are following the Cuban matter closely. My staff has had two conferences with the State Department who is directly responsible for handling American policy, and it is felt that the Department is proceeding prudently and with a reasonable degree of activity. We are going to keep after them to be certain that they do.

We are told that the major difficulty is that no one is quite sure just how the Cuban government is going to interpret the law. It will take some time to put it into effect, and it seems that even the Cubans themselves are uncertain as to how it will work.

I will keep trying on this and will do whatever I can.

Best regards.

Sincerely,


Lyndon B. Johnson

Mr. Bob Kleberg
King Ranch
Kingsville, Texas

LBJ:GER:bnw

D R A F T

The Cuban Agrarian Reform Law was officially promulgated on June 3. On June 11 our Embassy in Cuba delivered a note to the Cuban Government expressing the Department's concern about certain features of the Law, in particular that concerning provisions for compensation for any U. S. properties which might be expropriated. The following day, on June 12, our Ambassador in Habana made our concern known to Castro in person. The Cuban Government replied to our note on June 15 stating in effect that the Agrarian Reform Law was the cornerstone of the Cuban Government's program and that it believed it was essential to carry out its implementation for the betterment of the Cuban economy and the Cuban people. This note is now being studied carefully by the Department.

The Department is in close touch, both here and in Cuba, with American interests which will be effected by this Law. It is too early yet to say where we go from here, but certainly further discussion will be had with the Cuban Government. For your own private information, the Department is meeting ^{today} ~~tomorrow~~ with the new Cuban Foreign Minister who is here in Washington to discuss the situation further.

DEPARTMENT OF STATE FOR THE PRESS

JUNE 11, 1959

NO. 417

UNITED STATES NOTE TO CUBA CONCERNING THE CUBAN AGRARIAN REFORM LAW

The Department has instructed the American Embassy in Habana to deliver today to the Cuban Government a note stating certain views of the United States Government on the Cuban Agrarian Reform Law.

The substance of the note is as follows:

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

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

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

The United

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

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

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

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

* * *

State--FD, Wash., D.C.

Following is text of Cuban Note C1964 of June 15 replying to our note of June 11 on Agrarian reform law:

Habana, June 15, 1959

Mr. Ambassador:

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

Although in a certain sense the tone of the said note indicates the "understanding" and "sympathy" of the Government of the United States of America, with respect to the cardinal objectives of Agrarian Reform, an over-all impression thereof indicates, on the other hand, a balance of reservations, warnings, and observations regarding the method of carrying out this highly important and irrevocable measure. We do not dispute the right of the Government which Your Excellency so worthily represents to set forth its viewpoint on matters which it deems to be of "profound and legitimate interest to United States consumers of Cuban products and to United States investors in Cuba." What the Revolutionary Government of Cuba does dispute and take exception to is the validity which it is attempting to give to mere presumptions and
the implied

the implied reluctance to accept the system of payments which it has been compelled to adopt. It is our hope, nevertheless, that the expression of these important points may contribute to a change in the viewpoint held concerning this matter, since apparently the differences between the two Governments are more adjective than substantive.

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

every underdeveloped country for its industrial, political, social, and cultural progress.

Unless large-scale landholding is abolished and a fair redistribution of the land is made, Cuba will continue to suffer economic stagnation and an increasing rate of unemployment. These measures are just as essential to the good of the Cuban people as they would have been for the people of the original thirteen American colonies if they had not had available a huge reserve of land to the West, which enabled them to expand their economy every time the exigencies of their development made it necessary. Furthermore, the semifeudal conditions existing in many countries of the Americas, Asia, and Africa constitute so formidable an obstacle to economic progress and are so much a cause of low agricultural productivity and a low living standard that the UN, the OAS, the ECIA, and the OIT have constantly urged the peoples and governments of those areas to study and carry out as soon as possible a transformation in the system applying to rural property. Only a few days ago, the United Nations Economic and Social Council, meeting in Mexico, repeated this recommendation. The attitude of the Government of the United States of America in international organizations with respect to this question has, in fact, been "consistent and unequivocal."

The fundamental concern expressed in the note under reference — summary and compendium of the reservations, warnings and objections it contains — is the form of payment adopted by the Revolutionary Government of Cuba to indemnify North American citizens whose properties may
be expropriated

be expropriated pursuant to the Agrarian reform law. It is true that the constitution of 1940 and the basic law in force provide that the price of expropriations shall be paid in advance and in cash in the amount fixed by the courts. But it is also no less true that the aforesaid form of indemnification is inexorably imposed by events in the public domain: the chaotic economic and financial situation into which the overthrown tyranny plunged the country, and the marked imbalance in the balance of payments between the United States and Cuba, which for us has meant an unfavorable balance of about a billion dollars during the last ten years. It should be noted that, had these events not occurred the Revolutionary Government would have been able to discharge the aforesaid constitutional obligation. As for the defalcation, full responsibility falls on those who used the resources of the public treasury and the reserves of state credit institutions for their illicit personal enrichment and for the unlawful purchase of war material for the inexorable extermination of the Cuban people. Furthermore, if it were possible to recover the huge funds that have been taken from the treasury and deposited in foreign banks, the extinction of large landed estates and the Agrarian reform might be accomplished under conditions kinder to the interests concerned. However, between the constitutional obligation to abolish large-scale landholding and carry out Agrarian reform, and the precept of advance cash payment for expropriated lands, the Revolutionary Government, exercising the constituent power vested in it by the overwhelming support it enjoys — the primal sources of its
democratic

democratic legitimacy -- has elected the form of indemnification which, in the circumstances alluded to, it considers most advisable in the best interests of the nation, which interests it places above any others, however worthy of consideration they may be. In a similar manner, before the insuperable force of circumstances, the United States Government, in promoting Agrarian reform in Japan, ordered the transfer of the properties of landowners to their occupants within a period of four months, establishing as the form of indemnification the issuance of Agrarian bonds earning 3.5 per cent interest and payable in annual instalments over a period of twenty-five years. Although it may be objected that Japan was then an occupied country, the Revolutionary Government of Cuba can state in reply that it found itself with empty coffers and is proceeding accordingly.

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

pleased if Your Excellency's Government would induce United States investors affected by the Agrarian reform to help further the over-all development of the Cuban economy in accordance with the planned policy that is being carried out.

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

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

accept and will not accept any suggestion or proposal that might in the least impair the sovereignty and dignity of the nation.

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

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

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FOREIGN AGRICULTURAL SERVICE REPORT

FROM : HABANA

AGR-321
REPORT NO.

6/8/59

DATE SENT

6/10
DATE RECEIVED

TO : DEPARTMENT OF AGRICULTURE, WASHINGTON

REF : AGR-300 of 5/21/59; Emb. Telegrams Nos. 1494 of June 4 and 1522 of June 5/59.

SUBJECT : CUBA: Revision of Agrarian Reform Law

Distribution
Agriculture

The Cuban Agrarian Reform Law was published in its final form in the Official Gazette of June 3, 1959. Only limited copies were issued on the 3rd and 4th of June.

Attached, as Enclosure 1, is a translation of the Law as it appeared in the Official Gazette of June 3, 1959. Although the final law contains several changes from the unofficial copy published in the Habana newspaper "Revolucion" on May 19, 1959, very few seem to be of major significance. In Article 29, the change granting independent appraisal of the value of perennial crops is important, as it permits compensation for some growing crops.

The change in Article 59, which states that the Institute will guarantee to the sugar mills their requirements of cane for the grinding season, is also of importance, inasmuch as the sugar centrals will eventually be without their own administration cane and must depend upon "colono" grown cane in order to meet their mill quota of sugar. Until proven by performance over the next few crops, the real value of the Government's "guarantee" will be a matter of opinion and debate among those persons interested in the Cuban sugar crop.

The addition of the new Article 67 and the deletion of the second paragraph of "Transitory Provision No. 7," are also of some but lesser importance.

Attached, as Enclosure No. 2, are six copies of the Official Gazette of June 3, 1959, released today, June 8.

As of interest to the Department, there is quoted below a translation of a Resumé of the Agricultural Reform Law, as published in the Habana newspaper "Revolucion", the unofficial organ of the 26th of July Movement, on June 4, 1959:

"END OF LATIFUNDIUM"

"Article 1 of the Law puts an end to latifundium in Cuba.

"No one may have more than 30 caballerías of land. The only exception considered is that which relates to areas of cultivation.

Chester E. Davis/al
REPORTER

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UNITED STATES DEPARTMENT OF AGRICULTURE

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Report No. Agr. -321

From Habana - 6/8/59

tion or intensive exploitation. But, even in this case, no one may possess over a total of one hundred caballerias.

"This principle governs the natural or juridical persons. It also governs undivided property.

"The application of this precept shall reduce Cuba's latifundium area, which today covers over 385 thousand caballerias in the hands of less than 4,423 landowners, to only some 135 thousand caballerias. An expropriated 'gross' surplus of 250 thousand caballerias shall remain.

"REDISTRIBUTION OF LAND

"The expropriated areas shall be redistributed among farmers and agricultural laborers not possessing lands.

"Individual parcels, with an average extension of two caballerias or its 'vital minimum' equivalent, shall be distributed.

"Larger areas shall also be distributed to agricultural cooperatives.

"Farmers who today possess less than two caballerias, shall be provided with the balance to complete the 'vital minimum', whenever possible.

"The land shall be distributed gratuitously together with title to property.

"With an end to preventing the future evils of speculation or the concentration of the property, the lands that are gratuitously granted by the State may not in any way be sold or encumbered. For all other purposes the farmer shall be absolutely free to use and enjoy his farm. The individual or cooperativist shall receive from the National Institute of Agrarian Reform created by the Law, all kinds of economic assistance: from minimum prices and purchase of surpluses to machinery and technical advice.

"In all cases that may prove convenient the land shall be given in undivided joint tenancy to cooperatives which, having at their disposal an extension of over two caballerias, may take advantage of the cattle and agricultural exploitation on a large scale. The cooperatives shall receive full support from the INRA, and it is possible that they turn into one of the driving bases for the development of Cuba's rural economy.

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"THE LAND FOR THE ONE WHO WORKS IT

"The farmers and agricultural workers who today work the land without possessing it shall now be provided with the title of the farm in which they work. If they were farmers who work on parcels of less than two caballerías, they will gratuitously receive the title therefore. The present owner shall be indemnified by the State. In the case of farmers who own over two and less than five caballerías, the State will give them up to two caballerías, but they will be entitled to acquire the others (up to three) through compulsory sale.

"In the case of farmers or agricultural workers who possess between five and thirty caballerías, the Law gives them the right, through compulsory sale, of obtaining the extension of which they now avail of.

"There are in Cuba about 85 thousand farmers who do not possess title to the land they work as lessees, sub-lessees, planters, sub-planters, sharecroppers, and squatters, and who also cultivate extensions of less than two caballerías. Those 85 thousand farmers will receive, gratuitously, the title to the land. There are, in addition, nearly eight thousand of non-land-owning farmers who work in farms of from two to five caballerías. Each one of them will also receive, gratuitously, up to two caballerías and will be entitled to purchase the balance to complete up to three more caballerías. There are, finally, some six thousand other farmers working between five and thirty caballerías and who now may purchase the farm through compulsory sale proceedings.

"In total, this portion of the Law benefits more than 100 thousand farmers who, in the future, will be landowners and who shall not have to pay rent neither in cash nor in produce.

"The Law also forbids sharecropping contracts.

"In sharecropping contracts a farmer works the land he receives from the owner and pays him a proportionate part from the product of the farm. This type of contract has a feudal origin and has been used as an instrument of exploitation of the farmers. In regard to tobacco, the owner gets from the planter up to the fourth part of the value of the crop. That is exorbitant. Furthermore, as the owner is the party who advances the money he charges speculative prices for fertilizers and a high rate of interest for the cash. This system has now been done away with. There will be no more contracts for working on shares. The farmer shall keep with him the hundred percent of the value of the crop. Besides, credit at a low rate of interest and the possibility of purchasing the necessary implements for carrying out the crop at reasonable prices will be offered to him by the INRA.

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"The principle of giving the land to the farmer or worker who works it is a just principle, socially-speaking, but is a principle which backs the economical possibilities of increasing the production and the agricultural productivity of the Cuban rural area. The gains obtained by the absentee owners of the land shall now be turned into income for the farmers who will use them for their consumption, for raising their present level of welfare or for savings, investing them in the acquisition of properties for developing the productive potentiality of their lands.

"INDEMNITY TO LANDOWNERS

"Landowners will be indemnified for the expropriation of their farms.

"They shall be indemnified on the basis of the tax assessment declarations on real estate. They shall be paid in twenty-year bonds earning an annual interest of 4-1/2%, with category of public securities.

"The installations and edifications shall be separately assessed. Perennial crops shall be assessed separately.

"THE INRA

"The organization charged with the application of the Law will/^{be} the National Institute of Agrarian Reform (INRA).

"The INRA is vested with ample powers to comply with all the purposes of the Agrarian Reform Law. Its functions shall be, fundamentally, the following: a) To grant credits for the agricultural production; b) To create centers of machinery, equipment and research, and to offer technical advice to farmers throughout the agricultural areas of the country; c) To prepare the programs of national agricultural production. The INRA shall have at its disposal the necessary departments to proceed with the expropriation and redistribution of latifundia and to enforce the Law in regard to the distribution of the land to the farmers who work it."

Since the publication of the proposed Agrarian Reform Law in the Habana newspaper "Revolución" on May 19, open opposition to the Law has crystallized principally among the Cuban sugar, cattle, rice and tobacco interests. One protest crystallized in a public meeting, over the week-end of June 6-7, of tobacco growers in the City of Pinar del Rio, in which they attacked the Government for imposing injustice from a position of strength and with the statement that the tobacco growers will continue to fight in the defense of private ownership of property. On the other hand, Prime Minister Fidel CASTRO Ruz, at a luncheon on June 7th in celebration of "Freedom of the Press Day," stated there would be no further modifications of the Agrarian Reform Law "even though it rains railroad spikes."

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The Department will be kept advised of developments as they occur in the administration and operation of the Agrarian Reform Law. Translations are being made of the written protest made by the sugar industry and of the Round Table Discussion on June 2, 1959, concerning the Agrarian Reform Law in which the sugar, cattle and rice interests, as well as the Executive Director of the Agrarian Reform Institute, participated. When completed, the translations will be forwarded to the Department.

Also attached, as Enclosure No. 3, is a pamphlet in Spanish, issued by the 26th of July Movement, explaining the aims of the Agrarian Reform Law.

Chester E. Davis
Agricultural Attaché

Enclosures:

1. Translation of Agrarian Reform Law which appeared in Official Gazette of June 3, 1959.
2. Six copies of Official Gazette of June 3, 1959.
3. Five copies of Spanish pamphlet on Agrarian Reform.

cc: LMSmith (FAS:USDA)
RAStevenson (ARA:CMA)

Please send immediately copies to:
WAWieland (ARA:CMA)
APowers (Dept. of Commerce)
GBurneister (FAS:USDA)
AGKevorkian (FAS:USDA)

Please return fifteen (15) copies, AIR FORCE, to AmEmbassy, Habana, Cuba.

Prepared by:

Chester E. DAVIS/al

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Report No. Agr. 321

From Habana, June 2, 1959

TRANSLATION

AGRARIAN REFORM LAW

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

HEREBY MAKES KNOWN: That the Council of Ministers has approved and I have sanctioned the following:

Whereas: The progress of Cuba involves the growth and diversification of industry to make possible the most effective use of its natural and human resources, as well as the elimination of the dependence on agricultural monoculture which still fundamentally subsists and is the symptom of our inadequate economic development.

Whereas: To those ends, the Revolution has proposed to issue rules that will safeguard and stimulate industry and which will move private initiative through necessary incentives, tariff protection, fiscal policy and the sound handling of public and private credit and all other forms of industrial development, while at the same time, guiding Cuban agriculture over paths of essential development.

Whereas: In all the studies that have been made for the purpose of promoting economic development, especially those undertaken by the United Nations, the importance of putting into practice an Agrarian Reform, directed in economic matters toward two main goals, has been emphasized as one of its essential premises: to wit: a) to make possible the planting and extension of new crops that will provide national industry with raw materials and will meet the requirements of foodstuff consumption, consolidate and augment items of agricultural production for exportation, a source of foreign exchange for necessary imports, and b) at the same time, to increase the purchasing power of the people through a progressive improvement of the standard of living of the people who dwell in the rural zones which would contribute in enlarging the domestic market, to the creation of industries which produce slight income in a small market, and to consolidate other productive lines that are limited to the same causes.

Whereas: According to the opinion repeatedly upheld by technicians, the assumptions enunciated in the preceding clause are present in Cuba, and as an additional stimulation to those necessary changes in the present agrarian structure of our country it is urgently required to remove from the situation of poverty in which the immense majority of the rural population of Cuba has traditionally carried on.

Whereas: In Cuban agriculture, the share-crop agreement and the system of ground rents (perpetual liens) which discourage the planter by placing unjust, anti-economic and in many cases, extortionistic obligations upon him are frequently used, thus preventing the better use of the lands.

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Whereas: The 1946 National Agricultural Census has shown that the immense majority of the farms that are being planted are being worked by persons who do not own the land and who work as share-croppers, lessees, "colonos" and squatters, while the right of ownership is vested in absentee landlords which in many cases, represents a situation of social injustice and in all of them, a factor of discouragement to productive efficiency.

Whereas: In said Agricultural Census, the extreme and inconvenient concentration of the ownership of the land in a few hands is also shown, a situation existing in this respect that 2336 farms represent the ownership over an area of 317,000 caballerias of land, which means that 1.5% of the owners own more than 44% of the national area in farms, a situation which is still more serious if we bear in mind that there are owners who possess several farms having a large area.

Whereas: In contrast with the situation described in the preceding clause, we have the phenomenon of 111,000 farms with less than 2 caballerias which only comprise an area of 76,000 caballerias, which in turn, means that 70% of the farms have only 12% of the national area in farms, there also being a large number of farms - around 62,000 - that have less than 3/4 caballeria in area.

Whereas: In the large farms, it is evident that there is a detrimental lack of use of the natural resources - the soil - by keeping the planted areas in low-yield production, using excessively large areas in a large cattle industry and even maintaining other areas without being worked and at times covered by "barbari shrubs", which areas could be redeemed for productive activities.

Whereas: It is the unanimous opinion that the phenomenon of the latifundiums shown by the foregoing data not only is in contradiction to the modern concept of social justice, but is one of the factors that makes up the underdeveloped and dependent structure of the Cuban economy, a thing that can be proven through different characteristics, among which are: the dependence of the national income for its formation on production for exportation considered as the "strategic variable" of the Cuban economy, which thus is highly vulnerable to the cyclical depressions of the world economy; the high propensity to import, even merchandise that under other conditions could be produced in the country; the consequential reduction of the increasing effect of investments and of our own exports; the technical backwardness in the planting methods and in the exploitation of the cattle industry; in general, the low standard of living of the Cuban people and especially, of the rural population, which leads to the consequential tightness of the internal market that is unable, under such conditions, to encourage the national development of industry.

Whereas: The 1940 Constitution and the Fundamental Law of the Revolutionary Government proscribe latifundium and provide that measures for its definitive extinction shall be provided by law.

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Whereas: The constitutional provisions in force provide that private property may be expropriated by the State, provided there is always a just cause of public utility and social interest.

Whereas: The uneconomic and extensive production of large holdings (latifundium) must preferentially be substituted by intensive and technical cooperative production which has the advantage of large scale production.

Whereas: The creation of a technical organ capable of applying and carrying to its last consequences the purposes of economic development and the resulting raise in the standard of living of the Cuban people, which has been provided by the spirit and letter of this law is essential.

Whereas: It is proper to establish measures to prevent the future alienation of Cuban lands in the hands of aliens, while at the same time, testimony is hereby given of remembrance and admiration for the patricial figure of Don Manuel SANGUILLY, the first Cuban who on such an early date as the year 1903 foresaw the terrible consequences of latifundium and introduced a bill in the Congress of the Republic that tended to prevent the control of Cuban wealth by aliens.

Therefore: In use of the powers vested in it by the Fundamental Law of the Republic, the Council of Ministers has resolved to enact the following:

AGRARIAN REFORM LAW

CHAPTER I - OF LAND IN GENERAL

Article 1.- Latifundium is hereby proscribed. The maximum area of land that may be possessed by a natural or juridical person shall be thirty (30) caballerías. The lands belonging to a natural or juridical person that exceed that limit, will be expropriated for distribution among the peasants and agricultural workers who have no land.

Article 2.- The following lands are excepted from the provisions of the preceding article:

- a) Areas planted in sugar cane, the yield of which is not under the national average plus 50%.
- b) Cattle raising areas that support the minimum number of head of cattle to be set by the National Agrarian Reform Institute, taking into account the breed, the time of growth, the birth rate percentage, the method of feeding, the percentage of yield on the hoof in the case of bovine cattle for beef, or milk in case of bovine cattle for that purpose. The potential production possibilities of each area will be determined through physical and technical analyses of the soils, moisture-holding capacity and the pattern of rain-fall distribution.

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- c) The areas planted in rice which normally yield no less than 50% over the average of national production of the variety dealt with, in the judgment of the National Agrarian Reform Institute.
- d) The areas used for one or several crops or agricultural-cattle exploitation, with or without industrial activity, for the efficient exploitation and rational economic yield of which it is necessary to have an area of land greater than that established as the maximum limit in Article 1 of this Law.

Notwithstanding the foregoing provisions in no event may a natural or juridical person possess land with an area greater than one hundred (100) caballerias. In cases in which a natural or juridical person possesses lands with an area of more than one hundred (100) caballerias, and there should concur on said areas two or more of the productions listed under a), b) and c) of this article, the benefit of exception that is established to the limit of one hundred (100) caballerias as a maximum shall be granted in the manner that may be determined by the National Agrarian Reform Institute, the remaining area being subject to the provisions of this law.

With respect to the crops mentioned in Clauses a) and c) of this Article, the computation of the respective yields will be based on the latest harvested crop. The benefits of these exemptions will continue in effect as long as the prescribed levels of production are maintained.

In the case of the exception mentioned under d), the National Agrarian Reform Institute shall determine which will be the surplus areas above the maximum limit of one hundred (100) caballerias which may be subject to the provisions of this Law, seeing that the economic unity of production be maintained and, in cases of various crops, the correlation among them and among the crops and the agricultural-cattle exploitation in this case.

Article 3.- The lands of the State, the provinces and the municipalities shall also be subject to distribution.

Article 4.- The following lands are excepted from Articles 1 and 3 of this Law:

- a) Those granted in usufruct to agricultural production cooperatives organized by the National Agrarian Reform Institute for exploitation of State lands expropriated for the purposes of this Law.
- b) Those of the State, the provinces and the municipalities that are used or may be used for public establishments or for the general service of the community.
- c) Forests when declared included in the forestry reserves of the nation, subject to use, public utility or exploitation, as may be determined by the Law.

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- d) Those of rural communities destined for social welfare, education, health and similar needs, pursuant to a prior declaration to that effect made by the National Agrarian Reform Institute and only to the extent in area required for these purposes.

In determining the maximum limit of 30 caballerias mentioned in Article 1, the following will not be considered: the areas necessary for industrial establishments located on rural properties, as well as for the millyards, offices and dwellings; nor urbanized zones within rural properties and those which by the decision of the National Agrarian Reform Institute are used for establishing villages or centers of rural population in each agricultural development zone; or wherein there are other natural resources susceptible of being exploited in provision of the future development of the country in the judgment of the National Agrarian Reform Institute.

Article 5.- The order of priority in each Agrarian Development Zone for expropriation, when necessary, and for the redistribution of lands, shall be the following:

First: The lands of the State and those privately owned on which are established planters who are lessessees, sublessees, "colonos" or "sub-colonos" (cane growers), share-croppers, and squatters.

Second: The excess areas of lands not covered by the exceptions contained in Article 2 of this Law.

Third: Other lands that may be subject to this Law.

Save in the event of a resolution to the contrary of the National Agrarian Reform Institute, the expropriation and distribution of the lands included under the Second case shall be made only when the plan for the distribution of lands that come under the First case has terminated and the deposits under an appraisal made out of court to which this Law refers, has been made.

Article 6.- Lands that are privately-owned, to a limit of thirty (30) caballerias per person or entity, shall not be the subject of expropriation, unless affected by contracts with "colonos", "sub-colonos", lessees, sublessees, share-croppers or held by squatters, who hold parcels of no more than five caballerias, in which event, they shall also be subject to expropriation in accord with what is provided by this Law.

Article 7.- The owners of property subject hereto, once the expropriations, adjudications and sales to lessees, sublessees, "colonos", "sub-colonos" and share-croppers established on the farms have been made, may retain the remainder of the property insofar as it does not exceed the maximum area authorized by the Law.

Article 8.- Lands of the State shall be considered to be those not recorded in the Registries of Property up to October 10, 1958.

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Article 9.- Lands of the State are all those that are registered in its name or registered on the inventories of the patrimony of the Nation or acquired under the prior right of purchase granted thereto or under any other title, even though the title papers have not been recorded at the Registries of Property.

The Ministry of the Treasury shall proceed to survey and register all the lands which, in accord with the foregoing provisions, belong to the State.

Article 10.- The action of the State to recover its lands including the "reclongos" (lands under royal grant in excess of those granted to individuals) and those that were transferred to the Republic as property pertaining to its patrimony when it was constituted.

Article 11.- Commencing with the promulgation of this Law, the entering into share-crop agreements or any others in which the payment of the rent of rural properties is stipulated in the form of a proportional share of its products is prohibited. This concept does not apply to contracts for grinding of sugar cane.

Article 12.- Starting one year following the promulgation of this Law, corporations that do not fulfill the following requirements may not exploit sugar cane plantations:

- a) That all the shares be registered stock.
- b) That the holders of said shares be Cuban citizens.
- c) That the holders of said shares not be persons who appear as owners, stockholders or officers of concerns engaged in the production of sugar.

Once said period of time has elapsed, the lands belonging to corporations that do not fulfill the requirements established in this Law may be expropriated. Likewise, said corporations shall forfeit their right to grinding quotas they may have at the time this Law is promulgated.

Article 13.- Natural persons who are owners, stockholders or officers of concerns engaged in the production of sugar may likewise not exploit sugar cane plantations. The lands belonging to such persons on which sugar cane plantations are operated may be expropriated for the purposes established by this Law. Those persons who are presently holding positions as proprietors, shareholders or officials in sugar mills and, at the same time, can show proof that they have been engaged in the cultivation of sugar cane for a period of at least five years, will be given one year to liquidate their holdings in the extent they wish to continue in their present positions.

The sales of the above-mentioned sugar cane holdings must receive prior approval of the National Agrarian Reform Institute, in order to obviate evasion of the objectives of this Law.

The National Agrarian Reform Institute shall proceed to apply this Article in time and form necessary to guarantee the continuity of production.

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Article 14.- Likewise, the possession and ownership of rural properties destined to any other type of agricultural and cattle breeding activities by corporations, the shares of which are not registered shares, is also proscribed.

Nevertheless, the corporations organized when this Law is promulgated, possessors of lands not used for growing sugar cane may continue to exploit

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then until the surplus areas that they hold under the terms provided by this law are expropriated and distributed, and during that time, they may not assign or transfer the said lands to other corporations under any title.

Once said surplus areas have been expropriated and distributed in accord with the provisions of this law, said corporations may not continue exploiting the lands they possess, unless they change into corporations with registered shares and the stockholders fulfill the conditions established in Article 13. If said corporations do not change their status in the manner stated, the properties belonging to them shall be expropriated for the purposes of this law.

Article 15.- Rural property may be acquired in the future only by Cuban citizens or corporations formed by Cuban citizens.

Properties of no more than thirty (30) caballerias which, in the judgment of the National Agrarian Reform Institute are proper for assignment to foreign concerns or entities for industrial or agricultural development that are deemed beneficial to the development of the national economy, are excepted from the foregoing provision.

In cases of hereditary conveyances of rural properties to heirs who are not Cuban citizens, the same shall be considered subject to expropriation for purposes of the Agrarian Reform, regardless of the area thereof.

CHAPTER II - THE REDISTRIBUTION OF LANDS AND INDEMNITY TO THE OWNERS

Article 16.- An area of two (2) caballerias of fertile land, without irrigation and distant from urban centers is established as the "vital minimum" for a peasant family of five (5) persons, engaged in crops of medium economic yield.

The National Agrarian Reform Institute shall be charged with regulating and deciding in each case what the "vital minimum" required is, starting from that basis and considering the average level of annual income to which it aspires for each family.

The lands that make up the "vital minimum" shall enjoy the benefits of not being subject to attachment, shall be inalienable and exempt from the taxes referred to in Article 91 of the Fundamental Law of the Republic.

Article 17.- Private lands subject to expropriation under the provisions of this law and the lands of the State shall be given in usufruct to cooperatives or distributed among the beneficiaries in parcels no larger than two (2) caballerias, without prejudice to the adjustments that the National Agrarian Reform Institute shall make to determine the "vital minimum" in each case.

All lands, whether in ownership or usufruct, shall pay the taxes provided by law as a contribution toward the public expenditures of the nation.

Article 18.- Lands of private ownership cultivated by "colonos", "sub-colonos" (planters or sub-planters) lessees or sublessees or sharecroppers and squatters, shall be adjudicated free of charge to the persons that cultivate them when their area does not exceed the "vital minimum".

When said planters, sub-planters, lessees, sublessees, share-croppers or squatters cultivate lands with an area less than the "vital minimum", the land necessary to make that area shall be adjudicated to them free of charge, provided they may be disposed of and that the economic and social conditions of the region so permit.

If the lands cultivated in the cases mentioned in the preceding paragraph exceed the "vital minimum", provided they do not exceed five caballerias, the lessee, sublessee, planter, sub-planter, share-cropper or squatter shall receive two (2) caballerias free of charge pursuant to the expropriation thereof by the National Agrarian Reform Institute, they being able to acquire, from the owner through a forced sale, the portion of his possession that exceeds the area gratuitously adjudicated, to a limit of five (5) caballerias.

Article 19.- The owners of lands smaller in area than the "vital minimum" who personally work them, shall also be adjudicated gratuitously the lands necessary to make up that area, provided they may be disposed of and that the economic and social conditions of the region so permit.

Article 20.- The regulation of this law shall determine the procedure to be followed in those cases where the affected land is encumbered by a lien.

Article 21.- The lands of the State cultivated by lessees, sublessees, planters, sub-planters, share-croppers or squatters shall be adjudicated gratuitously to their possessors, when the area thereof does not exceed the "vital minimum".

If the lands under cultivation in the cases mentioned in the preceding paragraph exceed two (2) caballerias, provided they do not exceed five (5), the lessee, planter, sub-planter, share-cropper or squatter shall receive lands of an area equal to the "vital minimum" free of charge, and they may acquire from the State the portion of their holding that exceeds the "vital minimum" gratuitously adjudicated.

When said planters, sub-planters, lessees, sublessees, share-croppers or squatters cultivate lands with an area under the "vital minimum", the lands necessary to make up that area will be gratuitously adjudicated to them.

Article 22.- The lands that are available for distribution in accord with the provisions of this law, shall be distributed in the following order of priority:

- a) To peasants who have been dispossessed from the lands they cultivated.

- b) To peasants residing in the region wherein the lands subject to distribution are located and who lack land or who plant only an area less than the "vital minimum".
- c) To agricultural workers who work and reside habitually on the lands subject to distribution.
- d) To peasants of other regions, preference being given to neighboring regions, who have no land or who have an area under the "vital minimum".
- e) To agricultural workers of other regions, preference being given to those of neighboring regions.
- f) To any other person who makes a proper application, preference being given to him who shows that he has experience or knowledge of agricultural matters.

Article 23.- Within the groups mentioned in the preceding article, the following shall be given preference:

- a) Members of the Rebel Army or their dependent families.
- b) Members of the auxiliary corps of the Rebel Army.
- c) Victims of the war or the repression of the tyranny.
- d) The dependent relatives of persons who have died as a consequence of their participation in the revolution against the tyranny.

In all cases, the heads of families shall have priority.

Article 24.- Applications for the donation of lands must be made on official forms in which shall be set forth the data or circumstances required by the Regulations or Instructions issued by the National Agrarian Reform Institute.

Article 25.- The owners or possessors as owners of rural properties, the area of which, alone or in the aggregate, exceed the thirty (30) caballerías maximum set by Article 1 of this law, and likewise, properties with smaller areas when wholly or partially assigned in lease, plantation, share-crop or held by squatters, are obliged to present to the National Agrarian Reform Institute directly or through the medium of the organizations authorized for that purpose and within no more than three (3) months counted from the date of the promulgation of this law, the following documents:

- a) A simple copy of the title of ownership with the notation of the registration thereof in the Registry of Property and of the Payment of the Transfer Tax.
- b) A simple copy of the instrument containing the liens or encumbrances if any.

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- c) Maps of the property or properties or a statement that such are lacking.
- d) Detailed list of the buildings, constructions, installations, corrals, machinery, agricultural implements and fences, stating the kind thereof.
- e) A sworn declaration made before a Notary Public or the Municipal Judge of the domicile of the deponent, regarding the contracts of lease, share-crop, planting, as well as the portions held by squatters that affect the property or properties in question, stating the terms, conditions and prices and also regarding the crops, heads of cattle, the kind of pastures and approximate production for all items during the last five years, on the said property or properties, and the income derived from the sale of the products during the past year.
- f) ~~Existence~~ of the idle or semi-idle land which in their judgment is contained in the property or properties, the excess areas in said proportion with a description of the boundaries and an estimate of the value given thereto, marking these, as the case may be, on the map or maps that are presented.
- g) In the case of properties with areas of intensive cultivation that may be considered benefitted by the provisions of Article 2 of this law, the areas that are considered subject to exception by the deponent and the remaining areas subject to being affected by the Agrarian Reform, shall also be indicated, showing this on the map or maps that are presented, if such be the case. Nevertheless, notwithstanding what is provided in this article, commencing with the promulgation of this law, the National Agrarian Reform Institute may order the application of its provisions regarding expropriation and distribution of lands, using for this purpose, the data it has at hand regarding privately-owned lands that exceed the established limits.

Article 26.- The owner who fails to present the documents referred to in the preceding article and/or fails to express the true facts in the sworn declaration or in anyway makes changes in said documents, shall forfeit the right to the indemnity provided by this law, without prejudice to the criminal liability which he may have incurred.

Article 27.- The authorities charged with the application of this law, in view of the documents to which reference have been made in Article 26, shall immediately make pertinent investigations to verify the truth of the declared facts within ninety (90) days counted from the start of the file and shall issue such resolutions as may be necessary to proceed with the distribution of the lands and the delivery of the corresponding titles of ownership to the beneficiary peasants.

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Article 28.- Once the resolutions ordering the adjudication of the parcels distributed to their beneficiaries have been signed, they shall be recorded in the Section of Rural Property of the Registries of Property, created by this law. To each beneficiary shall be given his respective title of ownership, with such formalities as may be established by the Regulations of this law. For the purpose of what is provided in Article 3 of the Mortgage Law, the resolutions referred to in the preceding paragraph that may be issued by the National Agrarian Reform Institute, shall be considered registerable documents.

Article 29.- The constitutional right of the land-owners affected by this law to receive an indemnity for the expropriated property is hereby recognized. ~~The~~ Indemnity shall be fixed by taking into account the sales value of the properties as shown by the municipal tax assessments returns dated prior to October 10, 1958. The installations and constructions that may be affected that exist on said properties shall be the subject of an independent appraisal made by authorities in charge of the application of this law. Likewise, an independent appraisal of the value of perennial crops will be made in order to determine the indemnity to be paid to the legitimate owners.

Article 30.- In cases in which it is not possible to determine the value in the manner provided in the preceding article, the appraisal of the affected properties shall be made by the National Agrarian Reform Institute in the manner and under the procedure established by the Regulations of this law.

In making the appraisals and in accord with the provisions of Article 224 of the Fundamental Law, there shall be deducted from the value reached, the increase in value that may have been produced without effort of the work or of private capital and only be reason of the action of the State, the Provinces, the Municipalities or of autonomous organizations counted from the last transfer of the owners up and produced prior to the effective date of this law. The 45% of the increased value which in accord with said constitutional provision pertains to the State, shall be assigned to the National Agrarian Reform Institute, there being delivered to the Province, the Municipality or the autonomous organization in question, the proportional part that may pertain to it.

The deductions that are made in favor of the National Agrarian Reform Institute shall remain for the benefit of the peasants who receive land gratuitously, in the proper proportion, and the balance, if any, shall be entered in the Agrarian Reform Fund to be applied according to the law.

These provisions shall also be applied at all judicial and forced sales of rural properties that are registerable, in the manner provided by the Regulations of this law.

Article 31.- The indemnity shall be paid in redeemable bonds. For that purpose, an issued of bonds of the Republic of Cuba shall be made, in the amount, terms and conditions that will be fixed in due course. The bonds shall be entitled "Agrarian Reform Bonds" and shall be considered public securities.

The issue or issues shall be made for a period of twenty (20) years, with annual interest of no more than four and one-half (4.50%) percent. For the payment of the interest, amortization and expenses of the issue, the necessary amount shall be assigned each year in the Budget of the Republic.

Article 32.- The receivers of Agrarian Reform Bonds or the amount thereof are granted an exemption during a period of ten (10) years from the Personal Income Tax in the proportion that may be derived from the investment that is made in new industries of the amounts received as indemnity. The Minister of the Treasury is charged with presenting to the Council of Ministers a draft law to regulate said exemption.

The same right is granted to the heirs of the person indemnified in the event that they are the ones who make such investment.

CHAPTER III - ON REDISTRIBUTED AGRICULTURAL PROPERTY

Article 33.- The properties acquired by virtue of the provisions of this law may not enter the patrimony of civil or commercial associations (corporations or partnerships) except in the conjugal partnership and the farmer's cooperatives mentioned under Chapter V of this law.

Article 34.- The properties acquired by virtue of the provisions of this law may not be transferred other than by inheritance, sale to the State or exchange authorized by the authorities in charge of the application hereof, nor be the subject of a contract or lease, share-crop, usufruct or mortgage.

Nevertheless, the State or the quasi-State organizations that are pertinent may grant to such owners loans with mortgage security, as well as financing or pledge loans.

Article 35.- The new properties shall be kept as indivisible real estate units and in the event of transmission by inheritance, shall be adjudicated to a single heir in the division of the estate. Should it not be possible to make such adjudication without infringing the rules of hereditary partition established by the Civil Code, the property shall be sold at public auction to bidders, who are peasants or agricultural workers, there being reserved to the heirs in all cases, if there be any, who are peasants or agricultural workers, the right of recovery in the manner established in Article 1067 of the Civil Code.

Article 36.- The ownership and possession of lands adjudicated by virtue of the provisions of this law shall be governed by the rules of the conjugal partnership (community property system) in cases of extramarital unions of a stable nature, in which persons with legal capacity to marry have been living on the land during a period of no less than one year.

CHAPTER IV - THE ZONES OF AGRARIAN DEVELOPMENT OF THE LAND

Article 37.- The Zones of Agrarian Development shall be made up by the continued and defined portions of the national territory in which, by a resolution of the National Agrarian Reform Institute, said territory is divided

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for the purpose of facilitating the carrying out of said reform.

Article 38.- Each Agrarian Development Zone, by resolution of the same organization, may be subdivided into sections to facilitate the work of surveying and managing allotments and distributions in the measure that the work such development progresses.

Article 39.- The National Agrarian Reform Institute shall identify each Agrarian Development Zone by an orderly numerical series with an initial reference to the Province in which it is situated.

Article 40.- For the purposes of setting up an Agrarian Development Zone and making the redistribution or adjudication of the lands, the National Agrarian Reform Institute shall take the following into consideration:

- 1.- The most adequate area to facilitate the work of cataster, population census, agrological studies and survey.
- 2.- The agrological characteristics, the advisable production and the facilities for improving the exploitation, storage, conservation and sale.
- 3.- The nuclei of population or villages established in the zone for the facilities of local supplies and connection with centers of State assistance and the constitution and operation of peasant associations, cooperatives and Rural Police service stations.
- 4.- Hydrological resources for water supply and community irrigation installations under a regime of easement of water supply or cooperation.
- 5.- The facilities for economic development and technological application through the development of small supplementary rural industries or the promotion of industrial centers near the sources of raw materials and centers of distribution of the products.
- 6.- The existing communication facilities and means of diffusion of information, news and ideas in general, as well as the possibility of creating these, as the case may be.

Article 41.- In each Agrarian Development Zone, the State shall create, with the cooperation of the heads of the family or agrarian cooperatives therein established, centers of State aid endowed with agricultural machinery, implements, grain storage warehouses, warehouses, transportation means, experimental fields and for breeding, waterworks, power generating plants and other means of assistance required by plans of agrarian and industrial develop-

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ment; and likewise, for the establishment of schools with interne students for general instruction and agrarian education, peasant maternity homes, first-aid stations, dispensaries for medical attention and for dental services, recreation rooms, libraries, athletic fields and all the means for aiding production and for cultural diffusion.

Article 42.- Each Agrarian Development Zone shall be considered as an administrative unit of the Agrarian Reform, the same being recorded in the proper book with an accumulation of all the data thereon and taking the same into consideration for the purpose of the assignment of lands and determination of the lands that may be subject to the Agrarian Reform or of those excluded therefrom.

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Likewise, the organization of statistical services and the taking of an agricultural census every five years, shall take into consideration for analysis, the units of production and administration represented by Agrarian Development Zones for the purposes of comparing and verifying, from time to time, the results of the Agrarian Reform and the adoption of the most convenient measures to eliminate difficulties and make feasible the general progress.

CHAPTER V - AGRARIAN COOPERATION

Article 43.- Whenever it is possible, the National Agrarian Reform Institute shall develop agrarian cooperatives. The cooperatives organized by said Institute on the lands it has at its disposal by virtue of the provisions of this law, shall be under its direction, it reserving to itself the right to appoint the managers thereof for the purpose of assuring their better development during the initial stage of this kind of economic and social organization.

Article 44.- The National Agrarian Reform Institute shall give its support only to the agrarian cooperatives formed by peasants or agricultural workers for the purpose of exploiting the soil and harvesting its products through the personal effort of their members, in accord with the internal regime regulated by said Institute. In cases of such cooperatives, the National Agrarian Reform Institute shall see that they are located on land fit for the purposes that are sought and that they are ready to accept and obey the assistance and technical orientation of said Institute.

Article 45.- Other forms of cooperation may include one or several of the purposes leading to the provision of material resources, means of work, credit, sale, conservation of products, constructions for common use, installations, dams, irrigation, industrialization of by-products and residue and such facilities and useful means which may lead to the improvement of the cooperative according to the regulations, decisions and instructions that may be issued by the National Agrarian Reform Institute.

Article 46.- The National Agrarian Reform Institute shall mobilize all the funds necessary for the development of the cooperatives, providing long-term credits for these purposes which shall be amortized at a minimum rate of interest. The Institute shall also provide short-term credits for the operation of said cooperatives, adopting financing systems to the economic outlook of the enterprises and always taking care to guarantee a decent family income from the outset.

Article 47.- The National Agrarian Reform Institute shall determine annually the quota of resources corresponding to each Agrarian Development Zone.

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CHAPTER VII - THE NATIONAL AGRARIAN REFORM INSTITUTE

Article 48.- The National Agrarian Reform Institute (INRA) is hereby created as an autonomous entity with its own juridical personality, for the application and fulfillment of this law.

The National Agrarian Reform Institute shall be governed by a President and an Executive Director, who shall be appointed by the Council of Ministers.

The following shall be the powers and functions of the National Agrarian Reform Institute:

- 1.- To undertake the study, order investigations and put into practice such measures as may be necessary to reach the objectives of the law, issuing to that effect, regulations and general instructions and pertinent special instructions.
- 2.- To propose to the Ministry of the Treasury, tax measures for stimulating savings or consumption that may be considered adequate for promoting the development of the production of articles of agricultural and livestock origin.
- 3.- To propose the margin of tariff protection required in each case, for the better development of products of agricultural and livestock origin.
- 4.- To coordinate campaigns for the improvement of the conditions of housing, health and education of the rural population.
- 5.- To determine on the areas and limits of the Agrarian Development Zones which it may decide to establish and organize.
- 6.- To direct the preparatory studies for the distribution and donation of affected lands, the installations of State assistance, the administrative regime of each Zone and the delivery of the land and titles thereto to the beneficiaries.
- 7.- To see to the fulfillment of the plans of agrarian development, the donation or distribution of lands, with regard to the internal regime of each zone, as well as with regard to the purposes of the law, by issuing instructions and adopting such resolutions and measures as it may deem necessary.
- 8.- To draft regulations for the agricultural cooperative associations that it may organize and to name the managers thereof, in accord with the provisions of Article 43, and to keep the registers thereof; and decide questions which may arise among members and to know and solve in accordance with the regulations, appeals that may be established as a result of disagreement with adopted resolutions and measures.

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- 9.- To organize and direct the School of Cooperative Training.
- 10.- To handle and decide, under the terms of this law, all applications or promotions that may be addressed to it with regard to agrarian development, endowment, distribution, regimen and other aspects of the Reform; qualifying the applications made for obtaining the benefits thereof.
- 11.- To draw up its budget and manage its funds, as well as those destined for carrying on the Agrarian Reform.
- 12.- To organize its own statistical services and the five-year agricultural census, compiling and publishing the results thereof for general information.
- 13.- To organize its own offices and issue the necessary internal regulations, as well as to establish its relations with the department of the State, the Provinces, the Municipalities, the autonomous and quasi-State organizations, agrarian commissions and agrarian and industrial associations in general.
- 14.- To establish and direct its permanent relations with such internal associations as may be proper.

Article 49.- The National Agrarian Reform Institute shall create a Credit Department of agricultural production. Until such time as this Department is functioning, the Agricultural Division of the Agricultural and Industrial Development Bank of Cuba shall coordinate its credit policy with the directives of the National Agrarian Reform Institute.

Article 50.- The state shall provide the National Agrarian Reform Institute with resources for the establishment of units for the development of agricultural and livestock production in all the regions of the nation. These units shall consist of:

- a) A center of equipment and machinery. Said center shall render the services of use of said equipment and machinery for a moderate price, shall also rent them at a moderate price to farmers or shall assist them in acquiring the same.
- b) A Research Center for agronomical or livestock experimentation.
- c) A technical advisory center for consultations by farmers.

Article 51.- All the autonomous organizations existing on the date of the promulgation of this law, organized for the stabilization, regulation, propaganda and defense of agricultural production, shall be incorporated as sections of the division of Production and Foreign Commerce of the National Agrarian Reform Institute.

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Article 52 .- The National Agrarian Reform Institute shall have local delegations which will be charged with the fulfillment of this law in their respective assigned areas.

The National Agrarian Reform Institute shall regulate the functions of the Local Committees.

Article 53.- The National Agrarian Reform Institute shall present to the Council of Ministers the draft Regulations for this law within a period of no greater than sixty (60) days counted from the date on which it is organized.

CHAPTER VII - THE LAND COURTS

Article 54.- Land Courts are hereby created for the cognizance and decision of the judicial proceedings that may arise from the application of this law and others in connection with agricultural contracts and rural property in general.

The National Agrarian Reform Institute, within three (3) months following the promulgation of this law, shall draft the Organic Law of said courts.

CHAPTER VIII - THE CONSERVATION OF FORESTS AND SOIL

Article 55.- The State shall reserve on the lands belonging to it forest and wooded areas necessary for national parks for the purpose of maintaining and developing forestry riches. Those who have received the ownership of lands under the application of this law, shall strictly fulfill the forestry legislation and see that, in planting, the soil is properly conserved. The violation of these provisions shall cause the forfeiture of the right to the ownership of the property acquired gratuitously from the State, without prejudice to the indemnities to which he may be entitled for improvements, from which shall be deducted the amount corresponding to the damage caused.

CHAPTER IX - GENERAL PROVISIONS

Article 56.- The lands of the State held by lessees, sublessees, planters, sub-planters, share-croppers or squatters to the extent that they exceed five (5) caballerias, shall be the subject of distribution, in accord with the provisions of this law, pursuant to an indemnity to the owners or holders thereof for the improvements made on such excess lands.

Article 57.- The right to prior purchase which Article 89 of the Fundamental Law of the Republic grants to the State over real property or securities that represent it, shall be exercised as regards rural property by the National Agrarian Reform Institute.

The Institute shall exercise this right within sixty (60) days, counted from the date on which the decision of the respective court is notified to it, or of the official or authority before whom the forced sale or public sale of rural properties is to be held.

For that purpose, the judges, courts and other officials who take part in public sales or forced transfers of rural property or securities that represent it, when the time is reached for the adjudication thereof to a bidder, the proceedings shall be suspended and immediate notice will be given to the National Agrarian Reform Institute with a description of the affected property and the proceedings followed, in order that within the time mentioned it may exercise the right of priority in behalf of the State.

Once the time has expired without the Institute exercising said right or advising the official that the Institute will not exercise the same, the proceedings shall proceed in the regular legal manner.

In the case of public or forced sale of rural properties subject to the provisions of this law, the National Agrarian Reform Institute may make payment therefor by means of securities of the public debt as provided in Article 31.

Article 58.- The lessees, sublessees or squatters on rural properties destined exclusively for recreational or residential purposes are excluded from the benefits of this law.

Article 59.- Whatever may be the destination of the property affected by this law, the cane grinding contracts and the right of the properties to a grinding quota shall be maintained in full force, these being distributed among the new owners, according to the portion of the quota that corresponds to the parcel that has been assigned to them in the distribution.

The distribution of grinding quotas to which the preceding paragraph refers shall be made with the adjustments necessary to guarantee, in every case, the protection that the laws in force grant to smaller cane growers.

The National Agrarian Reform Institute will adopt the necessary measures to guarantee to the sugar mills their requirements of cane for the grinding season.

Article 60.- In all cases of public sales at auction of rural properties as a result of the non-performance of financing loan contracts or mortgage contracts, the sons of the debtor who have been working on the property thus sold shall have the right of recovery that they may exercise within a period of one month counted from the date of the respective registration in the Registry of Property.

Article 61.- In the event of the death of an assumed beneficiary which has occurred before or during the exercise of the rights recognized by this law, the possession of the property shall be considered transferred to the heirs without interruption, in accord with the provisions of Article 440 of

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The Civil Code and they may be protected in said possession under the procedure of the "Recurso de Amparo" (Appeal for Protection), regulated by Order no. 362 of 1900, even though the disturbance or despoilation has already taken place under a resolution of an administrative authority.

Article 62.- The dispossession from the lands being used by the assumed beneficiaries recognized by this law is prohibited during the time that the distribution of the lands subject to the Agrarian Reform are being distributed.

Article 63.- In cases of testate or intestate succession in which one or several rural properties appear as part of the estate, which on January 1, 1959, had not been divided, they shall be considered subject to the purposes of this law, as if it were the patrimony of a single juridical person.

Article 64.- It is a rule of interpretation of this law, that in the event of doubt, whatever may be more favorable to the person working the land will be followed, which rule shall include the cases in which the said person litigates for the ownership or possession of the land or for rights inherent to his status, as a peasant.

Article 65.- Any act or contract that tends to evade the provisions of this law, by defeating its purposes through assignments, transfers, segregations, mergers that are simulated or lack a real cause, shall be considered null and void.

The sales, segregations or alienations of any kind made after January 1 of this year in favor of relatives within the fourth degree of consanguinity or second of affinity (in law), as well as the division of co-ownerships made up by such relatives, are also null and void.

Like-wise, the adjudications made commencing on that date in favor of stockholders or partners of companies of any kind that are made up by relatives within the fourth degree of consanguinity and second of affinity are null and void for the purpose of the application of this law.

Commencing with the promulgation of this law the transfers, segregations or divisions mentioned in the preceding paragraphs will be considered null and void for the purposes of the application hereof, even though they are not made between the aforesaid relatives.

Article 66.- Any practice contrary to the purposes of this law, or the abandonment or negligent use of the lands that are granted under its terms may be punished by the National Agrarian Reform Institute by declaring rescinded the transfer thereof without a consideration and the return thereof to the reserve land fund. The regulations of this law will regulate the application of this article.

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The Institute shall exercise this right within sixty (60) days, counted from the date on which the decision of the respective court is notified to it, or of the official or authority before whom the forced sale or public sale of rural properties is to be held.

For that purpose, the judges, courts and other officials who take part in public sales or forced transfers of rural property or securities that represent it, when the time is reached for the adjudication thereof to a bidder, the proceedings shall be suspended and immediate notice will be given to the National Agrarian Reform Institute with a description of the affected property and the proceedings followed, in order that within the time mentioned it may exercise the right of priority in behalf of the State.

Once the time has expired without the Institute exercising said right or advising the official that the Institute will not exercise the same, the proceedings shall proceed in the regular legal manner.

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Article 62.- The dispossession from the lands being used by the assumed beneficiaries recognized by this law is prohibited during the time that the distribution of the lands subject to the Agrarian Reform are being distributed.

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Article 64.- It is a rule of interpretation of this law, that in the event of doubt, whatever may be more favorable to the person working the land will be followed, which rule shall include the cases in which the said person litigates for the ownership or possession of the land or for rights inherent to his status, as a peasant.

Article 65.- Any act or contract that tends to evade the provisions of this law, by defeating its purposes through assignments, transfers, segregations, mergers that are simulated or lack a real cause, shall be considered null and void.

The sales, segregations or alienations of any kind made after January 1 of this year in favor of relatives within the fourth degree of consanguinity or second of affinity (in law), as well as the division of co-ownerships made up by such relatives, are also null and void.

Like-wise, the adjudications made commencing on that date in favor of stockholders or partners of companies of any kind that are made up by relatives within the fourth degree of consanguinity and second of affinity are null and void for the purpose of the application of this law.

Commencing with the promulgation of this law the transfers, segregations or divisions mentioned in the preceding paragraphs will be considered null and void for the purposes of the application hereof, even though they are not made between the aforesaid relatives.

Article 66.- Any practice contrary to the purposes of this law, or the abandonment or negligent use of the lands that are granted under its terms may be punished by the National Agrarian Reform Institute by declaring rescinded the transfer thereof without a consideration and the return thereof to the reserve land fund. The regulations of this law will regulate the application of this article.

UNCLASSIFIED

(Classification)

Page 20-A of

Encl. No. 1

Report No. Agr. 321

From Habana, June 8, 1959

Article 67.-

The lessees, sublessees, "colonos", sub-colonos, and squatters cultivating land of an area larger than 5 (five) caballerias, that are or are not subject to expropriation may acquire up to thirty (30) caballerias, previously appraised by the National Agrarian Reform Institute, through forced sale in accordance with the procedure that will be established under the regulations of this law, always assuming that they can show proof of possession and exploitation of said lands prior to January 1, 1959.

In the cases of lessees, sublessees, "colonos", subcolonos and squatters who possess and cultivate areas larger than thirty (30) caballerias, this law shall be applied in accordance with the provisions of Article 1 and 2.

(Continues on Page 21)

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(Classification)

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(Classification)

Page 21 of
Encl. No. 1
Report No. Agr. 321
From Havana, June 8, 1959

TRANSITORY PROVISIONS

First: The National Agrarian Reform Institute and the Ministry in charge of the Report and Study of the Revolutionary Laws shall present to the Council of Ministers within six (6) months following the date on which this Law is promulgated, a drafted Law regulating the Section of Rural Properties of the Registries of Property. Until such time as said Section has been organized, the registrations regarding rural properties shall be made in the manner and in the books provided for by the laws in force. The registrations that are made in favor of the beneficiaries of the Agrarian Reform shall be gratuitous.

Second: Dispossession proceedings or others that verse on the eviction from rural properties shall be suspended in the condition in which they are found, including if a decision has been handed down, this to be communicated to the National Agrarian Reform Institute by the judicial authorities that are handling the cases, pending a decision on the rights which this Law vests in the occupants.

Once the rights recognized in favor of the defendants or occupants have been proven in the proceedings, the authority that is handling the case shall order the placing of the record in the archives without further action. In the event that the Institute should report that the defendants or occupants are not covered by the benefits of this Law, the proceedings that have been suspended will be carried forward according to Law.

Third: The appointments that may have been made of officials, charging them with services in connection with the Agrarian Reform are null and void.

Fourth: Until such time as the Land Courts referred to in Article 54 of this Law have been organized, the regular courts shall take cognizance of the cases assigned thereto.

Fifth: Until such time as the Regulations for this Law are promulgated, it shall be applied through Resolutions issued by the President of the National Agrarian Reform Institute.

Sixth: Within a period of six (6) months after the promulgation of this Law, the National Agrarian Reform Institute shall present to the Council of Ministers a drafted law regulating the incorporation thereunder of the autonomous organizations referred to in Article 51 of this Law.

Seventh: Within two (2) years following the effective date of this Law, the exploitation of all privately-owned lands regardless of their area must be started. After said period of time, the National Agrarian Reform Institute shall determine which privately-owned lands that are not in production shall be subject to the purposes of the Agrarian Reform in accord with the provisions of this Law.

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(Classification)

FINAL PROVISIONS

First: The ownership of the summit of "Pico Turquino" and a strip of land running toward the West thereof with a length of 1,500 meters is reserved to the State, at the disposition of the Rebel Army, on which shall be constructed the Home of the Rebels, a Botanical Garden and a small museum to recall the struggle against the tyranny and help maintain alive the loyalty to the principles and the union of the combatants of the Rebel Army.

Second: The provisions of this Law are declared of social interest and public and national utility, inasmuch as it assures the development of large areas of rural properties, the economic development of the nation, the intensive agricultural and industrial exploitation and an adequate redistribution of land among large numbers of small property owners and farmers.

Third: The Section of Rural Property is hereby created in the Registries of Property. All registrations covering rural properties shall be entered in the books of this Section, commencing on the date set by the Law that regulates its functions.

Fourth: The National Agrarian Reform Institute shall exercise its functions coordinating them with the Rebel Army.

ADDITIONAL FINAL PROVISION

In use of the constituent power vested in the Council of Ministers, this Law is declared to be an integral part of the Fundamental Law of the Republic to which it is thus added.

Therefore: this Law is granted constitutional force and hierarchy.

(Published in the Official Gazette of June 3, 1959)

Translated: llg

Copied: mramjama

FOREIGN RELATIONS

Cuba

July 1, 1959

Dear Bob:

Thanks very much for sending me the memorandum on the Cuban situation. It is thorough and will be helpful, and you can be sure that I will keep in touch with the State Department and do everything I can.

Warm regards.

Sincerely,


Lyndon B. Johnson

Mr. Robert J. Kleberg, Jr.
King Ranch
Kingsville, Texas

LBJ:GER:bnw

United States Senate

MEMORANDUM

6/30

George
call me about that

LBJ



THE SHERATON - CARLTON
WASHINGTON 6, D. C.

June 25, 1959

Honorable
Senator Lyndon Johnson
Senate Office Bldg
Washington, D. C.

Dear Lyndon:

I have talked with you recently concerning
Cuba.

Attached is a memorandum which I believe covers
the situation.

I am most grateful to you for the time you have
given me.

Sincerely, yours

Robert J. Kleberg, Jr.

It appears abundantly clear that Cuba is being dominated and run by agents of Soviet Communism. It would not seem to matter whether Fidel Castro is himself a Communist or is being used by the Communists - the results are the same - and Castro himself has been the Cuban Dictator since January 1, 1959.

A battle for the hemisphere between the United States and Russia is being engaged in by the Russians, and the United States must recognize this and take the necessary steps to keep the hemisphere free.

The Cuban so-called Agrarian Reform Law promulgated by the Castro Government seems more a deliberate Communist effort to block the flow of American capital to all Latin-America, create eventual chaos and soften the hemisphere for Communism.

This so-called Agrarian Reform is ill-conceived and has no chance to succeed. History has demonstrated that it takes long experience to handle land and make it productive. Taking the land from those who have cultivated it and maintained it and turning it over to others to work under State direction can only lead to disaster. By removing those with experience and the knowledge needed to finance their operations and substituting the inexperienced without proper backing, we can soon expect chaos which would undoubtedly wreck the Cuban economy and cause serious famine in the Island.

It seems that no consideration has yet been given to the fact that large areas of Cuba do not lend themselves to cultivation. Therefore, the figures stated as to land available in Cuba are misleading. Some is savannah land; some of it is comprised of large areas subject to flooding, which because of their nature cannot be drained. In addition, much of the land is already infested by marabu (a very serious jungle pest - extremely difficult to permanently eliminate). This land can only be made productive by keeping the marabu shaded out by sugar cane or certain introduced grasses. No ordinary crops can be grown on this land. These are but a few of the reasons why this so-called Agrarian Reform Law has no chance of success.

If the Castro Government is permitted to get away with the confiscation of American property it will have a serious effect on all existing American investment in Central and South America. It is a pattern which is already unfolding throughout the entire hemisphere.

It is a clear-cut action to destroy democratic processes in Government, usurp individual freedom, and cripple the flow of investment capital.

It could bring to a standstill the flow of American investment capital to the Latin and South American countries as well as other areas of

the world because of the fear of confiscation such as is taking place in Cuba.

The United States Government cannot allow this to happen. We urge our government to take all necessary steps to protect and, if necessary, guarantee American investment in Cuba and the other Latin-American countries. It is a well known fact that other nations do guarantee varying amounts of the overseas investments of their nationals, and the United States might well do the same rather than let our very hemispheric solidarity be shattered and our national defense weakened.

In addition to these main reasons involving national security, the United States Government must look with alarm on the Cuban Government's attempt to expropriate American property without adequate compensation and without any recourse to Judicial Review. (The Agrarian Reform Institute allows no appeal from its decisions and is valuing land at ancient and absurd levels. Payment is to be in twenty-year bonds whose worth is open to serious question). This actually is not expropriation, but confiscation. The law is actually contemptuous of all accepted standards of International Law.

We urge our government to stand behind its citizens who have invested in Cuba. In this Cuban Case, the United States should

recover its losses by taking away the preferential treatment accorded Cuban sugar imports and by increasing the tariff on these imports in order to reimburse the United States Nation and its citizens for the full value of their properties.

It should be clearly pointed out that the United States has, in effect, extended for generations a protective umbrella to the entire Cuban economy by sharing with Cuba the benefits of our economic system and our Sugar legislation. Cuba has been accorded such preferential treatment as a favored neighbor and friend as to seemingly make our bonds inseparable. We have sought by this favored treatment to allow Cuba to share in the economic growth of the United States. This has raised the Cuban standard of living, trade has increased, and good for all has resulted.

Now however, such movements as the nationalization of land by the Agrarian Reform, and other drastic measures recently promulgated are having the effect of orienting the Cuban economy away from the free enterprise system in such a way as would ruin the Cuban economy, lower wages, make the Cuban citizens servants of the state and rip asunder the historic ties with the United States thereby completely destroying the trade and intercourse so essential to the well being of both peoples. The Cuban peso, always par with

the dollar, has already been seriously weakened by the irresponsible acts of the Castro government.

We must serve notice that if this course continues we will withdraw the benefits of our economy from them, remove their sugar quota, cut off any present or future aid and if necessary, impound their funds to pay for this confiscated property.

It is, however, to be fervently hoped that Cuba will soon become a truly democratic nation and seek to maintain its close historical ties with the United States in order to promote a safer and more stable hemisphere. The United States capital which has played such an important part in Cuba's development, really hopes for the opportunity to continue to do so and to be of assistance to Cuba and its people.

Not only in Cuba, but throughout the hemisphere our country at the present time appears to be the subject of the strongest and most sinister attack that Communism - both Russian and home-grown - has yet mounted against us. It is, therefore, paramount that we command respect and exert leadership in the Americas - with tact and friendship whenever possible, but with intelligent firmness of purpose when this is called for in any special situation.



*Rudy
Rush*

*Fair Foundation
Bldg.*

June 8, 1959

TELEPHONE CONVERSATION BETWEEN RAYMOND HEDGE
OF TYLER AND WALTER JENKINS, JUNE 8, 1959

Mr. Hedge called and said substantially as follows:

a

"We have/rather extensive investment in Cuba in connection with the growing of rice. We are in the rice business down there and we set up an experiment station for the rice and we saved the rice industry for the Cuban people. We had just reached the point where we could get back our investment and even make a little money. We are having trouble with the Government down there though and they even put our man in prison and threatened to kill him. There are also about 40 people who are trying to claim that we fired them and they want back wages for a period of over two years. Our man that lives in Cuba is here right now. His home is in El Campo. He says that things are looking a little better but this thing has been dragging on for two years.

"My point in talking to you is that we are vitally interested in the thing and feel that we are doing the Cuban Government a real favor for being there because we have developed different types of rice that are suitable to certain lands and the rice growers say we have just saved the rice industry for them. The King ranch people have done a tremendous job in furnishing cattle and developing a new strain of cattle and are really doing something for the country, but they are having their problems also.

"Our company is the Lone Star ~~Farms~~ Farms and are located at Cienfuegos, Cuba. We have about \$300,000 in cash down there but the money isn't what is worrying us. Having spent as much time as we have, we feel we just can't leave. It is just almost impossible to do business with this Government and I don't think it will last. They are a bunch of Communists and make the laws as they go. We know some of the wealthiest people in Cuba and the rice growers are for us, but I don't know how we can deal with this Government.

"We just wanted you to know that we are interested in anything that could be said that would help some. "

Cuba

June 20, 1959

Dear Mr. Hedge:

I thought you would like to know that since your telephone call to Walter Jenkins, my staff has had a number of conferences with the State Department people who are handling the Cuban matter. It does not look good, but, nevertheless, the Department seems to be doing everything it possibly could. The difficulty, we are informed, is that even the Cuban themselves seem uncertain as to how they are going to interpret the law.

It is vague and genoral, and while it is clear that the Cuban are going to seize property, it is not clear how they are going to go about it.

We are working on this thing, and we will keep you informed of all developments.

Sincerely yours,

Lyndon B. Johnson

Mr. Raymond Hedge
Fair Foundation Building
Tyler, Texas

LBJ:GER:bnw

GORRÍN, MAÑAS, MACIÁ Y ALAMILLA

ABOGADOS

CABLE Y TEL. "ROSALVE" - TELEFONOS: M-6946 Y W-5960

EDIFICIO "MORTER", OBISPO Y OFICIOS

HABANA, CUBA

FUNDADORES
ARMANDO ROSALES
1920-1948
ENRIQUE LAVEDÁN
1920-1924

PROCURADORES
M. GARCIA DE LOS REYES
ALFREDO M. GONZALEZ
TOMÁS VEGA

ADMINISTRACIÓN DE BIENES
ISIDRO LLANSA

NOTARIO COMERCIAL
CARLOS A. FORNENT

AL CONTESTAR SIRVASE CITAR
(IN REPLY PLEASE QUOTE)

JOSE E. GORRIN
ARTURO M. MAÑAS
JOSE MACIA
GUILLERMO ALAMILLA
EMILIO MARILL
JORGE NAVARRETE
ENRIQUE MAÑAS
ERNESTO FREYRE
JOSE T. BRAVO
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NOTARIO
JOAQUIN M. BARRAQUE

REPORT NO. 1-B
AGRARIAN REFORM LAW

THE AGRARIAN LAW AND THE AMERICAN SUGAR INVESTMENTS IN CUBA

"Diario de la Marina" will publish a special issue in a
tabloid form of its rotogravure section on the Agrarian Reform Law.

We attach herewith an English translation of that part of
the supplement referring to the effects of the Law on the American
sugar companies in Cuba.

GORRIN, MAÑAS, MACIÁ Y ALAMILLA

by

Arturo M. Mañas

enc

GEM:jg

XEROX FROM QUICK COPY

THE AGRARIAN LAW AND THE AMERICAN SUGAR
INVESTMENTS IN CUBA

It is a well known fact that as a result of the Treaty of Reciprocity signed in 1902 when the Republic was inaugurated, a great flow of American capital came to Cuba to expand the sugar industry, mainly in Camagüey and Oriente Provinces, since in the so-called Western Provinces there was a traditional sugar industry which dated back to the Spanish rule.

This investment of American capital, especially in the cultivation of cane increased considerably during World War I to meet the sugar requirements of the United States and other allied countries.

The investment of American capital was made through the financing of Cuban cane growers and through administration cane, due to the fact that this was considered the best way to develop the cultivation of cane on a sound economic basis and within the technique prevailing at the time such investments were made. In general, the lands were given to the cane growers, but maintaining for administration cane the percentage which was considered necessary for the good operation of the sugarmills, since a certain reserve of administration cane was vital to the sugarmills in case that the cane growers should not maintain the necessary supplies of cane.

In a few isolated cases American capital developed sugarmills on the basis of the cultivation of great extensions of administration cane, especially because of the geographic position of those sugarmills.

Where American owned sugarmills were developed on the basis of the distribution of land for the cultivation of cane by local growers, it has often been the case when the industry was faced with difficult times by reason of the low prices prevailing at those times that many

cane growers abandoned the crops developed and cultivated with the sugar-mill companies' money, for which reason those companies, in order to maintain an adequate supply for their production, found themselves compelled to make new plantings or cultivate those abandoned by the cane growers; in other words, they were forced to increase their administration cane.

The expansion of the sugar production resulting from the investment of American capital allowed Cuba to reach an outstanding position in the world market and to obtain its sugar quota in the United States, since without that expansion our exports to both markets would have been on a much lower level.

Lack of accurate data makes it very difficult to determine the size of the investments in administration cane and the investments in land made by those companies, whether dedicated to cane, cattle or other crops, but they may be estimated between a minimum of 225 million dollars and 300 million dollars. The output of American sugar companies in Cuba represents, in round figures, 35% of the sugar production, the level to which they have been reduced from 65% only a few years ago.

In addition to the importance of foreign capital investment to any country, the investment of American capital in the Cuban sugar industry has had, and still has, particular significance in Cuba, since it is one of the factors that the U.S. Government has taken into consideration, in addition to its trade relations with Cuba as a friend and neighbor, when fixing the Cuban sugar quota under the different Sugar Acts that since 1934 have regulated the imports and marketing of sugar in the United States. These American sugar companies with investments in Cuba have been practically the only private interest which has given support to our country before the Congress and the Executive Power of the United States, acting either individually or through the United States Cuban Sugar Council, an association integrated by the American sugar companies operating in Cuba.

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The implications of the provisions of the Agrarian Reform Law, according to the unofficial versions published, are very far reaching, since the American companies in Cuba, as a whole, will not be able to own more land than that on which the sugarmills and the "bateyes" are located, as according to article 14, unless all the stock is in the hands of Cubans, the lands destined for agricultural and cattle activities are subject to expropriation.

As far as administration cane is concerned, article 12 of the Agrarian Reform Law actually "liquidates" them, because it will not be possible to "nationalize" such companies in the one-year term granted by the Law by selling all the stock to Cuban citizens.

If the cane is owned by the same company owning the sugarmills, they would have to sell the sugarmills as well as the cane by means of sale of those shares of stock that are owned by many thousands of American citizens.

If the administration cane is owned by subsidiary companies, it is almost certain that the parent sugarmill owning companies will not be able to sell its stock even if they so desire, since the Cubans acquiring them would be subject to expropriation of the land in excess of the 100 cabs permitted as an exception under caption a) of article 2 of the Law.

On the other hand, unless the last paragraph of article 65 of the Law is clarified, the American companies have no means to solve the situation and comply with the objectives of the Law by dividing its land to sell it to Cubans within the maximums permissible established in articles 1 and 2 of the Law, since the present drafting of said paragraph declares, for the purposes of the Law, void and null all transfers, segregations or divisions of the land, which means that although the land may be divided in lots of less than 100 cabs or of 30 cabs, as the case may be for cane, the buyers of those lands are subject to expropriation, and for this reason it is not conceivable that there

may be any one interested in acquiring them.

If the previous assumptions are valid, and we think they are in view of the published text of the Law, the American sugar companies are definitely condemned to lose all their investments in administration cane, especially considering that if within the term of one year referred to above they have not "cubanized" their administration cane companies, those American companies will lose their grinding quotas, in accordance with the provisions of the last paragraph of article 12.

Have the consequences resulting from the Law with regard to the investment of American capital been considered with all the attention the case deserves? The American companies that came to this country under a system that not only permitted foreigners to exploit the land and industrial enterprises in Cuba but encouraged them to do so, may certainly feel frustrated. The experience of the shock that American sugar investors may suffer will greatly discourage the investment of new capital in other enterprises.

From another point of view, the sudden change resulting from the provisions of the Agrarian Reform Law may completely play havoc with cane production in Cuba, as nobody can expect anyone to cultivate cane he stands to lose and furthermore the transition from the present system of cane exploitation to another system that cannot be rapidly established will bring about a disruption that will affect the amount of the sugar production of Cuba, and this applies not only to American sugar companies but to all of the cane cultivated which will be affected by the Law. The working class itself will have to suffer a serious reduction in their income, as in view of the perspectives with which cane owners are faced they cannot be expected to maintain the present levels of cultivation and new plantings. The annual investment in Cuba in cane cultivation and new plantings may be very conservatively estimated at some 70 million dollars.

There is no doubt that the provisions of the Agrarian Reform Law

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relative to the sugar industry have caused deep concern and serious fears that Cuba may suffer a substantial reduction in its sugar production beginning with 1960, and its impact is already evidenced by the measures adopted by the U.S. Department of Agriculture that has lifted the restrictions on beet and cane plantings in order to guarantee the requirements of the American market, and will be detrimental to Cuba's position in the world sugar market.

May 29, 1959

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SUMMARY OF THE FUNDAMENTAL PROVISIONS OF THE
"AGRICULTURAL REFORM LAW"

We have attempted to present a summary of the main features of the Agrarian Reform Law enacted on May 17 on the Sierra Maestra. We have worked on the second version published by the newspaper "Revolución" on May 19, 1959. In accordance with the broadcast from the Sierra, this version is still subject to amendment, and, therefore, this memorandum is tentative and subject to a more detailed study when the official text of the Law appears in the Official Gazette.

LAND AFFECTED BY THE LAW

1 Public or State owned lands, which are defined as those registered in the name of the State or in the inventories of the Nation's Wealth, and those acquired by the State (art. 9). Lands not registered on or before October 10, 1958 in the Property Registries will also be deemed public lands (art. 8).

2 Privately owned lands, when occupied by lessees, cane growers sharecroppers or squatters in individual lots not exceeding 5 cabs (art. 18). Individual landholdings in excess of 30 cabs (art. 1) when not excepted by reason of the high productivity obtained (art. 2) or not included in the general exception of article 4 when dedicated to public use, industrial installations, forest reserves and living quarters, or given in usufruct to agricultural co-operatives.

3 All cane land owned by corporations not meeting the requirements established under article 12 (see paragraph 6 below) one year after the enactment of the Law; and all land, whatever the exploitation to which it may be subjected, owned by corporations not meeting the requirements of article 12 (see paragraph 5 below), once the land owned

by such corporations in excess of the maximum permissible has been expropriated and distributed.

II. REGULATIONS OF CANE LAND HOLDINGS

4 Physical persons who are not owners, shareholders or officers of sugar companies may own up to 30 cabs of cane land (art. 1), if not occupied by lessees, cane growers, sharecroppers or squatters in lots of less than 5 cabs (art. 6). Land in excess of 30 cabs but not exceeding 100 cabs, may be owned if agricultural yields are not less than 50% of the average national yields (art. 2).

5 Physical persons who own, hold stock or are officers of sugar companies are prevented by the Law from cultivating sugarcane, and their land may be expropriated (art. 13). In this case it is not clear from the Law if the owner loses its quota, as is the case with corporations connected with sugar companies (see 7 and 8 below) and whether, as seems also to be the case with those corporations, they are prevented from using their land not in excess of the maximum permissible holdings for raising other crops. The Law does not specify either if the cane ratoons (cepas) are to be paid for in case of expropriation of the land.

6 Corporations may own cane land under the same conditions as physical persons under paragraph 1 above, provided: a) all its stock issued is in the form of registered shares; b) all stockholders are Cuban; and c) none of its stockholders are owners, shareholders or officers of sugar companies (art. 12).

7 Corporations not meeting the above requisites are prevented by the Law from cultivating sugarcane, and their land may be expropriated

one year after the enactment of the Law. These corporations will lose their cane grinding quotas. Whether the one year period is simply a stay of execution or a period during which these corporations may try to conform with the requisites listed above and, therefore, such a change in the corporation is admitted, is a point which is not clear from the present drafting of the Law. Sales, transfers or assignments of land by these corporations will not, in our opinion, exclude the lands sold, transferred or assigned from the possibility of expropriation (see paragraph 24 below).

III. REGULATION OF CATTLE, RICE AND OTHER CROPS

8 Physical persons and corporations whose stock is all issued in the form of registered shares may own up to 30 cabs of cattle land, rice land and other crops (art. 1), if not occupied by lessees, cane growers, sharecroppers or squatters in lots of less than 5 cabs (art. 6). Land in excess of 30 cabs but not exceeding 100 cabs may be owned if cattle production and rice yields are not below the minimums to be set by the Agrarian Reform Institute or, in the case of other crops, if they require larger landholdings in the opinion of the Institute (art. 2). Corporations not meeting the above requisites will be allowed to use the landholdings permissible under articles 1 and 2 while their land in excess of those permissible holdings is expropriated and distributed, but may not sell or dispose of their land to another corporation. After those steps have been completed, those corporations will be allowed to continue to use the land if they are made to conform with the requirements of article 12, that is, that all its stock be in form of registered shares, that all stockholders be Cuban, and that none of its stockholders be

owner, shareholder or officer of a sugar company; otherwise, their land may be expropriated.

IV. DISTRIBUTION OF LAND

9. A "vital minimum" of two cabs of fertile soil without irrigation and distant from urban centers for each family of farmers of five persons is established (art. 15). This "vital minimum" will be determined in each case by the Institute based on the above specifications (art. 16).

10. The above regulations imply an amendment of Law No. 3 of October 10, 1958 enacted on the Sierra Maestra, as it gives the right to the occupant to receive free an amount equal to the "vital minimum", even if such occupant is in possession of a lesser amount of land, and provided the land is available and economic and social conditions in the zone permit. Law No. 3 only allowed the occupant to receive free that amount of land which was under his possession up to 2 cabs (art. 18). If a lessee, cane grower, "subcolono", sharecropper or squatter occupies land in excess of the "vital minimum" but such land does not exceed 5 cabs, the occupant will be entitled to receive free two cabs, which will be expropriated by the Institute and may compel the owner of the land to sell the excess over 2 cabs up to 5 cabs (art. 18). Land owners holding less than the "vital minimum" are also given the right to receive free the additional amount of land required to complete the "vital minimum" provided the land is available and economic and social conditions permit (art. 19).

11. In addition to the lessees and other occupants of 5 cabs, under articles 22 and 23, farmers, agricultural workers and any other

persons that may submit the corresponding requests are entitled to receive the land which will become available for expropriation in accordance with the terms of the Law, subject to the order of distribution referred to in the next paragraph.

12 Those lands will be distributed in the following order:

- a) Public lands, as listed under paragraph 1 above, and private land occupied in lots of less than 5 cabs;
- b) Private land in excess of the maximums permissible;
- c) Other lands affected.

Private land under caption b) above will not be distributed until distribution of land under a) above has been completed. This procedure, however, may be altered through resolution of the Agrarian Reform Institute (art. 5).

13 Land owners affected by this Law will have to submit complete information of their land holdings (art. 25), and failure to do so will deprive the owner of their right to the compensation provided for by the Law (art. 26). The authorities of the Institute will check the information received thereby and will adopt the necessary resolutions to distribute the land and deliver the corresponding titles to the property (art. 28). No legal remedies are provided for in the Law against resolutions of the Institute (see VI and VII below).

V COMPENSATION

14 The Law provides for a compensation to the owners for the land expropriated, and this compensation will be based on the sale values declared by the owners to the Municipalities (amillaramiento) appearing

from the municipal records prior to October 10, 1958. Buildings and other installations will be appraised by the Institute (art. 29). If the value of the land could not be determined with view to the sale values declared by the owners to the Municipalities, the appraisal will be made by the Institute (art. 30). In making these appraisals the Institute will deduct any increase in values due to the action of the State, Province, Municipality or autonomous institutions (plusvalia) (art. 30). From the drafting of articles 29 and 30 it seems that the evaluation of the lands to be expropriated is to be determined by the Institute and not by the courts, as was required under article 24 of the Fundamental Law (Constitution) at present in force.

15 Compensation will be paid by means of public 20 year "Agrarian Reform Bonds" at an interest rate of not more than 4-1/2% (art. 31). Investment of the proceeds of the compensation received by the owners in new industries shall enjoy a 10 year exemption from the personal income tax (article 32).

VI AGRARIAN REFORM NATIONAL INSTITUTE (INRA)

16 This Institute is established as an autonomous institution to carry out the provisions of this Law. Their executive officers will be a President and an executive Director to be appointed by the Council of Ministers, and will have authority to carry out and supervise the application of the Law, as well as to recommend legislation necessary to fulfill the purposes of the Law (art. 48).

17 The Institute is also empowered to establish an agricultural loan department and, until such department is created, the agricultural division of BANPAIC (Banco de Fomento Agrícola e Industrial de Cuba) will

co-ordinate its credit policy with the directives of the Institute (art. 40). All autonomous institutions charged under present legislation with the stabilization, regulation, promotion and defense of the agricultural production will be incorporated to the Institute (art. 51). What is meant by "incorporation, and if the Sugar Institute (sugar being an industrial product and not an agricultural one) is included in this incorporation, are questions to be determined by a Law to be proposed by the Institute (Transitory Provision Sixth).

18 In addition to the specific authority to administer the Law, granted to the Institute under chapter VI of the Law, the Institute is given very ample powers not only to alter the order of expropriation established by Law (art. 5), to determine minimum yields to be obtained from the land (art. 2 and Transitory Provision Seventh), and to prepare and recommend complementary legislation (arts. 54 and 55, Transitory Provisions First and Second, etc.) but to regulate all matters not specifically covered by the law through resolutions of its President, until the Regulations of the Law are enacted.

VII LAND COURTS

19 Land courts are established to decide all controversies in connection with the application of the law, and the Institute will recommend the necessary legislation regulating these courts (art. 54). Until these courts have been established, these matters will fall under the jurisdiction of the common courts (Transitory Provision Fourth). Matters over which these courts will have jurisdiction are not clear from the Law, but if legal remedies are to be established they will probably fall under their scope.

20 All eviction proceedings are to be suspended until the Institute has determined whether or not the occupants involved are covered by the provisions of the Agrarian Reform Law (Transitory Provision Second).

VIII OTHER PROVISIONS OF THE LAW

21 Sharecroppers contracts are prohibited after the enactment of the Law (art. 11).

22 When land to be expropriated is subject to prior liens, the creditor will be compensated also through the payment of "Agrarian Reform Bonds". If subject to forced sale, payment will be divided between owner and creditor (art. 20).

23 Within two years after the enactment of this Law all private land holdings, regardless of their size, shall be put into production, and the regulations to be enacted will determine in each case the minimum compulsory yields to be obtained from the land (Transitory Provision Seventh).

24 While the drafting of the Law is not clear, it is our opinion that any sales, transfer or assignments of land holdings in excess of the maximum permissible shall continue to be subject to expropriation even if the amount of land sold by itself is below the maximum permissible, and that, in the case of inheritances, the heirs may not receive in all more than the maximum permissible by the Law or, in other words, that the heirs will not be allowed to receive each the maximum permissible but that such maximum must include all their shares (arts. 65 and 63).

25 Exercising its constitutional powers, the Council of Ministers has made this Law a part of the Constitution (Ley Fundamental). Therefore,

the Council of Ministers or any future legislative body would have to fulfil all requisites for a constitutional amendment in order to modify or repeal this Law (Final Constitutional Provision).

II. POSSIBLE QUESTIONS

2. There are several points which are not clear from the drafting of the Law:

a. The case of land held by lease in excess of 5 cabs. No mention of this situation is made in the Law, and a strict interpretation of its provisions would lead to the conclusion that any land holdings in excess of the maximum permissible under Articles 1 and 2 may be expropriated and distributed as explained in IV above, even if they should be leased to a third party.

b) The minimum of cattle production to be established by the Institute in the case of cattle land under article 2 may render meaningless the exception contained in that article, as seems to be the case at least in connection with the minimum cane yields.

c) It is not clear from the drafting of the Law if the productivity on which the exceptions of article 2 are based should have been attained at the time the Law was enacted or whether the Regulations will provide for a period during which such higher productivity may be reached by the owner.

d) No specific provision in the Law contemplates compensation for cane ratoons. In other words, the Law regulates expropriation of land, buildings and installations and in some cases determines how sugar-cane grinding quotas are to be assigned to the new owners, but has made no provision for the compensation of the ratoons themselves.

In order to have this summary ready for delivery today, we have had to rush through this work, especially in view of the fact that a new and amended version of the Law appeared in today's "Revolución".

We apologize for any possible mistakes or omissions which may have resulted and which we will try to rectify along with any new amendments in the text of the Law through a more detailed study when the final text of the Law appears in the Official Gazette.

CORRIN, MAÑAS, MACLE Y ALMILLA

by

Arturo M. Mañas

May 19, 1959

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GORRIN, MANAS, MACIA Y ALAMILLA

ABOGADOS

COMISIONADOS
ARRENDATARIOS
1920 1948
ENRIQUE LAVEYAN
1920 1924

PROCURADORES
M. GARCIA DE LOS REYES
ALFREDO M. GONZALEZ
TOMAS VEGA

ADMINISTRACION DE BIENES
ISIDRO LLANSA

NOTARIO COMERCIAL
CARLOS A. FORMENT

AL CONTESTAR SERVASE CITAR
UN REPLY PLEASE QUOTE

EDIFICIO "MORTON" CASAS Y OFICIOS

HABANA, CUBA

REPORT NO. 2
AGRARIAN REFORM LAW

POSITION OF THE TENANT OF LANDS UNDER THE LAW

1 As expressed under paragraph 26 of our Report No. 1, it is not clear from the Law how the land held by lessees and other tenants who are not owners, in excess of 30 cabs, is to be affected by the provisions of the Agrarian Reform Law. In this Report the term "tenant" means occupant of the land under lease or any other form of tenancy, and applies both to individuals and corporations and, therefore, to lands planted with "administration cane".

2 The general rule in this connection is contained in article 1 of the Law, which says: "The maximum extension of land that any individual or juridical person may 'possess' (poseer) shall be 30 cabs" and then adds that land which is the PROPERTY (propiedad) of any individual or juridical person, in excess of the 30-cab limit, shall be expropriated for its distribution among landless peasants and agricultural workers.

3 This second sentence being immediately after the statement of the general principle where in the word "possess" was used, would seem to imply that the Law is referring only to the possession of land by its owner and not to land held through leases or under tenancy agreements. This would seem to be supported by the fact that under articles 12, 13 and 14 the Law makes a clear distinction between the exploitation of "colonias" (articles 12 and 13), the ownership (article 13) and tenancy and ownership (article 14). Furthermore, in the third paragraph of article 14, right after saying that stock companies not complying with the requisites of article 12 may not continue exploiting the land in their possession after their land in excess of the maximum permissible is distributed, it goes on to say that such land will be expropriated. Evidently, in order to expropriate something from these companies they have to OWN it first.

4 However, under Cuban law the legal term "possession" is one of the most difficult to define, not only because of the lack of precision with which it has been used in our Civil Code, but also due to the many different schools of thoughts in the matter.

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5 In trying to determine the scope of the term "possess" as employed in the first part of article 1 translated above, we not only have to take into consideration the drafting of this Law but also the meaning of the term within the context of the Civil Code and as used in article 90 of both the 1954 Constitution and the Fundamental Law of February 7, 1959.

6 Our Civil Code, under article 430, refers to the "natural possession" as the tenancy and enjoyment of a right or a thing and to the "civil possession" as such tenancy and enjoyment when it carries the intention of having such right or thing as our own. Article 432 ratifies such division when stating that the possession of goods and rights may be had as owner or merely as holder of such goods or rights to be kept and used, their ownership corresponding to another person. Thereafter, throughout the Civil Code the term "possession" is used indiscriminately and referred to either one or both of its meanings.

7 Turning now to article 90 of the Constitution, we find that when proscribing latifundia it provides that "The Law shall determine the maximum extension of the property that each person or entity may possess for each type of exploitation" in which the land may be employed taking into consideration the respective peculiarities (of land and crop). The second paragraph states that the Law shall restrictively limit the acquisition and possession of the land by foreign persons or entities. Whether the word "property" in the first paragraph has been used as a synonym of "estate" or to denote ownership by the person or entity in whose possession it may be, is not clear. The meaning of the word "property" is equivalent to that in the Spanish word "propiedad". The way in which the word "possession" is used in the second paragraph of article 90 does not seem to clarify the matter. Our courts have not had the opportunity to rule on this article and, therefore, we have no judicial definition of its scope. Therefore, it is not clear whether the Constitution has ordered the Law to limit the extension of land owned by anyone person or whether this limitation should include land held both in ownership or as a result of any lease or tenancy agreements.

8 Consequently, we find that while the Civil Code seems to use the term "possession" to express both ownership and tenancy, it is not clear from the constitutional text if such an interpretation should apply to article 90.

9 It is evident that a clear definition of the term "possession" is not to be found either in the Civil Code or in the Constitution, but literally to adjust ourselves to the text of the Agrarian Reform Law to determine the scope of this term would lead us to rather illogical conclusions. As we have seen in paragraphs 1 to 4 above, the drafting of

article 1 of the Law would support the interpretation that the Law has used the term "possession" as referred only to "land held in ownership" and that it could be maintained that lands held in lease or under any other type of tenancy agreements are not covered by the limitations established by the Law. This interpretation, however, would lead to the absurd conclusion that while the owner of land in excess of the maximum permissible under the Law is not allowed to cultivate the excess land and furthermore such excess may be expropriated, the lessee of land in excess of the maximum permissible is not disturbed in his possession of the land.

10 Furthermore, we would find that in the latter case the owner of the land leased would be subject to expropriation as to the excess over the maximum permissible. The lessee has no right under the Law, as published, to purchase or receive that land from the State free, and a peculiar situation would arise whereby the lessee would have to pay part of the rent to the original owner and part to the INRA.

11 Therefore, in our opinion, the only logical interpretation of the Law would be to interpret the terms "possess" and "possession" as expressing both ownership or any kind of tenancy. This interpretation of the Law would lead to the following:

CONCLUSIONS

a) Compensation to the tenants has not been regulated or even recognized by the Land Reform Law, which under article 29 grants the right of compensation only and specifically to the "owners" affected by the Law. However, we believe that the tenant affected by the provisions of the Law could claim that such provisions have resulted in a taking of property and that, according to the principle consistently recognized in our Supreme Court decisions interpreting article 24 of the 1940 Constitution and similar provisions of the other Constitutions or constitutional laws which have been in force in Cuba, they are entitled to compensation.

b) If the tenant is a cane grower (this would apply as well to "administration cane"), under present legislation he has the right of permanency as to the land on which his "colonia" is developed. This right has not been specifically nullified by the Agrarian Reform Law, but since according to our interpretation the lessee or tenant would also be affected by the maximums allowed under the Law, he would have, in our opinion, the right to be compensated for the loss of his right of permanency as well as for the cane, buildings, installations and any other improvements.

c) Although administration cane, in accordance with article 12, loses its grinding quota, in our opinion the conclusions arrived

at under b) above would apply to their owners and, consequently, they will be entitled to compensation for the cane, buildings, installations and any other improvements and the loss of their right of permanency.

d) Tenants holding lands producing other crops would likewise, in our opinion, have the right to be compensated for their crops and buildings, installations and any other improvements made for their account, as well as for the loss of their rights under the respective contracts or tenancy agreements and the present legislation and especially Law No. 7 of November 25, 1948.

e) Since the procedure to determine the compensation to these tenants has not been regulated by the Land Reform Law, they could claim that the constitutional provisions, as well as the present legislation regulating the payment of compensation, would apply with the exception of the cash payment provision that has been superseded by the First Transitory Provision to Title Fourth of the Fundamental Law of 1959, which provides that in the case of expropriation due to land reform measures, other methods of payment duly secured may be substituted for the cash payment.

f) Regardless of the interpretation that may be given to the terms "possess" and "possession", there is a point not covered in the Law, and that is the ability to qualify for the exceptions granted under article 2 when the land has been held in lease or under any other tenancy agreement. If the yield of the lands leased has been below the minimums required by article 2, those lands under the Land Reform Law will be subject to expropriation from their owners. We find, therefore, that the owner, through no fault of his own since there was nothing he could do to increase the yield of the land, is penalized by losing the property.

g) In all probability the matters considered in the preceding conclusions will be subject to clarification in the final text of the Law to be published in the Official Gazette or regulated by complementary legislation.

GORRIN, MAÑAS, MACIA Y ALAMILLA

by

Arturo M. Mañas

June 4, 1959

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AGRARIAN REFORM LAW OF CUBA AND ITS EFFECT ON THIS COUNTRY AND ELSEWHERE

1. - The Castro Agrarian Reform Program is COMMUNISM since they are not actually making land owners out of the Cuban peasants but simply making them land users who will function as a part of a commune.
2. - This new Cuban law represents a severe blow to the American consumer. Approximately one-third of the U.S. consumer supply of sugar has been jeopardized and the consumer may be faced with higher price.
3. - If the Castro Government is permitted to get away with the confiscation of American property it will have a serious effect on all existing American investments in Central and South America. It is a pattern which will unfold throughout the entire hemisphere.
4. - It will stop or bring to a standstill the flow of American investment capital to the Latin & South American countries as well as other areas of the world because of the fear of confiscation such as is taking place in Cuba.
5. - The Agrarian Reform is not the result of Democratic procedure since those who are primarily affected, the Sugar Growers, labor, Cattle, Tobacco, Rice, etc., have never been formally consulted as to their ideas or suggestions.
6. - The compensation offered by the Cuban Government does not meet the requirements of International Law for adequate, prompt and effective recompense. They offer Cuban Government bonds of a 20 year duration with an interest rate not to exceed 4-1/2%.
7. Fidel Castro has decreed a Cuban Agrarian Reform which would expropriate for breakup and distribution as small farms practically all the cane lands and the growing cane of the entire Cuban sugar industry. This industry includes a number of American companies owning lands worth considerable sums of money, and having thousands of American stockholders. It appears very likely that such violent measures will have harmful effects on the Cuban sugar production and on the Cuban economy in general. In order to protect American consumers by assuring them an adequate supply of sugar under all circumstances, study must be given to the American sugar quota law. Prudent protection of the American consumer may require that this law be made more flexible so that we would no longer be required by the rigidity of our own legislation to continue to look only to certain countries or areas for specific amounts of consumer requirements. Our present sugar legislation if continued unchanged makes it mandatory that we hold our planning open for approximately 3 million tons of sugar from Cuba in 1960 and thereafter even though Cuba might be then unable to supply that quantity.

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The expropriation and indemnity provisions of the Cuban reform law are unfair to American investors. They fall far short of the principles of impartial valuation and immediate cash payment which are customarily

recognized by civilized nations and which were part of the Cuban Constitutional law until 1959. Besides the American sugar investments in Cuba, drastically affected if not eliminated by the reform law, there are also extensive American ranch holdings in various provinces of the Island.

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CASTRO'S OPINION ON UNITED STATES POLICY TOWARD CUBA

The article on the first page of the New York Times of May 23, 1959, by Ruby Hart Phillips, reports from Castro's television address of May 21/22 as follows:

Regarding protests by Cuban sugar millowners against the agrarian reform law, and asking for changes to be considered:

Castro: "The agrarian law will be imposed to the letter regardless of the consequences."

In answer to a further question, Castro said he did not believe Washington would take reprisal by reducing the quota of sugar that Cuba could sell to the United States.

"I do not believe that the United States will consider the loss of cane lands by the American companies as worth disruption of the friendly relations between Cuba and the United States," he said.

These quotations in English are in accord with the Spanish text published in La Revolucion, May 22, which incidentally shows that Castro realized that 50,000 caballerias of land are involved, worth a very large sum. He states that the American people are not concerned with the fate of these companies.

Unless Castro's statement about United States policy is answered in the press, the Cuban people and Latin Americans generally will think Castro is right, can do just about everything he pleases, and still count upon the United States granting Cuba the most exceptional favorable treatment such as the Cuban sugar quota, while at the same time allowing thousands upon thousands of United States investors in Cuba to be deprived of very valuable properties, with compensation of comparatively little value.

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The American-owned mills in Cuba are 31 in number, out of the 161 total.

They produce about one-third of the total sugar output. They are reported to own 56,000 caballerias of land (1,864,000 acres), a large part of which is already occupied by tenant growers who have permanent tenure at low rentals. (Some of the land so held by tenants is not actually used for cane, but cannot be recovered by the mill.) The 161 mills as a whole are reported to own 127,000 caballerias, or 4,229,000 acres. In a crop such as 1959, the 31 American mills will grind about 20,000,000 short tons of cane, operating day and night for three or four months. This operation required intense co-ordination of cane supply, and is greatly impeded by atomization of cane farms. The number of farms reported by American mills is about 10,000, out of 61,000 for the whole industry but of course many such farms are not on mill-owned lands.

Under the proposed law, the American mills would lose ownership of some 54,000 caballerias, or 1,800,000 acres of land. Even if only one-half of this be assumed to be good cane land the value (at \$4,000 per cab for good land and \$500 for poor land) would be about \$120,000,000. This figure reflects nothing for the growing cane, whether owned by the mill or by the tenant and that would be another very large sum, but the law does not say whether it will be paid for. Before Castro, the 31 mills were not for sale, but the market value of the fixed assets could well have been some \$300,000,000, plus the value of any mill-owned cane. In addition, the mill companies had many millions of net current assets.

American owned ranches in Cuba represent approximately 150,000 acres. These ranches have always had the highest labor standards and have carried out very effective programs in pasture development, feeding, breeding, etc. The average valuation of this ranch land would be in the vicinity of \$125.00 per acre.

Approximate Land Holdings of American-owned Cuban Sugar Companies
 (Sources: Cuban Sugar Yearbook, 1957; also published
 statistics in "La Revolucion", Havana, May 19, 1959)

Thousands of Caballerias (33.3 acres each)

<u>Company</u>	<u>Number of Mills</u>	<u>Owned</u>	<u>Lands (a) Leased to the mill; or (b) whose owners have voluntarily contracted to sell their cane to the mill</u>	<u>Total</u>
Atlantica del Golfo	6	9.0	9.5	18.5
Cuban American	3	10.4	0.3	10.7
Central Cunagua	2	9.9	0.2	10.1
United Fruit	2	8.2		8.2
West Indies	4	3.0	5.1	8.1
Vertientes	3	4.1	3.9	8.0
Francisco	2	2.9	2.6	5.5
Manath	1	4.2	1.	5.2
Punta Alegre	3	2.1	1.3	3.4
Tuinucu	2	.4	.2	.6
	<u>28</u>	<u>54.2</u>	<u>24.1</u>	<u>78.3</u>
Céspedes	1	.9		.9
Soledad (c)	1	.8		.8
Ermita	1	.1		.1
	<u>31</u>	<u>56.0</u>	<u>24.1</u>	<u>80.1</u>
 Total all Sugar Mills, Cuban and Other	 161	 127	 61	 188

GORRIN, MANAS, MACIA Y ALAMILLA

ABOGADOS

CABLE Y TEL. "ROSALVE" TELEFONOS M-6948 Y W-5980

EDIFICIO "MORTER", OBISPO Y OFICIOS

HABANA, CUBA

FUNDADORES
ARMANDO ROSALES
1920-1945
ENRIQUE LAVEGAN
1920-1924

PROCURADORES
M. GARCIA DE LOS REYES
ALFREDO M. GONZALEZ
TOMAS VEGA

ADMINISTRACIÓN DE BIENES
ISIDRO LLANSA

NOTARIO COMERCIAL
CARLOS A. FORMENT

AL CONTESTAR SIRVASE CITAR
(IN REPLY PLEASE QUOTE)

JOSÉ E. GORRIN
ARTURO M. MANAS
JOSE MACIA
GUILLERMO ALAMILLA
EMILIO MARILL
JORGE NAVARRETE
ENRIQUE MANAS
ERNESTO FREYRE
JOSE Y BRAVO
JOSE E. ZUBIZARRETA
FERNANDO MACIA
EMILIO MARILL JR.
ANGEL CASTILLO
SALVADOR FERRER
GONZALO DE QUESADA
CRISTOBAL DIAZ
O. E. MUSTELIER JR.
VICTOR VEGAL
JOSE M. HERNANDEZ
NOTARIO
JOAQUIN M. BARRAGUE

REPORT NO. 1-A
AGRARIAN REFORM LAW

POSITION OF FOREIGNERS UNDER THE PROVISIONS OF THE LAW

1 In accordance with article 15 of the Law, foreigners will not be able to acquire rural property in the future, unless the Agrarian Reform National Institute (INRA) considers it convenient to transfer to foreign enterprises or corporations lands not exceeding 30 cabs for agricultural or industrial developments which may be beneficial to the development of a national economy. In case of transfer of rural farms by inheritance to foreigners, the land will be subject to expropriation.

2 Under article 12 of the Law, as stated in our Report No. 1, unless all stockholders are Cuban citizens, corporations cannot own cane land after one year has elapsed since the enactment of the Agrarian Law. No reference is made to foreign individuals who are owners of cane land and, therefore, it is our opinion that they can continue owning and exploiting the cane land, subject to the limitations as to area and yields established in article 2 of the Law.

3 In accordance with the accepted principle of International Law, and this principle has been recognized by the United States Government, any sovereign nation has the right to exclude foreigners from ownership of the land, but if property is to be taken in order to en-

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force a national policy denying foreigners the right to ownership of the land, due compensation should be paid for the property taken.

(Hyde, "International Law", chiefly as interpreted and applied by the United States", 2nd edition, vol. one, 1947, § 203 and 217-A.)

4 "The United States has held that the rule of just compensation for foreign-owned private property expropriated for public use was a rule of international law which existed independently of treaties or other similar arrangements." "It has also been the United States' position that expropriation must be only for a public purpose and that it must be accompanied by compensation variously defined as 'just' or 'adequate' but more usually and recently as 'adequate, prompt and effective'." (Rubin, "Private Foreign Investment", 1956, pages 8 and 9.)

5 Whether the Cuban Agrarian Reform Law complies with the requisites of the compensation being "adequate, prompt and effective" is, at least, very doubtful considering the following provisions of the Law:

a) The compensation for land expropriated is based on the sale values declared by the owners to the municipalities (amillaramiento) (art. 29 of the Law). These declarations in most of the cases date back many years, probably 40 or 50, and do not represent the actual value of the land. These values declared have at present no practical meaning whatsoever, since municipal taxes are not levied taking as a basis such values. Municipal taxes have for quite some time been based on production or rental value of the land.

b) No provision is made by the Law with regard to the compensation for the cane planted on the lands to be expropriated. Whether this is an oversight or the Government has considered such cane as part of the land and therefore not entitled to separate compensation, is not known. Legally, under the provisions of our Civil Law, since plantings become real property as incorporated to the land, it may be argued that the cane is part of the land and covered by the compensation established in article 29 of the Law. Such interpretation may be also supported by the fact that in accordance with the last part of article 29, buildings and other installations in the farms will be appraised by the Institute separately from the land. On the other hand, it may be argued that the cane plantations (colonias) are excluded from the operation of the Law. The point may be clarified by a law.

c) Under the last paragraph of article 65, sales, transfers or assignments of land holdings in excess of the maximum permissible shall continue to be subject to expropriation, even if the area sold is within the maximum permissible. This provision will make practically impossible for the present owners of the land to dispose of the lands in excess of the maximum allowed by the Law at a fair price, inasmuch as the buyers will be subject to expropriation and payment in Agrarian Reform Bonds. The consequence will be a devaluation of present land values.

d) Practically all the cane land owned by foreigners in Cuba is in the hands of corporations with a very large number of American stockholders, and therefore they will not be able to comply with the

requisites of article 12 of the Law within a period of one year or even at a longer period. As frequently the same corporation owns the sugar-mill and the cane plantations, in order to make those corporations fully owned by Cubans, they will have to transfer to the new Cuban stockholders not only the cane lands but the sugarmills as well. On the other hand, since in accordance with said article 12 corporations not meeting the requisites required to maintain cane lands in exploitation will lose the grinding quotas of the cane plantations, the actual result is confiscation or destruction of property without compensation.

e) Compensation is to be made through a 20-year Agrarian Reform Bond issue at an interest rate of not more than 4-1/2%. Whether such Bond issue will meet the requirement of prompt and adequate compensation is a point that cannot be ascertained at present. The final rate of interest is unknown. Whether the 20-year period of the Agrarian Reform Bond issue is a prompt payment is a matter of opinion. It seems to be a long period in the light of past experience in similar cases in other countries. If the Cuban Government is not able to maintain the service of payment of interest and amortization of the Bonds, because the economic and financial conditions of the country will not allow to include the necessary appropriations in the annual budgets, especially if very large areas of land are expropriated, the compensation certainly will not be adequate.

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f) The Law does not contain any provisions as to the currency in which these Bonds will be redeemed by the Cuban Government, but in accordance with present Cuban legislation, payment would have to be made

in Cuban pesos. In the case of foreign investors, it has been argued that compensation in the national currency of the expropriating government is not adequate, because it will not allow the expropriated investor to dispose of the compensation, being forced to invest the money received in the expropriating country or to accept payment in a depreciated currency. In the case of the Mexican Agrarian Reform and oil expropriations, the final agreement reached between the United States and the Mexican Government established the payment of compensation to be made in American dollars.

g) The determination of the compensation is not made through a due process of law inasmuch as, as expressed in our Report No. 1, there are no judicial remedies against the resolutions of the Institute relative to the appraisal of property to be expropriated.

6 The extension of the damage to be suffered by American corporations will be very large and far reaching in the relations between Cuba and the United States, especially in connection with the Sugar Act which at present is under consideration by the United States Congress.

GORRIN, MAÑAS, MACIA Y ALAMILLA

Arturo M. Mañas
by

Arturo M. Mañas

May 22, 1959

AMM:jg

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Compañía Ganadera Becerra, S. A.

Ganaderos

MANATI — ORIENTE
C U B A

Office of the President
106 Wall St.
New York 5.

June 11, 1959


Mr. Walter Jenkins
New Senate Office Building
Suite 5121
Washington, D. C.

Dear Mr. Jenkins:

Mr. George A. Braga and I want to express our appreciation for all of the time that you so kindly gave to us.

As per our conversation we attach a Special Studies Project Report III and draw your attention specifically to Pages 61 through 68 which outline a Western Hemisphere Common Market, etc.

Sincerely yours,



Michael I. P. Malone
President

mjpm/hac
cc: GAB