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CUBA STUDY MISSION

A FACT-FINDING SURVEY

JUNE 26-JULY 2, 1975



JULY 15, 1975

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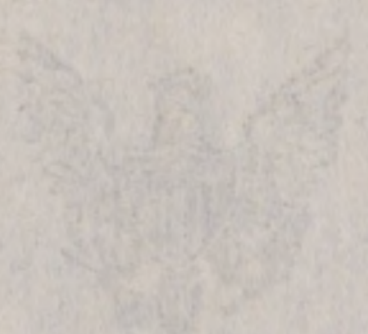
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JANUARY 1961



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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., July 15, 1975.

This report has been submitted to the Committee on International Relations by Hon. Charles W. Whalen, Jr., who conducted a fact-finding mission to Cuba between June 26 and July 2, 1975.

The findings in this report are those of Representative Whalen and do not necessarily reflect the views of the membership of the full Committee on International Relations.

THOMAS E. MORGAN, *Chairman.*

(III)

FOREWORD

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COMMITTEE ON INTERNATIONAL RELATIONS
WASHINGTON, D.C., July 15, 1975

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THOMAS D. MORAN, Chairman

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., July 15, 1975.

HON. THOMAS E. MORGAN,
*Chairman, Committee on International Relations,
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a report of a private fact-finding mission to Cuba which I undertook during the period June 26-July 2, 1975. This, incidentally, was the first visit to that country by a Member of the House of Representatives since the United States severed diplomatic relations in January 1961.

The primary purpose of this 6-day tour was to expand my knowledge of United States-Cuba relations, a subject in which I became interested at the time of my appointment to the former Inter-American Affairs Subcommittee in September 1971. I hope that this document will prove useful to my colleagues on the International Relations Committee and particularly to those on the Subcommittee on International Trade and Commerce who presently are hearing testimony regarding this timely issue.

Incidentally, Mr. Chairman, the entire cost of the trip was borne personally. Inasmuch as our Government still has no diplomatic relations with Cuba, I thought it inappropriate to travel at committee expense.

Sincerely,

CHARLES W. WHALEN, Jr.,
Member of Congress.

LETTERS OF TRANSMITTAL

TO THE PRESIDENT OF THE UNITED STATES
FROM THE SECRETARY OF THE INTERIOR
The following is a list of the papers and documents
transmitted to the President of the United States
for his consideration and approval. The papers
are of various kinds, including reports, maps,
and other documents, and are all of great
importance to the Government. The Secretary
of the Interior has the honor to acknowledge
the receipt of these papers and to transmit them
to the President of the United States for his
consideration and approval. The Secretary
of the Interior has the honor to acknowledge
the receipt of these papers and to transmit them
to the President of the United States for his
consideration and approval.

Very respectfully,
JAMES H. HARRISON,
Secretary of the Interior.

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I. INTRODUCTION

My introduction to the issue of United States-Cuba relations coincided with my appointment in September 1971, to the Inter-American Affairs Subcommittee, House Foreign Affairs Committee. The facts to which I was exposed as a member of this panel soon convinced me that our policy of ignoring our neighbor to the south was inimical to our own national, as well as hemispheric, interests. Thus, in early 1973, I joined 11 House Republican colleagues in urging our Government to change our Cuban posture. Subsequently, I elaborated upon this thesis in articles contributed to the *Washington Post*, the *Baltimore Sun*, and *Foreign Policy* magazine.

When Representative Jonathan B. Bingham announced that the Subcommittee on International Trade and Commerce, which he chairs, would hold hearings on our Government's Cuban policies, I felt that my knowledge of the subject would be enhanced by a visit to that country. Thus, I applied, through the Czechoslovakian Embassy in Washington, for a visa to Cuba. On June 24, I was advised by Mr. Teofilo Acosta, First Secretary of the Cuban delegation to the United Nations, that my request had been approved. On the same day I received passport validation from the State Department for travel to Cuba. In the company of two Washington correspondents representing Dayton, Ohio, newspapers,¹ I departed for Havana on June 26, by way of Miami and Kingston, Jamaica. I returned to Washington via the same route on July 2.

During my 6-day stay, I met with the following Cuban officials: Ernesto Melendez, Vice President, Commission for Economic and Technical Cooperation; Alberto Betancourt, president, Chamber of Commerce of Cuba; Evelio Lastro, Ministry of Foreign Trade; Roberto Fernandez Retamar, director, Magazine of Casa de Americas; Pelegrin Torras, Vice Minister, Foreign Relations; Mariano de la Red, member, Executive Committee, Popular Power, Matanzas Province; Isabel Hernandez Tapanes, Director for Caribbean Affairs, Foreign Ministry; Ramon Castro Ruz, Director, Valles de Picaduras. On my last evening in Havana, I had a 4-hour conversation with Prime Minister Fidel Castro.

I also visited the following: Lenin Vocational School; Alemar housing project; Valles de Picaduras Cattle Breeding Station; public health clinic at Alemar; and Matanzas Province, site of last year's popular elections.

While I saw those sights of which my escorts were most proud, there were no restrictions imposed upon me during my unscheduled time. My journalist companions, in fact, circulated widely throughout Havana. Few uniformed police were in evidence. Yet the visitor could walk the streets at night without fear of bodily harm. Evidently there is no narcotics problem in Cuba. Fidel Castro told me: "Despite the prevalence of drug usage in Latin America, we have had not one case . . . not one case in Cuba."

¹ Andrew Mollison, *Dayton Daily News*; Pat Ordovensky, *Dayton Journal Herald*.

Personal freedoms, nevertheless, are limited. Radio and television stations are state-owned (although Cubans are able to pick up Miami radio and television signals). The press is Government controlled; newspapers from other countries are unavailable to the average citizen. An undetermined number of political prisoners are incarcerated in Cuban jails.

Despite my sensitivity to human rights, I did not focus on this issue in my discussions with Cuban leaders. First, the fact that there are political internees already has been established. Second, this, along with the question of family visitation privileges, will be aired when Cuban and American conferees commence negotiations, hopefully later this year.

Rather, I concentrated on three areas which come within my purview as a member of the Subcommittee on International Trade and Commerce: first, the Cuban economy; second, United States-Cuba post-embargo trade possibilities; third, prospects for resumption of commercial and diplomatic relations. My observations concerning these questions appear in section II. My recommendations and conclusions are outlined in section III.

II. OBSERVATIONS

A. THE CUBAN ECONOMY

Since Fidel Castro took the reins of government in January 1959, the economy of Cuba can be divided into three periods: 1959 to 1970; 1970; post-1970. A description of each follows.

1. 1959-1970

My observations while in Cuba confirmed my earlier research regarding the first 11 years of the revolution. The Castro government followed what might be termed "free-wheeling" economic and foreign policies. The young reformers sought to improve the lot of their citizenry as well as reshape Latin America in the Cuban mold. Apparently little thought was given to the economic costs of such actions.

For those who did not flee the island, the standard of living undoubtedly improved. They received better education, expanded health services, more public housing, and low-cost public transportation. The Cuban people paid a price, however. Food became so scarce it had to be rationed. Clothing was in short supply. A huge external debt, payable principally to Russia, was incurred. This brought to Cuba a large Soviet contingent, replacing previously departed Americans.

2. 1970—A CHANGE IN DIRECTION

Confession is said to be good for the soul. Today Cuban spokesmen freely admit that the sugar fiasco of 1970 wrought a change in the economic game plan. In that year Prime Minister Castro announced to the world that he had set a 10-million-ton sugar production quota for his fellow citizens. Amid a massive publicity campaign students, factory workers, and professional personnel flocked to the fields to harvest cane. Disaster followed. First, the effort was a propagandistic failure—only 8.5 million tons of sugar was processed. Second, the world price of sugar fell. Third, other sectors of the economy, drained of employees, suffered a drop in output.

Faced with a mounting trade deficit, Cuban officials, pressured by their Russian creditors, decided to shift gears.

3. POST-1970

Today, the Cuban economy is better planned and coordinated. Scarce resources are more rationally employed. Several examples illustrate this new approach.

First, the Government has been restructured by relieving the Prime Minister of much of the responsibility for day-to-day administrative decisions. The position of First Vice Prime Minister was established and seven other Vice Prime Ministers were created (an eighth is

expected to be added this year). Each of the Vice Prime Ministers oversees a broad range of social and economic programs (and military affairs in the case of First Vice Prime Minister Raul Castro). As one of my contacts noted: "This enables us to achieve a higher degree of coordination. Before the change, we discovered that two departments were responsible for producing buses. We just cannot afford such duplication in a small country like Cuba."

Second, in July 1972, Cuba became a full member of the Council for Mutual Economic Assistance (CMEA), the Eastern European Common Market. This made available to the Castro government the development loan facilities of the International Investment Bank, a CMEA subsidiary.

Third, in December 1972, Cuba renegotiated its debt to the U.S.S.R. Those bills which were contracted prior to 1973 became payable, interest free, commencing in 1986.

Fourth, Cuba also concluded a long-term trade agreement with Russia in December 1972. This arrangement included exchanges of sugar and oil in fixed amounts and at predetermined prices.

Fifth, since 1973 Cuba also has received \$3.3 billion in credits from Western capitalist nations.²

Sixth, a work-incentive system has been initiated. Production norms were instituted and those who exceed the standard receive a bonus; those who fail to meet it are paid less.

Seventh, the Cuban Government has experimented with a free-market pricing approach as a means of influencing consumption decisions. A flexible price for eggs, based upon fluctuating supply levels, is one example. It is anticipated that a more comprehensive pricing system will be inaugurated next year.

Eighth, production, health, and education planning is more cohesive. When a new industrial facility is constructed, arising immediately adjacent to it (after environmental factors have been considered) are a New Town, public health clinics, schools, and roads.

Ninth, Cuban schools have been fully integrated into the country's economic system. Emphasis on vocational education accomplishes two goals: (a) it helps create a more technically oriented society; (b) it provides a needed source of labor (one-third of the population is age 16 years or less).

Tenth, an ancillary effect of the popular election experiment in Matanzas Province is economic decentralization. Responsibility for administering local projects (road and school construction, etc.), instead of resting in Havana, now is vested in provincial and municipal officers.

Eleventh, much of this economic planning will be institutionalized when the Republic of Cuba adopts a new Constitution. This document will be approved when the First Party Congress convenes in Havana in December. It then will be placed before the voters for ratification sometime next spring.

A substantial portion of Cuba's gross national product still is committed to capital equipment and facilities. Consequently, a shortage of consumer goods (and the concomitant rationing of food-stuffs) continues. But overall living standards are improving. One neutral observer, a Canadian citizen, told me that during the past 8 months she has witnessed a marked increase in the kinds and

² Argentina, Canada, France, Great Britain, Italy, Japan, and Spain.

quantities of items available in the marketplace. To borrow a phrase popular in the 1960's, "there is light at the end of the tunnel" for the Cuban consumer.

B. PROSPECTS FOR UNITED STATES-CUBA TRADE AFTER THE EMBARGO

Alberto Betancourt, president of the Chamber of Commerce of Cuba, asked me, "What will American businessmen be willing to sell us if the embargo is lifted?" I replied, "Anything!" It should be noted, however, that post-embargo trade patterns will substantially differ from those which prevailed in the 1950's.

1. NEW PATTERNS

(a) In 1958 the United States accounted for approximately 67 percent of Cuba's foreign commerce. In that year we exported \$547 million to Cuba while importing \$528 million from that country. Today, Cuba has greatly expanded and diversified its trading partnerships. *The United States, therefore, will not, as in the past, dominate the Cuban market.*

(b) *United States firms no longer will be able to invest in Cuba* (one of the subjects scheduled for negotiation, in fact, is the \$2 billion claim against the Castro government for expropriated American assets—\$1.8 billion privately and \$200 million federally owned).

(c) *Americans will not be selling in an open market.* Instead of calling upon end-users, our salesmen will have to deal with representatives of the various trading enterprises which operate under the direction of the Ministry of Foreign Trade. For tips on how to do business in Cuba, interested parties should consult with those U.S. firms presently dealing with Eastern European socialist states.

(d) *There is little prospect for immediate extension of long-term credits to Cuba by the United States.*

(1) Cuba already has heavily mortgaged itself abroad.

(2) Section 402 of the Trade Act of 1974, which applies to non-market economies, will limit federally financed credits until Cuba's emigration policies satisfy the President and the Congress.

Undoubtedly, these reasons prompted Fidel Castro to remark to me: "We prefer to trade on an equal basis."

In the light of these facts, what kind of exchange can be expected between the United States and Cuba?

2. POSSIBLE CUBAN EXPORTS TO THE UNITED STATES

(a) As in an earlier period, *sugar* will head the list of commodities shipped to the United States. But, in view of the altered circumstances since the 1950's, three questions recur.

(1) *Has Cuba committed all of its sugar output?* I was told, "No, despite commitments to Russia, a substantial quantity will be available for the world market." Present annual sugar production hovers in the neighborhood of 5.5 to 6.0 million tons. Plans call for the complete mechanization of all processing plants (one already is entirely computer-operated) and the substitution of machines for manual labor in the harvesting process (the Camaguay fields are now 40 percent mechanized). Thus, not only will fewer workers be employed in the sugar industry, but also greater yearly yields are anticipated.

(2) *Why should the United States replace present sources in favor of Cuban sugar?* The answer is dictated by economic considerations: speed of delivery and lower transportation costs.

(3) *Will Cuban sugar be subjected to tariffs higher than those imposed on imports from competing nations?* It can be claimed that the Trade Act of 1974 denies most-favored-nation treatment to Cuba until its emigration provisions are met. However, Alberto Betancourt argues that article I, section 9, of the Cuban Sugar Schedule, to which the United States was a GATT signatory, still pertains.

(b) *Nickel* also looms as an important earner of foreign exchange. The present 35,000-ton facility will be upgraded to 40,000 tons annually. A new 30,000-ton (Russian sponsored) plant will be completed by 1980 with half of the output assigned to the Soviet Union. In 1980, construction of a second, CMEA sponsored, 30,000-ton unit will commence—15,000 tons will be reserved for CMEA members. Finally, a third 30,000-ton plant, whose entire supply will be destined for the world market, is contemplated for the mid-1980's.

(c) *Cuban cigars*, obviously, will be welcome again in the United States (upon my return to Washington the usual greeting was, "Did you bring me a cigar?").

(d) I mentioned to Prime Minister Castro that Cuba has "two ineradicable assets—sunshine and water—which many Americans actively seek in cold weather." He replied that Cuba is expanding its *tourist facilities* by providing more hotel accommodations in the vicinity of Veradero Beach (20,000 Canadian visitors are expected in 1975). However, Cuba's future tourism plans still are nebulous. As Castro explained: "Do we use our limited supply of cement to construct dwelling units for Cubans (which, he indicated, will be apartments rather than houses) or hotels for Americans?" Undoubtedly, in an effort to secure needed dollars, there will be some kind of trade-off. Castro assured me, however, that the gambling casinos would never reopen. Being an Irish Puritan, I exclaimed, "Good!"

3. POSSIBLE AMERICAN EXPORTS TO CUBA

(a) In his discussions with me the Prime Minister gave top import priority to United States *agricultural products*. He specifically mentioned corn, rice (a staple in the Cuban diet), cattle, fertilizer, and other food items containing industrial components.

(b) Having been denied access to American products for over a decade, Cuba needs *replacement parts and equipment*. The Trane air conditioning unit in my room, while operating thunderously, dispensed no cold air! National Cash Registers in the Riviera Hotel restaurants were of an ancient vintage. The Dayton Scales in the Alemar supermarket long since have been upgraded by the Troy, Ohio, firm which manufactures this product. Not only are there replacement prospects, but new opportunities (now going by default to other countries) arise daily as Cuba expands its economy.

(c) A limited number of *American automobiles* can be exported. However, Prime Minister Castro noted that their usage will be restricted to taxi service as Cuba intends to concentrate on public, rather than private, transportation. Russia, incidentally, has guaranteed Cuba's future oil requirements at less than world prices. Two atomic powerplants, soon to be erected, will achieve further energy savings.

(d) Finally, there will be a market for United States *industrial and farm machinery*. Parenthetically, it should be noted that Cuba's infant computer technology probably is adequate to meet its needs at this stage of development.

It is difficult to predict the volume of trade which will occur when U.S. sanctions are partially or fully rescinded. Between 1958 and 1973, Cuba's international trade jumped from \$1.60 billion to \$3.08 billion (exports in 1973, \$1.38 billion; imports, \$1.70 billion).³ Soaring sugar prices elevated Cuba's exports last year to \$2.745 billion, while imports rose to \$2.250 billion. In time, therefore, it is possible that inflated prices and the economic growth achieved by both nations since 1958 might make possible the attainment of pre-embargo trade levels (representing, however, a considerably lower percentage of Cuba's total world exchange).

C. PROSPECTS FOR NORMALIZATION OF RELATIONS

Upon my return to Washington I was asked by many: "When can we expect termination of the embargo and resumption of diplomatic relations between Cuba and the United States?" Many issues still divide our two countries. Thus, as Prime Minister Castro indicated to me: "Discussions will take time, but we have time." Full restoration of trade and exchange of diplomats, therefore, may not occur for many months.

But, in my judgment, face-to-face negotiations between representatives of our two countries may develop by late summer or early fall. Three factors buttress this observation.

1. *The "normalization" process already has begun—but at a distance of 90 miles.*

A significant first step in this direction occurred in March 1973, when Cuba concluded (as Castro noted, "without strings") an anti-skyjacking agreement with our Government. Among recent Cuban "signals" have been the repayment of \$2 million owed the Southern Airways (at the request of Senator John Sparkman, transmitted through Senator George McGovern), the return of several American air pirates, and the cordial welcome extended numerous mainland visitors, including journalists, film-makers, academicians, lawyers, businessmen, legislative staff personnel, and Members of Congress. For its part the U.S. Government on February 14, 1975, extended to 250 miles the area in which Cuban delegates to the United Nations can travel outside of New York City.

2. *For the first time the administration has acknowledged these recent "signals" by the Castro government.*

In his June 11, 1975, appearance before the Subcommittee on International Trade and Commerce, the Assistant Secretary of State for Inter-American Affairs, William D. Rogers, in referring to the easing of travel restrictions against New York-based Cuban envoys, stated, "Cuba has not reciprocated these gestures." This view was reiterated by Secretary of State Henry A. Kissinger in an address delivered in Atlanta, Ga., on June 23, 1975.

³ Source: Arthur T. Downey, Deputy Assistant Secretary of Commerce for East-West Trade—Statement before the Subcommittee on International Trade and Commerce, House International Relations Committee, June 11, 1975.

However, in a discussion with me on July 3, 1975, President Gerald R. Ford conceded that, of late, Havana *has* made several significant "gestures." This Presidential removal of State Department "blindens" may portend a shift in the executive branch's long-held policy of "no direct contact" with Cuba.

3. *It is evident that Fidel Castro wants détente with the United States.*

The aforementioned "signals" beamed to the United States seemingly reflect a desire on the part of the Cuban Government to end its differences with our country. This willingness, in my opinion, was reaffirmed by the extremely friendly manner in which I was received by Cuban officialdom. Had there been a wish to perpetuate antagonisms, Prime Minister Castro and others could have raised questions about the Bay of Pigs invasion and recently publicized alleged CIA assassination attempts. No such embarrassing queries were posed. In fact, the Prime Minister talked about the future (including the kinds of products his country will purchase from the United States). His attitude seemed to be, "Let's forget the past and look to tomorrow."

Cuba has been divorced from the United States for 14 years. After "making it without American help" (a phrase which Cubans seem to have dropped in their conversations with Americans), why should Fidel Castro now welcome the lifting of our embargo? The Prime Minister explained it this way to me: "Cuba must move forward with its program of nation building. We cannot afford to divert our energies and resources to wars or disputes with our neighbors. Instead, we must coexist with those countries whose governmental and economic systems differ from ours."

Come to think of it, this is not such a bad philosophy for the United States, either.

III. CONCLUSIONS

A. BACKGROUND

On January 29, 1973, 11 Republican House colleagues joined me in issuing a "white paper" urging that our Government begin to normalize relations with Cuba.

This recommendation was predicated upon four factors:

First, ultimate renewal of economic and diplomatic intercourse seemed consistent with then-President Nixon's efforts to achieve détente with the world's two largest Communist powers, China and the Soviet Union.

Second, our attempts to isolate Cuba had failed. Indeed, as more nations resumed contacts with the Castro government, the United States found itself increasingly isolated.

Third, heading the agenda of most hemispheric conferences was the emotional Cuban question. The protracted rhetoric which ensued (mostly aimed against the United States) prevented the Americas from dealing with really substantive issues, such as how best to work together to achieve economic development.

Fourth, both the United States and Cuba would benefit from the resumption of trade.

Today, 30 months later, these arguments are even more persuasive. For instance, the diplomatic and commercial sanctions invoked against Cuba in 1964 by the Organization of American States now are ignored by nine members.⁴ Three other North American, non-OAS countries also recognize Cuba.⁵ A majority of our NATO partners⁶ deal with the island 90 miles off our shores. As previously noted, several western capitalist countries have extended \$3.3 billion in credits to Havana.

Later this month our Government has an opportunity to make a significant move toward normalizing relations with Cuba. During the OAS Conference, commencing July 16, in San Jose, Costa Rica, delegates will vote on two key resolutions. The first would change the OAS Charter by permitting the imposition and lifting of sanctions by a majority decision, rather than the current two-thirds requirement. The second proposal, if approved, permits member states, if they so desire, to reestablish relations with Cuba.

B. RECOMMENDATIONS

In discussing my visit to Cuba with President Ford on July 3, I expressed the opinion that our Cuban policy is "increasingly out of step with the rest of the world." I, therefore, urged that the administration initiate two actions in an effort to end the impasse between our countries.

⁴ Mexico, Barbados, Jamaica, Trinidad and Tobago, Colombia, Venezuela, Peru, Argentina, and Panama.

⁵ Canada, Bahamas, and Guyana.

⁶ United Kingdom, West Germany, Italy, Belgium, Denmark, Greece, Iceland, Luxembourg, Netherlands, Norway, and Portugal. Also France.

1. I suggested that the President *instruct our Ambassador to the OAS, William S. Mailliard, to vote affirmatively for the two Cuban-related propositions.*

I informed the President that the Cuban officials with whom I met indicated that such a move would be viewed by their Government as an important change in American policy—a step, I sensed, which could open the door for formal discussions between the two countries.

Regardless of how Ambassador Mailliard votes in San Jose, both resolutions seem certain of passage. This ending of OAS sanctions against Cuba thus will remove the last rationale offered by the State Department in defense of its “we won’t talk” posture. Two earlier arguments—the Russian presence in Cuba and the “exportation of revolution,” now no longer applicable—were dropped several months ago from the administration’s litany.

2. Thus, I recommended to the President that *after the San Jose Conference he direct the State Department to initiate private, informal talks with appropriate Cuban officials.*

Until recently, Prime Minister Castro had insisted that negotiations with the United States could not get underway until we had ended our economic blockade. However, in an interview with Senator George McGovern in May, the Prime Minister apparently softened his attitude by manifesting a willingness to talk after a partial lifting of the embargo.

While in Havana I raised the possibility of preliminary meetings between Cuban and American negotiators (for the purpose of establishing an agenda) prior to any relaxation of commercial sanctions by the United States. As I expected, no response was forthcoming from those officials toward whom this idea was directed. It is significant, however, that this thought was not rejected out-of-hand! In fact, my hosts’ reactions clearly reflected a willingness to consider this suggestion.

C. SUMMARY

Administration acceptance of the foregoing recommendations would synchronize our Cuban policy with that of the world’s leading industrial nations as well as a majority of our hemisphere neighbors. In so doing, we would remove the “imperialist” tarnish which has resulted from our intransigence; we would pave the way for improved Inter-American relations; we would open the door for mutually beneficial trade contacts between U.S. firms and the Republic of Cuba.



