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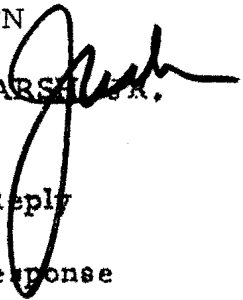
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THE WHITE HOUSE
WASHINGTON

March 26, 1976

TO: RON NESSEN

FROM: JOHN O. MARSHALL, JR. 

 For Direct Reply

 For Draft Response

 X For Your Information

 Please Advise



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MAR 25 1976

ASSISTANT SECRETARY

MAR 25 1976

MEMORANDUM FOR: John O. Marsh, Jr.
Counsellor to the President

FROM: David R. Macdonald *DRM*
Assistant Secretary (Enforcement,
Operations, and Tariff Affairs)

SUBJECT: Inquiry on Cuban Trade by Senators
Jackson and Bentsen

I believe you should be aware of this information which we supplied in response to the Senators' requests, since they may use it to criticize the Administration's policies with respect to Cuba.

We have explained to the extent possible that the liberalization stemming from State Department recommendations following the OAS meeting last summer has resulted in transactions beneficial to U. S. firms without being of strategic benefit to Cuba. We have also sought to establish on the record the fallacies in drawing unqualified conclusions from the data.



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAR 24 1976

Dear Senator Jackson:

I am pleased to send you, in response to a recent request from your office, data regarding licenses authorizing trade with Cuba by foreign affiliates of American firms, covering the period since the policy change of August, 1975.

In your interpretation of these data you should be aware of a number of qualifications. First, licenses are not approved for the sale to Cuba of strategic commodities under international (NATO) embargo. Also, licenses are not issued for the sale to Cuba of United States-origin production technology. These policies are set forth in the licensing guidelines published on October 8, 1975 (Sec. 515.559 of the Regulations, copy enclosed).

In many instances, too, proposals are discussed with Treasury, in advance of filing, by U.S. firms whose foreign affiliates may be considering trade with Cuba. To a substantial extent, therefore, applications for licenses are filed only in cases where the U.S. firm feels it probable that the application meets the published guidelines and will be approved. Thus, the percentage of licenses approved may not accurately reflect responsiveness to the interest of U.S. firms in potential Cuban trade by subsidiaries, or the number of cases which might have been denied for strategic reasons if filing had occurred.


Of the licenses which have been issued, licenses for \$98.5 million involved sales of foreign rice, corn and flour to Cuba. In these cases, the U.S.-controlled foreign firm was a commodity broker, rather than a manufacturer. The Cubans could just as readily have purchased these grains from competitive commodity brokerage firms which are not U.S.-controlled.

The dollar value datum is also subject to qualification. In some cases applications specified a quantity (such as 17,000 tons of flour) rather than a dollar value for the transaction. In other cases, applications requested authorization for expenditures in Cuba incidental to a salesman's travel there, and no dollar value was specified. Again, the dollar value specified in some applications was variable, dependent on the size of the final order received. None of these cases is included in the dollar value datum in the enclosure.

Finally, the total dollar value of licenses issued does not necessarily equate with the actual trade transactions consummated, which may be less. We try to issue licenses for exports only in cases where there is a firm agreement for a transaction; nevertheless, license transactions may ultimately not be consummated, often for purely commercial reasons. As an example, a license was issued for a \$13 million sale of steam generating boilers to Cuba, but a non-American competitor eventually received the order.

I hope that, notwithstanding these limitations, you will find the enclosed data useful for your purposes.

Sincerely yours,


Assistant Secretary
(Enforcement, Operations
and Tariff Affairs)

The Honorable
Henry M. Jackson
United States Senate
Washington, D. C. 20510

Enclosure

Licenses for U.S.-Controlled Subsidiaries to Trade with Cuba
October 8, 1975 - January 31, 1976

Applications filed		121
Approved	83	
Denied <u>a/</u>	5	
No action <u>b/</u>	31	
Cancelled by applicant	2	
Total value of transactions for which licenses approved		\$166,500,000
Number of U.S. parent firms which applied for licenses		95
Number of third countries involved		23

a/ These cases were denied for one of the following reasons:

- (1) U.S. citizens were to travel to Cuba;
- (2) Goods were to be imported from Cuba into a country other than the country where subsidiary was located;
- (3) American parent arranged the transaction;
- (4) Involved travel to negotiate sale of strategic goods.

b/ No action taken on application because no license was required for the proposed transaction (in negotiating stage only) or application was filed incorrectly (wrong applicant or incomplete information).



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAR 24 1976

Dear Senator Bentsen:

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Sincerely yours,


Assistant Secretary
(Enforcement, Operations
and Tariff Affairs)

The Honorable
Lloyd Bentsen
United States Senate
ATTN: Ms. Sally Shelton
Washington, D. C. 20510

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11/15/74

CASTRO CANCELS HIJACKING AGREEMENT

I have just read the news reports which state that Premier Castro has called off the 1973 Anti-Hijacking Agreement with the U.S.

We would regret and deplore this unilateral and unwarranted action by the Cuban Government. I wish to state that if Cuba does call off this agreement, Cuba will be held strictly accountable for the encouragement of any hijacking or any actions which may result from any future hijackings.

I wish to recall that at the time of the crash of the Cuban airplane, we said if it had been caused by sabotage, we reconfirmed that the U.S. unalterably opposes and strongly condemns any and all acts of international hijacking -- be they hijacking or sabotage -- carried out by any group, foreign or domestic, and regardless of the political or social cause that the act is supposed to support.

As for Castro's charges of USG complicity, I wish to categorically deny that the USG was involved in any way in such a reprehensible act.



PRESS STATEMENT

Cuban Premier Castro announced today that his government has abrogated the 1973 anti-hijacking agreement with the United States.

I condemn in strongest terms this unilateral action of the Cuban Premier. The irresponsible discarding of this agreement can only serve to encourage terrorism and to promote disorder in international relations. Since the effective date of this agreement, hijackings to Cuba have all but stopped. The US Government expresses its deep concern at the implication of Castro's arbitrary act on the safety of international travelers.

The Cuban Premier also alleged US complicity in the possible terrorist action which resulted in the crash of a Cubana Airlines plane off Barbados on October 6. Those allegations are false. We have denied categorically any US Government involvement in that tragic event.

We have expressed publicly and to the governments of the Caribbean our profound shock at the loss of life, and we have expressed our condemnation of all acts of terrorism, whatever the motives. We have also pledged our full collaboration in the rigorous investigation of the crash and the bringing to justice of the perpetrators -- if, as appears possible, sabotage was involved.



We cannot comprehend why the Cuban Government would take such serious action without prior discussion. We are awaiting the full text of the Cuban Premier's statement and the official communication from the Cuban Government prior to determining what further decisions the US Government should take.

