

THE SECRETARY OF STATE
WASHINGTON

February 24, 1961

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MEMORANDUM FOR THE PRESIDENT

Subject: Questions Arising from Senator Smather's
Recommendation that Remaining Exports from Cuba
to the United States be Embargoed.

Mr. Bundy's memorandum of February 21, 1961 to me asked three questions:

Question: Would an embargo save on dollar foreign exchange?

Answer: Cuban exports to the United States are steadily declining and are presently moving at the rate of \$60 - 70 million annually. An embargo would result in a saving perhaps only 1/2 of this amount in dollar exchange since some of these items would probably be imported from other sources.

The principal items still imported from Cuba are tobacco, molasses, and fresh fruits and vegetables.

Imports of tobacco from Cuba in 1960 amounted to about 27 million dollars. United States cigar manufacturers would have difficulty finding comparable tobacco from other foreign sources, and would be forced to turn to domestically produced cigar filler. This is in surplus supply in the United States, and is higher priced. About 5 million dollars' worth of high quality cigars were imported from Cuba in 1960. An embargo on Cuban cigars would result in considerable inconvenience to United States consumers, as cigars of comparable quality could not be obtained from other sources.

Imports of fruits and vegetables from Cuba (amounting to over 10 million dollars in 1960) occur mainly during the period in December - May. These imports are largely supplementary to our domestic production and for the most part would not be replaced from

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other sources. Thus some saving in dollar exchange could result, although the 1960-61 season is for the most part completed.

Imports of molasses from Cuba amounted to over 11 million dollars in 1960. In a typical year Cuba provides about 25 percent of our total utilization of molasses. It is likely that an embargo on imports of molasses from Cuba would mean a saving of dollar exchange, as molasses for distillation would probably not be available from other sources. Some replacement supplies for livestock feed probably would be obtained from other sources.

Question: Would it make things more difficult for Castro?

Answer: It will deprive Castro of dollar exchange and to the extent that he is unable to dispose of approximately \$60 - 70 million annually of these commodities in this market or in other markets with convertible currencies, it will deplete his already low foreign exchange position. In my opinion, the economic disadvantage to Castro would outweigh any political advantage which he might gain by charging us with economic aggression and the unilateral application of economic measures.

Question: Would it be in the public interest?

Answer : For the reasons stated in answer to the second question I believe the answer to this is in the affirmative.

Some months ago serious consideration was given to applying the Trading With the Enemy Act. It was decided to postpone applying this Act until Latin American public opinion understood better the true nature of the danger which Castro represents to the Hemisphere, and until the possibility of securing multilateral action against Cuba through the OAS was improved. We therefore decided to rely on the existing authority granted in the Sugar Act and the Export Control Act, as interim measures to stop both imports of Cuban sugar as well as most of our exports to Cuba.

Several weeks ago it was decided that Latin American public opinion would no longer strongly resist our unilateral application of the Trading

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With the Enemy Act even though the necessary two-thirds of the member nations of the OAS do not yet appear to be prepared to join in multi-lateral action. In addition, recent developments in Cuba, such as Cuba's urgent requirement to sell molasses and increased armed resistance to Castro, make it important that we act at once to deny the United States market to Cuban exports and to lend moral support and encouragement to those now engaged in resisting the Castro regime. Consequently I believe we should proceed with this action which, in our view, is the most effective measure available. Staff work between State and Treasury has now been virtually completed and I expect to be able to present to you early next week a final recommendation regarding the application of the Trading With the Enemy Act.

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