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THE SECRETARY OF STATE
WASHINGTON

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February 15, 1961

MEMORANDUM FOR THE PRESIDENT

Subject: The Dominican Republic

You have inquired regarding the assertion that the elimination of the Dominican Republic's windfall sugar quota will lead to the downfall of Trujillo and his replacement by a communist-oriented regime.

Economic Aspects

It is true that the Dominican Government is faced with serious economic difficulties. Foreign exchange reserves are kept secret by the Dominican Government but they are believed to be low. Similarly, the current budgetary position is secret but we assume that by reductions which have been made in the public works program and other civilian costs and by the increased taxes which have been placed on imports and exports the budget will be nearly in balance. The level of business activity is low, credit is scarce, unemployment high and the cost of living has risen.

The principal causes of Trujillo's economic difficulties are not to be found in our U.S. sugar policy but rather in his excessive military and propaganda expenditures coupled with unwise fiscal, financial and investment policies and his systematic milking of the Dominican economy for his own personal gain. While increasing U.S. purchases of sugar six-fold (the estimated windfall quota for the Dominican Republic between April 1 and December 31, 1961 is about 466,000 tons which at the U.S. price would bring a premium of approximately \$22.6 million over the price which could be obtained on the world market) would doubtless help the Dominican economy, it is not proposed to eliminate his historic share of the U.S. market (the Dominican basic quota for the April 1 - December 31, 1961 period is approximately

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83,000 tons which represents a premium of approximately \$4 million over what could be obtained on the world market).

Since Trujillo owns directly or indirectly about 60 percent of the sugar-producing properties in the Dominican Republic, a large part of the windfall accrues not to the Dominican economy but to Trujillo personally. Furthermore, with a personal fortune estimated to be somewhere in the neighborhood of \$500 million, a substantial part of which consists of liquid holdings abroad, Trujillo has the personal resources, if he wishes to use them, to provide substantial amounts of capital to the Dominican economy.

Political Aspects

In spite of economic difficulties there is no solid evidence that Trujillo's fall is imminent. Trujillo rules by force and will presumably remain in power as long as the armed forces continue to support him. While there is evidence of dissatisfaction on the part of a few officers there is as yet no cogent evidence of large-scale defection within the officer corps.

The underground opposition to Trujillo composed of business, student and professional people is believed to be predominantly anti-communist. They have substantially increased in numbers in recent years but have been unable to move effectively against Trujillo. In addition to opposition groups in the Dominican Republic, there are numerous exile groups located principally in Venezuela, Cuba, United States and Puerto Rico. In some cases these groups have been infiltrated by pro-Castro or pro-Communist elements.

In the event the Trujillo regime should fall the degree of danger of a communist takeover would, according to our intelligence, depend on whether the domestic or the exile groups succeeded in gaining dominance. The danger would be less if the domestic opposition gained power, and it would be increased substantially if infiltrated exile groups should emerge as the next government.

Finally, account must be taken of the adverse effect on our position of leadership in the hemisphere if we support tyranny in the Dominican Republic. Our ability

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to marshall Latin American support against the Castro dictatorship would be impaired; Venezuela has made it clear that action against Trujillo is a condition precedent to Venezuelan support of collective action against Castro.

Comments have also been requested concerning the progress which has been made in assuring an orderly takeover by anti-communist elements should Trujillo fall.

Our representatives in the Dominican Republic have, at considerable risk to those involved, established contacts with numerous leaders of the underground opposition. These leaders look to the United States for assistance. They believe in a free enterprise economic system, plan the nationalization of public utilities with compensation to the owners, intend to institute a land reform program based on agricultural cooperatives and the nationalization of idle agricultural land, and intend to confiscate all of Trujillo's properties. They have agreed on a president to lead them, propose to prevent the re-entry of communist and subversive agents and to hold elections within a two-year period during which they plan to carry out their program. No financial assistance has been given these underground leaders but the CIA has recently been authorized to arrange for delivery to them outside the Dominican Republic of small arms and sabotage equipment.

These leaders are believed to have considerable support within the country and while they plan immediately to seize control of the government if Trujillo falls, their ability to carry out their plans obviously depends to a large degree on the attitude of the Dominican armed forces. They believe they have important support in the officer corps.

With respect to Dominican exile groups, CIA has established useful working relationships and attempted to distinguish between democratic and undemocratic elements. Conversations with them continue. These exile groups have received limited financial assistance and propaganda assistance in the form of certain radio broadcasts.

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Should the underground leaders with whom we are in contact fail to obtain the support of the Dominican armed forces and should they call on the United States for assistance, a question arises as to whether the United States would be prepared to intervene militarily either unilaterally or collectively with other American States. This question needs study and a review of the entire plan is desirable. It is recommended that Mr. Berle's Task Force be assigned this task.*

There is enclosed a memorandum containing additional background information.

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** this has been done.*

Enclosure:

Background Memorandum.

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Background Information

I

Generalissimo Rafael Leonidas Trujillo came into power in the Dominican Republic in 1930. He was first a non-commissioned officer and later a commissioned officer in the Dominican Constabulary established during the U.S. Marine occupation which lasted from 1916 to 1924. In 1930 he came into power by a coup d'etat. Since that time either Trujillo or his nominees have been "elected" as President of the Dominican Republic but the real power has been Trujillo.

Because of his savage repressive methods Trujillo has deservedly acquired the reputation throughout the hemisphere as the most distasteful dictator in the Americas. He has been the principal target of Latin American liberal thought for decades. The United States has been frequently criticized for having created, during the occupation period, conditions propitious to Trujillo's rise to power. We have also been accused of deliberately perpetuating his rule.

For some time Trujillo has intervened in the internal affairs of other Caribbean States. In 1950, the Council of the OAS warned Trujillo against meddling in the affairs of Haiti. In the spring of 1960 the Inter-American Peace Committee called attention to the flagrant violation of human rights in the Dominican Republic. In July 1960, after an assassination attempt on the President of Venezuela, that country called for a meeting of Foreign Ministers under the Rio Treaty and charged the Dominican Republic with aggression against Venezuela. A committee of the Council of the OAS found after investigation that the Dominican Republic was implicated in the attempt to assassinate Betancourt.

In August 1960 the Sixth Meeting of Foreign Ministers condemned the acts of aggression and intervention by the Dominican Republic against Venezuela, agreed to terminate diplomatic relations with the Dominican Republic, to prohibit the export of arms and implements of war to that country and agreed that the Council should study the feasibility and desirability of extending the suspension of trade to other commodities.

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On January 4, 1961 the Council of the OAS in effect recommended to American Governments that they suspend exports to the Dominican Republic of petroleum and petroleum products, trucks and spare parts for trucks. Both at the San José meeting and at the meeting of the Council in Washington, Mexico, Venezuela and Colombia took the lead in pressing for sanctions. Brazil led a small group of States which sought to avoid effective economic sanctions. The attitude of the Brazilian Government may have changed as a result of the Quadros inauguration.

The question of the feasibility and desirability of extending export controls to other commodities remains under study in the Council. The Council has authority to lift all sanctions when the Dominican Republic ceases to constitute a danger to the peace and security of the hemisphere.

II

Trujillo's Personal Holdings

Trujillo has through the years expanded his property interests in the Dominican Republic. Approximately 60 percent of sugar properties are owned directly or indirectly by Trujillo, and he also owns or has a major interest in the brewery, flour mill, cement plant, paper mill, shipyards and other business enterprises. It is difficult to say with precision what the total value of the property owned by Trujillo inside and outside of the Dominican Republic is, but it is probably somewhere in the neighborhood of \$500 million. A considerable portion of this is in the form of liquid assets believed to be held in Switzerland other places.

III

American Investments

American investments in the Dominican Republic are now estimated to have a value of approximately \$150 million including principally properties of the South Puerto Rico Sugar Co., the United Fruit Co., Alcoa, and a small telephone company owned by a New York corporation.

The value of American holdings would have been considerably larger except for Trujillo's practice of encouraging through veiled threats the sale of American investments to himself.

Trujillo

Trujillo is likely to nationalize all American properties if additional economic measures are taken against him, including the reduction of his windfall sugar quota.

IV

Trujillo's Recent Attitudes Toward the United States

Trujillo was incensed at the failure of the United States to condone at the San José meeting his act of aggression against President Betancourt. Since that meeting his principal propaganda instrumentality, Radio Caribe, has poured out a steady invective against the U. S. Government and many of its officials. Combined with these attacks have been threats to align himself with the Soviet Bloc and with Castro. To the best of our knowledge, approaches by Trujillo's representatives in Europe to Soviet Bloc representatives have not yet been successful.

V

Trujillo's Relations with the Church

During the past year the Church has taken a strong attitude in condemning Trujillo's excesses and brutality in dealing with opposition elements within the Dominican Republic. On two separate occasions the Church has issued Pastoral Letters along these lines which brought forth strong reaction from Trujillo. He has since attempted to intimidate the Church to cease its criticism.