CANADA AND CUBA:
A STUDY IN INTERNATIONAL RELATIONS

by

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The principal purpose of this dissertation is to examine the impact of the Cuban revolution on both Canadian-American and Canadian-Cuban relations from a critical and analytical perspective, and to draw from it certain conclusions regarding the conduct of Canadian diplomacy.

The study is sub-divided into three Parts. Relying almost exclusively on the method of historical empiricism, Part I traces the development of pre-revolutionary Canadian-Cuban relations from the creation of the Cuban Republic in 1902 along two different paths.

One focus of Canadian interests in Cuba was centred in the banking and insurance businesses and in the export of portfolio investment capital. The Royal Bank of Canada, the Bank of Nova Scotia and five Canadian insurance companies established branch offices early in the history of the Republic and went on to secure positions at the financial heights of the Cuban economy. These branch institutions administered large accumulations of Cuban-generated savings and acquired investments in sugar mills and key Cuban industries.

The other sphere of Canadian interests was in trade. Over a period of more than 50 years, two primary Maritime products, dried fish and potatoes, constituted the principal cash exports to Cuba, while raw sugar was the major Canadian import. However, for more than two decades the 1925 Canada-West Indies Trade Treaty limited Cuba's capacity to make inroads on the Canadian market. Basically Canadian-Cuban trade was characterized by a "vegetable exchange," with Canadian capital and industrial goods unable to compete on the Cuban market principally because of the Cuban-American Reciprocity Treaty of 1903.
Part II telescopes the strain in Canadian-American relations which arose during the Diefenbaker years as a consequence of the political impasse between Washington and Havana. By contrast with the U.S., Canada refused to implement a wide-sweeping embargo on commerce with Cuba, adhered to a narrow and strict interpretation of "strategic" goods, and did not break diplomatic relations with the Castro regime. These differences reflected conflicting views on the character of the Cuban revolution and on certain assumptions regarding the dangers of Communist penetration in the Western Hemisphere. The strain reached crisis proportions during the first 42 hours of the missile confrontation when Prime Minister Diefenbaker failed to give unequivocal support for the American quarantine. Disputing previous accounts, Mr. Diefenbaker's failure to act is found to have justification in both international law and Canadian tradition. Finally, Canadian efforts to mediate the U.S.-Cuban dispute were ineffectual because they accorded the Castro regime a political legitimacy Washington was not prepared to accept.

Part III shows that with the socialist transformation of the Castro revolution, the vicissitudes of the Cuban economy, and the revolutionary regime's integration into the Soviet-bloc, Canadian-Cuban relations underwent significant changes. In trade a qualitatively new pattern emerged. Since 1963, Canadian exports of Soviet-financed wheat, wheat flour, and other foodstuffs have increased substantially and represent a significant share of the total calories imported by Cuba. Furthermore, Canadian cattle have been invaluable to the development of Cuba's dairy and meat-producing industries.
However, trade with Cuba is not without severe restrictions. The U.S. Government has urged American subsidiaries in Canada to comply "voluntarily" with its embargo. The tacit adoption of many Canadian firms of this regulation is an important factor limiting the expansion of trade and constitutes a de facto infringement on Canadian sovereignty.

The fate of Canadian corporate and individual assets held in Cuba has yet to be completely resolved. Both banks were indemnified in hard currency on the balance of assets outstanding, although the precise terms of settlement have not been made public. However, most of the assets of the insurance companies remain "frozen." Their repatriation is complicated by political factors which is manifested in differing legal rulings.

The study concludes with the observation that while Ottawa's experience with Cuba proved to be a landmark case in the formulation and implementation of an independent foreign policy, Canadian policy-makers have failed to "comprehend" the dynamics of the Cuban revolution. Thus, Canada's approach remains grounded on the pillars of voluntarism and economism, both of which are held to be conceptually inadequate for the development of creative policies towards Cuba in the future.
ACKNOWLEDGEMENTS

I wish to express here my heart-felt gratitude to some of the many people who contributed in one way or another to the preparation of this dissertation. First and foremost, I am deeply indebted to Professor Maurice Halperin for having given so generously of his time and energy to the cause of this study. Professor Halperin not only suggested the research topic, but also laboured with infinite patience in providing constructive criticisms of previous drafts of the manuscript. At all times his commitment to my endeavor went far beyond the call of duty, and for having stayed the course my debt to him can never be fully repaid.

Secondly, I am grateful to Professors Alberto Ciria, Frederick Brown, and Edward McWhinney for having taken time out from their other obligations to read the manuscript. Their service on the examination committee has added greatly to the intellectual enrichment of the doctoral process.

I should also like to take this opportunity to record my sincere thanks to the Honorable Howard Charles Green who was kind enough to grant me interviews on no less than three occasions. Few Canadians have taught me as much about Canada as has Mr. Green.

On the technical side, the women of the Inter-Library Loans Service of Simon Fraser University worked diligently in securing research materials from numerous and diverse sources.

Mrs. Lynn Willies of Coquitlam, B.C., typed the manuscript with conscientious devotion.

Last but not least, I want to express my very great appreciation to the people at the Canada Council who were kind enough to award me several grants in order that I might pursue doctoral studies. Without that support this work would never have been completed.
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My original idea, prior to undertaking this inquiry more than three years ago, was to study the development of Cuban foreign policy towards the Western world. Such a project conformed to my continuing interest in the Castro phenomenon, which dates back to 1960. Although it would necessarily involve an examination of Cuban-Canadian relations, it was not my intention to focus exclusively on the subject.

From the outset I viewed a trip to Cuba as imperative, in order to collect primary source information and interview officials in policy-making capacities. Towards that end I applied for visas at the Cuban Embassies in Ottawa and Mexico City, and from Cuba's United Nations Mission in New York, at various times in 1969. Each of the application requests went unanswered. I repeated the application cycle in 1970, and finally received a terse letter from the Ottawa Embassy informing me that the Foreign Ministry had denied my application. Neither would any officials connected with the Embassy or the Cuban Consulate or Trade Mission in Montreal consent to any interviews, nor would they answer any written questions I submitted to them on various occasions.

In view of these circumstances, and the fact that I had already accumulated a fair amount of data on Cuban-Canadian relations from Canadian and other North American sources, the dissertation became, somewhat accidentally, an inquiry into the development of Canadian foreign policy.
As the study progressed, the voids in information became apparent. There was a persistent need to get closer to the loci of foreign policy decision-making. A grant by the Political Science, Sociology, and Anthropology Department at Simon Fraser University enabled me to spend a week at the Canadian Institute of International Affairs in Toronto. I am grateful to the Institute's staff, and particularly to its director, Professor John Holmes, for having placed at my disposal material relevant to the subject. Travel funds provided by the Canada Council gave me the opportunity to spend a month in Ottawa and Montreal during September and October, 1970, which also proved to be important to the development of the topic.

While in Ottawa, I was able to establish contact with more than two dozen government officials. The results of discussions with them are scattered throughout the work. For the most part they were quite unrewarding. As one official in the Department of Transport acknowledged, relations with Cuba "are among the most secret Canada has," because, as he put it, "we have had some differences with the States." In this situation, apart from other considerations, it was hardly surprising that both Department of Industry, Trade and Commerce and the Latin American Division of the Department of External Affairs turned down my requests to examine documents in their files bearing on the post-revolutionary period.

It therefore was difficult to get a "feel" for much of the hidden reality that lay beneath newspaper articles and the official pronouncements recorded in Hansard. My general impression is that there is a certain elusive and lackluster quality about the conduct of Canadian
diplomacy, reflecting both the subordinate relationship to the United States and the ambiguous character of the Canadian nation. Thus it is often said that Canada practices "Quiet Diplomacy" in external affairs; but we would not be creating a neologism to suggest that what this really means is that Canada is very quiet about the diplomacy she practices.

For this reason, among others, an inspection of the literature in the field will reveal that systematic studies on Canadian foreign policy are few and far between. Therefore, to whatever extent this effort contributes to the filling of a small gap of a large and relatively unexplored lacuna, it will have, in the author's mind, achieved its purpose.

Finally, none of the foregoing is in any way intended to absolve the author from responsibility for whatever errors of fact and judgement are to be found in the work. It is his hope that concerned readers will bring such errors to his attention and suggest how they might be rectified.
PART I:

PRE-REVOLUTIONARY RELATIONS
CHAPTER I: "PRE-HISTORY" TO 1899

ORIGINS: TRADE

The first recorded "Canadian" contact with Cuba appears in the writings of Samuel de Champlain, the founder of New France. Champlain visited Cuba in 1601 during his first voyage to the New World, and some seven years prior to the expedition which was to bring him to the hitherto unexplored regions of the North American continent which were later to become part of the provinces of Quebec and Ontario. The voyage, on the St. Julien, was one of several first commissioned by King Phillip III of Spain to bring back the customary annual supply of "spices and precious stones" from the West Indies. Champlain spent four months in Cuba, traveling the length and breadth of the island. During this time he wrote the first known description of Havana harbour, and took copious notes on the varieties of fruits vegetables and animals that he observed. Champlain's log included details of various aspects of the system of slavery that the Spanish conquistadores had imposed on the black population, which he described with apparent equanimity.

About a century later, in 1706, Pierre Le Moyne, Sieur d'Iberville, set out for Cuba in what was to become his last campaign for the French Empire in America. Le Moyne conceived a plan to uproot the English settlements along the Carolina seaboard by military conquest and hoped to enlist the support
of the Spanish authorities in Havana for that mission. His purpose was to secure the use of one of four warships regularly outfitted by the Spaniards with which they patrolled the communication lines between Cuba and Vera Cruz, and obtain permission to recruit a contingent of 250 to 300 mulattoes for the assault. However, Le Moyne contracted yellow fever, either on ship or immediately upon his arrival in Havana, and the plan never materialized. Soldier, sailor, explorer and one of the truly heroic figures in French Canadian history, frequently referred to as the "First Great Canadian" and "the Canadian Cid", Le Moyne was entombed in the sepulchre of the church of San Cristóbal in Havana on July 9, 1706. At present Le Moyne's remains are located on the grounds now occupied by the Municipality of Havana and a plaque commemorating his death is to be found on the northern wall of the Havana cathedral.

It is of course purely arbitrary to consider either of these two episodes as marking the beginning of Canadian-Cuban relations as such; beginnings are frequently a dark area in historiography. Yet as historical antecedents they are among the earliest recorded contacts between the French-speaking peoples of North America and the islands comprising the former Spanish West Indies. Contacts between the inhabitants of the northeastern regions of both the French and British settlements in North America and Cuba became more systematic after the construction of the port of Halifax in the 1740's. Privateers set sail for the West Indies carrying lumber, fish and potatoes in exchange for the sugar, rum and fruits
grown on the lush islands of the Antilles. The shipping register of the city of Halifax for this period indicates that the town of Santiago was a frequent port of call for these and other - usually illicit - trading expeditions. There were, to be sure, more restrictions placed by Spain on trade with its colonies than with the islands under British, or for that matter, French domination in the region; nevertheless Cuba, as well as the islands of Hispániola and Puerto Rico, were always within the orbit of these trading vessels. From this perspective the present links between Canada and Cuba are more than two centuries old, antedating federal union in Canada by more than 100 years and the formal establishment of Cuban independence by nearly 150 years.4

As early as 1865, and in anticipation of Confederation, the Maritime provinces and the territory of Lower Canada undertook their first joint effort to greatly expand trade with the Spanish West Indies and the independent Republics of South America. Alarmed by the announced intention of the Andrew Johnson administration to terminate the Elgin reciprocity Treaty promulgated in 1854 between the United States and the British Provinces, representatives of Canada, Nova Scotia, New Brunswick and Prince Edward Island formed the Confederate Council of Trade which met in Quebec in September of 1865 to consider concerted action to offset what was certain to be a severe blow to their economies.5 Under the terms of reciprocity, the entire North American continent, excepting British Columbia, had been made into a free trade zone for non-manufactured articles, providing the Maritimes
with an open market for the ready sale of fish, potatoes and wood products to states along the Atlantic seaboard, a trade which had become quite profitable. These products were easily transported in small sailing vessels constructed especially for the runs between Maritime ports and wharves of Boston or New York.

With this flourishing trade destined to be sharply curtailed as the inevitable outcome of imposts against all the natural products of British North America, the Provinces sought new outlets for their basic staples. The Council urged that steps be taken to secure the permission of the Colonial Office to open communications with the West Indies islands, with Spain and her colonies, and with Brazil and Mexico "to extend trade and place it on a more regular and advantageous footing." All of the representatives, save one, proceeded to London and then split up into three groups which set out for Georgetown, Guiana, the West Indies and Brazil, respectively. From correspondence between the Foreign Office and the British Board of Trade it is apparent that the British gave unenthusiastic assent to the project. These "agents" of the colonies, as the British termed them, were not to assume "any independent character", nor "negotiate nor conclude" any trade agreement, but would simply confer with the British Minister in each foreign country to explore the possibilities for trade substitution.

One group arrived at Havana on March 17, 1866. After discussions with Spanish authorities, a letter, signed by one of the Trade Commissioners, Thomas Ryan of Canada, was dispatched to the
Intendente in Cádiz, Count Armíldez de Toledo. It argued that goods from the United States which were exported to the West Indies came in cheaply because of reciprocity with British North America, but that with the abrogation of the 1854 agreement this was bound to change. It said that "a commercial policy condemned by the experience and rejected by the public opinion of the most enlightened nations of the world has followed in the wake of war and greatly enhanced the cost of all domestic productions in the United States". The letter concluded with the assertion that British North America can compete with the United States for markets in the Spanish colonies, holding out the prospect of a commercial alliance with Spain to counteract the politico-economic tendencies towards expansionism of the American Republic in the Caribbean area and elsewhere:

"But is it prudent, is it wise, for Spain to allow her rich West Indian possessions to remain wholly dependent for many necessaries on a single source of supply, and that source the United States, a power so proverbially uncertain in her relations with other countries, but especially so with Spain? Will it not be sound policy to foster and encourage a competing source of supply in British North America, the provinces of which when united in one government as is now contemplated, will form from the outset a confederation of about four million people, well qualified to establish on the continent of North America a check and counterpoise to the aggressive and absorbing principle which seems to animate the democracy of the United States?"

Due in part to the opposition of the Colonial Office, no tangible results emerged from the exchanges. However, it is significant that these negotiations probably represent the first kind of semi-independent diplomatic activity engaged in by the British provinces of North America that one year later were to constitute
the Dominion of Canada. Periodically during the following three decades Canada would make similar efforts through the Colonial Office and the Cortes to conclude trade agreements with Spain's possessions in America.

In historical perspective, the overture to the Spanish underscored a Canadian desideratum, which has not changed since then, that markets in the arc of islands in the Caribbean do not fall ineluctably under United States control. As would recur on numerous occasions in the future, a contraction in Canadian-American trade engendered by the removal of "natural" preferences would give birth to a flurry of activity in Canada to increase trade with the West Indian islands in general, or to Cuba in particular, when difficulties arose in commercial relations with those islands under the Imperial hegemony.

The outbreak and lengthy duration of the Cuban insurrection in 1868 effectively curtailed efforts by the new Dominion to follow up on the trade mission sent by the provinces to the West Indies in 1865-66. However, the commercial depression of 1873-80, which affected Canada, occasioned a revival of attempts to seek new markets for Canadian products in the Spanish colonies in the Carribean. In a letter dated February 2, 1876, Prime Minister Alexander MacKenzie expressed this desire to Sir. Alexander T. Galt, former Minister of Finance and Ambassador-at-Large, emphasizing the importance of Cuba to the proposed mission:

"I am informed that you propose visiting some portion of

the West Indian islands very soon. I have for a long time been considering how we could extend our trade in that direction; but the very unsettled political condition of the principal islands seemed to set aside ordinary trade discussions with their governments for the time and induced to delay any active effort. So far there is no improvement and one would be justified in assuming that a revolutionary state is the normal condition of all the Spanish Colonies.

I thought that you might be willing to represent us when you go down, and aid us in coming to some arrangement with the respective governments ...

The Cuban and St. Domingo trade is in its magnitude far more important than any other, and in many respects the trade of these large islands is different from the trade of the other islands. My own impression is we would do better with them than with the others.

Galt declined to proceed with negotiations, though vested with the necessary commission, reasoning that the Mackenzie government would not be likely to alter its fiscal policies to make tariff concessions on the major commodity of the islands - sugar. With remarkable clairvoyance Galt thus foresaw the principal obstacle to the expansion of future commercial ties with Cuba.

The results of the elections of 1878 induced Galt to change his mind. His long standing personal and political feud with Sir John A. Macdonald apparently papered over, Galt accepted the newly re-elected Prime Minister's call to conclude some type of commercial agreement with Spain which would allow for greatly increased trade with the Spanish colonies, especially Cuba and Puerto Rico. After securing the necessary authorization from the Colonial Office, the Foreign Office, and the British trade minister in Madrid, Galt entered into discussions with the Spanish premier, Canovas, with apparent initial success. Unfortunately, the final ratification
of the terms of the tentative accord had to await the arrival of the Cuban representative to the Cortes, and before that time came a reshuffling of the Spanish government, suspending indefinitely the signing of the agreement. Later Galt wrote in his memoirs that ratification would have given Canada substantial rebates on import duties (including imports to Spain itself), as well as a virtual monopoly "on the whole carrying trade between the United States and Cuba." 8

The fortunes of Canadian-Cuban trade ebbed and flowed for the succeeding two decades, centering on sugar. By 1883 Cuban deliveries of bartered sugar to Canada were reduced to a trickle, as Spanish authorities on the island found it more profitable to dispose of production surpluses in the United States, after the required quintos was sent off to Madrid. Neither were the British about to take up the cudgels for Canada. Quite to the contrary, the Colonial Office had not disguised its uneasiness over Canadian efforts to assert more than a modicum of independence in her commercial affairs. But what was of greater importance as a consequence of the new policy for the entire course of Canadian-Cuban relations over the next half century, was the fact that Great Britain made explicit its fear that any future commitments on the part of Canada to purchase Cuban sugar on a preferential basis would inevitably have a deleterious effect on the marketability of British West Indian sugar, not only within the Empire, but also potentially to the United States. 9

* By decree of the Spanish Monarchy, one-fifth of all sugar produced in Cuba was to be shipped to Spain as colonial tribute. This was known as the quinto.
Despite these obstacles, a third - and equally unsuccessful - attempt was made by a Canadian government to conclude a trade treaty with pre-Republican Cuba. Interestingly enough, this third initiative originated with an inspiration of a representative of the Spanish Crown. In 1888, Spain's minister in London approached Whitehall with the suggestion that if sufficient quantities of Cuban sugar could be imported into Canada free of duty, a powerful impetus would be given the Dominion for the development of a refining industry, which would then be in the position to break the monopoly in the sugar refining business hitherto enjoyed by the United States. The idea, in the tradition of the 1866 Trade Commissioner's Report, and in the spirit of Laurier's famous remark that while "the nineteenth century belonged to the United States, the twentieth would belong to Canada" made a decade later, apparently received a favourable response in London. In a note from the Colonial Office, Canada was once again authorized to enter into negotiations with Spain. Late that year, Sir Charles Tupper, Canadian High Commissioner in London, went to Madrid and offered the Spanish a package deal: Canada was prepared to reduce her duties on the importation of Cuban sugar and molasses in exchange for reciprocity on Canadian fish, lumber, potatoes and flour; however, the reductions were not to exceed 30% on the then prevailing duties of any commodity on the instructions of the British. But the Spanish refused to accept any pre-conditions in bilateral trade negotiations, thus bringing the project to a sudden precipitous conclusion.
Nevertheless, the idea of Spain granting tariff concessions to Canada, which would be applicable to Cuba, refused to die completely. Three years later, on October 25, 1891, to be precise, the Spanish Minister of State resurrected it with the announcement that thenceforth Canadian goods arriving in Cuba would be given most-favoured-nation status on the basis of the trade treaty consummated between the United Kingdom and Spain back in 1886. With some degree of accidental prescience, customs officials in Havana at first refused to grant Canada special status under the terms of the treaty, considering that the Dominion was an independent nation, at least insofar as commercial relations with Cuba were concerned. The matter was only brought into alignment by a second direct order from the Monarchy.¹²

As minimal - and even incidental - as this concession was, it did give rise to a modest stimulation in the barter trade. While data is lacking on the Canadian side, the following statistics, perhaps the earliest available on Cuban sugar exports to specific countries, suggest the trend lasted several years:
TABLE I

PRODUCTION AND EXPORT OF CUBAN SUGAR, 1892-9713

(Long Tons)*

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<th>YEAR</th>
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<td>Total production</td>
<td>802,471</td>
<td>815,894</td>
<td>1,054,214</td>
<td>1,004,264</td>
<td>225,231</td>
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<td>Canada</td>
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<td>28,372</td>
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<td>10,528</td>
<td>5,674</td>
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<td>965,524</td>
<td>769,000</td>
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* 1 long ton (1. tn) = 2,240 lbs.
At the same time, these figures demonstrate amply enough the close relationship between the size of the Cuban sugar crop and the degree of political stability prevailing on the island. In 1895, the Cuban people rose again in defiance of the Spanish Crown, this time under the leadership of the legendary poet-soldier José Martí. As the conflagration intensified, culminating in U.S. intervention in what Canadians came to refer to as the "Yanko-Spanko" War of 1898, thousands of acres of cane-growing land was either burned or otherwise laid to waste by the combatants; hence the disappearance of sugar exports to Canada.

CANADA AND CUBAN INDEPENDENCE

Scarcely was the Confederation of Canada one year old when it was involved in delicate matters of diplomacy over Cuba. In October of 1868, a full scale insurrection erupted on the island to free Cuba from centuries of Spanish rule. The rebellion quickly aroused sympathy in Canada as well as in the United States. Spanish absolutism had by this time become a disagreeable anachronism to peoples accustomed by now to the institutions of representative democracy, and an easy target for propaganda campaigns. Committees to furnish recruits and material aid to the insurgent forces of Carlos Manuel de Céspedes sprung up openly in Montreal and Halifax, and surreptitiously below the border. The committees formed in the States were forced to remain underground for fear of violating an 1848 Presidential proclamation specifically forbidding
the chartering, from American ports, of filibustering expeditions to Cuba to assist in uprisings against the Spanish authorities. For this reason, the route to Cuba via Canada was considered safer, and hundreds of Americans offered their services in the struggle against Spain on Canadian soil.

When the Spanish took retaliatory action the matter became a sensitive international issue. General Dulce, commander of all Spanish forces issued a decree authorizing all ships of the Spanish Crown to seize any foreign vessel on the high seas suspected of abetting the insurrection and to execute, without trial, any of the occupants captured on board. At the same time, the Spanish Minister in London urged that the Canadian authorities be directed to declare the support organizations in Canada illegal.

The British government hesitated to act immediately. The official attitude was reflected in a private and confidential communication from Lord Clarendon of the Colonial Office to the Lords of the Admiralty on May 1, 1869:

"As friendly to Spain, His Majesty's Government would regret to see any dismemberment of the Spanish Monarchy; they certainly would not contribute to promote it; but they cannot interfere to prevent it."  

Lord Clarendon may not have been entirely candid in his remarks. The British had long considered Cuba of pivotal importance to their interests in the Caribbean; in addition to its strategic location as the navigational gateway to South America, the island was recognized as a potentially valuable market for cheap cotton textile goods. But a successful insurrection increased the chances of Cuba's
annexation by the United States, a prospect far more unacceptable than continued Spanish control: in that event, Cuba would probably be lost forever. Moreover, the Foreign Office took the view that to tacitly acquiesce in the further disintegration of the Spanish Empire in this way would set a bad precedent for British colonial diplomacy. The Colonial Office urged therefore that the Macdonald government take steps to curb the activities of the filibusterers, in keeping with Imperial "dignity".

However Macdonald was not inclined to act too swiftly either. The Prime Minister's difficulties were compounded by declarations of crew members of several Canadian steamers that they had been unlawfully intercepted by Spanish warships in international waters off the coast of the Atlantic and pirated. This added to public indignation in the provinces. Subsequently, however, the controversy abated, and in 1870 the Macdonald government passed legislation amending the Foreign Enlistments Acts thereby making filibustering punishable by heavy fines and jail terms. So pleased was the Spanish Monarch with Macdonald's action that he bestowed on both the Governor-General, Lord Lisgar, and Sir John, the Grand Cross of the Order of Isabel la Católica. The honour was a profound embarrassment for both. Lisgar's position prevented him from accepting the Order, but he suggested to Macdonald that he "accept it and say nothing about it." Macdonald took this advice, but endeavoured to dispose of the matter discreetly by dispatching the following private note to the Consul General of Spain:

"I hope you will permit me also to mention that the Canadian official who had the most to do with the promptness of the action of the Government here, was the deputy Minister of
Justice, Lieutenant Colonel Bernard, who had charge of the whole affair, and, as the superior officer of the commissioner of police, gave the necessary instructions to him. 17

As recounted by Sir Joseph Pope, Under Secretary of State in the Laurier government, the Spanish took the hint and conferred the insignia of Knight Commander of the Order on Colonel Bernard "in the next mail from Madrid."

The amendments to the Foreign Enlistments Act nevertheless could not deter individual Canadians from taking active part in the insurrection which took the Spaniards ten years to quell. A Torontonian by the name of William Ryan rendered the most distinguished service, and in giving his life for the cause of Cuban independence was later acclaimed a hero and martyr by the Cubans. Ryan commanded the Annie, which for several years carried out missions of recruitment for the insurgents up and down the Atlantic seaboard. In 1871 Ryan landed the Annie somewhere along the southeastern coast of Cuba. At the head of a company of volunteers, he assisted the rebels in winning a significant victory over the Spanish general Portillo at Camaguey; whereupon Céspedes accorded him the rank of Brigadier General. Several years later Ryan returned aboard the raider Virginius. Unaware that the debarkation area was under the control of the Spanish who were in the process of ruthlessly extirpating the uprising, Ryan was captured soon afterwards. On November 4, 1873, Ryan and 52 other rebels were executed for "high treason and conspiracy against the Spanish Nation."

Three decades later Cuba canonized Ryan as the "bravest of the brave" and honoured his memory for posterity by hanging his portrait, done in oil, on the walls of the Havana City Hall. 18
The frenzy with which the United States went to war with Spain in Cuba in 1898 provoked widespread interest in the Dominion. According to one authoritative study, public opinion in Canada tended to side with the Spanish at first, probably because British sympathies were suspected of lying with the Spanish cause. Yet as the rebellion dragged on, and reports of Spanish atrocities increased, support for the Spanish cause waned considerably. A complete reversal of the popular Canadian attitude towards the war was effected with U.S. intervention, and was reinforced shortly thereafter when U.S. Intelligence agents exposed a Spanish attempt to set up a spy system in Canada. By this time it also had become apparent that British sentiment had reversed itself and become decidedly anti-Spanish. A survey of newspapers of the period reveals that the war was followed with a sense of vicarious satisfaction by many Canadians; one example of this phenomenon was the extensive publicity given to a display of the "Bombardment of Santiago" at the Toronto Industrial Exhibition in September, 1898; another was the popularity of "Remember the Maine" buttons. What opinion did not recognize was that the intervention had also effectively crushed the independence movement in Cuba.

The war also attracted an unusually large number of Canadian volunteers, who enlisted in the U.S. army probably more for adventure and the prospect of U.S. citizenship that it held out, than for any other reason. Estimates of Canadians engaged in the conflict vary from hundreds to thousands. The available evidence suggest that units comprised of sizeable numbers of Canadians were involved in some of the
heaviest fighting of the war. One source reveals, for instance, that half the soldiers of an Illinois regiment killed in the Santiago Campaign were Canadians.\textsuperscript{21}

As in the Ten Years War, the heroic exploits of individual Canadians immortalized them in the annals of the history of the Cuban people. The most illustrious names to emerge were both French Canadian: Jacques Chapleau and Georges Charette. Chapleau was in command of a rebel regiment which attempted to overrun Fort Aragón at Las Tumas and was killed there on August 28, 1897; Charette was one of a crew of seven volunteers to steer the three hundred thirty foot long \textit{Merrimac} through the three hundred fifty foot wide channel entrance to Santiago harbour under cover of darkness, swing it around so as to completely obstruct the entrance, and the, while defying howitzer fire from the Spanish gunships, sink the vessel by releasing its port-hole valves and exploding two torpedoes. The seven remained afloat in the cold, pre-dawn water until sunrise, when they hailed a contingent of Spanish soldiers and voluntarily surrendered. Sometime later, Charette's release from captivity was secured through the intercession of the British Consul, under circumstances which never have been clarified.\textsuperscript{22}

On the official level, the Laurier government looked upon the developments in Cuba with studied aloofness. As soon as the United States declared war on Spain, it issued a declaration of neutrality reminding the McKinley administration of its obligations to respect Canada's non-belligerancy status under the terms of the 1871 Treaty of Washington. This position was overwhelmingly endorsed in Canadian
newspapers, though several wondered about Canada's ability to resist the inexorable centrifugal forces set in motion by the war against Spain. As it turned out, the government could not adhere to a policy of strict neutrality in any absolute sense. On several occasions during the short war it permitted U.S. warships to provision at Canadian ports, in clear violation of the Treaty, though the matter received scant attention, even in Canada.

* * * * *

The foregoing represent the principal historical events linking Canada and Cuba in the three centuries preceding the transference of colonial hegemony over the island from Spain to the United States. As colonial dependencies, neither was in a position to influence the course in any mutually beneficial, autonomous relationship that may have hypothetically developed. What happened between Canada and Cuba was largely subsumed under the politico-economic exigencies of colonial diplomacy between two empires, one passing through the acme of its glory, the other crumbling and drawing its last gasps of breath before it would be extinguished in the New World.

Two features of the Canadian-Cuban relationship emerge from the pre-Republican period. The first is Canada's interest in trade. To a certain extent the complementary character of the primary products of the Maritimes and the islands in the Caribbean made Cuba a "natural" trading partner. However, in contrast with British West India islands, the markets and raw materials of Cuba were made much
more inaccessible for political factors. Cuba was part of an alien empire, notwithstanding her relatively close geographic proximity. The decline and fall of old empires and the rise of new ones, have not altered these basic characteristics very much since then.
NOTES - CHAPTER I

1. "The harbour of Havana is one of the finest that I have seen in the Indies. The entrance is narrow between two very good fortresses, well furnished with all that is necessary to guard them; and from one fort to the other there is an iron chain, which crosses the harbour entrance. The garrison of the said fortresses consists of six hundred soldiers; namely, in the one called the Morro, on the eastern side, four hundred; and in the other, which is called the new fort, in in the town, two hundred. The interior of the harbour is a bay, which is more than six leagues in circumference and one league in width, in every part of which ships can anchor in three, four, six, eight, ten, fifteen and sixteen fathoms." "Voyage De Champlain Aux Indies Occidentales," cited in The Works of Samuel de Champlain (Toronto: The Champlain Society Publishing House), 1922, pp. 73-74.

2. It is of historical interest to note, for example, that the fruit Champlain called "pine", closely resembles the species of pineapple grown abundantly on the Isle of Pines: "it (pine) resembles in shape the pine cones with us; the skin is removed, then cut in half like an apple, and it has a pleasant taste, very sweet, like sugar" (Ibid., p.75). Three centuries later, a colony of Canadian pineapple planters was established on the Isle of Pines (Infra, pp. 140 ff.).


4. Bruce C. Fergusson et al, The West Indies and the Atlantic Provinces of Canada (Halifax: Dalhousie University), 1966. The Spanish did not legalize foreign trade with Cuba until the 1760's.

5. For the background and negotiations leading to the Treaty, cf. James M. Callahan, American Foreign Policy in Canadian Relations (New York: Macmillan Co.), 1927, ch.XI. For contemporary Canadian reactions to its abrogation cf. Montreal Weekly Witness, January 25, March 8, 1867; August 14, September 4, 1868. Tariffs imposed by the Dominion Parliament on manufactured articles, which the U.S. considered a violation of the spirit of the Treaty, was largely responsible for the U.S. decision.

6. Report of the Commissioners from British North America Appointed to Enquire into the Trade of the West Indies, Mexico and Brasil, a copy of which was made available to the author by Frank W. Park, Centre for Developing Area Studies, McGill University. The Report,
to Lord Monck of the Colonial Office, was tabled before both Houses of Parliament by order of the Governor-General in 1886.

7. Oscar D. Skelton, *The Life and Times of Sir Alexander Tilloch Galt* (Toronto: Oxford University Press), 1920, p. 516. As a sidelight, Galt was acutely aware that both Canada and Cuba shared at least one common concern, namely annexation to the U.S. by the force of commercial attraction. Cf. the confidential memorandum dated January 23, 1879 in *The Macdonald Papers*, located in the Public Archives of Canada, Ottawa, File RG7 561. Cited hereinafter as P/A, File #...


11. Ibid. This offer is marked "secret and confidential." Tupper recommended that the steamship subsidy granted to ships engaged in trade with the British Carribean islands be extended to include Cuba. This proposal received consideration at the highest level of various Canadian governments for the next half-century or so, but with a few minor exceptions, never became a reality.


14. From 1840 to the Civil War, the South pressed for the annexation of Cuba as a means of further extending slavery within the Union. However, successive Presidents were not prepared to overthrow the Spaniards by force, though annexation by purchase was secretly proposed to the Spanish Court by President Polk. In 1852, President Fillmore issued the decree imposing heavy fines and jail terms for filibustering activities. Cf Scott Nearing and Joseph Freeman, *Dollar Diplomacy* (New York: Monthly Review Press), 1969, pp. 239-40.

15. P/A, File RG7 G21, #95, *The Cuban Insurrection*. The Archives also possess a collection of photographs related to the insurrection.
There is a certain historical irony when Canadian officials invoke the memory of Ryan to illustrate the long-standing ties that have bound Canada and Cuba, as the first Canadian Ambassador to Cuba, Emile Vaillancourt, did in 1946 in his inaugural address on his assumption of the post. Cf. "De Colonia a Potencia Mundial", Revista de la Habana Vol. VIII, #44, Abril, 1946, p.25.


The excitement and resentment of the American people are wholly natural. It is only necessary for other peoples to put themselves in the position of our neighbours to understand the hot indignation that has swept over the country ....We do not forget the profound sensation that the sinking of the Victoria and her gallant men created all over the English-speaking world."

But support for the United States was by no means unanimous. The Halifax Chronicle for March 26, 1898, expressed a minority current of opinion:

"They [U.S. newspapers] make the American eagle scream somewhat thusly:

"I'm the Bird of Freedom
The Bulliest, Biggest Bird,
Beware my Beak!
I thirst for Blud!
I'm out for Gore,
I want a War
And want it quick
(But with some one
That I can Lick!)"
CHAPTER II - THE EXPORT OF CAPITAL AND ENTERPRISE

THE CONTEXT

The military occupation of Cuba by the United States in 1898, and the subsequent creation of the Cuban Republic under its tutelage four years later, opened a chapter in relations between Canada and Cuba that lasted more than sixty years. As an historical development, the influx of Canadian finance capital into Cuba had its roots in the administrative policies adopted by General Leonard Wood, military governor of Cuba from 1898 to 1902. In that short period, Wood endeavoured to rebuild Cuba's war devastated economy and provide the island with modernized business services by opening Cuba up for penetration not only by American but other foreign capital as well. Speculators, loan sharks and wealthy financiers swarmed onto the island as the vestiges of Spanish colonial mercantilism were uprooted and the ground cleared for the assertion of United States control over the political economy of the island. In the process, and as a by-product of it, a network of Canadian business and financial interests secured a foothold.¹

¹ Within the first decade of the life of the Republic, four Canadian enterprises - two banks and two insurance companies - had been incorporated in Cuba, and Canadian capital in modest amounts had been invested in several key Cuban corporate enterprises. In 1899 the Merchant's Bank of Halifax (succeeded by the Royal Bank of Canada) opened up a branch office in Havana. 1906 saw the arrival
of the Bank of Nova Scotia. In 1907, Sun Life Assurance Company, the first of many "British Canadian" insurance companies, came to do business, followed by Confederation Life several years later. Also in this period, a syndicate headed by Sir William Van Horne, former president of the Canadian Pacific Railway and master architect of its construction, set about building an equally famous railroad in Cuba. From these points of departure, Canadian business interests, backed principally by capital generated not only in Canada, but in Great Britain and the United States as well, came to occupy a prominent place in vital sectors of Cuban economic life. Van Horne's railroad, the banks and the life insurance companies were to become island institutions. For them, the Cuban operations were profitable ventures, though during some years losses were sustained. Other Canadian business forays into Cuba did not survive more than a few years, though there were significant exceptions to this general rule.

It is instructive to view the flow of Canadian capital into Cuba in its geo-historical context. Branches of Canadian banks were established in the British Caribbean earlier in the 1800's, the Bank of Nova Scotia, for example, as early as 1838. Sun Life began underwriting life insurance policies in Jamaica in 1889. The Van Horne syndicate was active in promoting similar projects in Jamaica and Trinidad in the 1890's. From this perspective the movement of Canadian capital and enterprise into Cuba was an extension of a regional process that traces its beginnings several decades prior to Confederation, spurred by the common allegiance to the Crown
that Canada shares with a dozen or so islands in the Antilles chain, and the accumulation of surplus capital by a still nascent Canadian bourgeoisie. It is noteworthy that this development took place in a period in which Canada herself became an important outlet for the investment of foreign capital.

In Cuba that process evolved its distinctive characteristics which were peculiar to the island's somewhat unique status as a de facto protectorate of the United States. Bound by tradition and diplomacy to the Mother Country and the Commonwealth, on the one hand, and a continental partner in a financial consortium controlled by the great neighbour to the south on the other, Canadian finance capital developed a certain "dualism". Because of this "special" relationship, and the power of the U.S. to regulate Cuba's internal affairs, Ottawa was frequently by-passed even as Canada began to assert increasing control over foreign policy matters. By the 1930's, the U.S. would act as guarantor of Canadian investments.

The history of Canadian finance capital in Cuba is not filled with exciting drama. In fact, it has gone virtually unnoticed in the impressive collection of literature that has appeared on Cuba since the U.S. intervention and the founding of the Republic. Since the essential data concerning this history has not been made available by the private sector, efforts to reconstruct that history in any systematic fashion are beset with considerable difficulties. In what follows, an attempt is made to sketch the role played by Canadian financial interests in Cuba largely in congruence with the
unfolding of Cuban history. The method employed is simply the weaving together of a number of unconnected threads to form a continuous narrative over more than a half-century of business activity, with emphasis on the banking sector.

BANKING: THE RISE OF "BANCO CANADA"

When the United States assumed control in Cuba, it found the island's fiscal and monetary system in shambles, suffering from the repercussions of war and the exodus of Spanish merchants and bankers. To rebuild, reliable banks were needed to finance badly-needed business loans and to provide the necessary services commensurate with a stable economy. The lack of a domestic money market coupled with the pervasive immobility of domestic capital were problems which mitigated against the creation of a central Cuban bank; hence the solution had to come from outside. Both the Royal Bank of Canada and the Bank of Nova Scotia believed there was little risk involved in establishing "trial" branches in Havana. They did so and expanded to numerous other locations on the island at a time when the incorporation of foreign branches of federally-incorporated banking institutions in the U.S. was still prohibited by law. (This prohibition was not removed until the Federal Reserve System was created in 1913; up to that time only state-chartered banks were permitted to open branches abroad). This factor also might help to explain why it was that two Canadian banks entered Cuba so early in the life of the new Republic. A third Canadian bank, the
Bank of Commerce, incorporated in Cuba in 1920, probably in response to the sugar boom which it hoped to capitalize upon.

In its essentials, the history of Canadian banking in Cuba is the history of the Royal Bank. Its rise to a position of pre-eminence within the Cuban banking system is an integral part of the history of pre-revolutionary Cuba. As a case study it illustrates one of the mechanisms by which foreign capital can come to exercise a powerful influence over the political economy of an under-developed society, merely by virtue of its presence. This interesting, and somewhat singular historical development in Canadian economic history can be traced to the mutually close, yet sometimes antagonistic, relationship that exists between U.S. and Canadian capital.

Upon the urgings of Elson Pease, then Bank manager at Montreal, a Havana branch of the Merchant's Bank was opened on March 8, 1899. The Bank's archives reveal that Pease received "invaluable" assistance from J.A. Springer, who "spoke Spanish fluently" and had an "extensive knowledge" of Cuba and its people. As a long-time U.S. Vice-Consul in Havana who apparently had close connections with General Wood, Springer was named one of the two Joint Agents in recognition of his services. Bank historians attribute its early success in Cuba to Springer's "wisdom" and the "enterprising spirit" of F.J. Sherman, the other Joint Agent, who was the chief

*Infra, pp. 32 ff.*
representative in Cuba for twelve years. It is maintained that a "favourable reputation" was established at the outset, for when Merchant's name was changed to the Royal Bank of Canada in 1902, Cubans did not look upon it as a foreign bank but adopted the familiar appellation "Banco Canada".

In the first decade of its existence in Cuba, Royal pursued a policy of "extreme caution", and did not make available any loan capital. But after the founding of the Republic in May, 1902, and the ratification of the Platt Amendment the following year, sufficient confidence was felt in the future stability of the government and the bank started to expand. The bank assets of Banco de Oriente in Santiago, a small bank, were purchased in 1903, establishing a branch in Cuba's second largest city. One year later, a Camaguey branch was opened. Also in 1904, another Cuban bank, the Banco del Comercio de Habana, was bought up by Royal. All of the 7,000 shares of Comercio's stock were purchased at $45/share, making a total outlay of $315,000. The total demand deposits acquired amounted to some $550,000 against cash of a like amount, and the assets taken over were valued at $350,000. Outside of the small value of the banking facility itself, these assets were in securities issued by the United Railways of Havana and the Regla Warehouses, Ltd., two British trusts which together controlled key sectors of the transportation industry in Cuba.*

* This proved fortuitous for the Bank, for when it assumed control over numerous sugar centrales in the 20's (Infra, pp. 34 ff.), it was able to use the network of railroad track owned by the trusts to service the mills at minimal costs.
The takeover was a key step in bringing Canadian banks, and through them Canadian insurance companies, into the nexus of unmixed British investments in Cuba, which were considerable at the time and remained so until after W.W.II. Thus began a process of concentration in Cuban banking, which ultimately led to the transformation of the Royal Bank from the role of "humble middleman" (to borrow Lenin's phrase) to an integral member of a powerful financial complex which had at its command virtually all of the monetary and natural resources on the island. For the following two decades, the absorption of smaller banks, or the acquisition of "holdings" in their capital, was central to this development.

It was at about this time that the bank was entrusted to act as paying agent for the government of Cuba for the distribution of $62 million in "recompensation" pensions to the men and survivors of the Army of Liberation of General Máximo Gómez. The payments, secured by a loan from Speyer and Co., Ltd. of London, represented something of a concession to Cuban nationalism, and were underwritten by the Palma government only after sufficient U.S. coaxing. The successful completion of the task represented a first step in the forging of a semi-official union between the Bank and the Cuban government. Thereafter the Bank was made a fiscal and disbursing agent for the government and a depository of government funds.

Testifying before the hearings of the Banking and Commerce Committee of the House of Commons in 1913, Mr. Pease provided some interesting insights and data on the mechanics of Royal's operations in Cuba and the West Indies in general. The hearings came at a time
when small businessmen and farmers were voicing complaints that the high rate of capital export made it difficult to get vitally needed bank loans in Canada. Before the committee was a set of legislative proposals which would have forced the repatriation of bank deposits and levied a tax on monies loaned in the West Indies. The first proposal proved to some extent irrelevant: Royal's deposits in Cuba, as well as elsewhere in the Caribbean, were "considerably in excess" of loans; in other words, banking was profitable in situ, and did not require the export of liquid capital once established in these islands. After the initial investment, Royal could plow back locally-earned profits, rendering unnecessary the further export and investment of Canadian dollars, a feature characteristic of the penetration of foreign capital in an under-developed host country. The second, Pease opposed on the grounds that added taxes would be "burdensome", since Cuban taxes were already 8% on net profits. Then he revealed the secret of Royal's successful inroads into Cuba - the combination of a substantial U.S. investment and the absence of American banking facilities on the island:

"I think it would be unwise to discourage the employment of the money that we are able to secure in these islands to the advantage of our shareholders and to the trade of Canada. You have an illustration I think in the United States where the American banks are not permitted to establish branches in foreign countries. Had they been able to do so, I think the foreign trade of the United States would be very much greater today than it is, and the probabilities are we would not be established in Cuba where American capital is invested to the extent of two hundred million dollars."

By 1913, there were nineteen branches in Cuba, with ten times the total deposits compared to the previous decade. Trade had also
increased in concert with this steep rise in capital accumulation. At the turn of the century Canada's imports from Cuba amounted to $343,374 against exports worth $578,013; by 1912, these figures jumped to $1,770,874 and $2,096,778 respectively. Pease disclosed that Royal's West Indies' business, of which Cuba had already become an important link, was "so profitable that four or five years ago we received an offer from an American syndicate of no less than $1 million for the good will of the business if we would retire." In all probability the proposed legislation was shelved in the light of Pease's testimony, for it never passed into law. This incident marked one of the rare occasions when the Canadian government considered regulating Royal's banking business in Cuba and elsewhere in the West Indies.

That business showed a steady growth during the war years, with the pace of expansion greatly accelerated from 1919 to the mid 1920's, during which time twenty new branches opened. This was the period of the famous "Dance of the Millions" when the price of sugar, which had shot upwards from the onset of the war, reached unprecedented heights. Raw sugar, which sold at 2.27¢/lb. on the world market in July, 1914, soared to 18.01¢ in January, 1920, and to the fantastic figure of 23.5¢ in May of the same year. For the first time in twenty years, Royal, like many other banks, eased tight restrictions on loans and made large sums available to small propertied sugar farmers (colonos) just after the war in anticipation of record sugar harvests. It was assumed that sugar would continue to fetch unprecedented export earnings as indicated by the general trend over
the previous six years. Paradoxically, the most spectacular aspect of the Bank's steady rise in importance in Cuba occurred once this gigantic "sugar bubble" had burst.

SUGAR - PLANTATION OWNER

The sudden collapse of the boom in sugar unfolded with extraordinary suddenness. It was brought on by uncontrolled production on a world scale. The revival by several European nations of beet sugar industries, which had remained idle during the war, and the competition of Javanese production, increased the world supply of sugar far in excess of demand. As a result, both cane and beet sugar glutted the world market. In just six months, the world price dropped to 4.38¢/lb., and stood at a rock bottom of 1.8¢/lb. in December, 1921, one year later. Cuba now entered into the throes of a severe economic depression. This was the classic case which demonstrated the vulnerability of the island's sugar monoculture to the vagaries of foreign demand, owing largely to spurts in sugar production of the importing industrialized countries, fostered, *inter alia*, by agrarian protectionism and government subsidies.

A run on the banks ensued. A moratorium was decreed by President Mario Menocal on October 10, 1920, greatly restricting bank withdrawals; however, this stopgap measure failed to reverse the trend towards liquidity that had been set into motion. Neither could the enactment of the Torriente Bills which provided for the gradual lifting of the moratorium, with merchants and banks paying
creditors in installments. Tens of thousands of colonos and scores of sugar-mill owners were unable to pay back loans borrowed from the banks, while depositors continued to press for payment in currency on their bank accounts, fearing the worst.

The crisis affected the future course of banking in Cuba for the next thirty years. In the case of nearly all the national banks, the extraordinary decline in the value of sugar brought the real value of their loans and investments, almost wholly in sugar, to only a fraction of their former worth. They thus became insolvent and were forced to close down. On the other hand the branches of the foreign banks, such as Royal, met all their obligations faithfully because they could utilize surpluses of cash on call at their home office. They also demanded payment for the loans they had made in the year prior to the crash. As a result sugar growers and mill owners had no alternative but to foreclose their properties to the foreign banks which had been financing them. In this manner Royal, by 1923, had come into possession of at least 16 sugar mills which included over 300,000 acres of fertile cane-growing land. And even though the bank sustained heavy losses from the loans it had made in the period immediately following the war, this extraordinary act of fate now thrust Royal, along with the U.S. banking houses of J.P. Morgan and First National City to the commanding heights of the Cuban sugar industry and hence the entire Cuban economy. To co-ordinate the production, management and business relations of the sugar centrales*

* The central is the manufacturing centre where the raw cane is processed and bagged, and from which it is shipped to market. Ownership of the central usually included ownership of surrounding cane and transport facilities, as was the case with Royal's holdings.
now under its control, the Bank organized a conglomerate holding company known as the Sugar Plantations Operations Company, Ltd. It included senior Bank officials, hired managers and debtors to the bank, some of whom were re-employed by Royal after fore-closing.

With the disastrous collapse of the sugar market, many Cubans became embittered at the foreign banks. A popular feeling prevailed that the foreign banks could have come to the assistance of Cuban banks, averting many bankruptcies and thereby saving the Cuban banking system from falling under virtually complete foreign domination. Most of the attacks were levelled against the U.S. banks (especially First National), but Royal, too, did come in for a share of the criticism.\(^\text{10}\) In an effort to offset this criticism, Royal opened up numerous new branches at the locations of the Banco Nacional and Banco Español de la Isla de Cuba, mostly in small towns, absorbing their assets in the process. Interestingly, no other foreign bank attempted to assuage public resentment in this way. Indeed, the very conception of this kind of "compromise" illustrated the English character of Canadian banking in Cuba, a foreign transplant with a distinct cultural flavour.

However, measures such as these did little to calm popular passions. On the contrary, the campaign against the banks spread to the Cuban press. Ultimately, the U.S. and Canadian financial institutions decided to bring matters to a head, finding common cause to do so. The Royal Manager in Cuba and the Vice President of the National City Bank approached the U.S. Minister, Boaz Long, to use diplomatic channels to call a halt to the attacks. Long immediately
summoned for help from Norman H. Davis, Undersecretary of State in
the Wilson administration, and a principal shareholder in the Sugar
Trust, which then accounted for more than 50% of all U.S. holdings
in sugar. Davis assured Long that the State Department would work
for the downfall of the Menocal regime unless the campaign ceased
and told the Minister to direct the President to take "immediate and
forceful steps" to end the attacks. Menocal called in the press
and threatened draconian measures against those who continued to
"annoy" the banks. The campaign then came to a hasty conclusion. 11

This incident is exemplary of the oftentimes hidden modus
operandi that developed between Royal and the U.S. banks and,
through them, with many key figures who were to play a major role
in shaping Cuba's destiny for several decades. Invariably, when it
was objectively apparent that a confluence of interests existed
between U.S. and Canadian banks, the Canadians went directly to the
American Embassy; otherwise, the more circuitous - and much less
certain - route via the diplomacy of H.M. Minister was required.

The relationship was characterized by its own uniquely dialec-
tical elements. In matters concerning wages, tax legislation and
internal Cuban politics, a tacit alliance was cemented between the
Canadian banks, their U.S. counterparts and U.S. authorities entrusted
with the day-to-day regulation of Cuban affairs. On the other hand,
a fair degree of competition existed between the banks for the loan
business and individual savings accounts. Thus when Washington
became suspicious of the growing influence of the Royal Bank after
the 1920-1 sugar crisis, it cast a watchful eye on the Bank's
activities. In particular, it was feared that the Bank's propensity for absorbing small Cuban banks threatened to undermine the overall position of dominance that the U.S. financial institutions secured in Cuba after W.W.I. This apprehension was magnified considerably when in 1923 Royal purchased the banking business of Pedro Gómez Mena y Hijo and its subsidiary, the Banco Mercantil de Cuba. The upward trend in sugar in the beginning of that year, which saw the world price rise to 6¢/lb., was the most influential factor in these purchases. With these take-overs and other combined mergers, the number of Royal branches in Cuba now reached 65 - the peak figure.

The problem was of sufficient alarm to attract the attention of General Enoch Crowder, who had been appointed the first U.S. Ambassador to Cuba on February 14, 1923. Long a power behind the scenes in Cuban politics, Crowder's influence in Cuban affairs dated back to the U.S. intervention in 1898. It was in this period that he devised an electoral system in Cuba still in use at the time; later, in 1909, he drafted a code of administrative law which served the Republic with few modifications until its machinery was overhauled by the Constitution of 1940. To meet Royal's incipient challenge, Crowder urged the establishment, in May, 1923, of an agency of the Federal Reserve Bank which would:

"meet with favour among businessmen and would add to the potential influence of the United States here where at present our banking system is on the wane. [The Reserve System is needed in Cuba] ... to help save American banking prestige." 12

However, the Federal Reserve Board recognized legal objections to such a direct extension into a foreign country and instead approved
a plan whereby the Federal Reserve Banks of Atlanta and Boston would open agencies in Havana. The most immediate result was that Royal greatly decreased the amount of loans it had been making, permitting the Bank to revert to its customary conservatism as a credit institution. Tempered by the memory of the 1920-21 crisis, Royal became the most reluctant of all the major banks in Cuba to extend credits, even during periods when Cuba showed a favourable short term balance of payments.

The area of production and marketing of sugar provided the widest scope for mutual co-operation. A joint Sugar Finance Commission composed of representatives from the House of Morgan, First National and the Royal Bank, was created soon after the crash, the first of several bankers' groups to be formed during the 1920-1933 period to protect their sugar interests. It was during these years that the banks played an active role in opposing legislation increasing U.S. tariffs on Cuban sugars. The instrument used for this purpose was the "sugar cane" lobby, headed by Herbert C. Lakin and Elwin P. Shattuck, two Americans with heavy investments tied up in the Sugar Trust. Robert F. Smith notes, for example, that Royal was one of eight banking and industrial firms to contribute $10,000 or more to lobbying efforts in Washington to persuade the House Ways and Means Committee during the 1921-22 session that the tariff proposals of beet sugar interests in the U.S. would bring ruin to Cuban sugar producers. In later years, S.R. Noble, in charge of all Royal banking in the Caribbean, played a key role in formulating plans for controlled sugar production through a "single sales agency" in
This kind of intimate involvement in sugar diminished considerably after the signing of the 1934 U.S. - Cuba Reciprocal Trade Treaty, which had the effect of stabilizing the Cuban sugar market through a system of quotas, and with the Bank's gradual disengagement from the sugar industry.*

That Royal had become, by the 1920's, an important part of the U.S. financial complex in Cuba was graphically illustrated in April, 1926, when a potentially serious run on its deposits developed. To avert another potential banking crisis as had occurred in 1920, First National City shifted nearly $1 million in cash reserves to Royal's coffers, obviating the necessity of summoning for help from Montreal. President Machado also rendered personal assistance by depositing more than $100,000 to ensure that the bank was able to meet the floodtide of withdrawal demands that suddenly weighed heavily upon it. As a long time Royal depositor with one of the largest accounts on the bank's books, Machado, according to Mr. Noble, had always "trusted" the Royal Bank.† Leland H. Jenks, in his classic work on Cuba published in 1928, alludes to this incident as exemplifying the new character of the Cuban government after Machado had succeeded President Zayas, asserting that power passed from the old landed aristocracy, largely of Spanish birth, to merchants, manufacturing groups and businessmen with the change in administrations.  

* * *  

* Infra, pp. 46 ff.  
† Interview with S.R. Noble, Montreal, October 9, 1970. Though close to 90 and senile, Mr. Noble was able to provide some interesting general information on the Bank's role in Cuba in general, and its relations with Machado in particular.
later, in 1930, Machado proposed, and the Cuban Congress passed, legislation which permitted the banks to post Government of Canada bonds as security, conjointly with issues of both the United States and Cuban Governments. 16 Indeed, relations between the Bank and Machado were so warm and personal that when revolutionary violence erupted in the spring of 1933, evincing un concealed anxieties amongst the bank officials, an aide to the British Minister could write to Ottawa that:

"If any member of the Canadian Government wished to visit Cuba, the Royal Bank people would be pleased to facilitate his introduction to the President under conditions that would be most favourable towards at least a frank and amicable discussion of the situation." 17

DEPRESSION DIFFICULTIES

The flight of Machado into exile in August, 1933, (to Montreal, among other places), 2 precipitated a political crisis in Cuba from which Royal, being as important as it was in the economic life of the country, was not immune. Without warning, the installation of the radical Grau San Martín-Guiteras regime after Fulgencio Batista's sergeant's revolt of September 4, 1933, forced the Bank to directly confront problems of a political nature which hitherto it had studiously managed to avoid. On the day following the revolt, five hundred men armed with shotguns and thick truncheons struck the Palmira Sugar Company, in which the bank had invested heavily. The strikers were joined by the tenants of the Central Portugalete sugar mill which

infra, pp. 44 ff.
had been foreclosed to Royal in the 1920's, and also located at Palmira. The workers presented the Bank-appointed managers with a list of wage demands, declaring that they would refuse to continue "to sell themselves to the bourgeoisie" unless the demands were met. For several days the strikers camped out on company property, firing shots into the deserted mill compound before dispersing.

This incident triggered a rash of attacks on various Bank branches which erupted sporadically for more than a year, and continued throughout the turbulent 1933-4 period of Cuban history. The most alarming occurred not long afterwards. In November, a party of Canadians and Britons attempted to survey land adjacent to the bank-mortgaged Central Almeida sugar mill with the purpose of developing it. The land lay in an area of southeastern Cuba known as "Realongo", long the unwritten preserve of a band of squatters led by a toothless illiterate known as "Pote". When the surveyors arrived, they found their entrance to the land blocked by the squatters who were brandishing a variety of weapons from stones to rifles. The local police were then called in, and succeeded in insuring the surveyors' access to the land; however, as a result several Santiago branches of the bank became the object of demonstrations immediately thereafter, leaving in their wake a score of broken windows and an estimated $30,000 in property damages.

To add to the Bank's difficulties, the radical spirit then prevalent inspired a wave of militancy amongst its Cuban employees. A group of Royal Bank clerks and tellers formed an association and drew up a list of demands of their own. These included an across-
the-board wage increase, the creation of a completely "unionized bank", the inclusion of all former bank members in the association and, what was most vexing of all to the bank officials, the immediate amalgamation of the association with the Cuban Federation of Labour. Each of these proposals the Bank considered objectionable, maintaining that union affiliation with the Federation would sound the death-knell to Canadian banking in Cuba "owing to the extremist policies of that organization."^20

However, Royal, like the Scotia and Commerce branches which also had to deal with similar demands, was powerless to act alone in defense of its property interests, and with Machado removed from the scene there could be no reliance on "personal" diplomacy which would guarantee a return to normalcy. The problem was aggravated in that there was no Canadian diplomatic representation in Cuba at the time.* Furthermore, neither the British, who formally represented Canadian interests, nor the United States, which informally represented them on the appropriate occasions, had accorded diplomatic recognition to the Grau San Martín-Güiteras regime. In fact, the vacuum loomed even larger as a result of a remark made by Secretary of State Cordell Hull, to the effect that the United States was prepared to protect the lives of U.S. citizens caught up in any internecine strife in Cuba, but which conspicuously made no reference to "property". Canadians in Cuba generally interpreted this to mean that the distinction made by the

* Infra, p.146.
New Deal between "speculative" and "established" investments in Cuba would now have practical application and would be consistent with Roosevelt's newly enunciated "Good Neighbour Policy" towards Latin America. Speculative investments, in Hull's words, were "not meritorious of protection."\(^2\) In view of Royal's not inconsiderable holdings of mortgaged property, it was legitimately feared from the Bank's point of view that its entire business in Cuba was standing on very shaky foundations.

To cope with the threatening situation, a two-pronged policy was adopted. The Bank urged, first, that the British recognize the radical government and press the United States to do likewise. In this way, it was reasoned, the problems with labour could be more effectively dealt with. Recognition would also enable the Bank to legally submit to Cuban authorities a deposition for claims on damages to its property. An elaborate document was drawn up which listed all of the outstanding claims of the "Royal Bank vs. the Government of Cuba", some of which dated to the Zayas period.\(^2\) It was clearly the intention of the Bank to use these claims as its price for support of recognition and it asked the British to make known through the appropriate channels. Secondly, Bank officials, together with other Canadian interests, communicated their uneasiness over the vulnerability and "uncertain status" of Canadian property in Cuba to the American Embassy.

As fate would have it, the secret diplomacy through the British was rendered nugatory by Batista's second bloodless coup just four months later which overthrew the Grau regime and installed what was
to be a nearly 25-year para-military dictatorship. On the other hand, the Bank's approach to the Americans produced an entente cordiale in recognition of Canadian "exceptionalism" in Cuba. Without giving it written expression, the United States accepted the proposition that all Canadian property was to be considered as "established" and, as the inevitable corollary to this designation, subject to the protection of the U.S. government under the safeguards inscribed in the Platt Amendment. In lending support to this idea, the British were willing to grant that, in contra-distinction to all other countries in the world where Canadian interests enjoyed, axiomatically, both the de jure and de facto protection - diplomatic, consular, naval, etc. - of the Crown, the case of Cuba was to be treated differently due to the special political circumstances that prevailed on the island. The entente embodied the Canadian banks' approach to reconciling their hybrid British-Canadian pedigree with the routine problems of business and security. Canada, historically the innovator among the Dominions, had established another precedent in diplomatic practice which, at least symbolically if not subtly, illustrated the decline of the Empire, though the precedent was not readily susceptible to public exposure.

The 'thirties were hard times for Cuban sugar and it was reflected in the Bank's mill operations. Several times officials proposed the particularly unprofitable mills be consolidated with the more productive ones, or phased out entirely. Reports prepared for the Head

* The Noble Report (note 24) showed the following nationality distribution of Royal employees: Cubans, 15%; Canadians, 15%; "Old Countrymen,"
Office throughout the decade give the clear impression the money sunk into sugar was not providing a satisfactory rate of return and several suggest that on the whole the Bank was operating at a loss insofar as sugar was concerned. The depression, the "unsettled" political climate in Cuba and the implementation of the rigid quota system by the United States were the factors commonly cited as largely responsible for this state of affairs. Serious problems also existed in the co-ordination of various cane activities, especially harvesting and transportation. 24

Adding to these woes, a wellspring of ill-will against the Canadian banks continued to be nurtured by organized labour. This feeling was transmitted directly to Ottawa in 1937 when a delegation representing the Cuban Confederation of Labour visited Canada in order to protest wage scales and management practices in the Canadian-owned sector of the sugar industry. The delegation met with Members of Parliament, to whom they presented a memorandum which outlined the plight of the Cuban sugar worker and called attention to the sizeable Canadian interest in sugar investments and trade. An excerpt of the memorandum was tabled in the Commons by J.S. Woodsworth, leader of the Co-Operative Commonwealth Federation (C.C.F.) party with these preliminary remarks:

"A few weeks ago a labour deputation from Cuba came to see me. Unfortunately I have not been able to check the statements made because our Bureau of Statistics can give very

---

[British, Scottish, Welsh, etc.] 70%. We are reminded here of Siegfried's description of Canada's centre of gravity as lying outside of Canada.
little detailed information with regard to foreign investments; but according to this delegation almost a hundred million dollars are invested by Canadian interests in Cuba."

Mr. Woodsworth inserted the following portion of the memorandum into Hansard:

"The Royal Bank of Canada controls more than eleven sugar mills through the Sugar Plantations Operating Company; the Bank of Nova Scotia controls three sugar mills and the Canadian Bank of Commerce controls the Central Covadonga sugar mill.

Canada is the fifth buyer of Cuban sugar; the United States, Great Britain, France and Belgium are first in importation in order as set above.

Although there is a law setting a minimum wage of 80 cents per eight hours, due to the help given by the army to the large sugar interests, they pay only 25 to 40 cents per day of eleven or twelve hours and labour cannot protest.

Workers are paid chiefly in vouchers and script money good only at the company general store, with prices 10 to 20 per cent above prevailing prices in nearby towns. The military dictatorship has continuously increased its stranglehold on the Cuban people with the help of powerful United States, British and Canadian financial interests who use him [sic] as a tool to force labour and others to work for practically nothing."

The constellation of these difficulties, plus the dim hopes for the revival of the sugar industry on account of the depression, prompted the Bank to adopt, as a long-range policy objective, the liquidation of its sugar holdings and a total withdrawal from the sugar business. After a moratorium on the repurchase of mills and sugar acreage foreclosed in the 20's was lifted by the government in 1935, the Bank actively sought buyers for all but a few of the most promising mills. Gradually over the next decade, all the Bank's sugar property was repatriated to Cuban citizens. The transference was spurred by another wartime upsurge in the price of sugar and the
post-war expansionary period in the Cuban economy. The following table, reconstructed from several sources, illustrates the general direction of the trend. The table includes all Canadian-owned mills, as no individual breakdown for mills owned by each of the three Canadian banks is available for all the years cited:

TABLE II

CONTRIBUTION OF CANADIAN-OWNED SUGAR MILLS TO CUBAN SUGAR PRODUCTION

<table>
<thead>
<tr>
<th>Year</th>
<th>Total # Mills</th>
<th>&quot;Canadian&quot; Mills</th>
<th>% Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>182</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>1935</td>
<td>176</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>1939</td>
<td>161</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>1945</td>
<td>159</td>
<td>1</td>
<td>negligible</td>
</tr>
</tbody>
</table>

In the typically understated language of the Royal archives, the Bank was "well satisfied" with the transactions because it was able to "either collect its old sugar mill loans or dispose of all its direct sugar mill interests at prices which permitted it to recoup in full the amount that had originally been laid out in the 1920's". No doubt, too, the Bank felt the sales would constitute an important step in relieving pressures from radical elements, such as the Labour Federation. Indeed, Bank officers closely associated with Cuban operations were keenly aware that foreign ownership in so sensitive a sector of the Cuban economy represented a political liability. Thus directives to field managers made repeated efforts to emasculate the role played by the Bank in...
the Sugar Plantations Operating Company (S.P.O.C.). Any kind of publicity, it was thought, was bound to have an adverse effect on normal banking operations.27

ACCUMULATED RESERVES

Notwithstanding Royal's relinquishment of its sugar properties, it maintained a position (along with Nova Scotia) at the pinnacle of the Cuban banking system throughout the pre-revolutionary period. Its pre-eminence in the field of loans and deposits traces to the 1920-1 crisis in sugar and can be surmised from the following statistics: in 1920 all foreign banks in Cuba accounted for 20% of all deposits and 28% of all bank loans; by 1923 the figures were 76% and 84% respectively.28 The importance of both Canadian banks in the Cuban financial picture is indicated in the following table prepared by Stacy May in 1948:29

TABLE III

TOTAL DEPOSITS OF COMMERCIAL BANKS IN CUBA

January 1939

<table>
<thead>
<tr>
<th>National Group Ownership</th>
<th>Deposits ($U.S.)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>American</td>
<td>46,971,845</td>
<td>34</td>
</tr>
<tr>
<td>Canadian-British</td>
<td>68,624,538</td>
<td>50</td>
</tr>
<tr>
<td>Cuban</td>
<td>23,256,707</td>
<td>16</td>
</tr>
</tbody>
</table>

January 1943

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Deposits ($U.S.)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>American</td>
<td>204,622,918</td>
<td>36</td>
</tr>
<tr>
<td>Canadian</td>
<td>156,378,199</td>
<td>28</td>
</tr>
<tr>
<td>Cuban</td>
<td>201,471,710</td>
<td>35</td>
</tr>
<tr>
<td>Chinese</td>
<td>1,605,354</td>
<td>1</td>
</tr>
</tbody>
</table>
The World Bank, in its massive study, Report on Cuba, published in 1950, disclosed that the Royal Bank led all other commercial banks in total deposits while the Bank of Nova Scotia placed fourth.\textsuperscript{30} The positions in this regard of the largest banks on the island relative to one another was made public in late 1948, when President Prío Socarrás pushed through legislation authorizing the creation of a central Cuban bank - the Banco Nacional de Cuba. Law 13, passed on December 23, provided for an initial capital authorization of $10 million for the bank through the distribution of 100,000 shares of stock at $100 per share. The shares were apportioned as follows: 50,001 shares of "preferred stock" to Banco Nacional; 25,001 shares "class A" stock to the government; and 24,999 "class B" shares to the commercial banks, to be distributed in accordance with the average deposits in the banks during the 1948 calendar year. The listings were: 1) Royal Bank of Canada, 4,859; 2) First National Bank of New York, 4,574; 3) First National of Boston, 2,550; 4) Banco Gelats, 2,550; 5) Banco Núñez, 1,749; 6) Chase National Bank, 1,584; 7) Bank of Nova Scotia, 1,518; and the remainder of stock going to more than a dozen other banks.\textsuperscript{31}

After the central bank became a reality, the government prohibited public disclosures of reserve accumulations. But there is nothing to suggest that the figures cited above changed to any appreciable extent. And due to the liberal policy of the National Bank in allowing the commercial banks to hold up to 40\% of their centralized reserves in public bonds in lieu of cash, the Canadian banks were known to have
considerably increased their portfolio investments in Cuba during the
decade prior to the revolution. In 1956, total investments of all
Canadian banks was estimated at $8.8 million. Thus both Royal and
Nova Scotia had a not inconsiderable share of capital at their
disposal. However, there is no evidence to suggest that it was
used to influence Cuba's internal or external political situation
in any way. It was, in this sense, "abstract".

LIFE INSURANCE AND CAPITAL FINANCING

Life insurance has traditionally been a popular institution in
Cuba. It apparently has a long history, though its origins are
unclear. In all likelihood Spanish latifundistas began to offer
similar types of guarantees during the early nineteenth century as
an inducement for migrant workers to remain on the plantations.
After the heavy capitalisation of the sugar industry in the early
20's by U.S. and other foreign owners, there was a significant
increase in the number of policies made out to workers in the
industry. As a means of security, life insurance in the pre-
revolutionary epoch had an especially strong appeal to employees
of the sugar companies, who were oftentimes provided with living
accommodations along with the policy. As a general rule the
quarters had to be vacated by the employee's family upon his
death, though invariably the policy provided the assurance that
the survivors would be resettled at up to one-third company expense.
To qualify for these benefits, however, workers had to be
"permanently employed", a requirement which limited the issuance
of policies to only an amorphous "labour aristocracy". Membership in a trade union was a necessary and usually sufficient condition to secure a policy.

Probably the last comprehensive survey of the life insurance business prior to the revolution was conducted by the U.S. Department of Commerce in 1956. The study showed that at the time there were more than 120 (!) companies collecting premiums for fire, workmen's compensation, other casualty and life insurance. In this latter field there were 30 companies, 20 Cuban, 4 U.S., 1 Brazilian and 5 Canadian (Sun Life, Manufacturer's Trust, Imperial Life, Crown Life and - the largest - Confederation Life, with more than half the total Canadian assets) by national ownership. The Canadian companies did not underwrite any other types of policies to any appreciable extent. As a group the Cuban companies accounted for nearly all the premiums collected in automobile insurance and bonding. Fire insurance was divided fairly equally between the Cuban, United States and British insurers. Canadian companies, despite their small number, had accumulated just about two-thirds of the total annual life insurance premiums, according to the survey, and the figure had risen to over 70% by the beginning of 1960.

The following two tables have been abstracted from the statistics compiled by the Commerce Department for all years from 1939-1955. They illustrate the distribution of the total insurance premiums collected in Cuba by the national group of companies and by types of insurance for three years, 1939, 1949 and 1955. From the tables we can get a picture of the position of the Canadian companies relative to that of all other
companies. In Table II - 4 it is suggested that from the time that Canadian companies began to be recognized as an autonomous nationality group in 1949, they collected somewhat less than one-fifth of all insurance premiums.

**TABLE IV**

<table>
<thead>
<tr>
<th>National Group</th>
<th>1939 Premiums</th>
<th>1939 Percent of total</th>
<th>1949 Premiums</th>
<th>1949 Percent of total</th>
<th>1955 Premiums</th>
<th>1955 Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cuban</td>
<td>3.9</td>
<td>37.5</td>
<td>19.7</td>
<td>44.8</td>
<td>123.0</td>
<td>48.3</td>
</tr>
<tr>
<td>U.S.</td>
<td>1.4</td>
<td>13.5</td>
<td>7.4</td>
<td>16.8</td>
<td>8.6</td>
<td>18.2</td>
</tr>
<tr>
<td>Canadian</td>
<td>(2)</td>
<td>(2)</td>
<td>8.3</td>
<td>19.0</td>
<td>8.1</td>
<td>16.7</td>
</tr>
<tr>
<td>British</td>
<td>5.1</td>
<td>49.0</td>
<td>8.3</td>
<td>19.0</td>
<td>7.7</td>
<td>15.8</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>.2</td>
<td>.4</td>
<td>.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>10.4</td>
<td>100.0</td>
<td>44.0</td>
<td>100.0</td>
<td>48.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

1  Data of four minor companies not included
2  Canadian sales included in British figures for 1939
3  Three Swiss, 2 Brazilian, 1 Spanish and 1 Australian

Table II - 5 breaks down all insurance premiums into eight basic types of which life insurance accounted for little more than 25% of the total by type. It will be seen that the Canadian share of the total insurance market represented approximately two-thirds of the total life insurance markets:
TABLE V

PREMIUM PAYMENTS IN CUBA BY TYPES OF INSURANCE

1939 and 1949-55

(In millions of pesos)

<table>
<thead>
<tr>
<th>TYPE</th>
<th>1939</th>
<th>1949</th>
<th>1955</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>3.6</td>
<td>13.9</td>
<td>12.3</td>
</tr>
<tr>
<td>Workmen's Compensation</td>
<td>3.1</td>
<td>11.5</td>
<td>12.6</td>
</tr>
<tr>
<td>Fire</td>
<td>1.8</td>
<td>9.0</td>
<td>10.7</td>
</tr>
<tr>
<td>General Accident</td>
<td>1.3</td>
<td>3.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Automobile (1)</td>
<td></td>
<td>3.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Marine (1)</td>
<td>.4</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Bonding</td>
<td></td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.4</td>
<td>44.0</td>
<td>48.0</td>
</tr>
</tbody>
</table>

(1) Not separately classified

By the end of the same year (1955), accumulated reserves of life insurance companies in Cuba were some 70 million pesos. Of this total, Cuban companies held 10%, U.S. companies 18%, and Canadian companies 72%. Close to 40 million pesos from this reserve accumulation alone were invested in mortgages, corporate securities, real estate, loans to policy holders, and Government bonds.

The latest published data on the overall distribution of investments in the portfolios of the insurance companies appeared in the World Bank's Report:
TABLE VI

SUMMARY ON DATA ON INVESTMENTS BY INSURANCE COMPANIES OPERATING IN CUBA ON DECEMBER 31, 1949.

(Million Dollars/Pesos)

<table>
<thead>
<tr>
<th></th>
<th>Cuban Companies</th>
<th>Canadian &amp; British Companies</th>
<th>U.S. Companies</th>
<th>All Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1.3</td>
<td>4.3</td>
<td>1.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3.3</td>
<td>-</td>
<td>-</td>
<td>3.3</td>
</tr>
<tr>
<td>Mortgages</td>
<td>4.1</td>
<td>12.3</td>
<td>4.2</td>
<td>20.6</td>
</tr>
<tr>
<td>Cuban Securities</td>
<td>12.4</td>
<td>4.7</td>
<td>2.8</td>
<td>20.1</td>
</tr>
<tr>
<td>Foreign Securities</td>
<td>-</td>
<td>5.6</td>
<td>.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Centralized with Head Office abroad</td>
<td>-</td>
<td>14.7</td>
<td>-</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21.1</strong></td>
<td><strong>41.6</strong></td>
<td><strong>8.8</strong></td>
<td><strong>71.7</strong></td>
</tr>
</tbody>
</table>

Inasmuch as the insurance companies were for many years important holders of Cuban government bonds, such investments representing 13.4 percent of the funded debt in 1950, later figures were not made available because of the general policy of the National Bank of Cuba not to release any information regarding the distribution of ownership of the public debt.

A breakdown of the security and bond holdings of the life insurance companies - again by nationality - to the end of 1946 is given in the next table:
### TABLE VII

PORTFOLIOS OF INSURANCE COMPANIES OPERATING IN CUBA BY TYPES OF SECURITY ON DECEMBER 31, 1946

(Thousand Dollars/Pesos)

<table>
<thead>
<tr>
<th>Cuban Owned Companies</th>
<th>Canadian &amp; British Companies</th>
<th>U.S. Companies</th>
<th>Rate of Interest</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio Centro</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Habana Electric</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neuva Fabrica</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>de Hielo</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuban Telephone</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuban Atlantic Sugar Co.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>341</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bonds:**

| Cuban Government external debt issues | 7,125 | 3,274 | 2,219 | 4.5% | 1977 |
| Cuban Government internal debt issues | 544   | 76    | 57    |      |      |
| Habana Electric Railway             | 50    |       |       |      |      |
| Stadium Operating Company           | 60    |       |       |      |      |
| Habana Gas and Electric             | 37    |       |       |      |      |
| Habana Docks Co.                    | 1,285 |       |       | 4.5% | 1971 |
| Cuban Aqueducts Company             | 1,500 |       |       | 4.5% | 1965 |
| Ariguanaba Textile Co. (Hedges*)    | 500   |       |       |      |      |
| Cuban Telephone Company             | 4,000 |       |       | 4.5% | 1965 |
| Cuban Railroad                     | 353   |       |       | 5%   | 1952 |
| U.S. Govt. Securities              | 77    |       |       |      |      |
| British and Canadian Government Securities | 50 |       |       |      |      |

*Probably secured a loan. In 1946 a Canadian insurance company advanced $1.5 million on a secured loan to Cia. Rayonera Cubana, owned by the Hedges Corporation.*
Unfortunately, no distinction in nationality between Canadian and British companies was made. This is readily understandable, since Canadian life insurance companies - like the three Canadian banks - had all registered in Cuba as British enterprises; it was not until the post-war period that the Cuban government began to make distinctions between them.

As with the banks, nationality designation came to the fore in the 1930's, though in a different context. On February 27, 1937, the United Kingdom and Cuba signed an important treaty covering almost every aspect of bilateral relations (trade, investments, diplomacy), greatly strengthening ties between the two countries. Article IV of that document pledged the Cuban government "not to subject British insurance enterprises to legislation imposing conditions more onerous than those applicable to Cuban insurance companies in the conduct of their business."

Legislation passed by the Mendieta regime had greatly increased the
government's power to regulate the entire insurance sector which set stringent limits on the repatriation of dividends, the number of personnel of foreign nationality that could be employed by a given company and the percent of payroll funds distributed to Cubans. That the identical guarantees were presumed to apply to the Canadian insurance companies was made evident in correspondence from the British High Commissioner Floud to O.D. Skelton, Under Secretary of State for External Affairs, several weeks later. The Floud letter assured that Cuban authorities "would not discriminate against the Canadian companies", maintaining further that no specific reference had been made to Canada in the protocol agreement with Cuba "because it is assumed by all concerned that we co-operate very closely in matters of mutual interest." 38

Several macro-structural analyses of the pre-revolutionary economy of Cuba confirm what the tables above suggest, namely that the insurance companies operating on the island were the principal suppliers of long-term money capital to key secondary and tertiary industries, the banks having limited themselves to short-term financing. 39 In this connection, a characteristic feature of the public utilities sector, embracing the entire network of transportation and communication facilities, was its monopoly control by a few large companies with unusually high percentages of U.S. investment. In general, it was in these companies, which were regarded as among the safest investment risks, as well as in land mortgages, that the Canadian insurance firms tended to invest, rather than in Cuban-owned enterprises.
The apparently large volume of investment in Cuba attributed to the Canadian insurance companies resulted in part as a consequence of legislation enacted during the first Batista government (1940-44). As a means of checking the flight of capital and encouraging internal investment, a law passed in 1941 made it mandatory for all insurance companies to invest in Cuban securities certain fixed percentages of premiums collected based on profit earnings, percent of profits repatriated and a set of other complex factors which need not concern us here. As a supplementary measure, taxes on monies sent abroad by these companies were increased 200%, and an additional 0.15% monthly levy assessed on capital going into "competitive foreign investments."40

When the revolution came to power in 1959, the combined assets of the five Canadian insurance companies operating in Cuba were estimated at over $400 million, against "undetermined" liabilities.41 What happened to them afterwards is a subject to be considered in Chapter XI.

OTHER CANADIAN INVESTMENTS

We have no way of tracing the flow of Canadian investments in Cuba in any systematic fashion. Since these investments were almost, without exception, of the portfolio type, viz. in stocks and bonds and non-controlling in character, the government did not compile records of capital flows of this kind. Traditionally, the Dominion Bureau of Statistics has regarded Canadian investment abroad as "direct" when either 51% of the common stock of a corporation is owned by Canadians or if the corporation is Canadian-controlled, or both. The two most
commonly applied criteria for control are based on an analysis of who elects company directors and who makes "general" decisions. Both determinations obviously will require some degree of subjective valuation in many instances. In the case of branch factories, the Bureau has considered a foreign corporation to be bona fide Canadian if it falls into all of the following classifications: a) is incorporated in Canada; b) contains a fixed percentage of resident Canadian capital investment (which varies from industry to industry); c) if a) does not apply, but if a subsidiary incorporated abroad of a Canadian parent, then 51% of the parent's stock must be owned by Canadians.\(^1\) With much of the economy of pre-revolutionary Cuba controlled by American trusts, cartels or holding companies, capital generated in Canada and exported to Cuba in effect was difficult to identify as Canadian.

In broad relief, the variety of Canadian investments in Cuba exhibited a specificity which reflected certain "cycles" in the island's economic mis-development. From the Spanish American war to the outbreak of W.W.I, large sums of "promotional" capital generated from Canadian sources inundated the island, seeking quick profits from developmental projects in the public utilities sector. A second wave of Canadian capital was invested in the sugar industry from 1920-9 after the disastrous depression at the beginning of the decade. Still another trend is discernible from the post-war years to 1959, during which time at least a half-dozen Canadian firms established branch plants or subsidiaries of one kind or another in Cuba. During
the 'fifties, portfolio investment tended to flow into the mining and petroleum sectors which was illustrative of the general shift in the pattern of foreign investment in Cuba in that decade.

In the early 1900's the Van Horne syndicate began construction of Cuba's longest railroad, which eventually was to link Havana with Oriente province. The Cuba Railroad Company, which was incorporated in New Jersey, was created for this purpose. In contravention of Cuban law, Van Horne secured a franchise for the project, using his political influence with the McKinley administration to do so. But how much Canadian capital was invested in the Cuba Railroad is difficult to ascertain. Van Horne put up $1 million for his original land purchase which included some 220,000 acres of hitherto undeveloped terrain near Antilla on Nipe Bay. Most of this capital was borrowed in London. At least two of the subscribers to the Company, R.B. Angus and C.R. Hosmer, were close associates of Van Horne's in the C.P.R. Others included some of the most notorious U.S. "robber barons" of their day, including Thomas F. Ryan and J.J. Hill. The fact that the Company was listed from 1901 to 1919 and intermittently thereafter, in the Annual Financial Review of Canada at least suggests that capital generated in Canada did have a stake in the venture for many years. (Van Horne, it should be noted, really had no nationality; a dual citizen of both the U.S. and Canada, he was also knighted by the King of England.)

Whatever the nationality of the initial subscribers to the Railroad, the enterprise was a financial bonanza just 15 years later. The 160 shares of stock, sold by Van Horne in 1900 at $50,000 each, were
valued at more than ten times that figure during the war years when prosperity returned to Cuba. In the 1920's the Cuba Company was taken over by a holding company, the Federation of Consolidated Railroads of Cuba, controlled by another holding company in the U.S. until 1960. For fifty years the directors of the Cuba Company included prominent figures in U.S. political and financial affairs. Park estimates that in 1958, Canadian investments in the company approximated $3 million.*

Van Horne and his long time friend, William Mackenzie of Toronto, for many years also had substantial investments in both the Havana and Camaguey Electric Companies, as did Max Aitken (Lord Beaverbrook) and W.P. Bull, two of the wealthiest Canadians of that epoch. Between 1899 and 1906, a Montreal syndicate headed by Bull and Edwin Hanson (a millionaire banker) held controlling stock in Havana Electric. The Canadian group was ousted from control in 1907 by Frank Steinhardt Jr., the U.S. Consul in Cuba for many years. (Steinhardt accumulated a vast fortune from his business dealings on the island, estimated variably between $5 and $10 million and was the most trusted confidant on Cuban affairs to Presidents Theodore Roosevelt and William Howard Taft.) Thereafter, the principal Canadian interest in Havana Electric was held by the Bank of Nova Scotia in the form of debentures and securities.44

Apart from the bank-mortgaged mills, Canadian capital was concentrated in two large sugar companies - the Cuban Canadian Sugar Company and the Bartle Antilla Company - for most of the inter-war period.

* Letter from Frank W. Park, Centre of Developing Area Studies, McGill University, to the author, June 18, 1970.
Canadian-Cuban was incorporated in Cuba in December, 1919, after it acquired the securities of the Río Canto Sugar Company, which until then was owned by a Cuban trust. The company's property encompassed 66,000 acres of plantation land, with an annual production capacity of 20,000 bags of sugar. Other assets included 2,720 head of cattle and 40 miles of standard gauge railroad track which connected to the Bayamo line of the Cuba Railroad at the time of purchase. Cuban-Canadian was controlled by a Montreal investment house until 1939 when a majority of its stocks was sold to Cuban interests. Moody's Industrials indicates that its assets were the same in 1939 as in 1919 and that its earnings record averaged some $53,000 per year over this twenty year period. For four of these years the company's balance sheet showed a loss, while throughout most of the two decades few dividends were paid to shareholders. 45

On the other hand the Bartle Antilla Company had no shareholders and paid no dividends as such. Rather, it was the legal euphemism for the estate owned by W. Perkins Bull, Esquire, of Toronto, one of the great landlords of pre-revolutionary Cuba. Bull's holdings, acquired for the most part in the 1920's, included more than 75,000 acres of cane-growing land. According to Harold Hesler, Bull employed hundreds of Cuban labourers during the sugar harvest.

After Batista's bloodless coup in 1952, Canadian investment was increasingly directed towards nickel production and the exploration

* Cf. note 19.
of petroleum. Much of this investment flowed into the Moa Bay mining company, which subcontracted to several Montreal-based engineering firms and employed dozens of Canadians. But, other than this, neither the volume nor distribution of investment is known.

THE ROLE OF CANADIAN FINANCE CAPITAL

We do not have statistics for the rates of profit (ratio between net profits and book value, i.e. capital plus reserves) for the Canadian banks and life insurance companies operating in Cuba, nor for the average rate of return for Canadian investments in other Cuban companies. Concerning the latter, J. Fred Rippy calculates that British investments in Cuba realized a rate of return of about 8% between 1935 and 1955. According to H.R. Richards of the Foreign Investments Section of the Dominion Bureau of Statistics, the rates of profits of the banks were probably twice as high; especially after 1945.* Beyond this, an assessment of the role of Canadian capital and enterprise in pre-revolutionary Cuba is difficult. In addition to profitability as a criterion for analysis, the export of capital also embodies social, political and sometimes cultural relationships; but in this case the elucidation of that relationship is beclouded by the internationalization and subordination of Canadian capital to American and, to a lesser extent, British capital.

In terms of the size of total Canadian investments in Cuba, they certainly were not large, amounting to less than 10% of the total of all foreign investment in the country; moreover, they were of the portfolio

* Interview with the author, October 1, 1970.
type. To say the same thing in a perhaps more illuminating way, these investments were of a promotional but not predatory nature. In no way did they conform to the classical imperialist pattern of an investing country acquiring a market for its manufactured goods while at the same time obtaining control over the extraction, or processing, or marketing, or any combination thereof, of a raw material of the host country. They constituted no permanent liability to Cuba because of treaty or political entanglements or other prior obligations and theoretically could be liquidated overnight by repayment of assets in full conformity with Cuban law. Furthermore, the large holdings of Cuban bonds and debentures by the Canadian insurance companies and the acquisitions of sugar centrals by the banks, were the result of political and economic circumstances over which these corporations had no control and, to a certain extent, their penetration of the Cuban economy came about against their will.

In terms of nationality, Canadian capital invested in American, Cuban, or mixed Cuban-American firms operating on the island was to a large extent invisible. For sixty years it was without a common set of political or economic objectives which could be distinguished from that of the Americans. Shielded by U.S. domination of the Cuban economy, Canadian capital investment interests were complementary to, rather than competitive with, American investments. As portfolio investments they were not in themselves controlling, but were actually an element in the control exercised by the U.S. financial groups which owned the portfolio investment. Thus the shares held by the Canadian banks and insurance companies in Cuban-incorporated companies shown
in the tables above formed part of the apparatus of control by which U.S. groups maintained their hold over the Cuban corporate structure. In effect, both the banks and insurance companies administered large accumulations of Cuban-generated savings in the interests of the U.S. policy. In fact, whenever American-dominated companies needed capital to expand, both the banks provided it on terms favourable to the companies. For all this, the U.S. agreed to "insure" the investments of Canadian finance capital, having in mind also the total profit position of Canadian interests. Such guarantees were of especial importance to the banks and insurance companies because their large stake in Cuba was never formally underwritten by the Canadian government.

All of the foregoing suggests that Canadian capital, in the hands of a small section of a rentier class, shared in the exploitation of Cuba for many decades. However, as we shall see in Chapter XI, the Cuban revolutionaries were prepared to overlook this fact when nationalization of foreign holdings became the order of the day. By contrast to the tribute exacted by American trusts and banks, Canadian capital played a minor role in this process.*

* Interestingly, Cuban investment began to flow into Canada in the early 1950's, concomitant with the growth of a new middle class on the island.
NOTES - CHAPTER II

1. Other more subtle changes were wrought attendant to the assumption of U.S. hegemony over Cuba. For example, the regulation which provided that all subjects of the British crown required the permission of the Spanish authorities to leave the island was removed from the statute books. Mention of this requirement is made in Canada, House of Commons, Debates, 1888, May 19, 1888, pp. 1615-6. Cited hereinafter as Debates...

2. Duncan L.G. Fraser, Canada's Role in the West Indies (Toronto: Canadian Institute of International Affairs), 1964, pp. 11 ff.


4. Commerce's initial capital authorization in Cuba was represented by only one branch office throughout its stay in Cuba. It terminated activities in 1945 (see appendix C).

5. It was not until after W.W.I that the combined total of direct and portfolio U.S. investments in Cuba exceeded those of Great Britain. Le Comercio (Habana), May 23, 1923.

6. This was the first of three celebrated loans from the Speyer company brokerage house. Before it was finally paid off, interest and amortization servicing trebled the figure to upwards of $180 million. Robert F. Smith, The United States and Cuba: Business and Diplomacy 1917-1960, (New York: Bookman Associates), 1960, p. 93.


8. Ibid., p. 537.


10. An interesting reference to the Royal Bank appears in Chapman's classic. The author quotes from a conversation with a "prominent Spaniard" as follows:

"The unpopularity of the National City Bank amounts to nothing. It is because debtors hate their creditors when they find it difficult to pay and the National City insists upon payment on the due date, and not several days later. The Royal Bank of Canada does the same thing but does not have such a large loan business."
Both (banks) met all their obligations in the crash of 1920, but have probably made things up since they no longer face competition (from) Cuban and continental European institutions which closed their doors at that time. People know their money is safe with the above-named banks." (p. 627).

12. Ibid., p. 96.
16. Diario de la Marina, June 25, 1930. This newspaper, probably the most conservative daily to appear in pre-revolutionary Cuba, commented editorially that this step represented "an eloquent demonstration of the esteem that we have for Canada."
18. P/A, File RG7 G21 Vol. 653, document #37404, headed "British Legation, September 5, 1933."
19. Ibid., document #137, November 21, 1933. In October, 1970 the writer interviewed Mr. Harold G. Hesler, a former Royal official (who was in Cuba at the time) in his Westmount residence. When the matter was brought up for discussion, Mr. Hesler attempted to dismiss it as "historical trivia", asserting that "we often witness demonstrations against the Royal Bank of Canada - so what?"
20. Memorandum of the managers of the three Canadian banks in Cuba to H. Grant Watson, the British Minister, in Ibid.
22. Ibid., November 16, 1933. The claims are herein compressed into three categories, outlined as follows:
   A Judgement Claims
   1. Refund on 1926 profits tax
   2. "Sentence No. 273, profits tax erroneously assessed at $275,340"

23. Memorandum of the managers of the three Canadian banks in Cuba to H. Grant Watson, the British Minister, in Ibid.
25. Ibid., November 16, 1933. The claims are herein compressed into three categories, outlined as follows:
   A Judgement Claims
   1. Refund on 1926 profits tax
   2. "Sentence No. 273, profits tax erroneously assessed at $275,340"
B Departmental Claims

1. "Secretary Treasurer Case No. 795-144"

C Litigation Claims

1. Profits tax
2. Tax on rediscounts
3. Insurance

On being asked to clarify any of these claims (if possible), Mr. Hesler declared that "that was a private business matter of the Bank's," and that the document "has no right being in the National Archives." Subsequently, all efforts to discover how the claims were resolved have been without success.

23. Protective guarantees were written into article III of the Amendment, the relevant clause of which says "That the government of Cuba consents that the United States may exercise the right to intervene for the preservation... and maintenance of a government adequate for the protection of life, property and individual liberty..." Smith op. cit., p. 183.

24. From a report prepared by Mr. Noble for the Foreign Credits Department of the Royal Bank, dated March 31, 1934 and in possession of the author.


26. Stacy May, Economic Development in Cuba (New York: I.B.E.C. Services), 1948, o. 30; Lowry Nelson, Rural Cuba (Minneapolis: University of Minnesota Press), 1950, p. 94; and Jenks, op. cit., p. 303, where the difficulties in ascertaining the nationality of mill ownership is briefly touched on. The names, and in some cases the locations, of the centrales under Bank control in 1934 were as follows: Portugalete, Central Fe, Adela, Central Jatibonico, Central Jobabo, Cia Cubana, Rio Cauto, Algodones, Antilla and Almeida.

27. According to Royal archivist C.H. Ince, the Bank does not possess any records relating to its activity with the Company (Appendix C). This is curious, since First National has made public a great deal about General Sugars, the analogous holding company to the S.P.O.C.


29. May, op. cit., Appendix Table 31, p. 96.


31. Theodore Brimalow, Economic and Commercial Conditions in Cuba


33. Ibid., p. 130.

34. Ibid.

35. Truslow et al., op. cit., p. 624

36. Ibid., p. 637.

37. Ibid., pp. 624-25.

38. P/A, File 127244, Cuba: Tariff, Vol. VI. The Treaty provoked a storm of opposition from the Association of Cuban Insurance Companies, which drafted a formal protest and submitted it to the Cuban Congress. Cf. El Mundo, February 27, 1937 and El País, March 5, 1937. The passage of such regulatory legislation was indicative of the new era of "managed capitalism" which Cuba embarked upon in 1934 with the signing of the Reciprocal Trade Agreement and the implementation of the Jones-Costigan Act (establishing rigid sugar quotas) in the U.S. Cf. Smith, op. cit., ch. 10.


40. Ibid., pp. 624, 637.


Whereas for nearly a half-century Canadian capital and enterprise exported to Cuba had been perceived by both U.S. and Cuban authorities as possessing but quasi-national status, in matters of trade Canadian sovereign autonomy was explicitly recognized. By the turn of the century the Dominion government had already asserted the right to formulate its own commercial policies not only at home but also with foreign states, subject only to the formal ratification by the Imperial government. As early as 1910, a Trade Commissioner was posted to the island, one of the first such envoys sent abroad to promote Canadian exports outside the Empire.* For most of the succeeding 50 years, trade constituted the very texture of inter-governmental relations. Given the unusually high foreign trade ratios in relation to the national product and incomes of both Canada and Cuba, their extreme economic dependence on export trade, coupled with their reasonable geographic proximity (at least for trade purposes), a trade complementarity has always existed. The constant, undeviating interest of the Maritime provinces in securing a share of the Cuban markets for codfish, potatoes and lumber has always been the motor force behind Canadian attempts to expand both the volume and composition of its trade with the island.

With the growth and development of a sugar refining industry in Canada, Cuba was looked upon in a new light. As a cheap, efficient

* The Commissioner was withdrawn to Jamaica after W.W.I and the post
and relatively close producer of raw sugar, with a natural comparative advantage, Canadian refiners and manufacturers of sugar products could not ignore the island as a potential source of supply for the basic raw material of their industries. Indeed, despite formidable trade barriers, some companies developed, in the course of fifty years, a habitual reliance on Cuban sugar to complement imports from Commonwealth producers, which sometimes were less reliable and oftentimes more expensive.

In surveying the entire course of commercial relations between Cuba and Canada from the War of 1898 to 1959, it becomes apparent that those relations were decisively structured in the years 1898 to 1902. The two factors most responsible for moulding the patterns of commerce throughout the six decades of pre-revolutionary Republican Cuba were the signing of the U.S.-Cuba Reciprocity Treaty of 1902 and Parliament’s approval of the Fielding Finance Bill of 1898, which accorded a unilateral preference for British West Indian sugar in the Canadian market. For the following fifty years, subsequent modifications and alterations tended to reinforce the impediments to commercial intercourse that arose as a consequence of the major tariff provisions contained within these documents. Let us consider them in turn.

The Cuban Reciprocity Treaty was formally proclaimed on December 17, 1903, after the Senate ratified the identical bill passed by the House one month earlier. Just as the Platt Amendment, promulgated one year earlier, had been designed to insure U.S. control over the political was left vacant for nearly a decade thereafter. Cf. chapter V.
destiny of Cuba, the Treaty was the key instrument which bound the
economy of the island to that of the United States.¹ The principal
purpose of the Treaty - which was similar to the one in force during
the last years of the Spanish colonial regime - was to provide mutual
tariff reductions for a wide range of articles, in addition to
embracing U.S. guarantees to ensure Cuban sugar a fixed percentage of
the U.S. market, first set at 22%, but changed periodically thereafter.
For most commodity exports, U.S. exporters obtained a minimum
reduction of 20% on all Cuban tariff quotations, but exceptions were
made on specified commodities for which preferences fell into categories
of 25, 30 and 40 percent. Reciprocally, the U.S. granted a 20%
reduction to virtually all the principal commodities imported from
Cuba, including sugar but excepting tobacco and tobacco manufactures.
The effect of the Treaty was clearly to make Cuba an extension of the
U.S. domestic market, vivid evidence of the "economic fortress" that
the U.S. had erected around Cuba as part of the spoils for its victory
over Spain.²

In consideration of the long list of items, the following dutiable
commodities and preference category were most important to Canada:
lumber, 20%; salted, pickled and preserved (i.e. dried) fish and
whiskey, 25%; butter, wheat and wheat flour, 30%; dairy cattle and
cheese, 40%; and a wide variety of manufactured articles, with duties
ranging from 20 to 40%. Duties on these and all other imports were
first fixed in accordance with a "single schedule" tariff column, which
meant that they were to be applied to all imports, except those emanating
from the U.S. without distinction as to country of origin. In return, Cuba was permitted to import certain commodities deemed of "prime necessity" after Executive authorization, either duty-free or at rates below those prescribed in the tariff schedule. In nearly all cases, exceptions were made on commodities where there was little or no U.S. competitive interest. Such an exception was made for fried codfish in 1908 and constituted a boon to Maritime exporters of that product thereafter. This partial flexibility notwithstanding, the net effect of the Treaty was to substantially minimize Canada's ability to compete, ceteris paribus, for a significant share of the Cuban market for a host of potential Canadian exports. This situation prevailed until the early 1950's when Cuba signed a number of bilateral trade treaties which superseded some of the key clauses of the Treaty.* Up to that time prices on most exports of interest to Canada were 1½ to 2 times the favoured U.S. price, well beyond the reach of Dominion exporters.3

On the other side of the ledger, the Fielding Bill of 1898 - precursor to the successively more wide-sweeping trade treaties of 1912, 1920 and 1925 between Canada and the British West India islands - effectively imposed severe limitations on Cuba's ability to sell sugar to Canada over the same fifty year period. When introduced, the Bill set the duty for sugar of 96 degrees of polarity (the average+) at 49¢/100 lb. for West Indies or United Kingdom sugar while all other raw sugar was to be admitted at a duty of 67.9¢/100 lb., a 25% increase in

* Cf. following chapter.
+ Cuban sugar has traditionally been overwhelmingly of 96 degrees of polarization.
preferential rate whereas previously there had been none. Over the next three decades, this differential was widened, partly to offset the nearly calamitous consequences to West Indian sugar wrought by 1902 Reciprocity Treaty which denied it future access to the U.S. market by virtue of the Cuban quota system. 4

Leaving aside for the moment the political obstacles which were placed in the way of Canadian-Cuban trade from the 1902 U.S. - Cuba Treaty, it is obvious that natural geographic and economic disadvantages imposed other serious limitations to increased commercial exchanges. Even without the existence of the Treaty, the greater ease and lower cost of transport for the overwhelming share of U.S. exports to Cuba made it virtually impossible for Canadian competitors to undersell the homologous U.S. product. This in turn provided a negative incentive to Canadian shippers to improve steamship connections with the island, which remained sporadic and irregular until the early 1950's. Thus it was not until 1940, when Norwegian ships leased by the Anglo-Canadian Shipping Company of Vancouver established a link with the island, that any British Columbia products were exported to Cuba.

Up to that time, for example, all of Cuba's imports of pine and douglas fir lumber came from the southern United States at prices 50% to 150% higher than B.C. sales to the United States. 5

The vicious circle generated by the lack of adequate transportation facilities from Canada to Cuba is a recurring theme in the history of trade relations between the two countries. At least up to 1950, the record is replete with the attempts of both organized economic interest
groups involved in the Cuban trade as well as Cuban authorities, to pressure the Canadian government for financial aid. Most of these efforts centred around suggestions that the Canadian National Steamship fleet of "Ladyboats", which has been making runs between the Maritimes and British West Indies with the support of government subsidies since the 1880's, also call at Cuban ports. For fifty years the idea never materialized, partly because business was on firmer grounds in the British West Indies than in Cuba.

Nevertheless, where trade opportunities were present, some type of shipping service came into being. As long as the costs of production for Maritime fish, lumber and potatoes were lower than those prevailing in the U.S., and/or U.S. surpluses of these staples did not obstruct the securing of a sufficient share of the Cuban market, schooners were outfitted from Nova Scotia and New Brunswick to make the Cuban run; that was of course how the Canadian-Cuban relationship began. In the intervening years, government subsidies, metered out on a few occasions, were of some help, but did not figure significantly in the total trade picture until after the late 1940's. It should also be noted in this regard that it was the policy of Canadian refiners to buy rail-transported Cuban sugar in New York, rather than pay higher rates for having it shipped directly from Cuba in Canadian vessels, that held up the establishment of efficient transportation facilities. This is but one of the many manifestations of the clash of economic interests between the Canadian sugar industry (including the beet-growing sector) and the Atlantic provinces, which runs like an unbroken thread throughout the whole history of commercial relations between Canada and pre-
revolutionary Cuba.

MACHADO'S "POTATO POLITICS"

The table below shows the aggregate trade statistics between Canada and Cuba from the foundation of the Republic to the end of 1933, approximately the nadir in commercial relations in this century:

**TABLE VIII**

TOTAL VALUE OF CANADA'S EXPORTS TO AND IMPORTS FROM CUBA 1902 - 1933

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
<th>YEAR</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
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<tr>
<td>1902</td>
<td>265</td>
<td>396</td>
<td>1918</td>
<td>4,791</td>
<td>2,339</td>
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<tr>
<td>1903</td>
<td>256</td>
<td>558</td>
<td>1919</td>
<td>7,670</td>
<td>3,841</td>
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<tr>
<td>1904</td>
<td>772</td>
<td>433</td>
<td>1920</td>
<td>5,720</td>
<td>17,474*</td>
</tr>
<tr>
<td>1905</td>
<td>1,227</td>
<td>485</td>
<td>1921</td>
<td>5,030</td>
<td>2,319</td>
</tr>
<tr>
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<td>1,330</td>
<td>788</td>
<td>1922</td>
<td>3,758</td>
<td>4,907</td>
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<tr>
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<td>1,364</td>
<td>807</td>
<td>1923</td>
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<tr>
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<td>1,457</td>
<td>556</td>
<td>1924</td>
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<td>3,338</td>
</tr>
<tr>
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<td>1,385</td>
<td>839</td>
<td>1925</td>
<td>8,619</td>
<td>6,455</td>
</tr>
<tr>
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<td>1,259</td>
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<td>7,070</td>
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<td>1927</td>
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<td>1928</td>
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<td>5,043</td>
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<tr>
<td>1913</td>
<td>1,754</td>
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<td>1929</td>
<td>4,284</td>
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<td>1930</td>
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<tr>
<td>1915</td>
<td>1,123</td>
<td>1,453</td>
<td>1931</td>
<td>1,637</td>
<td>1,041</td>
</tr>
<tr>
<td>1916</td>
<td>3,766</td>
<td>861</td>
<td>1932</td>
<td>1,048</td>
<td>741</td>
</tr>
<tr>
<td>1917</td>
<td>4,651</td>
<td>1,361</td>
<td>1933</td>
<td>989</td>
<td>872</td>
</tr>
</tbody>
</table>

The following table and figure illustrate the importance of potatoes in the composition of Canadian exports to Cuba from the mid-20's to 1933 and their relationship to Cuban imports of U.S. potatoes:

* The unusually high value of Canadian imports in 1920 is directly attributable to the post-war boom in sugar and the concomitant lifting of wartime controls after the signing of the Armistice.
TABLE IX

CHIEF CANADIAN COMMODITY EXPORTS TO CUBA, POST W.W.I TO THE DEPRESSION

($) U.S.

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>POTATOES</th>
<th>WHEAT FLOUR</th>
<th>CODFISH</th>
<th>WHISKEY</th>
<th>MILK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925-6</td>
<td>3,915,513</td>
<td>1,118,198</td>
<td>884,309</td>
<td>855,786</td>
<td>375,185</td>
</tr>
<tr>
<td>1926-7</td>
<td>2,855,253</td>
<td>773,428</td>
<td>785,667</td>
<td>286,062</td>
<td>306,274</td>
</tr>
<tr>
<td>1927-8</td>
<td>2,390,756</td>
<td>126,085</td>
<td>800,559</td>
<td>137,750</td>
<td>546,523</td>
</tr>
<tr>
<td>1928-9</td>
<td>1,506,516</td>
<td>195,535</td>
<td>795,731</td>
<td>103,710</td>
<td>491,645</td>
</tr>
<tr>
<td>1929-0</td>
<td>2,081,625</td>
<td>45,420</td>
<td>684,520</td>
<td>23,653</td>
<td>340,645</td>
</tr>
<tr>
<td>1930-1</td>
<td>1,230,478</td>
<td>46,919</td>
<td>488,084</td>
<td>10,142</td>
<td>187,463</td>
</tr>
<tr>
<td>1931-2</td>
<td>722,144</td>
<td>156,008</td>
<td>193,071</td>
<td>4,324</td>
<td>45,526</td>
</tr>
<tr>
<td>1932-3</td>
<td>329,777</td>
<td>71,695</td>
<td>86,100</td>
<td>7,263</td>
<td>9,747</td>
</tr>
<tr>
<td>1933-4</td>
<td>310,981</td>
<td>233,114</td>
<td>95,947</td>
<td>1,741</td>
<td>nil</td>
</tr>
</tbody>
</table>

FIGURE I

CUBAN IMPORTS OF CANADIAN AND U.S. POTATOES, 1920 - 19359

- - - CANADA
- - - U.S.
Behind these tables, and of course not revealed by them, lies a combination of monopoly intrigue and political payoff which heavily influenced Canadian-Cuban trade relations until the exodus of Machado.10

The steady growth in Canadian exports of table and seed potatoes to Cuba from the end of W.W.I to mid-1920’s accelerated a trend that had begun with the incorporation of the Canadian banks at the turn of the century. With the banks willing to accept collateral collected as security in Canada for guarantees for safe arrival of the trading schooners, a stimulus was given Maritime potato exporters to look at the Cuban market. Even more important, the sharp increase in railroad freight rates before the war just about forced the Atlantic provinces to turn to the West Indies as replacement markets for its natural products. As early as 1910, for example, it cost more to ship foodstuffs by rail to the central Canadian provinces than it was to send them by steamboat to the southern tip of the Antilles. Yet perhaps the greatest stimulus was provided by the implementation of the Fordney-McCumber Tariff of 1921-2, which effectively shut out all Maritime potatoes from the U.S. market, which since the Civil War had absorbed from between 35 and 60 percent of all Maritime potatoes.11

The sudden loss of the U.S. market impelled the Boards of Trade of the three Maritime provinces to undertake negotiations with the Cuban Consul at Yarmouth in an effort to conclude some type of reciprocity for Maritime potatoes, or to at least secure a lowering of the tariff to the position enjoyed by the U.S. From January to March, 1923, talks were held unofficially and apparently in camera.
However, the project never got off the ground, for sometime in late March the American Consul in Halifax got wind of the negotiations. Quickly recognizing that any agreement providing for the extension, by Cuba, of reductions in duty granted to the U.S. to any other state would constitute a violation of Article VIII of the Reciprocity Treaty, the Consul immediately sent notification of the talks to the Latin Affairs Division of the State Department with requests that it take the appropriate action to prevent the signing of any such agreement. Acting through a senior official, W.R. White, the Division brought the matter to the attention of the State Department, with the recommendation that the Consul be granted the authority to approach the Canadian government directly to force a cessation of the discussions.

But to the mind of Under Secretary of State Baker there was no need to pursue so circumlocutory a course which could conceivably create friction with Ottawa. Instead, Baker instructed White to inform General Crowder at the U.S. Legation in Havana about the talks, suggesting that Crowder make "discreet inquiries" to the Cuban government. Shortly thereafter, Crowder cabled the State Department reporting that the Cuban Secretary of State had assured him that Cuba "had no intention of entering into any such reciprocal agreement" and that the staff at Yarmouth would be severely reprimanded. The net result of the entire episode was a "special commendation" from the State Department to the American Consul General, but it also demonstrated the weight carried by U.S. diplomats in Cuba.13

Despite this scenario, Canadian potato exports jumped six-fold between 1921 and 1926 as table I - 8 shows.14 The steep rise was
directly ascribable to Decree 736 signed by President Zayas on May 25, 1923, which prohibited the importation of European potatoes, ostensibly because they were heavily infected with a bug known as the "Colorado beetle". The decree virtually assured both Canadian and American potatoes a wide open market in Cuba. This development was considered such a potential boon to the Maritime potato business that it led to the construction of numerous frost-proof warehouses, built specially to facilitate the accommodation of the expanded Cuban market. As a result, even such important importers of Canadian potatoes as Jamaica and Barbados started voicing complaints that their islands were losing out, and had to purchase more expensive European potatoes.

The five-year honeymoon ended abruptly when Machado took office. In a move apparently designed to embarrass Zayas, for whom he is known to have harboured a deep antagonism, the new president denounced the 1923 decree as capitulation to "blackmail" and declared that Zayas had yielded to pressures from "the American Trust" in enacting it into law. Speaking through the press, Machado laid the onus for the "dearness of potatoes" to the Cuban consumer at the doorstep of the Trust, which was identified as "the Canadian-American Trading Company combined with speculators at St. John's," and promptly lifted the ban on European potatoes.

According to Machado, Cubans were paying as much as two times the normal selling price for potatoes because of the decree.

What Machado had exposed for public scrutiny in 1925 the Dominion Parliament had been given an inkling of several years before by Maritime M.P.'s. Sometime between 1920 and 1921, an international potato combine, composed of Canadian and American exporters and Cuban wholesalers,
captured a stranglehold on the entire Cuban potato market. Among the prominent members of the combine was the Guy Porter Co., of New Brunswick, the largest exporter of potatoes in Canada. The method used by the combine to secure monopoly control on the market, thus driving the price upwards, was a relatively simple one. Working through seven managers in Cuba, the combine agreed to only purchase potatoes at prices set by it; furthermore, it refused to purchase any potatoes if the vessel on which the delivery was made also carried potatoes destined for sale at lower prices to other Cuban wholesalers, known as independientes.16

The result was a catastrophe for the independientes and the smaller potato growers in the Maritimes. To ship potatoes to Cuba required the chartering of a vessel and paying for it in full even if the vessel was not filled to capacity. Due to this, the smaller growers, who were under contract to many of the independent wholesalers, could not afford to pay for individual shipments, in addition to the heavy landing fee of $5.50/kilogram and the ballast return, and maintain a profitable business. Moreover, the ships owned or leased to the combine would not accept non-combine potatoes. The only recourse left to the small growers was to organize their own trading company and synchronize their exports. Though theoretically possible, such a scheme never came to fruition, owing in part to internal dissension amongst the smaller growers and fear of reprisals against the independientes.17 Pleas from Maritime Members of Parliament for the intervention of the Merchant Marine fell on deaf ears in the government. Thus the potato trade with Cuba fell completely
into the hands of the combine and its shipping allies, who together were able to buy up large quantities of surplus Maritime potatoes at a fraction of the selling price in Cuba. From its beginning, this system of monopoly price fixing in what came to be commonly known as the "potato racket" in Cuba conformed to typically assimilated cultural patterns, a paradigm of the deformed nature of capitalism which was endemic to Cuban society prior to 1959. As James Cormack, Canadian Trade Commissioner in Cuba at the time, later put it when he wrote to F.T.C. O'Hara of the Commercial Intelligence Section of the Department of Trade and Commerce in reference to the "potato crisis":

"It is impossible to imagine just how loudly money talks here, and how unscrupulously." 19

Machado's action had immediate repercussions in Canada. The government appointed A.E. Fortington, an acknowledged authority on the Maritime potato industry, to undertake a mission to Cuba and make a comprehensive study of the practices of the combine and all other aspects related to the Cuban potato business. The appointment met with incessant protests from the combine. In particular, the Guy Porter Company ("the Potato People") accused the government of unconstitutional interference in the normal exercise of private enterprise. For several months a paper war flared between the Company and the Department of Trade and Commerce, with the former ultimately expressing its "utter disgust and contempt" 20 when Fortington finally set out for the island amidst much fanfare. In conjunction with the mission, hearings were held to further probe the legality of the practices of the combine. The end product of these twin inquiries
was a lengthy report which, reduced to its essence, found the combine in restraint of trade but fell short of recommending prosecution, in accordance with Fortington's expressed wishes! This equivocation was unanimously interpreted as a clear vindication of the combine, and a signal victory for consolidation and centralization in the Canadian potato industry.21

Throughout its tenure in power, the Machado regime dealt successive blows to the foreign potato trade. By a series of incremental increases in tariffs, the duty on table potatoes was raised nearly tenfold in less than three and one-half years. In concert with these changes, the duty on seed potatoes was removed during the planting season, but after that the identical duties were made to apply. At first the duty exemption was applicable to all varieties of whole seed, but subsequent changes reduced this number to three by March, 1931.* Table III-4 summarizes these developments:

### TABLE X

**CUBAN TARIFF ON POTATOES: 22**

**RECIPIROITY TREATY TO BATISTA ERA**

**TABLE POTATOES**

<table>
<thead>
<tr>
<th>Tariff Law</th>
<th>Seasons</th>
<th>Rate to Canada</th>
<th>Rate to United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1904 to 1927</td>
<td>All year</td>
<td>65¢</td>
<td>52¢</td>
</tr>
<tr>
<td>October 20, 1927</td>
<td>December 31 – May 31</td>
<td>$2.00</td>
<td>$1.60</td>
</tr>
<tr>
<td></td>
<td>June 1 – November 30</td>
<td>1.00</td>
<td>.80</td>
</tr>
<tr>
<td>June 29, 1929</td>
<td>November 1 – June 30</td>
<td>5.00</td>
<td>4.00</td>
</tr>
<tr>
<td></td>
<td>July 1 – October 31</td>
<td>1.50</td>
<td>1.20</td>
</tr>
<tr>
<td>February 10, 1931</td>
<td>All year</td>
<td>5.00</td>
<td>4.00</td>
</tr>
</tbody>
</table>

* The varieties of seed admitted duty-free were "Bliss Triumph", "Irish Cobbler", and "Presidente (Never Rot)".*
WHOLE SEED POTATOES

<table>
<thead>
<tr>
<th>TARIFF LAW</th>
<th>VARIETIES</th>
<th>SEASONS</th>
<th>RATE TO ALL COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to October 25, 1928</td>
<td>All(varieties)</td>
<td>The whole year</td>
<td>Dutiable as table potatoes</td>
</tr>
<tr>
<td>October 25, 1928</td>
<td>14</td>
<td>February 1 - March 15</td>
<td>free</td>
</tr>
<tr>
<td></td>
<td></td>
<td>March 16 - January 31</td>
<td></td>
</tr>
<tr>
<td>September 15, 1929</td>
<td>7</td>
<td>September 15 - February 15</td>
<td>Rate on table potatoes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>February 16 - September 14</td>
<td>free</td>
</tr>
<tr>
<td>February 10, 1931</td>
<td>3</td>
<td>September 15 - March 15</td>
<td>Rate on table potatoes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>March 16 - September 14</td>
<td>free</td>
</tr>
</tbody>
</table>

It is essential that this table be examined in the light of Cuban domestic politics and the re-orientation in commercial policies effected by Machado. Up to 1927, the tariff was used by the government solely as a means for the collection of revenues from foreign trade. But steadily increasing difficulties in marketing an expanding sugar crop and mounting pressures from small, selected industries for protection induced Machado to attempt significant alterations in traditional economic policy. A program of "national self-sufficiency" was proclaimed, the major objectives of which were to foster agricultural diversification and to develop substitution industries in the light manufacturing sector; in this way it was hoped that Cuba's nearly absolute dependence on sugar could be broken. Implementation of the new policy found expression in the promulgation of the General Tariff Law of 1927, which completely revamped Cuba's tariff structure. The "single column" was abandoned and replaced by Minimum (or General) and Maximum columns, the latter set at
twice the former. All duties were revised in accordance with plans to develop specific industries and a subsistence food sector. In cases where duties were raised over 100%, it can be inferred that imports of the given commodity were expressly designed to be made prohibitive. Clearly from the foregoing, Machado had intended that Cuba become self-sufficient in potatoes. The effect of the new tariff laws was to drive virtually all Canadian grown table potatoes off the Cuban market by 1930; but the higher duty was not its only cause. Even as the duty was being raised the Cuban government pledged to rebate all duties collected on table potatoes which were "suitable for seed and in good sanitary condition". The duty referred to was known as "drawback", which was accordingly noted on customs invoices. Yet when the time arrived for the distribution of the rebates, customs officials refused to honour the invoices on the grounds that the potatoes had not been "certified as seed", a further requirement putatively imposed by the government by fiat. To secure certification, exporters discovered that they had to deal through customs brokers, and for a price; and that the brokers would only handle seed potatoes for a small number of buyers "in good standing". The whole system, steeped as it was in bribery, provoked formal protests from Trade Commissioner Cormack to Cuban government officials; but diplomatic rectitude was to no avail. In fact, Cormack's correspondence concerning the matter suggests that he suspected that key Ministers could be implicated in the scheme. Finally, on September 3, 1932, a new decree placing the importation of seed potatoes under complete governmental supervision did much to
eliminate graft in the potato trade, which predictably had a delayed but salutary effect on Canadian exports after Machado abdicated the scene.

**TARIFF BATTLE, I**

The sharp decline in potato exports, as well as codfish and lumber, sounded the tocsin to the recently-elected Bennett government. The Conservative Prime Minister dispatched the Hon. John A. Macdonald, Jr., M.P. from the "potato belt" riding of Kings, Prince Edward Island, and Minister Without Portfolio, to Cuba in March, 1931, in an endeavour to bring about a reversal in the deterioration of trade relations. Described as "particularly well-versed in the potato business", an official government announcement took note of Macdonald's departure with high expectations that a long elusive trade treaty with Cuba would be signed. Said the Minister: "We are not asking to free duty, but we would prefer some reasonable tariff and especially not a seasonal high as has been the case." 26

Macdonald returned with Cuban terms for tariff concessions on Canadian imports. Basically they reduced to two: that Canada agree to buy more Cuban sugar and that Canadian National steamships make Havana a regular port of call. Taken together, the demands constituted the *sine qua non* for the restitution of the Maritime trade. 27

These proposals met with opposition from expected quarters. The industrial interests from central Canada were solidly against any further subsidies for shipping the unfinished products of the Maritimes to the Caribbean, which, as part of the Imperial preference program,
was costing $6 million per year. Representatives from beet—sugar constituencies, overwhelmingly from Bennett's own party, took a dim view of any competition from Cuban sugar, which amounted to some 10% of total Canadian sugar imports. And the Jamaica Times, echoing the sentiment in the British West Indian islands, issued these words of warning:

"The whole idea of Macdonald's visit...cannot be otherwise than disquieting. Canada would be well advised not to run the risk of losing something substantial by chasing a shadow." 29

The natural alliance of these economic interest groups combined to dash any hopes for a treaty centered on sugar, a phenomenon which would recur with frequent regularity over the succeeding two decades.

Less than one year later, Prime Minister Bennett administered the final coup de grâce to any further hopes for revival of the once flourishing trade with Cuba for the foreseeable future. On January 27, 1932, the Prime Minister issued Order-in-Council # P.C. 181 which authorized the Minister of National Revenue to arbitrarily set ad valorem rates on all sugar entering Canada outside the B.W.I. Treaty. As a complementary provision, the Order established a "dump duty" at between $2.30 and $7.50/100 lbs. on all non-Commonwealth sugar imported which was to be added to the prevailing duties. Both these measures were consistent with Bennett's emergency tariff legislation which the Prime Minister pushed through Parliament as soon as he assumed office in September, 1930. The legislation empowered the government, acting by Order-in-Council, to establish values for duty purposes on any articles regarded as injurious to domestic producers, regardless of the
home market value of the articles, without prior Parliamentary debate. The only restraint set upon the government's action was that valuation should not in any case be less than the cost of production and handling and "reasonable profit." Tacked on to this administrative authority was the power to assess a dumping duty up to 50 percent of value upon imports when the actual selling price of an article to Canadian importers was less than "either the fair market value for duty purposes set by the government."

The difference between the imported value and the fixed value established the special rate of duty.*

These instruments of protectionism by decree were tailor-made for the beet-sugar industry which had experienced a rapid growth in the Dominion from 1928 onwards, owing in part to the depression of the wheat economy. This expansion was most noticeable in southern Alberta. As early as 1901 an attempt to establish a beet sugar industry had failed. Then in 1925, a U.S. - owned company, Utah Idaho Sugar, moved one of its processing plants to Raymond, Alberta, which kindled a rebirth of the industry. Within several years, more than 150,000 acres of cultivable land in the province was converted to beet sugar production and three other refining plants were built by other competitors. In 1931, the British Columbia Sugar Refining Company bought up the assets of Utah Idaho, further strengthening the hand of the entire industry in its bid for protection, inasmuch as the take-over dovetailed perfectly into Bennett's avowed policy of economic nationalism.

* The general raising of tariffs by the Bennett government was designed to restrict imports in order to maintain a favourable balance of trade and thereby build up Canada's credit rating in both the United States and
Even greater pressures had been brought to bear on Bennett from the cane-refining industry. Beginning in 1925, and for the seven succeeding years, Canadian imports of refined Cuban sugar rose dramatically, reaching nearly 50 million pounds for the fiscal year 1930-1. While these quantities were not large in comparison with total Canadian consumption for this period - about 4% - imports were concentrated in the Toronto area which was (and is) fed by the Canada and Dominion Sugar Company, by far the largest refining company then, as now. (Eighteen months prior to the Bennett Order, the company formed from the merger of the Canada Sugar Refining Company and the Dominion Sugar Company.) From this perspective, the step taken by the Prime Minister represented the successful culmination of a campaign by Canada and Dominion which had averred that it was threatened with "certain extinction" unless severe limitations were placed on imports of Cuban refined. The conjunction of the clamouuring of both the beet and refining companies, combined with the failure to regain the Maritime market - especially potatoes - thus were the key determinants to a decision which has had a powerful influence in shaping the course of bilateral relations since that time. Similarly, the impact that the Canada and Dominion Company had (and still has) on the formulation of Canadian policy towards Cuba has always been significant.

This time it was Cuba's turn to protest. Typical of the criticisms of Bennett's move was an editorial in Heraldo Comercial:

and Great Britain in order to meet her heavy financial obligations to those two countries. In practice, tariff adjustments were made on the basis of "real," rather than actual exchange rates.
"The Prime Minister of Canada... has recently made uncalled-for attacks against our products, especially sugar, without any justification whatsoever. Therefore, we can be certain that Cuba will be compelled to restrict trade with her, and it is useless to think of treaties for fish, potatoes, etc."

And, as expected, Cuban sugar progressively disappeared from Canadian imports:

**TABLE XI**

**CANADIAN IMPORTS OF CUBAN SUGAR, 1925-35**

(In hundredweights)

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>RAW</th>
<th>REFINED</th>
<th>PERCENT OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Raw and Refined)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1925--6</td>
<td>105,268</td>
<td>9,519</td>
<td>1.2</td>
</tr>
<tr>
<td>1926--7</td>
<td>315,912</td>
<td>13,425</td>
<td>5.9</td>
</tr>
<tr>
<td>1927--8</td>
<td>192,630</td>
<td>21,533</td>
<td>4.5</td>
</tr>
<tr>
<td>1928--9</td>
<td>287,644</td>
<td>39,389</td>
<td>4.7</td>
</tr>
<tr>
<td>1929--30</td>
<td>310,575</td>
<td>46,125</td>
<td>4.4</td>
</tr>
<tr>
<td>1930--1</td>
<td>310,723</td>
<td>48,972</td>
<td>5.5</td>
</tr>
<tr>
<td>1931--2</td>
<td>279,315</td>
<td>35,777</td>
<td>4.8</td>
</tr>
<tr>
<td>1932--3</td>
<td>101,992</td>
<td>24,003</td>
<td>3.3</td>
</tr>
<tr>
<td>1933--4</td>
<td>400</td>
<td>---</td>
<td>neg.</td>
</tr>
<tr>
<td>1934--5</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

By far the greatest loss was sustained by the Canadian consumer, as Cuban refined ranged from 20 to 40% cheaper than Canadian-manufactured sugar.

While the policy of stimulating self-sufficiency through the medium of an increased tariff was clearly responsible for the sharp drop in Canadian potato exports, the overall acute decline in bilateral trade during the Machado era was primarily due to Cuba's substantially reduced purchasing power. From 1926-1933 the depressed state of the sugar market brought about a 60% decrease in Cuban imports. As a bellweather indicator, income from sugar exports totalled $270 million in 1925 but by 1932 had fallen to $45 million. Other Canadian exports
were also hit. With whiskey imports, the Cuban government began, in 1929 to apply 100-200% emergency surtaxes on nearly all foreign labels except those emanating from the United States, whereas the ceiling on the surtax was set by law at 20%, and had been 10%. As befits the pattern, Canadian distillers could not compete and were forced to withdraw almost completely from the market. Commissioner Cormack made this observation to the director of the Commercial Intelligence Service and for Seagram's of Montreal, whose representations had brought on his inquiry: 35

"Re: new whiskey regulations: you apparently do not comprehend the hidden power of the American Embassy here, or the influence of high executive officials of the Cuban government to make Laws or Decrees nugatory despite the intention of the Legislature."

There is a measure of irony in the fact that the drastic reduction in the volume of Canadian-Cuban trade occurred in the quinennium immediately succeeding the signing of the only strictly bilateral trade treaty between the two countries in the history of their commercial relations. In October, 1927, a *modus vivendi* was reached whereby commodity imports from both nations would be granted entry under the intermediate Dominion column and the General (or Minimum) category of the Republic respectively. As an identical tripartite tariff system was in force in Canada at the time (minimum, maximum, Imperial preference), the arrangement required no elaborate duty adjustments to negotiate. Initially it had been expected that the 1927 accord would be the forerunner of a more widesweeping and permanent trade convention and it was extended prior to the annual statute of limitation in 1928, 1929, and 1930 primarily as a means of sustaining that hope. (One of MacDonald's objectives had indeed been
The restoration in 1931. The *Modus* brought the gap between tariffs on the chief Canadian exports to Cuba, in comparison to those assessed on identical items from the United States, to the lowest spread in the entire sixty years of pre-revolutionary trade relations. The comparison is shown in the following table:

**TABLE XII**

**RESULTS OF THE 1927 MODUS VIVENDI:**

<table>
<thead>
<tr>
<th>CHIEF CANADIAN EXPORTS TO CUBA</th>
<th>MAXIMUM TARIFF:</th>
<th>GENERAL (MINIMUM) TARIFF:</th>
<th>RATE TO U.S. Under reciprocity treaty of 1927-29</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Could be applied to any country in absence of agreement</td>
<td>Applied to Canada under agreements of 1927-29</td>
<td></td>
</tr>
<tr>
<td>Potatoes</td>
<td>Nov-June $10.00  $5.00  $4.00</td>
<td>July-Oct 3.00 1.50 1.20</td>
<td></td>
</tr>
<tr>
<td>Wheat flour</td>
<td>2.60 1.30  .91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fish (dried, smoked or pickled)</td>
<td>(codfish) 2.60 1.30 (codfish) .97% (codfish)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newsprint paper free</td>
<td>free</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AD VALOREM:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condensed Milk</td>
<td>26% 13% 10.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inorganic chemicals (probably nearly all calcium carbide)</td>
<td>(cal. carbide) 20% 10% (cal. carbide) .8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whiskey</td>
<td>In barrels, per hecto-litre of 22</td>
<td>Gallons $52.00  $26.00  $19.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bottled 72.00 36.00 27.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Though the intent of the *Modus*, that of maximizing both the volume and diversity of trade under the given limitations, was not achieved, it did awaken the U.S. diplomats to certain competitive dangers that could
conceivably have been posed to American exports. Thus Crowder, in a long memorandum to the State Department analyzing the arrangement, came to the conclusion that although bilaterally neither side gained any advantage from it, U.S. millers and fishermen should pay careful "to your neighbours to the North when you next think about Cuba."

In a slightly different vein, C.B. Curtis, a U.S. Embassy trade counsellor, noted that while the Modus theoretically gave Canada an "improved position" in the Cuban market, the failure of the British chargé d' affaires to gain an indirect advantage from the clause, which provided that the intermediate tariff would only be made available to commodities shipped directly from Cuba to Canada, showed that the U.S. did not stand to lose from the accord. The identical fears would arise again in 1937 and 1951 when Britain and Cuba signed trade conventions.

TARIFF BATTLE II

In March, 1935, the 1927 Cuban tariff structure was completely overhauled. A new structure was developed on the theory that it would enable Cuba to arrest a seven-year deficit in its balance of trade and, more comprehensively, put a brake on the serious deterioration in its overall international balance of payments. The renowned Tariff Law #14 entered into force after a lengthy Congressional debate. The major provisions of the new law, designed to achieve these ambitious objectives, were the following:

1. The ceiling on the preferences accorded U.S. imports was raised (sometimes at a discount of over 85%) and a 60% category added
further codifying the additional tariff benefits of the 1934 U.S.-Cuba Reciprocity Treaty.

2. A new "intermediate" tariff column was established between the General (Minimum) and Maximum columns and a revocable "emergency surtax" of 20% added to the minimum column.

3. Countries whose purchases of Cuban exports amounted to 50% or more of their imports to Cuba (by value) automatically became eligible for the General Tariff; if exports exceeded imports by less than 50%, but more than 25%, then the intermediate schedule would be applied; finally, if the dollar value of Cuban exports was less than 25% of its imports from that country, the maximum duty schedule was to come into force.

Further, the law stipulated that the Executive (i.e., the President) was to assign all trading countries to the appropriate categories annually, based on statistics furnished by Cuba's Department of Commerce. Law #14, which made tariff assessments far more complex than hitherto, governed the course of Canadian-Cuban trade relations until the final pre-revolutionary decade.

At first it appeared that Canada stood to benefit from Law #14, since imports for the previous year had been running at more than 50% of exports (cf. Table III-7). However, careful "staples analyses" revealed this presumption to be erroneous. Of the five major export commodities, potatoes and wheat flour derived no assistance since competition came from the U.S., which was exempted from parts 2 and 3; both codfish and newsprint remained on the free list as commodities "of prime necessity"; and finally, the added customs surcharges, excise taxes and consular invoice fees, made lumber too expensive to export.

Pursuant to the new tariff modalities, Cuba applied the Maximum duty schedule to Canada effective March 10, 1936. According to Cuban statistics, Canada purchased less than 25% of their sales, and hence
was subject to the highest tariff rates in force. Once again, table potatoes were particularly hard hit. Duties of $10/100 lbs. from November 1-June 30, and $3/100 lbs. during July 1-October 31 were imposed, doubling the old rates, exactly in accord with the prescribed differential. Reversing the pattern in the Machado period, the tariff cycle was designed so that the higher duty would be imposed during the months of peak exports. In the meantime, duties on U.S. potatoes were about one half the aforesaid rates. What is more, a Cuban decree printed without notice in the *Gaceta Oficial* required that seed exporters cash or bank guarantees in banks in Cuba in order to ensure that the seed would be planted in Cuba within three months. The guarantees ostensibly were to be construed as security, in the event that the regulations for free entry were not being met, and were equal in amount to the duty leviable for table potatoes. 38

The submission of Canada to the Maximum tariff touched off a protracted dispute between both governments which was never really resolved until after the revolution. At issue was the interpretation to be given to Cuban import-export statistics. Canadian government officials argued that the total value of Canadian imports was seriously in error, since it was the common practice of Canadian agents to purchase on consignment a wide variety of Cuban products - most notably sugar - from indent jobbers attached to large wholesale houses in New York and Boston. Other items, such as tobacco, were trans-shipped to Canada from stockpiles held in bond in the U.S. or otherwise through U.S. export companies and provided no indication of their country of origin. The magnitude of these discrepancies is shown in the
following set of figures:

**TABLE XI**

**CANADIAN-CUBAN CROSS TRADE, 1935-39:**

(Cuban Statistics, in parentheses, in Pesos)

(One Peso approx. = $1 Can.)

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>$ CANADIAN EXPORTS</th>
<th>$ CANADIAN IMPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>1,196,422 (1,815,611)</td>
<td>457,335 (414,562)</td>
</tr>
<tr>
<td>1936</td>
<td>1,343,896 (1,907,213)</td>
<td>452,357 (321,101)</td>
</tr>
<tr>
<td>1937</td>
<td>1,455,352 (1,725,012)</td>
<td>426,115 (421,707)</td>
</tr>
<tr>
<td>1938</td>
<td>815,490 (1,233,411)</td>
<td>439,924 (334,467)</td>
</tr>
<tr>
<td>1939</td>
<td>1,123,191 (1,462,137)</td>
<td>623,988 (709,321)</td>
</tr>
</tbody>
</table>

The differences in the Cuban and Canadian data are not large and in no case would they result in the shift of Canada more than one rung on the tariff ladder. Thus, the real basis of the Canadian claim rested on the recognition of the "special circumstances" surrounding the real nature of the relationship of the Dominion as a Cuban customer, which even its own Bureau could not quantify.

The statistical system disguised imports and illustrated how certain sectional economic interests benefited from Cuban trade at the expense of others. Because purchases of raw sugar, stripped tobacco, and rum by the processing industries of Central Canada went unrecorded in the country-by-country statistics, the Cuban tariff on the unfinished products - fish, potatoes, lumber - of the Maritimes and the flour of the prairie provinces was boosted. Considering the twenty-five year period immediately following the peak trade year of 1925, it has been roughly estimated that tariffs in Cuba cost the Maritimes alone $200 million in exports. But at no time could the alignment of internal forces against the Atlantic provinces be overcome. This was true
despite the fact that the Liberal Party, which historically has been regarded as the party of "freer" trade in comparison to the Conservatives, held office for twenty of those twenty-five years.40

On the other hand, Cuban trade authorities correctly pointed out that some imports from the U.S. were actually Canadian exports in disguise. The most noteworthy case was that of wheat flour, a development which had already had reverberations in the U.S. more than a decade before. Back in 1924 — some twelve years before the statistics controversy — Cuba withdrew preferential duties on all U.S. flour imports which were milled in bonded Canadian warehouses from U.S.-imported wheat; in reality, this meant only Canadian wheat, since Canada was the only foreign wheat exporter to the U.S. The justification given by the Zayas administration at the time inhered in Cuba's newly discovered interpretation of the 1903 Reciprocity Treaty. Article IV of that document declares that Cuba will undertake to grant special preferential duties to "products of the soil or industry of the United States." The new meaning read into this declaration was that the word or was equivalent to and, thereby rendering the Canadian wheat ground in U.S. mills and exported by U.S. millers ineligible for the tariff reduction. A notorious "Circular 97" distributed by the U.S. government informed milling companies of the new Cuban regulations.

From this, a sectional division within the industry developed. Millers in the northern United States (especially in Buffalo — hence "Buffalo flour") who were importing large quantities of Canadian wheat demanded that the U.S. use its influence to force the rescinding of the
new duties. Among their chief spokesmen in the government was Secretary of State Kellogg who asserted his "absolute conviction of the validity of the 'or' interpretation." Arrayed on the side of "all-American flour" were millers in mid-central and southern states, organized in the Southwestern Millers' League. The foremost weapon in the arsenal of the League was its contention that the cheapness of Canadian wheat compared to U.S.-grown wheat gave milled-in-bond flour the lion's share of the Cuban market over the all-American product. A five-year battle ensued, with the League emerging victorious. In 1929, a clause restricting the application of Cuban preferential duties on flour milled-in-bond from Canadian wheat was inserted into the Garber Bill which was adopted by the Congress and signed by President Hoover in May of that year. By this action, the U.S. government signified its de jure adherence, and thereby formal sanction, to the 'and' interpretation of Article IV. One year later, an amendment to the Tariff Act provided for the further imposition of duties on bonded flour. Section 311 of the Act authorized the U.S. Treasury to collect a duty on all imported wheat equal to any reduction in duty which, as a result of U.S. treaty, was applicable to such flour in the country to which it was exported. The payments thus contemplated collection by the U.S. of the sum total of additional duty advantages in respect of customs taxes, consular fees, etc., which accrued to milled-in-bond flour by virtue of its export from a port of the U.S. mainland. Cuba was the only country to which this regulation was put into practice.

The historical record leaves little to suggest precisely how
exports of Canadian flour were affected by these measures. On the surface it would appear that Canadian millers would have been in a better position in view of the restrictions placed on northern U.S. millers in the Cuban market. The statistics, however, show a steady decline in the Canadian sales from 1925-36, which in 1937 vanished completely, while U.S. exports over the same period remained relatively constant. The only clue available comes from a confidential letter from E.L. McColl, Canadian Government Trade Commissioner to the Commercial Intelligence Service, which attributes the loss of flour business to "technical problems." Yet when the statistics controversy first arose in 1936, it was estimated that 75% (by value) of the flour imported by Cuba derived from U.S. imports of Canadian wheat.

For two years - from March, 1936-38 - secret trade negotiations were conducted intermittently. The agenda was mutually arrived at: first, as equitable adjustment of the annual export-import totals, and then, as an optimum objective, the signing of some type of trade convention as has been contemplated nine years earlier. The strategy of the Canadians, at least at the outset, was to link the so-called "numbers problem" with duty reductions on commodities of specific interest to Canada, especially wheat flour. The Cuban bargaining position proceeded from an insistence that Canada agree to the long-standing and universally applied quid pro quo, that of purchasing increased quantities of Cuban sugar and the lowering of freight rates to permit Cuba to secure a foothold in the edible molasses market in Canada. Dr. L.M. Aisenstein, adviser to the Cuban Department of State,
declared in the course of the conversations that unless Canada purchased 50% of the value of Cuban imports from Canada, no most-favoured-nation treaty was negotiable.

The defeat of Bennett in the election of October, 1935, generated a flicker of hope in the Maritimes that the markets lost over the past decade could be regained through the negotiations. From the rhetoric of the campaign, there could be little doubt that Mackenzie King had offered greater hope for the recovery than the Prime Minister had. The Liberal leader had even gone so far as to make a public issue of the matter, when, in the midst of the campaign, he had asserted in a Calgary speech that the trade lost with Cuba resulted from "the imposition of tariff regulations...artificially made at Ottawa." 44

Thus Senator William Duff, a Liberal with huge interests in the potato business, articulated the expectations of the region when he telegraphed these words of counsel to Mackenzie King, now the Prime Minister:

"What a splendid gesture it would be...if your government rescind Order-in-Council re: value for duty purposes. Not only would ninety percent Maritime Trade Boards appreciate it, but every consumer and every fisherman, farmer and lumberman in Maritimes especially would feel beneficial results." 45

However, the opposition of the beet and refining interests remained unbending and inflexible. To acquiesce in this proposal would mean loss of the fruits of victory secured just five years earlier, a triumph which permitted the entire home-based sugar industry to triple production outputs and quadruple profits during the quinquennium. Ralph Bell, Executive Vice President of Canada and Dominion, put the views of the industry bluntly by saying that
"we [the Canadian sugar refiners] cannot accept any suggestions to turn back the clock which are likely to once again bring us to the point of courting disaster." In order not to permit what were described as "misconceptions", Bell recommended that the government grant a 20% reduction in tariff duties on raw sugar purchased only by the refining companies, specifically excluding other industries (such as food processing) which are heavily dependent on supplies of raw sugar.

As a justification for this precedent, Bell cited Finance Minister William S. Fielding's speech, made thirty years previously, which contained a similar suggestion, though meant to apply only to Commonwealth sugar. King, unwilling to tamper with, let alone make exceptions to, the British preferential tariff system, rejected this idea, but neither was he prepared to do battle with the entrenched beet-refining complex. The Prime Minister's inaction was a bitter disappointment to the Maritimes but the lesson about drawing inferences from campaign oratory would not be lost in continuing efforts to salvage the remnants of the Cuban market throughout King's long tenure in power.*

The cutting edge of this internal - and behind the scenes - debate was blunted somewhat in April, 1938, when Cuba once again granted Canada minimum tariff status. Though not warranted by Cuban statistics, 

* There was perhaps a more general reason: Since Canada at that time subscribed to the unconditional form of the Most-Favoured-Nation trade agreement, any concessions granted Cuba would have to be granted all nations entitled to M.F.N. treatment. Since Cuba was not an important supplier, the concession would have been "wasted" on third countries, thereby impairing Canada's bargaining position with them.
the gesture came on the heels of a decision by the Executive to grant Dominions and Colonies (except Australia and New Zealand) most-favoured-nation trade benefits under the terms of the Anglo-Cuban trade treaty signed in 1937. The result was that in exchange for slightly lower duties on sugar, tobacco, fruits and vegetables, Cuba agreed to give preferences to Canadian potatoes and codfish. These concessions were to remain in effect for a maximum of one year and once again represented an effort by the Cuban government to provide an incentive to the states affected to conclude more permanent trade conventions with the Republic.

The inclusion of Canada on the minimum tariff list brought the ongoing trade negotiations to a new stage. By mid-1938 it became apparent to Canadian trade officials that the potato market had all but disappeared under the impact of a renewed autarky campaign and the U.S. preferential tariff. Another sizeable reduction in sugar cane acreage brought about a further intensification in potato growing. Statistics from the previous year showed that Cuba was herself producing 80% of her edible potato requirements and that, of the remaining 20%, the greater portion was being imported from the United States. And though subject to strict import regulations, seed potatoes remained on the seasonal free list. Taken together, it was concluded that, from these realities, there was little to be gained from further discussions of potatoes with the Cubans. Furthermore, the expectations of greater flour sales were dampened considerably when later that year increased excise taxes and clearance taxes were fixed on all non-U.S.
flour imports. Hence, the characteristic Canadian strategy of approaching the Cubans with proposals for an all-embracing treaty was discarded and emphasis shifted to a commodity-by-commodity formula. In the very first instance, this meant, for Canada, fish.

"BACALAÓ": COMMERCIAL PIVOT

The appetite of Cubans for dried, salted fish is one of the many consumptive habits transplanted to the island by the Spanish conquistadores. Spanish techniques for the curing and preservation of fish for long ocean voyages were reportedly developed by the seventeenth century. Historically, the food has been especially popular with the black inhabitants, roughly one-third of the total population. The species of codfish brought to Cuba since the eighteenth century is called in Spanish "bacalao", and on occasion is referred to as "bacalao canadiense" because of the long-standing identification between the two. Traditionally, the fish market consisted of two epicentres, located at Havana (West) and Santiago (East), with merchant houses purchasing for, and transporting to, branches at other points on the island. From the turn of the century to the late 1920's Canada dominated the eastern market, accounting for 60 to 75% of Cuban imports (by weight) at this end and roughly 10% of the total supplied through the port of Havana. Then exports fell drastically, swamped in the twin deluges of depression and tariffs, a fate paralleling that which befell potato exports. The deportation of Haitian and Jamaican sugar labourers, in harmony with Machado's self-sufficiency program, further accentuated this trend. The graphs following tell the story:
At the same time, yearly per capita consumption of dried fish declined from an average of ten pounds during the years 1924-30, to slightly less than five pounds in 1937. By that year, Canada's proportionate loss in the market had been completely taken over by Norway, a transition which had begun around 1928 due to that country's enhanced ability - because of liberal government subsidies - to ship more cheaply across the ocean than Maritime exporters could through New York. 50

How to dislodge the Norwegians from their stronghold in the market posed one of the several problems confronting the Canadian side. A study prepared by H.O. MacKenzie and F. Homer Zwicker, expert analysts
on fish markets throughout the Caribbean, showed that Norway had captured the major share of the fish business because of a superior-quality product which "catered to the exact wants of a particular market centre." "The care taken with the Imperial [Norwegian] Brand must of necessity," they added, "be a matter of great interest and admiration to anyone familiar with the average run and pack of Nova Scotian fish." Further analysis suggested that Norway's chief vulnerability lay in the Cuban tariff structure and its relatively low import/export ratio from the island. It was therefore concluded that the Canadian desideratum would be to secure a special tariff for dried fish which could not be made applicable to Norwegian imports. (At the time, dried codfish, an article of "prime necessity", was admitted at the minimum tariff rate - regardless of country of export.) To be successful, the new strategy envisioned that a change from a "quality" to "price" market would have to be made operational.

The tactics of this commercial strategy conformed to the logical projections of the desired policy outcome. Thus when in November, 1938, the Norwegian Consul and representatives of four other cod-exporting countries in Cuba approached Canada with the aim of forming a united front in the submission of a joint representation to the Cuban government for a decrease in the fish tariff, the Canadian Trade Commissioner spurned the offer on the expressed orders of the Director of Commercial Intelligence. The formal explanation communicated "in confidence" by the Commissioner for the rejection stated that it was not general Canadian policy to request a sovereign government to adjust its duties as long as they satisfied two criteria: 1) non-discriminatory
to Canada and 2) not in conflict with any trade treaty or agreement in force at the time. Inasmuch as the fish duties in effect met both requirements, the Commissioner alleged that Canada could not consent to be a party to the plan, concealing her real motives behind the facade of diplomatic practice. Dictated by logic, this tactical gambit contained risks which were not lost on Canadian trade personnel in Cuba; for they realized that future efforts at tariff co-operation would perforce leave Canada isolated from potential trade allies in other commodities.

Besides the external rivalry of Norway, Canada, like other cod-exporting countries, had to face serious internal competition. As a substitute for the sharp decline in the volume and variety of fish available, Cubans developed a propensity for *tasa*jo, or jerked beef, which was in more plentiful supply, though more expensive. The several livestock and meat packing organizations had grown in size and influence over the 1928-38 decade concurrently with this change in tastes. All were opposed to any downward revision of fish duties. With little political leverage in Cuba, the Commissioner's office could discover no way of neutralizing these local interests.

Still, the principal problem remained the inelasticity of Canadian sugar imports. As a kind of post-mortem to the 1935 election, the Mackenzie and Zwicker report claimed that

"A great deal of idle and ill-informed comment has been in circulation regarding the so-called dump duty of refined sugar from Cuba imposed in 1932 being responsible for the loss of Canada's market for fish and potatoes in Cuba. Careful study of the Cuban graph is invited and this study will definitely prove that the West India Treaty is responsible for the loss of the Cuban market, and the dump duty had nothing
to do with the descending turn in the trend of trade with Cuba.\textsuperscript{53} Inspection of the graph referred to showed that gross sales receipts decreased steadily in the quinquennium just prior to the imposition of Order \#P.C. 181 (see Figure III-2), but increased after Cuba began to recover from the depression. From the data the authors drew the conclusion that the 1927 West India Treaty was the major impediment to the recovery of a market estimated from between 150,000 and 250,000 quintals of dried codfish alone. At the same time, the study also recognized the negative psychological impact the dumping duty admittedly had on trade relations between the two countries. The graphs below illustrate this relationship somewhat differently:

\textbf{FIGURE III}

RELATIONSHIP BETWEEN B.W.I. AND CUBAN TRADE WITH CANADA.\textsuperscript{54}
(Before and after B.W.I. Treaty)

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3}
\caption{Graph illustrating the relationship between B.W.I. and Cuban trade with Canada.}
\end{figure}
Here it is seen that while the Canada–Cuba trade dropped a whole order of magnitude (10 log units) after the BWI Treaty, trade with the Commonwealth Carribean remained much more constant, varying by no more than 1½ log units. At best, however, these graphs are no more than suggestive, for any study which attempts to trace the influence of a single factor in trade relations must be undertaken with qualifications because of other elements - usually not subject to repetition as in this case - which inevitably enter into the problem.

With the one year grace period running out, Nova Scotia injected a new schema designed to move the negotiations off dead centre. The Board of Trade of that province proposed that Canada take the initiative in securing Washington's assent for a plan to divert more sugar from the B.W.I. islands to the United States, thereby clearing the way for at least a limited trade agreement for Maritime codfish. The idea was debated at the lower echelons of the Department of Trade and Commerce and then channelled to the desk of William D. Euler, the Trade Minister, but Euler scrapped the plan on the theory that it was bound to be viewed with disfavour by American government officials. There being no other possible resolution of the problem for the time being, Canada notified Cuba that further talks would only face the same impasse. However, by April, 1939, the balance of trade had been redressed somewhat and the only change wrought to Canada's tariff status was the imposition of the 25% surcharge duty on all Dominion imports. And despite further confusions in statistics, April, 1940, saw the re-instatement of Canada to minimum status, where she remained until January, 1942, when Cuba suspended the import control law of 1935 in
order to remove all trade barriers to the Allied war effort.

THE WAR YEARS

The declaration of war by Great Britain and, immediately there-
after, Canada, against the Axis powers in 1939, occasioned almost immedi-
ately heavy increases in imports of Cuban sugar into the Dominion,
helping to begin the reversal of the fifteen year stagnation in trade.
With supplies from such important Commonwealth outlets as Australia,
Fiji and the U.K. itself (for the most part trans-shipped sugar) cut
off overnight, Canada was virtually forced to turn to the sugar-
producing nations in her hemisphere to fill the slack. A special
agreement with the Mother Country gave Canada the right to purchase raw
sugar in Cuba for refining and the production of molasses at home,
without injury to the B.W.I. islands. In effect, Britain undertook
to subsidize Commonwealth Caribbean producers in the event that any
sugar exports were lost to Canada as a result. To facilitate this
transition, a regular shipping service was established between eastern
Canadian ports and Havana for the first time in history. In just one
year, Canadian purchases trebled, but at an outlay of only 1½ times the
amount paid for Cuban sugar in fiscal 1939.55

Prices were further reduced following Pearl Harbour when Canada
became party to a tripartite arrangement with the U.K. and the U.S.
whereby the latter was given sole jurisdiction over the allocation of
Cuba's marketable surplus of sugar to meet the wartime emergency.
This procedure enabled Canada to buy directly from a special U.S.
government commission - which thus became the sole legal broker for the disposal of Cuban sugar - eliminating the red tape and inevitable delays which had heretofore plagued Canadian importers. Statistics compiled by the Dominion Bureau once again illustrate the point: whereas in the last pre-war years Canadian imports of Cuban raw were running at about $200,000 per annum, by 1942 they were valued at some $5,230,000, jumping to an inter-war maximum of nearly $8 million in 1944. Increases were also registered in Cuban bananas and pineapples due to the compulsory diversion of trade.

On the other hand, Canadian exports to the island, by volume and value, exhibited little change, the principal exception being newsprint, sales of which nearly doubled because Sweden, Canada's chief competitor, was temporarily eliminated from the Cuban market. But the most interesting composite of figures to emerge from the war experience revealed that from 1940-45, Canada had an adverse balance of trade with Cuba, something that had happened only once in the previous 40 years. Predictably, this state of affairs reversed itself again with the coming of peace.
NOTES - CHAPTER III

1. President Theodore Roosevelt urged adoption of the bill with these words: "We expect Cuba to treat us on an exceptional footing politically and we should put her in the same position economically. I ask that Cubans be given all possible chances to use to the best advantage the freedom of which Americans have such a right to be proud." Quoted in U.S. Tariff Commission Report, Reciprocity and Commercial Treaties (Washington, 1919), p. 320.

2. It is beyond the confines of this study to analyze the long-term gain or loss to Cuba as a result of the Treaty. Ten months prior to the break with the United States, the then Minister of Industries, Che Guevara, declared that the Treaty had "enslaved" Cuba through its system of preferential tariffs which rendered it impossible for domestic manufacturers or the manufactured exports by other industrial countries to compete in the home market. A U.S. State Department official immediately issued a challenge to Cuba to renounce the sugar quota guaranteed to Cuba under the Treaty, or any other clauses contained therein "if they are so enslaving." It should be remembered that this exchange occurred on the heels of Mikoyan's trade mission to Havana. Cf. New York Times, March 3 and 5, 1960.

3. G.A. Browne, "Canada Benefits from Trade Pact Between Great Britain and Cuba," Foreign Trade, Vol. 10, pp. 292-4, September 1, 1951. It was clearly the intention of the U.S. in 1902 to limit Great Britain's capacity to trade with the island.


6. For many years the Pickford and Black Co. of Halifax stopped at Cuban ports on both the northeastern and southeastern coasts of the island en route to Jamaica, receiving a government subsidy in return. Similarly, the William Thomson Co. of St. John, N.B., received an annual subsidy of $25,000 for running a monthly cargo service from Havana from 1909-12. Other New Brunswick shippers, such as P. Elkin and Sons, benefited from government bail-outs for losses incurred in the potato trade during the depression. Cf. memorandum of L.D. Wilgess, Director of the Commercial Intelligence Service to F.E. Dawden, Director of Trade Routes and Steamship Services, P/A, File 12724-A, June 27, 1939.

8. Canada. Foreign Tariffs Division, Department of Trade and Commerce, extract of Circular of April, 1937.

9. Adapted from Department of Trade and Commerce statistics in P/A, File T-305, #120639, Tariff and Treaties Negotiations. Cited hereinafter as T.T.N.

10. A good account of the corruption prevalent in Cuban during the Machado era is given in Smith, op. cit., especially chapter 8.


12. U.S. Tariff Commission, op. cit., p. 322. Thus the treaty was, with historical hindsight, unusually restrictive, for normal practice in the signing of reciprocity agreements was to rule out the incorporation of such exclusivity clauses, which debarr other countries from negotiating with either party similar concessions. If the U.S. can be said to have practiced a colonial-style economic imperialism in Cuba, Article VIII can well be used to support that theory.


14. Ironically, the Fordney Act had appeared so menacing in 1922 that the Maritimes petitioned the government on several occasions to absorb the expected losses in revenue to the entire industry. Debates. Session 1922, Vol. II, May 19, 1922, p. 2028.

15. P/A, File 26927, Cuba: Import and Export Restrictions. The decree specifically prohibited the importation of potatoes grown in Mexico and Newfoundland (among others) and authorized the entry of Canadian potatoes provided they were certified as suitable for consumption by a plant pathologist. This qualification was not made to apply to U.S. potatoes.

16. La Prensa (Habana), October 13, 1925.

17. Investigation..., op. cit., passim.


19 P/A file 179631 - Cuba: Appointment of A.E. Fortington to Investigate Marketing of Potatoes in Cuba, 1925.

20. Ibid.
21. Cf. note 11 for the full title of this by now obscure document.

22. Adapted from a memorandum of Foreign Tariffs Division, Department of Trade and Commerce, February 5, 1937.


25. Ibid. The chronic tendencies towards unbridled corruption in the Cuban government seems to have startled Cormack.


29. Jamaica Times, April 11, 1931.


32. Heraldo Comercial, Diario Mercantil y Financiero, April 5, 1932.

33. EL Comercio (Habana), November 18, 1927.


36. Adapted from memorandum of the Foreign Tariffs Division, D.T.C., November 28, 1929.

37. Charles B. Curtis to State Department, December 3, 1927, N/A, (Wash.), File 837.51/1360. E.H. Crowder to State Department, March 25, 1928, N/A, (Wash.), File 837.51/1360. The relevant portion of the Canadian Order-in-Council alluded to here in the phrasing of the unilateral, limited and conditional most-favoured-nation agreement is the following:

"The benefit of the intermediate tariff is hereby extended to products originating in and coming from the Republic of Cuba, provided that such products are imported direct.

In order to secure the advantages aforesaid, such products shall only be deemed to be imported direct when conveyed
without trans-shipment from a port of the Republic of Cuba or from a port of a country enjoying the benefit of the preferential or intermediate tariff into a sea or river port of Canada."

The agreement was among the first of ten bi-lateral conventions signed by Cuba during the years 1927-1934; in the previous 25 years, only two such conventions were signed. In addition to marking a shift in commercial policy towards the goal of autarky (which was a complete failure), Machado's corollary objective was to force a downward revision of the U.S. sugar tariff by threatening selected U.S. imports.

38. Debates. Session 1937. Vol. I, January 25th, 1937, p. 215. To be duty free, seed potatoes were required to meet the following specifications: "certified seed, cut in pieces, eyes plainly visible, preserved in ashes or other substances," As in the past, the enforcement of the new regulations was uneven and outright corruption was rampant. Mr. Hesler recalled the chronic seed racket with bemusement:

"The problem was not hiding corruption, but of competing for the racketeers."


40. In 1951, Robert Stanfield, then an M.P. from Nova Scotia, lamented the loss of the Maritimes' market in Cuba. "It was the greatest market (we) ever had for potatoes, fish, lumberr, apples and other commodities," he said, but stopped short of analyzing its cause. Debates. Session 1951, Vol. IV. May 21, 1951, p. 3255.

41. Northern Miller (Minneapolis, Minn.), February 29, March 7, December 5, 1928; May 29, 1929. These articles in themselves constitute an interesting study in pressure group politics in the U.S.

42. McColl to Cheney, Memorandum #805A in P/A, File 12724-A, November 27, 1936. From 1930-39, the spread between bonded flour and "all-American" flour was 52¢/100 kilograms, 39¢ of which went to the U.S. Treasury and 13¢ to Cuba. An additional surtax levy of 20¢ in 1939 further increased this difference, bringing complaints from several large producers, especially Pillsbury.

43. McColl emphasized the importance of secrecy in the negotiations:

"Agents of United States products are aggressive in making use of any information which they can utilize as an argument to prevent further business going to other countries. As our Commercial Intelligence Journal is
received regularly by the Commercial Attâché of the United States Embassy, I believe it would be a good policy to print as little as possible about the flour market while our negotiations with the Cuban Government are in progress." Ibid.

44. Calgary Herald, October 1, 1935.
46. Bell to Wilgress, February 28, 1938, Ibid.
47. Even so limited an agreement met with apprehension in the B.W.I. islands. The Jamaica Imperial Association, representing planters, merchants and professionals, addressed acrimonious protests to Ottawa, which it accused of failing to live up to its reputation as the pioneer in inter-Empire preferential trade.
49. O.F. Mackenzie and F. Homer Zwicker, Dried and Pickled Fish Markets in the Caribbean (Ottawa, Department of Marines and Fisheries; J.O. Patenaude,) 1938, p. 18.
50. Ibid., p. 51.
51. Ibid., p. 50.
52. P/A, T.T.N.: Cuba, op. cit.
55. Havana Office Reports - 1941, op. cit., p. 77. Mr. W. Hurford, Chairman of the Board of the Anglo-Canadian Shipping Company of Vancouver has indicated to the writer in a private communication that his firm leased pre-W.W.I vintage ships from F. Olsen Ltd. of Oslo, Norway, in 1940, to engage in the Cuban trade as part of the agreement with the U.K.
CHAPTER IV:

TRADE II: THE LAST DECADE

ENTER G.A.T.T.

The post-war period ushered in a new era in Canadian-Cuban trade relations. Important changes took place in the volume, balance and, to a lesser extent, in the composition of commodity exchanges. The alterations in the traditional patterns of commerce flowed consequentially from the decision of the United States to substantially modify its preferential tariff system with Cuba. Essentially, the old system was adapted to conform to the so-called principle of "non-discrimination", which entered into vogue in the aftermath of the war upon realization in the West that a severe crisis loomed in world trading relationships. At the same time, pressures for protection by import substitution industries which had sprung up in Cuba during the war had a hand - as in the past - in new trade developments. As in the previous decades, Canada reacted to shifts in Cuban commercial policy, rather than vice versa, but with much greater success than was the case during the frustrating years of the 'twenties and 'thirties.

The catalyst for these changes was the ratification by thirty nations of the General Agreement on Tariffs and Trade drawn up in Geneva in 1947. Both Canada and Cuba were among the signatories. In the tariff negotiations attendant to the convention, Canada secured a lowering of the duties on wheat, wheat flour and codfish, as well as a pledge that the free entry of seed potatoes would be continued indefinitely, and for
throughout the twelve months of the year. However, Canadian negotiators were unsuccessful in their attempts to reduce the tariff preference on table potatoes but did manage to get Cuban assent to a freezing of the tariff, on the outside hope that the old Maritime trade might be restored. In return, Canada removed certain import restrictions on several agricultural products of interest to Cuba, most notably on fresh tomatoes and pineapples.

Similar agreements were reached between Cuba and six other countries—the U.S., Czechoslovakia, Australia, Brazil, China and Chile. A plan to grant Canada most-favoured-nation status for a wider range of imports was rejected by Cuba, since lower duties would automatically obtain for U.K. products. In the Cuban view, no unilateral concessions would be given the British since they were considered to be enjoying indirect advantages in the Cuban market already. Additional slight gains accrued to Canada after the second round of G.A.T.T. negotiations held at Annecy, France, in 1949. The most immediate beneficiaries of both conferences were flour exporters: whereas in 1947 Cuba took negligible quantities of flour, by the end of 1949 their value exceeded $3 million. The relatively sudden inroads into the market was facilitated by the abolition of Cuban government subsidies to flour importers, as well as the establishment of a more regularized shipping service from eastern Canadian ports. And whereas in the last pre-war years, Canadian fish exports to Cuba accounted for some 13% (by value) of the Cuban total, in the years following G.A.T.T., Canada was supplying more than 28% of the market throughout the island. With these stimuli Cuba rose, by 1950, to become Canada's second best market in Latin America (topped
only by Brazil), for the first time in a quarter century, a position she retained for most of the decade. No more demonstrable proof was needed to show how simple changes in the tariff could boost the export of primary Maritime commodities to Cuba.

A third phase of G.A.T.T. deliberations, held in Torquay, England, in the spring of 1951, had the greatest impact on bilateral trade relations in the last decade of pre-revolutionary Cuba. At Torquay, the Prío government accentuated the tendencies towards selective protection that Cuba had manifested at the two previous conferences. Higher duties were placed on the importation of such commodities as rayons, cottons and footwear to help smaller, nascent domestic industries. Other tariffs were further reduced with an eye towards the balancing of trade with Cuba's principal partners. Most importantly, Cuba actively pursued the negotiation of bilateral agreements designed to re-orient the distribution of her export trade. Three such agreements were signed – with Great Britain, Canada and Federal Germany – in 1951, though all were concluded outside of G.A.T.T., largely because of procedural factors. The objective of Cuban policy in each was to barter tariff concessions in return for commitments to purchase sugar and tobacco.

The pact with the United Kingdom was by far the most widesweeping in scope and most pregnant in its possible implications. Briefly, it assured Cuba that the U.K. would purchase not less than 1.5 million tons of her sugar between 1951 and the end of 1953 at world prices and a maximum of $0.5 million worth of Havana cigars, in exchange for extensive tariff concessions. Cuba removed more than 90 articles, most of them manufactured commodities, from previous duty classifications,
which had the effect of substantially reducing or, in some cases, abolishing entirely, the wide margins of preference the U.S. had enjoyed on these items for half a century. Still other articles were deemed as conditionally duty-free, subject only to the 20% minimum tariff surtax "on appropriate notice." As a result, nearly every single industrially processed product imported by Cuba, which formerly had been between one and a half and three times the favoured U.S. price, was now placed within competitive reach, while in a more limited number of cases, discriminatory tariff status was removed altogether. This act marked an historic effort by Cuba to actively encourage — rather than deliberately obstruct — the expansion of British exports, especially manufactures, to the island, which hitherto had been kept out by virtue of the unchallengeable position of the U.S.; indeed, that objective had been one of the touchstones of American policy towards Cuba ever since the enactment of the Platt Amendment. What is more, Canada, and most other Commonwealth nations, became eligible to take advantage of the reduction in duties, ex hypothesi. As a result, it appeared as if the Dominion had obtained a vast new market in Cuba without yielding anything in return, something totally inconceivable during the many years of hard, unfruitful bargaining.

SPOTLIGHT ON SUGAR

The bilateral accord with Canada was more modest in intent. Under its terms, Ottawa bound itself to purchase no less than 75,000 tons of Cuban raw in the same three-year period. In return, Cuba pledged to
revalidate the tariff reductions on Canadian cod, wheat and wheat flour, originally granted at Geneva, as well as to remove the U.S. preference on table potatoes, until the expiration date, January 1, 1954. In all probability Cuba offered, as a further inducement, the opportunities for Canada to share in any concession arising out of an agreement with Great Britain, but since the latter followed by three months the Canada—Cuba deal, no public reference was made to them, nor can it be inferred that the deal was in any way conditional on a successful outcome of the U.K.—Cuba negotiations.

Though far from spectacular by Cuban standards, the Torquay agreement represented for Canada a radical divergence from the time-honoured policy of granting hefty tariff preferences to its traditional Commonwealth suppliers of raw sugar within the framework of the British system, which, as we have seen, hampered the growth of trade relations since 1898. True, the old margin of $1 per 100 pounds (hundredweight) from the 1927 B.W.I. Treaty remained on paper, for the government was quite unprepared to absorb the political shock that was bound to arise from any such drastic alteration. However, the new agreement, when put into practice, had the clear effect of cutting into the virtual monopoly enjoyed by Commonwealth sugar in the Canadian market. Cuban sugar was still to enter Canada at the old tariff rate of $1.28 per hundredweight, but the government provided guarantees to refiners purchasing this sugar that they would receive a rebate equal to the price differential on Commonwealth sugars. By this action, the government undertook to shift a portion
of the subsidies paid by the Canadian consumer for sugar imported
under the terms of the B.W.I. Treaty to Cuban raw.

The magnitude of the transfer subsidy can be approximately
calculated. In the fiscal year prior to the agreement, the bounty
(including shipping) paid to Commonwealth sugar suppliers was con-
servatively estimated at $10.5 million on a total of 620,000 tons of
raw sugar imported by Canada that year, or about $17 per ton (98% of
this sugar came from Commonwealth sources). Assuming an identical
subsidy rate, the transfer amounted to $1.275 million annually for
three years on 75,000 tons. Thus with one bold stroke the Canadian
government erased that preference. Moreover, the Torquay accord
served as a model for an additional purchase of 65,000 tons of raw
sugar from the Dominican Republic later that year - a further assault
on Commonwealth preference. Despite its inconsequential value to the
Canadian consumer, Torquay was, if anything else, an interesting ex-
periment in the elasticity of trade substitution through the limited
use of a sugar quota system.

No shift of such proportions in the geographical (if not cultural
and political) distribution in the supply of so vital a Canadian import
could be effected without a lengthy explanation and justification forth-
coming from the government. C.D. Howe, the Minister of Trade and
Commerce, provided just such a rationale. According to Howe, Canada's
exports to the B.W.I. islands had declined sharply in recent years
owing, inter alia, to import restrictions and the operation of the
British preferential system. "It is therefore natural," the Minister
asserted, "that there has been a growing interest in the Cuban market on the part of Canadian exporters, who have, at the same time, retained their traditional desire to trade with the British West Indies to the fullest extent possible," adding, "this agreement with Cuba will be of definite interest to our Maritime Provinces." Howe further suggested that Canada was prepared to extend these sugar arrangements to other non-Commonwealth producers up to a maximum of 150,000 tons yearly in the apparent belief that the Canadian market was sufficiently adaptable to nullify any stresses issuing from the change in policy.

Nor could it be expected that competitive interests would remain silent in the face of the Canada-Cuba accord. No sooner had the ink dried on what came to be known as "Howe's concordat", than vigorous protests were received in Ottawa from several major Commonwealth suppliers, including Jamaica, Fiji and Australia. Not only was it alleged that the proposed agreement would bring ruin to their sugar industries but it also appeared to have more serious and far-reaching ramifications: such "unilateral action" on Canada's part threatened to undermine the whole theory and practice of Imperial Preference in trade relations between Commonwealth members.

Echoes of this dismay came from as far away as the sugar-growing regions of Queensland, where, it was estimated, Australian planters would suffer a loss of some two million dollars per year. New to that region, the sugar industry had been developed there after World War II under the impetus of a national campaign which provided a variety of incentives to populate a long strip of Australia's northern coast as part of an overall plan to integrate its defense system.
On the other hand, the United States, though refraining from public comment, could not but be pleased that Cuba had won her struggle for a wider share of the Canadian sugar market on the theory that any weakening of the British preferential system was, ipso facto, beneficial to U.S. exporters. Such were the fine web of relationships in international economic relations, spun out over vast oceans and continental land masses, which were influenced by a relatively simple and straightforward purchase of Cuban sugar by Canada.

External disaffection could more easily be nullified by being simply ignored, as was the case. However, when internal opposition to the Cuba pact began to develop one year later, it gave the government cause for concern, and the circumstances were all too familiar. In 1952, Cuba harvested a record crop of more than seven million tons of sugar, one consequence of which was to send the world price plummeting to its lowest depths since the pre-war years. Nevertheless, 1952 was not 1920; Cuba had learned from bitter experience that alternative methods could be developed for the disposal of her surplus sugar.

One of these was to greatly accelerate production of refined sugar, unusually large quantities of which now began to flood the Canadian market. It hardly mattered that nowhere in the Torquay accord could there be found any provision authorizing the importation of sugar for direct consumption from Cuba; smaller importers, operating under the guise that the sugar purchased required further processing, were quick to cash in on the cheapened price. Moreover, there were no longer government restrictions on this activity, inasmuch as the Sugar
Stabilization Company, a Crown corporation created by the government in 1942 to set prices and quotas, and generally regulate the distribution of all sugar in Canada, had been dissolved two years earlier. Hence, for the first time since the famous Bennett "anti-dump" proclamation issued twenty years previously, Cuban refined (azucar fino y granulado) found its way into Canada. And the shift was significant: Cuba, which had become Canada's leading supplier of raw sugar after Torquay, also accounted for more than one quarter of all the refined sugar sold in Canada in 1952.  

Months before these statistics were published, the Canadian beet sugar growers were seething. Typical of the protests was this editorial which appeared in the Chatham Daily News of November 7:

"For the second time within a quarter of a century the sugar beet industry in Ontario faces possible extinction as the Liberal government in Ottawa allows refined Cuban sugar to flood the domestic market. Noting the price of beet sugar had dropped $1.80 to $8.60 within a sixteen month period and $7.30 since Cuba started flooding the market last February, beet processors admitted today that they are "stymied" in the face of government apathy."  

Both cane and beet refiners joined in the chorus. Petitions to Parliament threatened the total collapse of the entire sugar industry in Canada if the government failed to halt the unlimited importation of refined Cuban sugar.

Two remedies received widest support. The first, favoured by R.M. MacGregor, President of Canada and Dominion, called on the government to apply article XX of the G.A.T.T. convention - the so-called "escape clause" - which authorizes "the total or partial suspension of a trade obligation, or the modification of concessions respecting
specific products" by a contracting party, provided that it can be "convincingly demonstrated" that the volume of imports are "seriously injurious" to domestic producers. The proposal rested squarely on the hypothesis - for which there was some historical justification - that the debarring of raw Cuban sugar from Canada would tend to discourage shipments of Cuban refined into the Dominion. Another scheme, advanced by the beet growers, urged the invocation of the 1932 "anti-dump" ordinance by Executive prerogative.

Both measures were rejected by the government on the grounds of juridical commitment and moral obligation. Application of the escape clause required evidence of substantial injury over a longer period of time and furthermore would invite unilateral retaliation by Cuba as authorized by the G.A.T.T. code. More importantly, the St. Laurent administration claimed that any imposition of such import quotas or restrictions would be inimical to its self-declared policy of free trade as embodied in the principles of the convention, ultimately weakening Canada's bargaining position with the United States in its efforts to secure entry of her cheese and butter in the face of severe quotas. As to the question of utilizing the authority of Order-in-Council P.C. #181, it was noted that the legislation could only be employed if the wholesale price on the home market of the importing country exceeds that in Canada. Since Cuba was selling its refined sugar to Canadian importers at approximately $1.75 per hundredweight higher than it was being sold for in Cuba (and $2.00 per hundredweight more in U.S. markets), any demonstration of dumping was precluded.
The government continued to temporize on a decision through mid-winter, and with good reason. With refiners bringing in raw Cuban sugar at a rate of $1.00 per hundredweight extra duty compared to Commonwealth sugars, a special consolidated revenue fund that it had created to distribute sugar rebates, had, by the end of 1952, already accumulated more than six million dollars as a result of the Torquay sugar agreement. Equalizing the tariffs on Cuban and Commonwealth sugars would necessitate remitting only about half that sum to refiners in view of the lower price of Cuban sugar. In the face of the general inflationary spiral spurred by the Korean war, a major objective of the government was to keep the price of basic staple commodities such as sugar as low as possible.

However, as the 1953 spring planting season for sugar beets drew near, the beet-cane refining complex readied for a showdown. With the deadline fast approaching for the consummation of contracts between labourers and beet owners on one hand and the owners and refiners on the other, as well as for purchases of seed, the complex clamoured for urgent action to head off the uncontrolled influx of refined Cuban sugar. Several backbenchers, all Progressive Conservatives and all representing ridings with significant "beet sugar" constituencies, took the lead in aggregating and articulating its interests with stubborn determination. Appealing to nationalist sentiments, the M.P.'s traced the history of the sugar beet industry, heavily emphasizing its endogenous character and linking its steady growth and development to Canada's continuing quest for increasing numbers of immigrants. It
was shown, for example, that sugar beets had provided 10,000 jobs for New Canadians from Europe since the war, creating settlements in hitherto unpopulated but nevertheless potentially productive regions of Alberta and Ontario.

Support for the sugar industry's campaign was also forthcoming from the national Conservative party. In a major speech criticising Liberal economic policies, Opposition Leader George Drew had these hard words to say on the question of Cuban sugar:

"It is inconceivable to me why any Canadian government should deliberately discourage the highest possible use of our own raw materials in our own country for the employment of high wages of people living in Canada... This government did something which cannot be countenanced... by first encouraging sugar beet production in Canada and then pulling the props out by bringing in refined sugar from Cuba, a country that could ruin sugar production in this country because it is able to produce at such low labour costs. Does it have no sense of obligation to those engaged in this production?"\(^16\)

On the other hand, sentiment in the Maritimes was decidedly against any abortive abrogation of the Cuban agreement, founded on the fear that retaliation would inevitably sound the death-knell to the painstaking efforts since G.A.T.T. to bring the region's trade into full bloom again with the island after the long hiatus. Mr. A.W. Stuart, the Liberal M.P. for Charlotte, expressed that feeling when he asked tersely: "if we can buy sugar cheaper in Cuba than somewhere else, why not give the Canadian consumer the advantage?"\(^17\) There was little need to mention codfish, potatoes, newsprint or flour, which would only serve to narrow the interests in dispute.

Thus the wheel of history had come full circle. Precisely the same sectional cleavages (based on antagonistic economic interests) which had
had so great an impact on Canada’s commercial relations with Cuba since the depression surfaced again. The internal debate which opened up – even its style – bore all the traces of a seemingly unresolved but nonetheless dormant conflict of a by-gone era. Even party battle lines were drawn to perhaps their upper limit in a consensus polity such as Canada. Once again, the weight of Conservatism came down heavily on the side of protectionism, while the Liberals became identified with a policy designed to minimize the implementation of trade barriers. 1952 was 1932 writ large, but this time the Liberals were in power, certainly an important difference from the standpoint of possible outcomes.

With the well-organized public relations campaign of the beet sugar refining complex in full swing, Howe departed on a pre-planned 18-nation tour of South America to advertise Canadian exports. Havana was to be the last calling point of the trip. Before he reached there, the Trade Minister became the object of heavy pressures from the refiners, growers and beet labourers alike. More than a dozen wires alone were signed by the President of Canada and Dominion, along with resolutions such as the following, drafted by "harding working New Canadians" according to one M.P., which were inserted into Hansard:

"We, the new Dutch and Belgian immigrant farmers who soon will become Canadian citizens of the parish of Parkhill, wish to tender our support to your government and particularly to the Hon. C.D. Howe, whom we hope and pray will intercede on our behalf when on his mission to the Cuban government, in order to give us some protection from the influx of Cuban refined white sugar which has been so detrimental to the beet sugar industry of Ontario, with a resultant drop in the price of beets to the producer."

The message in each ended on the same note: "curb the menace of Cuban"
refined sugar" or face the consequences.

Just what effect these entreaties had on the Minister is difficult to discern. Later Howe was to deny that he was at all influenced by them. Nonetheless, he and a group of trade officials returned from Havana with a compromise agreement exacted from the Cuban government after marathon bargaining sessions. It assured Canada that refined sugar would not be transported to the western provinces and Ontario so as not to undercut the direct market for beet sugar. Further, a decree published by the Cuban Sugar Institute and cited by Howe in the Commons read in part: "The Government of Cuba, fully cognizant of the long-standing ties of goodwill and mutual respect that have existed between our two countries, shall do everything in its power to ensure that Cuban companies will not send refined sugar into Canada until the end of 1953."

Presumably Cuba was prepared to trade off such guarantees for future renewals of the contract signed at Torquay. Thus a temporary compromise solution had been discovered in this one very specific instance to a perennial conflict of general proportions which the Louisiana Planter put succinctly in 1902:

"Who is it for the sake of gain,
Against the beet has pitted cane,
And forever gains ill-fame?"

However, in making the announcement, Howe firmly rejected the imposition of import quotas ("in principle") or other protective measures demanded by Canada and Dominion and the Association of Sugar Beet Growers of Canada, among others. And utilizing the opportunity, he tried to drive a wedge between the beet growers and the Canada and Dominion company.
Because the company was refining more than four pounds of raw sugar for every pound of beet, it was easy to show that the beet growers were deriving a mere pittance of the very large profits accruing to C and D, made possible by its ability to set "excessively high" prices for refined sugar. This argument was left hanging, but not before the polemics of the "great sugar debates" had consumed more pages in Hansard than nearly all other matters concerning Canadian-Cuban relations combined to that time.\textsuperscript{21} The end result can be gleaned from the following table:

\textbf{TABLE XIV}

\textbf{CANADIAN IMPORTS OF CUBAN SUGAR, 1946-55}\textsuperscript{22}

\begin{tabular}{lcc}
\textbf{YEAR} & \textbf{RAW SUGAR} & \textbf{REFINED SUGAR} \\
1946 & 6,707,469 & -- \\
1947 & 16,966,099 & -- \\
1948 & 18,874,416 & -- \\
1949 & 2,746,234 & -- \\
1950 & 414,487 & -- \\
1951 & 3,502,465 & -- \\
1952 & 13,364,483 & 1,759,413 \\
1953 & 6,219,993 & 1,152,919 \\
1954 & 3,637,523 & 61,912 \\
1955 & 5,595,609 & 3,914 \\
\end{tabular}

Cuba's adherence to the International Sugar Agreement signed by twenty nations in London in September of 1953 (effective January 1, 1954) rendered much of the debate academic. An elementary analysis of that complex and highly technical document provides the explanation.

Under the terms of the I.S.A., three distinct "marketing areas" were created. The United States, with its strict imports quota system for foreign and insular sugar suppliers, constituted the first area; the
second encompassed all of the signatories to the Commonwealth Sugar Marketing Agreement; and the third, the "free market", embraced sales outside these two arrangements. The basic idea of the Agreement was to adjust the volume of sugar thrown onto the free market by non-Commonwealth producers as a means towards stabilizing the world price and maximizing their export revenues. Quotas for these countries were set so as to increase with increases in price and, conversely, decrease when the price of sugar fell below a certain irreducible minimum (first set at 3.25¢ per pound). In effect, the Agreement envisioned the transformation of the world sugar market from one designed primarily to meet the demands of buyers, to one structured to give priority to sellers. Simultaneously, the Commonwealth sugar producers pledged to limit their exports, also in accordance with prescribed quotas, to Commonwealth markets, thereby guaranteeing the non-Commonwealth nations a share of those markets. But this key clause contained an important proviso: that the non-Commonwealth nations enter into no "especial trading arrangement" with any Commonwealth importer which guarantees a specified portion of its market. The clause was accepted by Cuba (though not subscribed to by Canada).*

Thus as the time approached for the renewal of the Torquay pact, Cuba found herself in the untenable position of having to choose between an assured but small market in Canada at the risk of the possibility of unlimited competition on the "free market" from Commonwealth producers, 

* The I.S.A. did not become binding on Canada until 1958.
or relinquishing her guaranteed share in the Canadian market in exchange for the certainty of only limited competition on the "free market". Unable to steer an optimal course between Scylla and Charybdis, Cuba opted for the larger market by announcing her intention not to seek extensions of the U.K. and Canadian agreements.23

THE UNCHANGING PATTERN

The decision removed the most successful stimulus ever given to the development of Canadian–Cuban trade in the history of pre-revolutionary commercial relations. For the three-year duration of the Torquay accord, Cuba sold Canada more than 20 million dollars of raw and refined sugar, including a record $11.6 million in 1952. At the same time, the value of Canadian exports to the island more than doubled from 1945-51 levels. The items showing the sharpest rise were malt, flour, seed potatoes and metals and their compounds, including copper, brass and aluminum. Nevertheless, the decline in trade after 1953 was certainly not precipitous because at no time during the waning years of its existence did the Batista government rescind the tariff concessions extended to Cuba pursuant to the G.A.T.T. conferences.

Despite the post-war inducements to trade, the initial elation of Canadian trade officials in Havana attendant to the U.K.–Cuba agreement gave way to a more sober recognition by the mid 1950's that objective conditions precluded Canadian manufactured goods from making any substantial inroads in the Cuban market. Of all the "equal rate" and/or "no preference" commodities, with a total worth of an estimated $70 million, the U.S. continued to supply Cuba with approximately 75% of
these imports by value, as was previously the case. Except for relatively marginal sales of accessory automotive parts and electrical equipment, no products of Canadian heavy industry, including any capital goods, were exported to Cuba. What is more, even the Embassy staff were ready to acknowledge that Cuban importers preferred homologous goods of European, rather than Canadian, manufacture, because of longer credit terms and cheaper prices.24

Clearly, then, the compositional contours in the pattern of bilateral trade had been well moulded by a long history when in 1959 Fidel Castro's guerilla band captured control of the machinery of the Cuban state and set about to transform the island's economy by equally revolutionary means. In the sweep of that process, a new trade relationship emerged, bearing all the imprints of the old "vegetable exchange" so characteristic of the past, but in a political environment inconceivable up to that time. We shall resume the thread of this discussion in the succeeding Parts.

A SUMMARY

None of the foregoing should obscure the fact that Canada's trade with Cuba was of little significance throughout the pre-revolutionary period. In no year during this time did it constitute more than one or two percent of Canada's total foreign trade in dollar terms. This situation was, and continues to be, typical of Canada's trade pattern with the Latin American Republics, which, combined, have never amounted to more than a small fraction of Canada's total foreign trade.

In this context, it is perhaps most useful to examine trade per-
percentages in terms of the leading Canadian export and import commodities to and from Cuba in the decades prior to 1959. Table IV - 2 shows the percentages (based on value) of potatoes and fish sold to Cuba compared to Canada's total export earnings for these commodities in selected years; similarly, the table gives an approximate idea of the relative importance of Cuban sugar imports (raw and refined) to total Canadian imports of sugar:

**TABLE XV**

<table>
<thead>
<tr>
<th>Major Commodities</th>
<th>1925</th>
<th>1935</th>
<th>1945</th>
<th>1955</th>
<th>1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar Imports</td>
<td>7</td>
<td>3</td>
<td>13</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Maritime Exports*</td>
<td>22</td>
<td>4</td>
<td>7</td>
<td>13</td>
<td>15</td>
</tr>
</tbody>
</table>

* Dried fish, seed and table potatoes.
NOTES - CHAPTER IV

1. From an unclassified file in the P/A, entitled "Canada-Cuba: G.A.T.T."

2. Under the subsidy program, the government was able to control the maximum retail price for flour and flour manufactured products. The subsidies were manipulated so as to stabilize the fixed c.i.f. price to the importer. As pointed out by R.C.G. Smith, Canada's commercial secretary in Cuba, subsidies effectively kept Canadian flour out of the market. Even if Canadian millers underquoted U.S. mills, the spread between the fixed c.i.f. price and resale price was set at irreducible minimum, so that Cuban importers could not afford to pay the higher duties on Canadian flour without suffering a loss. Cf. Foreign Trade (Ottawa), Vol. II, 1947, p. 429.

3. In the years 1935-39, Cuba imported an average of 12,471,000 pounds of cod and other salted fish, valued at $1,533,000 (U.S.); from 1950-53, the respective figures were 44,400,000 lbs. and $8,214,000. Investment in Cuba, op. cit., p. 56.

4. Ibid., p. 138


6. London Times, August 11, 1951; and "Canada Benefits from Trade Pact between Great Britain and Cuba" (n.a.) Foreign Trade, Vol. 10, September 1, 1951, pp. 292-94. The complete list of tariff reductions and new quotations are given in the article. Ratification of the agreement was held up pending assurances given to Commonwealth sugar suppliers by the U.K. that it would continue to take the exportable surplus of sugar of these countries, estimated at 2,375,000 tons up to the end of 1952, "at fair prices."


8. At the time of Torquay, Canadian refiners were paying 35¢ per hundredweight above the world price for raw sugar than would have been the case if the $1 per hundredweight added margin had not applied to Cuban or other non-Commonwealth sugars. Hence it is readily seen that a threshold reduction in price of 15¢ per hundredweight was all that was required for Commonwealth sugar to drive non-Commonwealth sugar from Canada. New York Times, March 28, 1951; Montreal Daily Star, May 9, 1951.

9. Ibid.


15. Principally J.W. Murphy (Lambton West, Ontario), L.E. Cardiff (Huron North, Ontario), and J.H. Blackmore (Calgary North).


18. Ibid.


25. This table was compiled by Mr. A. Sarna, Caribbean Division, Department of Trade and Commerce, Ottawa.
CHAPTER V:
EVOLUTION OF DIPLOMATIC STATUS

BACKGROUND

When, in August of 1950, Canada and Cuba upgraded their respective legations in Havana and Ottawa to full embassy status, it was the culmination of a processual development in bilateral relations extending back nearly a half-century. The slow growth and maturation of formal diplomatic bonds typifies the evolutionary character of Canadian representation abroad, just as it attests to Canada's increasing independence from the Mother Country and the concomitant expansion of the role played by the Department of External Affairs in the development of Dominion foreign policy. These metamorphoses, of course, became more apparent when, as a result of W.W. II, Canada emerged as a leading Western power with an increased importance in the matrix of international relations.

The parallels with Cuban representation fit harmoniously into this pattern. From the turn of the century until 1945, the highest ranking officials in either country were consuls or trade commissioners. In that year, Ministers were exchanged after the appropriate elevation of the consular offices to legation status. Just five years later, Ambassadors presented their credentials to the Heads of State in the Dominion and the Republic almost simultaneously in point of time.

As a general rule, the formal act of Canadian diplomatic interchange usually has not signalled any greatly changed bilateral relationship arising out of war, political re-alignment or commercial treaty. Rather, it has tended to reflect the government's perception of Canada's role in
the world which, despite the assumption of powers hitherto reserved by Great Britain, always has been keenly sensitive to the traditions of Imperial, and later Commonwealth, diplomatic practice. Cuba is a notable illustration of this. Because of it, Canada at every step determined the form, if not the content, of protocol liaison, sometimes provoking minor Cuban irritation or exasperation, or both.

After the constitutional foundations for the new Republic were laid and the trappings of independence established, funds were authorized in 1903 for the creation of a Cuban consular service in seven countries. Canada was one of those chosen. In that year, a consul took up residence in Yarmouth, certainly a logical selection since nearly all of the trade then accounted for took place with the Maritimes. In 1910, a Cuban businessman, Antonio Quildez, offered to represent Canadian trade interests in Cuba, apparently on his own initiative. The Department of Trade and Commerce was receptive to the idea, but suggested that any such office would have to be headed by a Canadian citizen. One year later, the post of Trade Commissioner was created, with Quildez appointed as a salaried adjunct to the staff of three.

Sometime during W.W. I, the Trade Commissioner’s office in Cuba was transferred to Jamaica on the theory that trade with that island would prove to be more important to Canadian commercial interests. The imposition of wartime controls on the export of Cuban sugar helped to foster this belief. Meanwhile, Cuba opened up another consulate in Montreal in 1921. Several years later, a seemingly innocuous shift such as this one, brought bitter complaints from Maritime M.P.’s, who ascribed the downturn in potato exports to Cuba in the early post-war
years to the Commissioner's absence. It was not until the arrival of James Cormack in 1927 that Commissioner's post was filled again. Just why Ottawa chose to reactivate the position is not readily discernible but may have been linked to a tragic event of the previous year.

THE CYCLONE OF '26

The background to that event and its possible impact on Canadian representation provides an interesting addendum to the migratory histories of the Canadian people. Just after the turn of the century, a planter class composed of some two hundred Canadians settled in and around the town of Santa Bárbara on the Isle of Pines. Largely from Ontario and the prairie provinces, the Canadians established a thriving colony, whose economic base lay in the growing and marketing of grapefruit and pineapples. One of the interesting features of the colony was that the planters employed, almost exclusively, illiterate black labourers from the British West Indies, many of whom were imported with the onset of the harvesting season, returning to their native islands at its conclusion.

On the morning of October 19, 1926, a cyclone struck the Isle of Pines with devastating fury. In its wake, 350 people were left dead and some 5,000 injured. Property losses were estimated at $70 million, a seemingly improbable figure in view of Cuba's history of backwardness. Virtually every house in Santa Bárbara was either seriously damaged or completely destroyed, leaving most of the Canadians utterly destitute. Fortunately for the colony, only three Canadians were among the dead.

The news of the disaster did not arrive in Ottawa until one week
later. Two more weeks elapsed between the time a government communication eliciting recommendations for assistance was sent to, and answered by, the British legation in Havana. At the request of L.C. Hughes-Hallett, H.M. chargé d'affaires, roofing materials and cement were ordered from a Montreal firm, the Alexander Murray Company; and on its own initiative the government, acting through Deputy Trade and Commerce Minister O'Hara, instructed the Canadian Trade Commissioner in Jamaica, P.W. Cook, to proceed to the Isle of Pines and make an on-the-scene investigation.

Meanwhile, relief operations were begun in Cuba. A special government relief fund headed by one of President Machado's sons-in-law, was organized to co-ordinate efforts with the Cuban Red Cross in distributing relief supplies. Contributions to the fund came from the Canadian banks, which together subscribed $50,000, and from the life insurance companies, whose combined assistance was far less eleemosynary. Cook's report reached O'Hara towards the end of November, more than a month after the cyclone had come and gone. It described the tragic plight of the Canadians, terming the relief measured that had been taken up to that time "trifling" in comparison to the gravity of the situation. A family-by-family investigation revealed that most of the Canadians remained homeless and some, penniless. To alleviate the suffering, Cook proposed that the government, banks and life insurance companies pool their resources to raise a half-million dollars to aid the Canadian victims of the cyclone. At minimum, it was suggested that the Canadian financial interests could be more immediately helpful by disbursing funds directly to the families desirous of returning to Canada in order to expedite their passage homeward without further delay.
This latter idea received the warm endorsement of Hughes-Hallett and may possibly have been advocated by him prior to Cook's arrival. But not only were Cook's suggestions greeted with scepticism in the government, the financial interests went even further and dismissed them as totally unacceptable. A Royal Bank draft cablegram, dated December 3, summed up their attitude:

"Reply #18580 re: Cook Report"

"Adverse to making direct presentations as...no distinction nationality. Possible exaggeration in report. Hesitation on part of Canadian government to meet recommendations investigating Commission no doubt quite natural but we do not feel that their obligation should be passed on to us, on contrary feel more reasonable that they should utilize services British Minister here to conduct new investigation on their behalf."

From the use of "they", it is not at all clear precisely to whom the message was addressed. Nevertheless, a copy did reach Trade and Commerce later that month, and was inserted into the file on the Cook mission. As a sequel to the story, shipment of the construction materials was held up for six weeks because the Murray company failed to provide the Munson Lines of New York with the appropriate bill of lading. By the time they reached their destination, only a handful of the families were left in Santa Bárbara, the others having been either evacuated elsewhere or left Cuba entirely, in some cases with the help of the British Legation. The whole cyclone episode, marked as it was by confusion, served to illuminate the inadequacy of Canadian representation on the island. The inability of the British Legation to wield even a modicum of influence over the decisions of the banks, pointing to the de-national character of those institutions, further symbolized
the problem for the government.

THE SAINZ AFFAIR

In the following year, Cuba took unilateral and unprecedented steps to elevate the status of its diplomatic ties with the Dominion. On July 12, 1927, a bill was introduced in the Cuban Congress on behalf of President Machado authorizing 1) the creation of the post of Diplomatic Commissioner, with the rank of Envoy Extraordinary and Minister Plenipotentiary, accredited to the Government of Canada, and 2) the transfer of the Commercial Attaché in the Cuban Legation in London, to Ottawa, replacing the Consul in Montreal. The bill passed into law some weeks later under the guiding hand of a Sr. A.P. Sainz, a close family relative of the President, along with an appropriation to cover the initial expenditures required for the establishment of the new mission. Sainz advanced two major arguments - with apparent persuasiveness - in support of these measures: first, that an upgrading of the ranks of Cuban diplomatic personnel in Canada would grant representatives of the Republic immunity in courts of the Crown; secondly, that the assignment of a trade official stationed in Ottawa would significantly improve the opportunities for Cuban sugar in the Canadian market, principally by means of lowered tariffs. In this, Sainz's reasoning was apparently founded on the premise that propinquity to the seat of the national government, and thereby the Tariff Board, would serve to fortify Cuba's lobbying position in matters of trade legislation affecting her interests.6

Several months later, Sainz turned up in Ottawa, requesting a provincial Royal Exequatur from the Governor-General, Cuban documents
in hand. In his statement of introduction, he declared that with the recent signing of the *modus vivendi*, the time was ripe for the concluding of a more comprehensive trade agreement between the two countries, and that his accreditation would greatly facilitate that objective.

But Ottawa – to put it mildly – could hardly have been more aghast. Considering Sainz's action a gross diplomatic impropriety, the Department of External Affairs wrote "confidentially" to the would-be diplomat:

"The Canadian government...on consideration of your petition, wishes to convey to you and your government [the following]:

"While the Government of Canada appreciated the friendly attitude of the Government of Cuba and desires to strengthen the good relations existing between the two countries, it does not contemplate advising H.M. to appoint any considerable number of diplomatic representatives in respect of Canada in the near future."  

Sainz was nonetheless not easily discouraged. He remained in Ottawa long enough to secure an interview with O.D. Skelton, further pressing his case. Sainz told the Under Secretary that, in addition to increased trade and diplomatic immunity, inspiration for his initiative inhered in the belief "common within my government", that thenceforth "each of H.M. Governments is to be considered by itself."  

He further pleaded that a rejection of his proposal for diplomatic relations by Canada would have grave consequences for his person on his return to Cuba.

In deference to these entreaties, Skelton promised to bring the entire matter up with Prime Minister King for a final decision. At the same time Skelton informed Vincent Massey, the Minister in Washington, of the Sainz visit, requesting his advice on how to further proceed.

After an exchange of notes, and some hesitation on Skelton's part, King
was told of the Sainz mission. To the surprise of no one, least of all to Skelton, the Prime Minister dismissed the proposals on procedural grounds, without even considering their possible substantive merits. In his view, Canada could only establish diplomatic representation on a reciprocal basis and that, moreover, Cuba had violated the norms of Imperial diplomacy by first contacting the Foreign Office which he emphasized as "the accepted procedure"; thus the Sainz odyssey came to abrupt conclusion, at least as far as Canada was concerned.⁹

However, there seems no reason to impugn Sainz's motivations. The 1927 Modus could certainly have been interpreted to mean that Canada was anxious to open up new vistas for trade, and diplomatic relations were logically seen as providing a new impetus to such a development. Important, too, is the recognition that the title assumed by Sainz corresponded exactly to that of the Canadian Minister in Washington, inaugurated by Massey in February, 1927; clearly then, Cuba contemplated that Canadian reciprocity would be forthcoming. This precedent in Canadian representation was regarded as the immediate harbinger of a thorough-going re-organization of Canada's diplomatic service and hence her status as a more fully sovereign Dominion. Unfortunately, the Cuban Department of State either was not aware of, or did not fully appreciate, the degree of opposition within Canada to the Massey mission, nor was it fully cognizant of Canadian sensitivity to breaches in protocol. If nothing else, Sainz's overly sanguine attempts at informal diplomacy symbolize the temperamental differences between the Canadian and Cuban peoples. Here then, in one seemingly insignificant episode, was embodied the essence of contrasting political cultures, one shaped
by Hispanic impulse, the other bound to orderly British tradition, which always has had a powerful bearing on the practical realities of Canadian-Cuban relations, but which nevertheless defy even the most precise measurements of political economy.

Sainz's abortive plan effectively eliminated further considerations leading towards the establishment of diplomatic relations until the termination of the Second World War. In the intervening years, just about the only event of a diplomatic character possessing any interest occurred in the summer of 1933, when Machado was granted temporary asylum in Canada after fleeing Cuba. The ex-dictator took refuge in a Montreal hotel, where he reportedly spent nearly three months under the tightest of security restrictions. However, Machado's presence in Canada does not appear to have any effect on the conduct of banking or trade relationships, or to have changed Cuba's basically friendly disposition towards the Dominion, tariffs and dumping duties notwithstanding.

ESTABLISHMENT OF AMBASSADORIAL TIES

When the Canadian Legation opened in Havana in May, 1945, Joseph Marie Emile Vaillancourt of Montreal was named the first Canadian diplomatic emissary to Cuba, with the rank of Minister. The nomination of Vaillancourt suggested that Canada attached some importance to its links with the island, for his reputation as a leading Catholic intellectual and as one of the nation's foremost authorities on Latin American culture, gave a certain stature to the post. Vaillancourt's appointment was the fifth in a series of Ambassadorships or Minister-
ships to the Latin American republics made from 1941-45. The Grau San Martín government urged from the outset that full Ambassadorial status be given to both representatives, but Canada refused on the grounds that a Dominion official with a higher rank than his British counterpart would constitute an affront to the Mother Country. The raising of the Legation to Embassy status followed by just several weeks identical recognition accorded by Great Britain.

There is no available evidence to suggest that the creation of a diplomatic mission in Havana altered Canada's silent detachment from internal political developments in Cuba. Instead, information required for the normal conduct of Embassy business was apparently furnished by U.S. officialdom, with whom there was a close working liaison. Thus when Castro's rebels captured twelve chemical and supervisory personnel employed at the U.S.-owned Moa Bay mining company in June, 1958, in retaliation for its provisioning of Cuban Army aircraft for attacks against the rebels, the release of the two Canadians in the group was secured after direct talks between representatives of the U.S. embassy and the 26th of July movement. In fact, as soon as U.S. authorities declared their intention to enter into the negotiations, Canada's Secretary of State Jules Leger announced publicly that they would be entrusted with full responsibility for the safe return of the Canadian nationals involved.

Neither is there any evidence that the establishment of the Embassy led to any significant new program for export promotion. Commercial exchanges of the type between Canada and Cuba are usually not grist for the diplomatic mill, and this case was no exception. Outside the
prescribed change in nomenclature from "Trade Commissioner" to "Commercial Counsellor", the only difference in this sphere was procedural rather than substantive: in the course of business negotiations, the Ambassador (as is customary) appeared briefly to lend the prestige of his position to the work of the Commercial Counsellor.* Nevertheless, an Embassy was there and, just like any other, financed by State funds. Nobody who served it, or for that matter no Canadian official in 1959, could have dreamed that its continued routine functioning would so offend the United States scarcely less than two years later!

*Private communication from Allan P. Anderson, former Ambassador, to the author, dated April 15, 1971.
It should be emphasized that the Canadian Trade Commissioner, like his counterparts all over the world, could in no legal sense be considered a diplomatic or consular official, since he was not accorded the privileges or immunities normally reserved for accredited representatives of one Sovereign State in another. Technically, the Commissioner was an agent of the Department of Trade and Commerce and, at best, was accredited indirectly to a foreign government through the British Consulate, legation or embassy in that country, in instances where no Canadian diplomat existed. His formal tasks were limited to trade promotion, though he was not enjoined from undertaking duties normally associated with a consular officer. In this capacity, the Commissioner was charged with the responsibility of establishing business contacts only with representatives of private enterprise, and strictly speaking, not with government departments. In pre-revolutionary Cuba (as elsewhere) these distinctions were blurred sometimes beyond recognition, as amply borne out by the preceding chapters. It, of course, could not have been otherwise, given the high degree of regulatory control exercised by the Cuban government over foreign trade, especially from the Machado period onwards. Furthermore, interspersed among the collections of Havana Office Reports, which the writer was able to inspect up through 1941, are numerous political judgements which emanated from the Commissioner's office, which were designed to assist exporters when considering the Cuban market. The Reports leave the unmistakable impression that the Commissioner operated quite independently of the British Legation. It will be noted that Cuba considered its diplomats in Canada to be of higher status than Ottawa was willing to acknowledge de jure, from 1903-1945. In considering these matters from a more general and even more theoretical standpoint, the standard work is H. Gordon Skilling, Canadian Representation Abroad (Toronto: Ryerson Press), 1945, ch's. II, VI and VIII.


3. P/A, File 18580, Isle of Pines Cuba Disaster; Visit of P.W., Cook.

4. Ibid.

5. After W.W.I, the United States' trade consul in India received such immunity by Royal assent, which Cuba took note of in the text of the bill.


7. Ibid.

8. Ibid.
9. Not only is it intriguing to speculate on Sainz's fate but also whether or not he was in any way connected with relief operations on the Isle of Pines.


11. Ibid., June 29, 30, 1958.
PART II:

THE DIFENBAKER YEARS:

CUBA AND THE AMERICAN CHALLENGE
CHAPTER VI: TRADE CRISIS

MAVERICKS IN POWER

One common assumption shared by virtually all Canadian commentators who have assessed the impact of the Cuban revolution on Canada was succinctly summarized by a journalist, Robert Redford: "From the moment Castro turned to communism, Cuba was bound to become an issue in Canadian-American relations." ¹

Irrespective of the difficulty in pinpointing with precision when this change occurred, and setting aside the requisite criteria for such a determination, there is still a good deal of truth to the assertion. Though sharing a similar "Cold War" perspective on international politics in the immediate post-war period, Canada showed reluctance to take up the same anti-Communist crusade that swept the United States. The dominant elites, corporate, political, intellectual, the moulders of public opinion in the country, viewed America's xenophobia with scepticism and Canada had not experienced anything like a McCarthy era. Though conditioned to condemn the totalitarian practices of Communism, such as the restrictions on free expression and the repression of political opposition, Canadians nevertheless showed a good deal more tolerance to the social transformations underway in those countries (especially China) that fell under Communist rule, than Americans. The "moderating" influence of British paternalism, a tradition of legitimate Fabian socialism and a natural aversion to what Professor George Grant calls the "emancipation of the passions in American liberalism" were among the factors which could account for this difference. ²
These attitudinal differences were apparent in several minor, but nonetheless significant, policy differences with the U.S. over key international issues such as the partition of Korea, the Quemoy-Matsu affair and the 1958 Lebanese crisis. Even in the creation of N.A.T.O., the idea of which was first suggested by Prime Minister Louis St. Laurent, Canada tended to stress the alliance's economic and "Christianizing" missions as much as its military functions, in sharp contrast to the order of priorities envisaged by the Americans. Such divergencies did not, however, merely reflect differing domestic habits of mind, nor could they be simply ascribed to differing perceptions of "tactics", as is so often alleged in the orthodox writings on Canadian foreign policy. There were, and continue to be, more deep-seated "objective" differences which also help to explain why Canada did not totally embrace the post-war Weltanschauung of containment, roll-back and economic penetration to the furthest reaches of the globe.

For one thing, a residue of opinion was, and is much more so today, conscious of American domination of the Canadian economy and the degree to which it has found political expression it has restrained Canadian policy-makers from total servitude to U.S. foreign policy objectives. But even more important is the fact that the interests of elements of the corporate-banking sector have not always been synonymous with these objectives. In certain instances, for example, American economic expression has been at the expense of British capital interests to which Canadian interests have been more closely allied. Though it would be difficult to prove that such was the case with respect to Cuba on the eve of the revolution, it is clear that the Canadian stake
on the island - politically, economically, culturally, militarily - was in no way comparable to that of the American. Furthermore, the bond between Canadian individual and corporate interests in Cuba and the interests of State historically were not firm and since no great significance was attached to them, Ottawa was able to assume a somewhat detached mien from the moment that the epoch-making events in Cuba began to unfold.

Nevertheless, we would to a certain extent misinterpret the course of Canada-U.S. relations regarding Cuba from January 1, 1959, if we were to accept Mr. Redford's assertion as the whole truth. To do so would be tantamount to accepting a kind of vulgar determinism as an all-embracing explanation for what was to prove to be a complex, and in certain respects, unforeseen conflict. For although the Cuban revolution was to indeed become a major issue in Canada-U.S. relations, certain peculiarities of the phenomenon were the consequence of the particularity of the government in Ottawa. In a word, the domestic political climate heavily influenced the course of subsequent developments.

When Fidel Castro came to power in Cuba, the Progressive Conservative government of John Diefenbaker had been in office for eighteen months. Elected to head a minority government in June, 1957, Mr. Diefenbaker was returned as Prime Minister in March, 1958, with a precedent-shattering majority in the House. With this massive mandate, Mr. Diefenbaker began to emerge from the cocoon of prairie populism and to search gropingly for the pivots of his own peculiar and eclectic sense of Canadian nationalism. His speeches began to warn increasingly of the
A threat to Canadian identity from the high concentration of U.S. control of the economy. In May, 1958, he vigorously protested the refusal of the U.S. Department of the Treasury to authorize the sale of Ford (Canada) trucks to the People's Republic of China. He also announced his intention to shift 15% of Canada's trade from the United States to Great Britain. In July, 1959, Howard C. Green was appointed Secretary of State for External Affairs. Lacking any experience with the portfolio, Mr. Green's assumption of the post was nevertheless not construed as political payoff since the new minister had not supported Mr. Diefenbaker at the 1956 leadership convention: rather, it was indicative of their near identity of views. A self-described "left-wing Conservative" (or "Red Tory"), Mr. Green shared the Prime Minister's perception of the Canadian ethos as founded on hard work, dedication, innocence and loyalty to the Crown. Both men strongly resented American economic, political and cultural domination of Canadian life because it had undermined the authority of the old English land-owning elite; and both wanted to return to the halycon days when Canada's destiny was conceived as lying on her east-west, rather than north-south geographic axis. For twenty-two years the Liberals had presided over Canada's continental integration; now the opportunity arose to reverse the trend.

Historians have yet to pronounce the final verdict on the nationalism of Messrs. Diefenbaker and Green. Insofar as its social content was concerned, it was to a certain extent a deformed nationalism, used as a vehicle for the expression of Canadian chauvinism and the exaltation of the "Canadian way of life." Its conservative bias could easily be
seen in its celebration of class and status positions within society. No attempt was made to include French Canada within its ambit, nor did it make any serious effort to alleviate the plight of Indians. On the other hand, an analysis of the social legislation passed during the 1957-63 period would undoubtedly reveal a greater concern for the "common man" than most other Canadian governments. In a sense, the passage of the Canadian Bill of Rights in 1960, was symbolic of this tendency. This was the practical, reverse side of the traditional Tory noblesse oblige. Transposed onto the plane of world politics, it impelled Canada to demonstrate a fair degree of sympathy, if not support, for small nations in their conflicts with larger ones.

In its general orientation towards international relations, "Diefenbakerism" flaunted what were alleged to be distinctly Canadian virtues. "Above all, Canada is a nation with an idealistic, unselfish approach," Mr. Green was once led to remark, "and if you add her good record generally, and the courage, common-sense and God-fearing character of her people, ... you will agree with me that we can give leadership in the finest sense of the word." On the occasion of his "politique de grandeur" speech of March, 1960, Mr. Green told the Commons that Canada had no enemies, but only friends in the world. On still a third occasion, he was quoted as saying that no country could play a greater role in contributing towards the preservation of world peace in the decade of the 60's than Canada. Given these pre-dispositions, the Diefenbaker-Green line was inextricably bound up with the search for a distinctive foreign policy. To quote Mr. Redford again:
"There were always strong overtones of nationalism reflected in the Diefenbaker government's approach to foreign policy. There seemed to be a determination that Canada have its own identifiable approach to every issue. One could also sense, perhaps, a certain jealousy of the reputation that Pearson had gained for his country. There was pride in the high regard for Canada's name, but this was to be retained by independent actions today rather than by reputations established yesterday.\textsuperscript{4}

As it would turn out, Cuba would serve to illustrate the essential correctness of many of these observations.

DEALING WITH THE REVOLUTIONARIES

Canadian diplomatic recognition of the new revolutionary government followed almost immediately on its accession to power on January 1, 1959. On January 6, two days before Fidel Castro reached Havana, the Cuban Foreign Office sent a diplomatic note to the Canadian Embassy listing the members of the new government and asking that it be recognized as the sovereign representative of the Cuban people. In turn, it pledged to respect all of Cuba's "international obligations and existing treaties" in accordance with the "principles of international law". Mr. Sydney Smith, Canada's Secretary of State for External Affairs at the time, directed the Canadian Ambassador in Havana, Mr. Hector Allard, to acknowledge receipt of the Cuban note and to "confirm the desire of the Canadian government to have friendly relations with the Government of Cuba."\textsuperscript{5} A formal exchange of credentials took place on January 8, just one day after the U.S. government accorded the new regime similar recognition.

There was, of course, nothing exceptional in quickly granting recognition to a government that had come to power by force of arms.
Just five months earlier, Canada had granted recognition to the new government formed in Iraq in the wake of a coup d'etat by Brigadier Abdel Kasim Kassem in little more than two weeks. Traditionally, Canada has applied two general criteria for recognition. The first is that the new government represents the people of the country; the second, that it is in control of the country and is likely to remain so. It was universally acknowledged that Dr. Castro's 26 of July Movement satisfied both requirements, a fact that Mr. Allard himself noted in a diplomatic dispatch to Ottawa just after Batista fled.

It was true that Canada had not at that time applied the same criteria for granting recognition to the Communists on mainland China. However, the case of China was bound up with the implacable hostility of the U.S. to the Peking government and the still powerful and persuasive influence of the ideology of American Anti-Communism applied to that country on Canadian public opinion. With Cuba, no such obstacles stood in the way. Dr. Castro was widely regarded as a popular hero who had ousted a tyrannical dictator from power, an idealist in an age without idealism. This sentiment was particularly noticeable in Quebec, finding expression in laudatory articles from the leftist Cité Libre to the conservative mass media. In Canada as a whole, few doubts were raised about the "political" character that the new regime would assume. As the Winnipeg Free Press read it, Fidel Castro's program was no more radical than that of Clement Attlee's in Great Britain after the war. In short, Canadian commentators, reflecting the view of the government, nowhere saw the spectre of Communism as an issue involved in recognition.
Within two weeks the initial enthusiasm for the revolution was tempered somewhat by the execution of Batista's collaborators. The Globe and Mail, whose views in this period rarely differed with that of the Diefenbaker government's, condemned Dr. Castro for launching a new "bloodbath", and substituting vengeance for justice. "Mr. Castro", it editorialized, "has forever tarnished the idealism which surrounded his revolutionary movement." The paper was particularly critical of the Cuban guerilla leader's apparently contemptuous reaction to pleas from the international community to spare the lives of alleged war criminals. Implicit in this criticism was the suggestion that perhaps Canada had acted much too hastily in according recognition to the Cuban revolutionaries. In the House, the C.C.F.'s foreign affairs spokesman Hazen Argue, drew attention to the situation and asked whether the government was considering the dispatch of a note of diplomatic protest. In response to this enquiry, Prime Minister Diefenbaker had this to say:

"I realize the feelings that must be engendered in the hearts of people everywhere, but I will go no further than to say this: the government is following very closely the events in Cuba as the picture emerges from the various reports, some confused, others capable of varying interpretations; and in considering the situation, the government will have in mind the same deep concern for the respect of civil liberties and democratic ways that it has demonstrated in the past."

It was significant that Mr. Diefenbaker's rejection of the dispatch of a note of protest contrasted with his authorization of a protest note sent to the government of Hungary in June, 1958, which called the execution of Imre Nagy and his associates "unjustifiable terrorist policy." On no other occasion during the next year and a half was the subject of Cuba raised in the Commons.

In February, Fidel Castro demonstrated a healthy respect for one of
Canada's best known institutions. In a note delivered to the Canadian Embassy, Dr. Castro requested the services of ten Royal Canadian Mounted Police officers to assist in the training of Cuban police and internal security forces. Though there had been a precedent for this practice in the past with individual officers who were sent to several Commonwealth countries, the unorthodox nature of the request made Canadian officials uneasy. Reports of "Communists and Communist sympathizers" in the guerilla movement, coupled with Washington's initially cautious attitude towards the revolution, militated against acceding to the request. Davie Fulton, the Minister of Justice, declared non-committally that the idea would receive "very careful and lengthy consideration." Since further information is lacking, it is to be presumed that the request was ultimately denied.

The following April, the Cuban Prime Minister made a brief visit to Canada. It came on the heels of his unofficial trip to Washington during which President Eisenhower was unwilling to meet with him and the U.S. refused to grant him long-term economic aid. In Montreal, he received a tumultuous welcome. According to police reports, Dr. Castro and his entourage attracted a larger crowd than any other foreign leader in the previous decade. Indeed, so warmly was he received that he was led to remark that he "thought he was in Cuba." Later in the evening he was received by a large cross-section of Canada's banking, industrial and merchant elite. One purpose for the visit was to raise money for the settlement of claims against eight Canadian National steamships purchased
by the Batista regime,* but Castro also took the opportunity to elaborate upon the paths of political, economic and social development that the revolution would take in the future. He rejected the path of immediate elections as unsuited to Cuban reality. He argued that elections would require the creation of a new party system and, while there could be no doubt that his own party, were it to be formed, would unquestionably win any election, elections were meaningless in a society where misery was still widespread and a not insignificant portion of the population was illiterate. He maintained that Cuba had many more urgent problems to confront, such as the eradication of unemployment, the construction of schools and hospitals and the building of a "modern humanism" based on the dignity and respect for man. After these tasks were accomplished, then political parties would be "born naturally." When asked if his government included communists, he was emphatic in asserting that it was neither communist, nor did it sympathize with communism; however, it was incompatible for a social-democratic society to either imprison or execute Communists.

In formulating a strategy for development, Dr. Castro emphasized that Cuba's problem of backwardness had to be seen in the context of the Latin American continent as a whole. Poverty, illiteracy, underemployment and unemployment were problems not specific to Cuba, but afflicted all of the nations of the southern hemisphere without exception. He therefore envisaged a harmonization of plans for development amongst the diverse Latin American States. The central key to Latin America's development was a co-ordinated program of industrialization, combined with

*Infra., Ch. XI.
a simultaneous elevation of the standards of living so that an internal market could be created for the products of home industry. To embark on this large-scale program, massive injections of fresh foreign capital and technology would be required. Striking a balance, or "mean", between socialism and capitalism, the Prime Minister suggested that private capital and enterprise would necessitate some intervention by the state. Basically, however, his model for development consisted of both private and state "sectors co-existing harmoniously in well-defined and almost mutually exclusive spheres. Only in exceptional circumstances would the state be called upon to mediate between these two sectors, and this in a limited way. This orientation towards Latin America as a whole was natural in view of Dr. Castro's announced intention to attend a Pan-American conference on development scheduled to open on April 28, in Buenos Aires just two days before the Montreal visit.

Insofar as Cuba was concerned, Dr. Castro made a strong appeal for Canadian assistance. Sensitive to the natural caution of investors regarding Cuba as a field for capital export under revolutionary circumstances, Dr. Castro gave assurances that foreign capital would be given "fundamental guarantees". He also extended an invitation to Canadian industrialists to tap the potential of the Cuban markets. "We think your spirit of enterprise," he said, "will be welcome because now in Cuba we are beginning a new era." The honesty of the revolutionary government, the Prime Minister asserted, gave Cubans incentive

+This was still the high point of the short-lived period of "revolutionary humanism" or "bourgeois-democratic" stage of the Cuban revolution.
to pay taxes; thus exporters would find the Cuban market much more attractive than hitherto was the case.

This expression of Dr. Castro's interest in expanding trade with Canada, especially in the purchase of heavy machinery, bore fruit several days before his return to Cuba from Buenos Aires. On May 1, a delegation of ten Cubans, headed by Major Ramón Guin, set out for Canada, ready to buy some $5.6 million in agricultural equipment in Toronto and Montreal. Noteworthy too, was the fact that Major Guin announced that it was Cuba's intention to open negotiations with Ottawa leading to the establishment of Canadian branch factories and distribution centres on the island. 12

The content of the program for social change as outlined by Prime Minister Castro in Montreal was not new. It had been elaborated even before the triumph of the revolution in the theses of Regino Boti, Castro's Economics Minister, and was essentially the same program Dr. Castro brought with him to Washington. It gave no hint of the wholesale redistribution of land that was to follow soon afterwards with the promulgation of the Agrarian Reform Law, nor of any of the other nationalization measures later adopted. In every respect, the program was that of a social reformer, rather than of a revolutionary socialist. As such it was looked upon approvingly in Ottawa, though not without some scepticism. Nevertheless, even the sceptics were in full agreement that the U.S. rebuff of Dr. Castro might have serious repercussions. As would occur at crucial turning points in U.S.-Cuban relations over the course of the next several years, Canadian forecasts that a hardening of Washington's attitude would only prove counterproductive to U.S. objectives, was
entirely accurate. Historians and close students of the development of the Cuban revolution have shown that U.S. hostility towards reform measures already enacted (lowering of rents, raising of salaries, etc.), its demands that a fiscal "stabilization" program be implemented before any loan would be granted and the blow struck by President Eisenhower to Dr. Castro's national pride, were decisive in bringing about the leftward shift of the revolution at that point. Here, as on other occasions to follow, Ottawa saw the instinctive moderating thrust of Canadian diplomacy vindicated by Cuban events, though it was entirely incapable of influencing their outcome.

The execution of Batista henchmen had produced some strain in inter-state Canadian-Cuban relations, and it was with a view towards clearing up what the Ottawa Journal termed "some of the misunderstandings that may have been mutual" that Prime Minister Castro was extended an invitation to meet John Diefenbaker in Ottawa on April 28. The meeting was planned in advance of Dr. Castro's arrival in the United States, but for reasons which are still somewhat obscure, never materialized. In Montreal, Dr. Castro noted that he would have to cut short his visit to Canada because of the Buenos Aires conference and that there would be insufficient time to go to Ottawa. Speaking in the house on April 28, Mr. Diefenbaker implied that the Cuban Prime Minister had suggested the meeting be moved up one day but that this did not allow sufficient time to draw up an adequate agenda for a full discussion of matters of mutual interest. In any case, there was a marked contrast in the reception received by the Cubans in Montreal from that in Washington. Prime Minister Diefenbaker extended another invitation to Dr. Castro to visit
Ottawa "at some time in the future", and the Cuban Prime Minister, for his part, said he was resolved to return.

Fidel Castro has never made another visit to Canada,* nor has any high official of the Canadian government visited Cuba. Within a year, Cuba was to become a source of growing friction in Canadian-American relations and any follow-up would have entailed unnecessary risks for the Diefenbaker government, even if Dr. Castro remembered his pledge. From the outset, it was Canadian-Cuban trade which was at the centre of the Canadian-American controversy.

POLITICIZATION OF CANADIAN-CUBAN TRADE

On October 19, 1960, the United States announced the imposition of a sweeping embargo on trade with Cuba. On that date, President Eisenhower gave the Secretary of Commerce, Frank Meuller, the authority to place Cuba on the U.S. Export Control list, stipulating that "until otherwise instructed", all U.S. exports "except non-subsidized foodstuffs, medicines and medical supplies" were to be barred from shipment to the island. Like the abolition of the Cuban sugar quota by the U.S. on July 6, the action by the President, marking as it were another giant step along the path of no return in relations between Washington and Havana, was taken specifically in reprisal for the nationalization of

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*It was widely reported in the press that the Cuban leader would attend the Montreal EXPO in 1967. However, the bombing of a Cuban freighter in Montreal harbour by Cuban exiles and their threats to destroy the Cuban pavilion were probably sufficient to dissuade Dr. Castro from making the trip to Canada. Cf. Globe and Mail, April 11, 1967.
hundreds of U.S.-controlled businesses and several U.S. banks announced by Premier Castro on October 13 and 14, just as the quota was cut off because of the seizure of U.S. oil companies. A formal statement issued by the State Department provided the government's justification for the decision. It read in part:

"Over the course of the past twenty-one months, the United States has been subjected by the Castro regime to an increasing campaign of hostility and slander. Accompanying its words with actions, the Government of Cuba has instituted a series of arbitrary, illegal and discriminatory economic measures which have injured thousands of American citizens and have drastically altered the hitherto mutually beneficial pattern of trade. ... This step (viz., the export prohibition) has been reluctantly taken by the United States in the exercise of its sovereignty and in order to carry out the responsibility of the Government to defend the legitimate economic interests of the people of this country.""

The Cuban embargo did not come as a surprise to Canada. Back in July, the U.S. is known to have sent a confidential memorandum to the Department of External Affairs, indicating that it was contemplating such a measure and outlining in general terms the courses of action open to the U.S. government and how Canadian subsidiaries of U.S. parent companies might conceivably be affected by them. These options were apparently discussed at the U.S.-Canada Joint Ministerial Defence Conference held in Montebello, Quebec, from July 12-14, 1960, but nothing public emerged from the meeting, for plans were at this time still "indefinite".*

However, there is good evidence to suggest that the final draft of the Eisenhower order was not released until consultation with Canadian authorities took place. An article in the Canadian edition

*Hon. Howard C. Green, in conversation with author, April 8, 1969.
of Time in late October disclosed that while the U.S. did not ask Canada to join the embargo, it sent advance notice of her plans as a courtesy. Summarizing the major international events in the year 1960, in which Canada played a role, Professor Richard Preston goes even further. According to his account, "the Americans...had talks with the Canadian government prior to the implementation of the embargo, the exact nature of which was not revealed." Whatever the substance of the discussion, it was clear that it was the original intention of the Diefenbaker government to apply no such restrictions on Canadian trade. Several days prior to the U.S. announcement, the Globe and Mail quoted the Prime Minister as saying that under "no circumstances whatsoever" would Canada follow the U.S. lead. Press accounts attributed this position to Cuba's exemption of both the Royal Bank and the Bank of Nova Scotia from the October nationalization decrees; but whatever the reason, it was apparent that Canada had suffered no provocation at the hands of the Castro regime and therefore did not believe that any change in commercial policy was warranted. Nor, as the Time article pointed out, had the U.S. asked for such a change. In fact, on October 20, Joseph W. Reap of the State Department declared that "The U.S. has never at any time requested the Canadian Government to impose an embargo on any Canadian exports to Cuba." Mr. Reap's statement appeared in a dispatch to the New York Times which added that no representations had been made to Ottawa for the interdiction of U.S.-manufactured commodities re-exported to Cuba, and that Canadian diplomats were not happy with the U.S. embargo.

Suddenly, overnight, Canada loomed large in the entire Cuban trade picture. No country in the world was better equipped than Canada to
furnish the vital supplies now deprived Cuba by the embargo. At first glance the prospects seemed to be quite promising. For example, despite the already widening rift between Havana and Washington after the first year of the revolution, U.S. exports to Cuba in 1959 totalled some $436 million. These included $26 million in automobile parts and accessories, $27 million in electrical equipment and nearly $22 million in industrial machinery, to cite some of the more important items. For decades, these and other Canadian goods of heavy industry had been denied access to the Cuban market.* Virtually all of these goods are identical in type and manufacture with U.S. goods, many of which are produced by Canadian subsidiaries of U.S. parents under the same brand name.

With relations between Canada and Cuba thus far unperturbed by the fast-changing character of the revolution, it was possible, at least in theory, to envision Canada as obtaining the lion's share of the U.S. export business, thereby permitting Cuba to circumvent the intent and purpose of the embargo, which was probably more political than it was economical; simply said, the U.S. conceived the trade blockade, inter alia, as a weapon designed to topple the Castro regime, or at least to reverse its direction. By an accident of geography, Canada now stood to thwart that goal.

This accident, in part, rested on a fine juridical distinction. The Cuban embargo was founded on the Export Control Act, which, unlike the more severe Foreign Assets Control Act in effect at the time against transactions with Communist China, North Vietnam and North Korea, did not

* Cf. especially Chapter III, pp. 70-76 and Chapter IV, pp. 133-34
proscribe trade by foreign subsidiaries of U.S. companies provided that
U.S. dollars and U.S. ships are not used to consummate sales. The only
constraints - if they can be called that - existing at the time of the
embargo on Canadian incorporated companies on trade with Cuba was "moral"
in character.*

The possibility of a greatly enhanced role for Canada as a sub-
stitute trade partner was accentuated by the fact that both Canada and
the United States mutually exempt each other from their respective export
control systems in nearly all export commodities. Except for nuclear
weapons, nuclear explosive devices and related technical data, exports
for consumption in each country do not require either a general license
or a special validated license, as is the case for exports destined for
all other countries, whether shipped from the U.S. or Canada. With the
volume of bilateral trade so great (it is the largest between any two
nations), any regulation of this trade would inevitably lead to a massive
traffic jam across the border and doubtless would necessitate the
creation of a vast, expensive bureaucracy to regulate the flow of this
trade. Added to this, there did not exist at the time of the embargo
announcement any legal prohibition on trans-shipment of commodities of
U.S. origin to Cuba. Any type of regulation of this nature was then in
force only for countries on Canada's Area Control List, comprising all
of the territory of the then Sino-Soviet bloc, which in reality means

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*Infra, Chapter XI. The Foreign Assets Control Act is virtually identi-
cal to, and co-extensive with, the Trading with the Enemy Act, its more
common name.
that all goods trans-shipped through Canada to any of these area destinations require a transit authorization certificate after the goods are first licensed for export. In this way, as in others which shall be indicated, Canada co-operates with the U.S. in the controlling of exports to the Communist world, but at this juncture, Cuba was not yet de jure "communist" in Canadian eyes. Therefore, it seemed as if back in October, 1960, that Canada might well fill much of the void created by the U.S. withdrawal from the Cuban economy, a kind of import substitution process on an international scale.

That Canada might assume a new importance in the rapidly changing complexion of Cuban foreign trade was recognized by Cuban authorities well before the embargo declaration. Back in the spring of 1960, Canada was singled out as one of several countries with which Cuba was seeking to expand trade in order to offset anticipated declines in critical U.S. imports. This became known at a press conference given in Vancouver on April 24 by Raúl Bonilla, then Cuba's Minister of Commerce. Mr. Bonilla asserted on that occasion that Cuba "would like to increase commerce with Canada generally," and that he had "great expectations that Canada could be of help to Cuba." Shortly thereafter, in all probability during the latter part of May, the revolutionary government took a precautionary measure designed to facilitate this objective. Quietly, Cuba's capital assets in the United States, backed by gold reserves, were transferred to branches of the Royal Bank and the Bank of Nova Scotia, to be used as a fund to finance possible large-scale purchases of Canadian-manufactured goods. The operation
was carried out in small installments by a team of couriers to avoid what the Globe and Mail termed "arousing U.S. suspicions." Apparently the completion of the process coincided with the promulgation of the October nationalization decrees. By that time it was estimated by R. Hart Phillips that a total of $120 million had been deposited in the two banks.

In a telephone interview with the Financial Post one week after the suspension of the sugar quota, Premier Castro spoke about Canada with a characteristic ebullience that has rarely changed since that time. "Canadians are very welcome here," the Premier is quoted as saying, adding "I like Canadians - and Canadian businessmen very much." The hint was taken up by several Canadian firms whose representatives were granted personal interviews with the Premier in the following months.

By mid-October, official Cuban sources acknowledged that Canada was very much on the mind of the revolutionary government, and indicated that a "revolutionary of prestige" would be named as Havana's Ambassador to Ottawa. Several weeks later, Dr. Américo Cruz, a distinguished (and beardless) lawyer and scholar, succeeded to the post which had been left vacant by the defection of the previous Ambassador, Luis Baralt, in June. It was reported that a "considerable amount" of cash was placed at Dr. Cruz's disposal, not only to expand Cuba's diplomatic facilities but also to consummate "private deals" with Canadian companies. To assist Dr. Cruz, Cuba sent several top-ranking trade officials to her consular offices in Canada. According to one press account, members of the mission claiming to represent BANCEC, Cuba's state trading agency, flooded Canadian export houses with requisitions for orders of a wide range of
Thus began a massive shopping spree by the Castro regime which was to last for several months, and which the Canadians seemed to take particular delight in publicizing for its obvious propaganda value. Raúl Castro, Minister of Defence and Vice-Premier, made explicit this aspect of the Cuban trade drive in Canada when, on November 21, he confidently - and all too optimistically as it later turned out - declared that "so soundly has the U.S. ....failed that we are about to begin trade in a very big way close to them - we are referring to Canada."^16

Concurrent with these developments, Cuba attempted to improvise several trading schemes in which Canadian banks were supposed to figure prominently. The most spectacular of these was a projected five-year plan whereby both Canadian and British exporters of machinery, automotive parts and chemicals would pool their products in a barter-type exchange for high octane gasoline and sugar. Under the terms of the plan, the "pool" would act as a central holding company or consortium which would invite West European firms to participate "by invitation." Its great advantages were seen in Cuba's ability to supply the participants with large quantities (estimated first at 5,000 bbl. daily) of the gasoline, permitting them to undercut their competitors in the home market while Cuba in return would receive some of the essential manufactured commodities now already in short supply due to the embargo. Cuba's offer to sell the pool sugar at bulk discount off the world price was an added attraction. To insure that supplies of the gasoline would be met over a proposed five-year period, the Cuban government was reportedly prepared to provide a 50% monetary guarantee against failure of delivery on balances held in the Canadian - and also Swiss - banks.
It would be dubious to conclude that the plan, at least as initially conceived, was ever made operational, for nothing was ever heard of it again; however, the fact that Cuba believed at this early date, that Soviet shipments of crude petroleum would supply her with a constant, exportable surplus of gasoline which could be traded in Canada, further illustrates the Castro regime's desire to expand economic ties with the Dominion, Cold War alignments notwithstanding, while relations with the U.S. were fast approaching a complete breakdown. For decades, Cuba had made efforts to coax Ottawa into a closer commercial relationship, only to find the path blocked by tradition, Commonwealth sugar and the configurations of world politics. Towards the end of 1960, during a critical phase in the transition of the revolution, this objective took on a new, if not urgent, meaning in a completely new context.

No better demonstration was afforded than by the sudden arrival in Ottawa on December 8, of a ten-man Cuban trade mission, headed by the Minister of Economics, Regino Boti. The timing of the group's visit coincided with an Ottawa conference of the 111 Canadian Trade Commissioners posted around the world, all of whom had been summoned to the capital by George Hees, the Minister of Trade and Commerce. The Canadian government was informed of the visit only 24 hours in advance, a departure from ordinary diplomatic practice since the mission had not been formally invited. In many quarters, most notably the Canadian press, it was suggested that the Boti trip was motivated primarily by political considerations, among them Cuban attempts to symbolize Canada's defiance of the embargo. But Mr. Boti denied such was the case:
"So far as we are concerned there is nothing political about it [viz., the arrival of the mission]. We want to trade; we have the money. Canada has the goods."28

According to the Economics Minister, the mission was prepared to purchase some $150 million worth of Canadian goods, giving priority to sugar mill equipment, tractors and tractor components and automobile spare parts. Mr. Boti further emphasized that payment would be made in U.S. dollars on a strictly cash basis and that Cuba was not seeking Canadian government credits of any kind. Both the extraordinary figure of $150 million, coupled with the terms of payment offered by the Cubans, seems to have set off some disbelief in government circles as well as the business community, serving to crystallize Canadian-Cuban trade as a public issue in Canada.

The initial psychological impact created by the arrival of the mission was substantially reinforced when Mr. Hees met the press in the presence of Mr. Boti on Parliament Hill the following day. During this appearance, Mr. Hees asserted that he was confident that Canada could provide Cuba with nearly all goods previously imported from the United States, including the sugar mill equipment that several members of the mission were seeking to purchase in Montreal. He then added that the Cubans are:

"Wonderful customers, you cannot do business with better businessmen anywhere. We would be delighted to sell Cuba $150 million worth of Canadian goods at any time."29

Immediately, Mr. Hees' remarks raised eyebrows everywhere and though he was to make strenuous efforts to retract them, their effects proved hard to eradicate; not even Mr. Diefenbaker, several days later, could
extricate his Trade Minister from a statement which, on the surface at least, appeared to bestow high praise upon a declared enemy of the United States.*

It would be difficult - indeed perhaps impossible - to prove any causal connection between Mr. Hees' remarks and Washington's immediate reaction to the situation. Even before the announcement of the Boti mission was made, signs were increasing that U.S. officials were disturbed at Canada's unenthusiastic response to the embargo. Adlai Stevenson, United Nations Ambassador-Designate, made evident this concern when he suggested in a Toronto speech that Canada "might want to harmonize her Cuban policy with that of the U.S.," and Mr. Stevenson later explained to the editor of the Ottawa Citizen that "without a solid front, hemispheric security and solidarity...is not possible."30 But after Mr. Hees' well-publicized comments, pressures on the government mounted noticeably. On December 10, Bradley Fisk, an Assistant Secretary of Commerce for International Affairs said at a news conference that although previous efforts to enlist Canada's support for the embargo had failed, these efforts would continue. Asked if specific pressures would be brought to bear on either the Canadian government of Canadian industries, or both, Fisk responded by saying that "...no action is contemplated - we will respect Canada's sovereignty in every way. But we will keep reminding Canada of our mutual fight against Communism."31

Two days later, on the morning of December 12, the Globe and Mail carried a headline story alleging that Christian Herter, U.S. Secretary of State, had failed in an endeavour to obtain a Canadian pledge to co-

* Infra, pp. 175 ff.
operate in the enforcement of the embargo. Though Mr. Diefenbaker denied having received any such proposals by Mr. Herter in the House that same day,* confirmation that they had indeed been channeled to Ottawa was later provided by John Saywell, in the Canadian Annual Review for 1960, who refers to the Herter representations as having been "without success." Adding to official U.S. government anxieties, the press, both in the U.S. and Canada became increasingly more critical of the government after word of the Boti visit was fully digested.

Under these circumstances a clear expression of Canada's trade policy with Cuba became imperative. Mr. Diefenbaker, obviously uncomfortable

*As the following exchange between R.M.T. MacDonald, Liberal M.P. for Hamilton South, and the Prime Minister showed:

Mr. MacDonald: Would the Prime Minister care to comment on the report of Secretary of State Herter's failure to get Canada's cooperation on exports and export controls to Cuba?

Mr. Diefenbaker: There has been no request from the United States government for any particular action with regard to trade with Cuba.

Mr. MacDonald: I do not think the Prime Minister understood me. I wish to have a comment with regard to Secretary of State Herter's statement that Canada failed to cooperate in the matter of export controls to Cuba.

Mr. Diefenbaker: I was pointing out that there has been no communication from the administration and, of course, that includes the Secretary of State in this regard.


This raises the whole question of the precise mechanisms of inter-governmental communication between Ottawa and Washington, about which we know little insofar as this study is concerned.
at having to confront head-on a matter which threatened to erupt into controversy, took the bull by the horns and provided the most comprehensive statement of that policy to that date in a carefully-worded, prepared address which he read in the Commons on December 12. It is worth quoting at length from the text of the Prime Minister's remarks, inasmuch as they not only have served as the basis for Canadian policy since that time, but also because they became the object of widely differing interpretations as soon as they were uttered:

"In trade relations with Cuba, consideration is taken at all times of the strategic nature of any goods involved. In fact, in view of the troubled situation in the whole Caribbean area, we have not for some time permitted the export of arms, munitions and closely related goods to any part of that area, including Cuba.

With respect to other goods of Canadian origin, there can be no valid objection to trade with Cuba, as with other countries. The businessmen concerned will have to make their own judgments on the prospects for advantageous transactions.

It is our wish, consistent with our relations with other countries, to maintain the kind of relations with Cuba which are usual with the recognized government of another country. It is, of course, not our purpose to exploit the situation arising from the U.S. embargo and we have no intention of encouraging what in effect would amount to the bootlegging of goods of United States origin.

This situation is fully understood by the Cuban authorities. We respect the views of other nations in their relations with Cuba, just as we expect that they respect our views in our relations. I would add that it is our hope that insofar as mutually beneficial economic relations are maintained or developed, conditions in Cuba may be eased and the general relations of western countries with Cuba may be promoted. The government will, of course, keep a careful watch on the situation and will follow policies which we consider most likely to be constructive."

In the second paragraph, Mr. Diefenbaker made explicit the most fundamental point of divergence between Canada and the United States
over the issue of Cuban trade. The American position proceeded from the premise that the Castro regime had fallen irrevocably under Communist domination, thereby upsetting the tenuous balance of world power. The U.S. theory was that by the creation of a state of extreme scarcity in the Cuban economy, the internal opposition in Cuba would grow rapidly and soon overthrow the Castro government. Economic sanctions comprised one of the weapons in the American arsenal,* to be employed on the full scope of Cuban imports, excepting those that were deemed of a strictly "humanitarian" nature. By contrast, the Diefenbaker view was that the revolutionary government was not "beyond redemption," and that at any rate it constituted the legal government of the Republic and that no justification could be found for its overthrow either by the blockade or by any other applications of force. What proved to be illusory - though no doubt it was genuinely felt - was Mr. Diefenbaker's belief that the maintenance of normal relations with Cuba would tend to counterbalance the growing Soviet and Communist influence on the island and bring her back, however loosely, into the orbit of the West. In all fairness, Mr. Diefenbaker's hypothesis, though not original, never faced the acid test of history.

The Prime Minister's statement is also noteworthy in that it marks the first official acknowledgment on the part of the government that transshipment controls on U.S. exports destined for Cuba via Canada had been put into effect. Even prior to the embargo, products of U.S. origin had been

* Another, of course, was the organization of exile raiding parties to destroy sugar-cane fields and industrial facilities.
re-routed through Canada on their journey to Cuba. For example, the commodity department of the New York investment house of Merrill, Lynch, Pierce, Fenner and Smith revealed that the entire crop of Maine potatoes sent to Cuba went by way of St. Johns during the summer months. But shortly after the embargo announcement - when, it is not precisely known - the government began to deny export permits for U.S.-manufactured products. The first case came to light, involving a purchase by Cuba of some $0.3 million worth of automobile spare parts, sometime in November. Press accounts of the embargo made it a practice to relay Ottawa's "warning" to Canadian companies not to thwart the embargo through the "mixing" of U.S. and Canadian-made products; however, surveillance was probably not systematic up to this time, nor did the government actually have statutory authority to block the trans-shipments. Mr. Diefenbaker's statement signalled a clear change and four days later Mr. Hees tabled in the House an amendment to the Export Permits Act prohibiting the issuance of a general export permit for re-export of any commodities to Cuba. Thus the legal track of the "underground railway" had been closed.

Elaborating on his statement in the House, the Prime Minister said in Saskatoon shortly thereafter, that Canada expected the U.S. to respect her right to formulate her own policy toward Cuba. He briefly summarized the U.S. position on the embargo, but quickly provided an explanation for Canada's refusal to go along:

"Canada could not justify an embargo or measures similar to those taken in the U.S. on the basis of... 'arbitrary, illegal and discriminatory' economic measures... for the treatment accorded Canadians and Canadian interests in Cuba has not been of a similar nature." He noted that no other country, including all the N.A.T.O. allies, had
taken any action to impose a similar trade embargo to that of the U.S. He also added that Canadian-Cuban trade had to be seen in perspective and that at the time there was no evidence of any dramatic or sustained increase in the volume of such trade. Mr. Diefenbaker's reasoning tended to confirm the speculation in the press as to why Canada refused to join in the embargo and why she was continuing to do so.

A first reading of the Prime Minister's remarks both in the House and at Saskatoon leaves little to suggest that anything important was taking place. However, in the context of Mr. Diefenbaker's address to Rotarians in Fredericton on December 11 - that is, before his comments in the House and before his speech in Saskatoon - it is apparent that an element of defensiveness had entered into his advancement of the Canadian position; for it was at Fredericton that Mr. Diefenbaker had declared that:

"Canada reserves the right to trade with any country in the world, including Cuba, in any commodity she chooses." [emphasis added]

In this speech he went on to suggest that the embargo was responsible for the increase in Cuban demands for Canadian goods and said that Washington must understand this simple fact. The subtle shift in nuance and emphasis apparent after Fredericton reflected a new recognition on the part of the Prime Minister that Canada was at odds with the U.S. on a matter of the utmost gravity to the latter, which conceivably could have serious repercussions.

In an editorial commentary in the Ottawa Journal, I. Norman Smith gave an ominous warning of the danger to Canada inherent in a stand-fast policy of trade with Cuba;
"If we leap forward to lessen the effectiveness of that weapon [i.e., the embargo] we are doing something far more significant and consequential than merely insisting upon our right to trade anywhere in the world." 40

Canada was not, Mr. Smith argued, giving sufficient attention to the scope and intensity of reprisals which could be forthcoming. At minimum, he suggested, these could result in a greater loss to many Canadian businessmen than could ever accrue even by greatly increased sales to Cuba. Furthermore, in the opinion of Mr. Smith, trade with Cuba was not comparable to trade with the Soviet Union or Communist China; for by "propping up" a "Communist-supported establishment" in the territorial waters of the American continent, Canada was challenging the fundamental instrument upon which U.S.-Latin American relations are based, namely the Monroe Doctrine. Proceeding from these postulates, Mr. Smith followed the logic of his argument by concluding that Canada would be far wiser if she were to determine all aspects of policy towards Cuba not on the basis of abstract "rights," but in the face of the concrete realities of U.S.-Canadian relations and the growing ties between Cuba and the Soviet Union.

Mr. Smith's calculatingly rational, "cold-blooded" analysis stands as probably the most forthright expression during the period of the deeper realities of the Canadian dilemma. Even if some of the premises embodied within it are of dubious validity, the editorial foresaw with crystal clarity the possibility of a black-list by the United States of Canadian firms engaged in transactions with Cuba (which in many cases would spell disaster,) still the major impediment to Canadian-Cuban trade to this date. *

*Infra, Chapter X.
Mr. Diefenbaker, while refusing to accept this total view of the situation had nevertheless become sensitive to the pitfalls contained in a strict enunciation of the doctrine of "free trade" and it is for this reason that he urged Canadian businessmen, in his Commons address, to weigh the benefits against the possible costs in dealings with Cuba.

Mr. Smith's caution was also echoed elsewhere in the Canadian press. The Halifax Chronicle Herald, detecting a noticeably mounting resentment toward those Canadians both in and out of government who wanted to "make the most of it [viz. the embargo]" predicted that any such displays of anti-Americanism would invite massive retaliation and "then we will really find ourselves in economic trouble." According to the Herald, the net effect of increasing trade with Cuba at the expense of the United States would be to exchange a brief "short-term advantage" for a much more dangerous "longer-term disadvantage." Extending the argument, the Winnipeg Free Press, seizing upon the prescience of Senator David Croll, who earlier had suggested that Cuba could become a repository of Soviet missiles, took the view that the maintenance of the revolutionary government represented a direct threat to the security of Canada.

But these sentiments were by no means universal. For example, the Toronto Star, commended the government's "honest and straightforward" dealings in non-strategic and non-trans-shipped goods with the Castro regime and bluntly declared that Western solidarity does not require that allies of the U.S. immediately and automatically adopt to the letter every position it takes in foreign affairs. Similarly the Globe, in a major editorial statement entitled "Washington, Havana and
Ottawa asserted that the government would do well to avoid making moral judgments about other people's disputes. "We must take the Cubans as we ourselves find them," it concluded, and since "we don't find them against us...we have neither right nor reason to make any sort of move against them." As with so much of the debate that was to ensue at the more official and august levels of government, the differing expressions of opinion in the press reflected a stubborn inability to come to grips with the central issues in question. Given the narrow and pre-imposed political and ideological limits within which the debate was conducted, these reduced to two:

1) Was the policy outlined by Mr. Diefenbaker deliberately calculated to take advantage of the U.S. in absentia, even though diplomatically correct?
2) How does Canadian trade aid "the Communist enemy?"

From those and other important points of departure, both sides, by approaching the issue from different vantage points, seemed to be talking past, rather than to one another.

Mr. Diefenbaker's position was made more uncomfortable as a result of the heat generated by Mr. Hees' by now oft-quoted remarks. On December 14, Lionel Chevrier, Liberal M.P. from Laurier, asked the Prime Minister if he shared the views that his Trade Minister had expressed about the Cuban trade mission. All Mr. Diefenbaker could do was to evade the question. An excerpt of the proceedings went as follows:

Mr. Diefenbaker: Mr. Speaker, the statement was made some days ago and at that time the honourable gentlemen did not see fit to ask any questions in the House. I see no reason for making any observation at this time on the minister's statement.

Mr. Chevrier: The statement was made two days ago.
Some honourable members: Order!

Mr. Speaker Roland Michener: Order. The honourable member for Laurier, unless he has a further supplementary question - and that would be unlikely in view of the answer - is not permitted to comment on the answer.

Mr. Chevrier: I was going to ask a supplementary question and it was this. In the light of the fact that the statement was made two days ago, has the Prime Minister any comment to make on the statement of his colleague?

Some honourable members: No! Why should he?2

At this point the interlocutions were abruptly terminated by Mr. Speaker Michener, who was able to rescue Mr. Diefenbaker by a strict application of parliamentary procedure. Nevertheless, the dialogue made plain that Mr. Hees' remarks on December 8, were of considerable embarrassment to the government and that the Liberals were fully prepared to take advantage of them, though their own trade policy probably did not, in fact, differ substantially from that of Mr. Diefenbaker's as events subsequent to Mr. Pearson's victory suggested.* Unfortunately, from the government's point of view, Mr. Hees' apparent enthusiasm for Cuban trade seemed to foster the impression that Canada was somehow "playing into the hands of world communism," as the press put it.

The Opposition quickly recognized this and the wider implications that might arise as a result. With Mr. Hees' comments fresh on the minds of the public, it did not have to challenge Mr. Diefenbaker's "positive" policy of Canadian Nationalism, upon which his Cuban policy was presumably founded and which he had been so skillful in manipulating in the elections, nor was it necessary to counterpose the Party's

* Infra, Chapter X.
amorphous ideological commitment to "continentalism" in its attempt to reap political capital from the incident. On these grounds the Liberal argument would have tended to assume a more partisan and therefore less effective, bent. Instead, the Opposition shifted the locus of its attacks onto a terrain where the government might be far more vulnerable, with Mr. Pearson lecturing the Tories on the "perils of strengthening the forces of Communist imperialism in Cuba." Seen in the light of recent Canadian history, all this seemed as remarkable and unique as it was ironic.

Returning to the House on December 16, one week since his last appearance on the day he met the Boti mission, Mr. Hees sought to pacify his critics by attempting to reverse the impact of his statements made during his press conference. Asked by a veteran Liberal M.P. what "special ingredients" the Cuban businessmen possessed that other trading partners did not, Mr. Hees protested that he was not referring to the Cubans as "personages", but instead "to the kind of trade they offered," by which he meant payment in dollars. He disavowed any ideological "liking for the Castro regime or any other Communist dictatorship," but defended the government's decision to retain Canada's commercial links with Cuba on the grounds that it constituted one further step towards the alleviation of the problem of unemployment; the Liberals, he charged, were wholly unconcerned about this same problem.

* For an excellent critique of the continental liberalism of the Opposition and Mr. Diefenbaker's conflicting approach to foreign policy questions, cf. note 2, this chapter.
Mr. Hees' partial recantation - or reinterpretation - coupled with his fusion of the Cuban trade issue with one of great domestic importance, induced the Liberals to press the attack in a slightly different direction, still with the "abetting communism" theme hovering in the background. Led by Mr. Pearson and Paul Martin, the Opposition's spokesman on Latin American affairs, the Liberals contended that the government was continuing to authorize for export to Cuba, goods of "strategic significance." To prove the point, Mr. Martin challenged Mr. Hees to table all the export permits that had been issued to Canadian firms for sales to Cuba since October. Mr. Hees vigorously denied the accusation, explaining that the Prime Minister, in his speech to the Commons on December 12, had specifically stated that strategic goods were not being sent to Cuba and that indeed they had not been since July of 1959. He moreover asserted that this decision had been taken in strict conformity with the range and variety of materials on the secret COCOM List of N.A.T.O., which, in theory at least, sets uniform standards for goods considered strategic by the Western powers and tightly regulates their export to all countries outside the alliance. In Mr. Hees' view, Mr. Diefenbaker's enumeration of "arms, munitions, and closely related goods," was co-extensive with the goods on this List. He also refused to table the permits, arguing that to do so would constitute a violation of the Statistics Act which he was sworn to uphold. However, in the face of the serious charges in the air, the government felt compelled to justify itself and Mr. Hees "going further than I would in normal circumstances consider appropriate and without in any way committing myself to follow a similar course by such a precedent," indicated the type of goods that had been licensed for sale to Cuba since October 1. These included
rebuilt automobile transmissions, high frequency radio equipment, a cobalt therapy unit, sand blasting supplies and, most important of all, parts, instruments and engines for Britannica and Viscount passenger aircraft operated by Cuban Airlines.

These revelations stirred up another veritable hornet's nest. Zeroing in on the aircraft, Mr. Martin asserted that the complex machinery provided by Canada for their operation could easily be transferred to military aircraft and that it was even possible that some of the Cuban planes could be reconstructed for military purposes. This depended on the "end use" of the aircraft in Cuba, over which Canada could have no control. Furthermore, according to Mr. Martin, even if Canada had some foolproof mechanism of assuring that these civilian aircraft were not engaged in military activities, any flights of a "commercial" nature could easily be conceived of having strategic functions in that they provided Cuba with an important means of carrying on her vital foreign trade. Mr. Hees' tepid reply was simply that these materials did not possess "strategic significance," and he urged that the Liberals take it as an article of faith that the criteria applied by the government for the issuance of export permits to Cuba would always reflect the strategic nature of the exports involved.

This "trust" seemed to stand on thinner ground when, as the Trade Minister was in the process of defending himself as well as the government's handling of what had become by now an extremely sensitive issue, Mr. Boti announced that his mission had purchased, within the space of a week, $1.5 million in automobile spare parts and grinding machinery for
sugar mills and that four members of the original contingent would remain in Canada to complete the first phase of the mission's work. Indeed, Cuban officials - outwardly at least - could not have appeared less perturbed over the debate that they had touched off; and as if to underscore the success of the Boti trip, a Canadian section in the Department of Foreign Trade was established shortly afterwards and executive authority given for the creation of a Permanent Trade Mission in Montreal several months later.

A three-week recess in Parliamentary proceedings late in December had a sobering effect on the flow of the polemics and the issue did not provoke the sustained attention of the House again until a little more than a year later. If anything else, this first "great debate" on the problem of maintaining commercial intercourse with the Castro government illustrated the apparent depth of the inter-party cleavage on this question. Nevertheless ambiguities remained. Were, for example, the Liberals arguing for a trade policy entirely "isomorphic" with that of the United States? In practical terms this would have meant limiting exports to medicines and food, but in any event the latter constituted a large share of Canada's export earnings to the island. On several occasions the government prodded the Opposition to declare openly that this was its position, but at no time did it do so. On the other hand, in the face of this persistent refusal, were the Liberals simply performing their Opposition role in perfunctory fashion, hoping to keep the

* The C.C.F.-N.D.P. position was nearly identical to that of the Conservatives, yet they too opposed trade in "strategic goods" without giving the phrase definitional precision. Social Credit M.P.'s were completely silent.

+ Cf. the figures for 1960, by commodity, in Appendix B.
government off balance while it was at the same time in essential accord with Mr. Diefenbaker's approach? These questions remain largely unanswered and perhaps are unanswerable, in part because a schism at the time within the Liberal Party itself; for there were influential members of the party - probably including Mr. Martin - who, while recognizing the political liabilities of a position exactly in line with that of the Americans, nevertheless advocated greater restrictions on trade with Cuba to the point where these restrictions would at least be as rigid as those applied to trade with the Sino-Soviet bloc, still conceived of at the time as monolithic in the context of the then prevailing configuration of world power. Under these circumstances, aircraft, as well as most manufactured goods incorporating materials such as copper and steel, would be barred from export.

Thus even if the first round of the debate on Cuba was not, according to one close observer, - "very illuminating" since it failed to put into proper perspective the questions of aid to a "Soviet satellite" and the risks of trade losses for Canadian firms in the U.S. it did shed light on the impact of Cold War thinking in the formulation of Canadian policy towards the Cuban revolution prevalent at the time. From December, 1960 onwards, both of these considerations would be instrumental in shaping the course of Canadian-Cuban relations.

PLEAS FOR TOLERANCE

With the fever against the Castro regime steadily rising, Canada suddenly became the target of attacks from diverse quarters in the United States once the government made apparent its intention to maintain "normal"
relations with the island. This strange turn of events caught Canadian officialdom completely by surprise. For several weeks or so, the intensity of public criticism directed against the Dominion reached a level which hitherto it might not have believed possible. As a result, the government was forced to make amends, which it did in typically Canadian fashion, but without budging one step from the policy carefully enunciated by the Prime Minister in his recent speeches.

Towards the middle of December, (1960), Cuban exile groups operating out of Miami and New York initiated a semi-organized campaign aimed at pressuring Canada into severing all ties with the revolutionary government. The campaign was formally "inaugurated" by a former Cuban ambassador to Canada, Delfín Pupo. Speaking at a news conference, Mr. Pupo charged that Canada's continuing trade with, and recognition of, the Castro government was a "gross betrayal" of her democratic principles, and he called upon Ottawa to suspend immediately all connections with Cuba or "suffer the consequences."49 Pressing this theme more specifically several days later, the Cuban Democratic Revolutionary Front, an umbrella organization of exiles claiming to represent the "principal political parties and institutions of the Republic," sent a note to the Canadian Embassy in Washington indicating the type of retaliatory action they had in mind. Written under the signature of Eric Aguero, a self-described officer of the Front, the note contained this key paragraph:

"The ... Front also wishes to state to the Government of Canada that any future Government of the Republic of Cuba will not honour any obligation or agreement of the present Marxist regime of Fidel Castro."50
In concert with these threats, the exiles held a series of protest demonstrations outside the Embassy and in front of several Canadian consular offices, the largest of which took place in Washington immediately after the rupture of U.S.-Cuban relations on January 4, 1961, where placard-carrying protesters chanted "down with Canada." Never before," one official told this writer, "had we received this kind of attention, nor did we have to cope with any similar type of situation."*

To the voices of the exiles was added that of sections of the (North) American labour movement. Statements condemning the government came from the executive of the A.F.L.-C.I.O. and the International Longshoremen's Association in New York. And when I.L.A. President Thomas Bradley announced that his union would co-operate completely with the American boycott, his policy was endorsed by several Canadian officials representing branch locals in Halifax and St. Johns, N.B., who accused Mr. Diefenbaker of putting in jeopardy the "common outlook" binding organized labour in Canada and the U.S. (However, the Vancouver Longshoremen's Union, which is not bound by I.L.A. policy, declared that its stevedores would continue to load cargo on vessels destined for stopovers in Cuba.)

But by far the most sustained criticism — and probably the most irksome to Ottawa — of the Canadian position emanated from the U.S. mass media, which commented widely on Mr. Diefenbaker's declared policy. A compilation of opinion from newspapers representing a fairly broad range of political persuasion from this period shows virtually unanimous hostility to Canada. As reported in the Vancouver Sun, the New York

*Interview with Dr. Saul Rae, currently Canadian Ambassador to Mexico, in Mexico City, June 1, 1969. At the time Dr. Rae served on the Embassy staff in Washington.
World Telegram and Sun was stunned "by the strange behaviour of a nation that desires to be friendly to the United States;" the Cleveland Plain Dealer complained that Canada's approach "is not the kind of support and co-operation" that ought to be expected from a neighbour "who professes to be with us in the fight against communism and dictatorship." Canada's policy was conceived as "undercutting" U.S. policy, the newspaper of supposedly liberal orientation asserted; the Tampa Tribune believed that Canada was supplying Cuba with the "economic tools needed for her survival" and called on Ottawa to join the U.S. embargo forthwith; and the Chicago Tribune, perhaps not unexpectedly, went so far as to suggest that the U.S. might consider taking measures of reprisal by cancellation of several projects of mutual economic benefit to the two countries (such as the sharing of hydro-electric power generated from the St. Lawrence Seaway dams then under construction), unless Canada showed sufficient understanding of the "advisability of a little co-operation with the U.S. in the containment of conspiratorial activities in this hemisphere."

Ottawa's difficulties with Washington were to some extent compounded by Cuba's predictably exultant response to the government's decision to keep the channels to the island open and functional. To Mr. Diefenbaker and his colleagues, there seemed to be nothing extraordinary in this decision; it merely was consistent with the commonly accepted norms of international relations. As the phrase went - at the time, Canada "had no quarrel" with Cuba, and therefore would not sanction any action against the Castro government. But on the other hand, the revolutionary regime - still very much intoxicated with the stupor of its success - attempted to create the impression that Mr. Diefenbaker's attitude was not
only assisting Cuba in thwarting the embargo, but that it also illustrated that Canada and Cuba were at one in a struggle against a common foe.

To bolster these notions, Canadian cargoes, upon arrival in Cuba, were given what a Reuters correspondent termed "effusive welcomes" by crowds which included top Cuban officials, and Canadian visitors were accorded regal receptions whenever their national identity became known. In the same spirit, Canadian imports were conspicuously labelled with their country of origin.\(^{54}\) A Maclean's reporter summed up the situation by observing that the organs of Cuban propaganda had begun to spread the idea that "Canadians feel the same way about the U.S. as they do."\(^{55}\) This was part of a mass campaign undertaken at the time to foster the general belief that the October embargo was leading to the political isolation of the U.S., rather than the economic deterioration of Cuba.

In doing this, the revolutionary government was motivated by urgent practical realities. By the end of its second year, the revolution had to confront the real possibility - for the first time - of a total breakdown in the island's economy. Not only had the embargo by then nearly exhausted Cuba's accessory supply of automobile spare parts, sugar mill machinery and the like, but it was an important factor in contributing to the wave of emigration taking place at the time. Most of Cuba's pre-revolutionary educated elite, including many people who possessed vital technical skills, were fleeing the island. In many cases the exodus was prompted by the chaotic state of the economic infrastructure, and the concomitant depreciation in the standard of living of the middle
and upper classes. The Boti mission, coupled with other trade overtures to several Western countries, thus had as one of its objectives the winning over of these hostile or wavering elements through an influx of familiar commodities, while at the same time laying the onus for the sudden scarcity of these items on "Yankee imperialism". And although the depletion of her reserves of hard currency would soon throw a damper on this trade, for the moment at least Cuba was able to finance these deals without difficulty.

The Canadian government was undoubtedly aware of this, yet it apparently was not a cause for great perturbation. On several occasions during this period, Embassy and consular officials in Washington, New York, and elsewhere, attempted to come to terms with the exile community. Informal invitations were extended to representatives of the various groups so as to provide a forum for the explanation of the Canadian position. These efforts, as might be expected, proved completely fruitless. The exiles insisted that the downfall of the Castro government was imminent and that trade with Cuba could only result in undermining the co-ordinated efforts of the underground within the country engaged in that struggle. They remained totally unmoved by the legal, moral and protocol arguments advanced by the Canadians, nor were they impressed with the statements of Mr. Diefenbaker handed them by the officials stressing the ban on strategic materials. In their view, the Russians were supplying Cuba with military hardware anyway, and Canadian exports of food and consumer items only served to detract from the central reality facing the Castro regime, namely that it was withering on the vine.

On the other hand, speculation rife at the time concerning the possi-
ble deeper meaning that presumably lay beneath Cuba's exuberant attitude towards trade with Canada made the government somewhat uneasy. According to one view in circulation in diplomatic quarters, Cuba's behaviour was shrewdly calculated to promote dissension between the U.S. and her N.A.T.O. allies. It was conceded in Ottawa that although this may never have been Cuba's intention, a public disagreement of this kind could readily have the effect of widening further the already existing gulf within the alliance on trade policy with the Soviet-bloc and China.

In view of this increasingly precarious situation, the government felt compelled to embark upon a low-keyed campaign in mid-January designed to minimize the significance of its trade with Cuba, in the hope of pacifying its critics on both sides of the border. Defence Minister Douglas Harkness provided the first indication of the Canadian approach when he complained during a visit to NORAD and S.A.C. headquarters in the U.S. that there was a "great deal of misconceptions about Canada's trade with Cuba." Citing statistics for the first eight week period in which the embargo was in force, Mr. Harkness claimed that the U.S. monthly volume of exports to Cuba was greater than Canada's for an entire year.57

One week later, Donald M. Fleming, the Minister of Finance, struck a similar note in a speech before the Canadian Club of New York. Alluding to an "apparent misunderstanding," Mr. Fleming said that there was no basis for believing that Canada's relations with Cuba were governed by the desire to make "a quick commercial profit at the expense of the United States." According to Mr. Fleming, the implementation of Canadian military and strategic controls in the Caribbean, including the
rigid controls exercised on such goods as aircraft engines, "which may in certain circumstances have a strategic significance" provided exemplary evidence of "where we stand in the world." Although Mr. Fleming's remarks merely repeat, almost verbatim, the tightly-worded declarations of the Prime Minister, it is clear from those extracts that they were intended as an oblique reply to the fundamental issues as defined by the Opposition in the recent Commons debate, though doubtless they would have been seen as somewhat evasive to Messrs. Pearson and Martin.

Continuing in the same vein, R.A. Farquharson, a minister-counsellor of the Canadian Embassy in Washington, told a radio news broadcast that the significance of Canadian-Cuban trade was "grossly distorted," and blamed the U.S. news media for creating "false impressions based on news stories out of Havana." Looking at the matter from a slightly different angle, the minister pointed out that Canada's chief exports to Cuba were newsprint, codfish, seed-potatoes and flour, items that were not proscribed under the embargo declaration and which Cuba was still buying from the United States. Finally, Mr. Hees provided, as it were, the capstone to the campaign by making a public retraction of his laudatory remarks on doing business with the Cubans. "Well, like Fiorello LaGuardia," Mr. Hees is quoted as saying on the occasion of a television appearance, when I make a mistake I really make a beaut," adding that he had "no sympathy with Mr. Castro or his regime." In support of this volte-face*, Mr. Hees disavowed any "liking" for the

* In a taped interview with Mr. Hees in his Parliament office in October 2, 1970, I asked the former Trade Minister if he had any reflections on these statements, or any other memories of trade relations with Cuba. (cont)
Castro regime, alleging that religious groups in Cuba were being repressed. All of these statements, emanating as they did from responsible officials of the government, can be regarded as efforts by Canada to legitimate her Cuban policy to the relevant sections of by now an unusually large and attentive public, through appeals to reason and restraint. But more than that, they illustrate an essentially defensive reaction to American pressures, a phenomenon not at all uncommon within the broad context of Canada-U.S. relations. Several years later, when in a specific reference to this situation, Professor John W. Holmes, President of the Canadian Institute of International Affairs, captured at the same time its wider meaning when he observed that "in these cases...the interrelation of the two economies is such that although Canada does pursue distinct political-economic policies, it can never ignore the interests and sensitivities of the larger neighbour." Indeed it appeared as if Canada was absorbed - after the December furor - in the task of convincing the Americans that her trade was as harmless as it was justifiable.

Attempts to minimize the significance of Canadian trade with Cuba were not confined to government spokesmen. The matter was of sufficient

In reply, Mr. Hees said that he did not "recall any of those things," adding that he had a lot more important things to do than go about remembering things like that." When the author asked Mr. Hees about any differences with the U.S. regarding Cuban trade, he replied that if there were any, they were due to Mr. Diefenbaker's "pique" at President Kennedy. This recantation provides a classic example of an individual political rationalization designed to win group approval for a previously disapproved statement.
importance to warrant examination by the Canadian-American Committee, an independent and privately financed research organization (it is funded for the most part by the Planning Association in both the U.S. and Canada), whose sponsors include a cross section of the Canadian corporate, banking and labour elite, as well as high ranking university officials in both countries. Ever since its formation in 1959, the Committee has specialized in preparing short studies on problems of "joint concern" to Canada and the United States. The usual practice of the Committee is to commission one or more experts for a given study; and prior to its publication, each associating member has the option of affixing his name to the monograph, with or without appending comments.

On February 6, 1961, the Committee issued a statement, twenty pages in length, entitled "Canada's Trade with Cuba and Canadian-American Relations." The fundamental thesis developed in the document is that the magnitude, significance and potential of Canadian-Cuban trade had been grossly exaggerated in recent months. The distortions are ascribed once again, to the "misunderstandings" generated by Mr. Hees' remarks made in conjunction with the Boti Mission, and Cuban "skill in exploiting the atmosphere." The Statement notes that, as a result, considerable concern had been expressed in unidentified "high places" in the U.S., imperilling, as it were, traditionally excellent relations between the two countries. In the more esoteric language of international relations theory as used by Morton Kaplan, among others, the ultrastable equilibrium along the functionally indissoluble axis between Ottawa and Washington was seen by the Committee as being upset by the "radical inputs" of a third actor, in this case Cuba.
In support of its argument, the Statement adduces a number of reasons purporting to show that the extent of Canadian-Cuban trade would in the future be severely circumscribed, and, furthermore, that the then existing policy on U.S. trade with the island was closely in tune with that of Canada's. The principal factors cited were:

1. Cuba's reserves of foreign exchange were rapidly being depleted because she had lost a large share of her export earnings from the U.S. as a consequence of the embargo.

2. The assumption by the state of total control over Cuba's foreign trade would create great difficulties for Canadian firms to export to the island.

3. Canada is notably deficient as a source for those manufactured goods formerly acquired in the U.S.; the depreciation of both consumer and capital goods would force Cuba to look elsewhere than Canada.

4. U.S. exports of non-subsidized foodstuffs alone still greatly exceeded the total dollar value of all Canadian exports to Cuba (the Harkness argument), limiting Canada's potential share of the Cuban market.

5. Because the U.S. had never formally asked Canada to join the embargo, and considering that the Trading with the Enemy Act had not been invoked, there exists "no serious conflict of views" between the two governments on the whole question.

Each of these "postulates," except (strictly speaking) the first, would prove to be mistaken predictions:* but it is a curious fact

*Cf., generally, Chapter X. Apparently sometime after Prime Minister Castro's first visit to the Soviet Union (April-May, 1963) Canadian wheat exports destined for Cuba were covered by Soviet payments in hard currency, although still included in Canadian statistics on trade with Cuba.
that all went unchallenged - at least insofar as the public record is concerned - possibly because by this time the trade issue had reached saturation levels in Canada-U.S. relations, and in any event Washington had by now become preoccupied with plans to overthrow the Castro regime through a combination of armed invasion and internal uprising. These considerations aside, an introspective analysis of the Statement suggests that a certain sense of urgency animated its appearance. Its timing, anonymous authorship and the fact that it was specifically marked "for press release" are recognizable departures from the usual practices of the Committee in disseminating the studies prepared under its auspices. Clearly then, the purpose of the Statement was not to merely provide an objective elucidation of the "facts," as the Committee claimed, but it was also hoped that it would contribute to the dissipation of the adverse reactions that had arisen over Canada's attitude to U.S.-Cuban developments.

To supplement these efforts at placating Canada's critics, both the government and a number of Canadian companies took measures to demonstrate that their behaviour was beyond American reproach, or at least in strict keeping with the guidelines in Cuban transactions laid down by the Prime Minister in the House. In the summer of 1961, Minister of Industries Ernesto "Che" Guevara met with visiting newsmen in Havana and in characteristic fashion openly acknowledged Cuba's economic woes in general and the difficulties encountered in industrialization in particular. In the course of these conversations, Che attributed Cuba's failure to initiate construction on several secondary manufacturing and processing
plants as called for in Cuba's first Five-Year-Plan to her inability to obtain the necessary machinery and spare parts required for these industries. According to the Industries Minister, Cuba had placed orders for much of this equipment in Canada, but a number of Canadian manufacturers turned down the sales because they were "tied to Yankee companies." While Che did not elaborate, his comment suggests that at least some Canadian subsidiaries of U.S. parent companies had already instituted policies of "voluntary compliance" with the embargo, though subject to no "extraterritorial" sanctions for exporting to Cuba at the time. Thus Mr. Diefenbaker's implied warning contained in his Commons statement which had been made more explicit by Mr. Smith in his editorial—was being given practical application.

In a related development several months later, the government saw fit to publicize the seizure by the R.C.M.P. of 450 cases of ball bearings bound for Cuba. According to the Canadian shipper, the bearings had been manufactured in Great Britain and were being trans-shipped after final polishings in Canada. However, the Police claimed to have evidence that the bearings had actually been assembled in New York of iron and steel of "U.S. origin," and that 35 cases had previously reached Cuba in contravention of Canadian trans-shipment regulations. Not only did this episode indicate that Canada would go to great lengths to rigidly enforce its system of re-export controls with respect to Cuba, but it also raised the complex problem of distinguishing between "U.S. made" and "non-U.S. made" exports. As no definitional precision had been given to this

* Infra, Chapter X, where this question is discussed.

+ Supra, pp. 179 ff.
distinction, the practical result often was to leave to customs officials the tasks of both interpreting and enforcing the regulations, which in some cases required a fair amount of subjective evaluation. But as exporters, who might face as much as a $25,000 fine and five years in prison were quick to note, the government had ordered a rigorous application of the trans-shipment controls.

THE AMERICAN ATTITUDE HARDENS

Though it was kept secret at the time, President Kennedy himself, while on his state visit to Ottawa, May 17-18, 1961, sought to convince Prime Minister Diefenbaker that Canadian trade with Cuba should be curtailed. A story to this effect was first reported by Charles Lynch of Southam Press nearly two years later when, following Mr. Diefenbaker on a campaign tour, Mr. Lynch disclosed the existence of the now legendary "working-paper" prepared for the President by Walt Rostow, his personal foreign policy adviser in the State Department. Entitled "What We Want from Ottawa Trip," Mr. Rostow's half-page memorandum included among a half dozen or so top priority items, a reduction in trade with Cuba and O.A.S. membership for Canada. According to Peter C. Newman, Mr. Diefenbaker, upon presentation of a slightly altered draft of the memorandum (apparently the heading had been deleted) by the President, marked the word "NO" in the margin beside each numbered request; whereupon sometime later some member of the official U.S. delegation pencilled in the comment "What do we do with the S.O.B. now." Then the paper was somehow misplaced and fell into the hands of the Prime Minister after a routine inspection of his waste-paper basket.
Just a few days prior to the 1963 election, Mr. Diefenbaker - or an associate of his campaign entourage - leaked a revised version of the document, which omitted the question of Cuban trade, but included the question of Canada's adhesion to the hemispheric organization. Mr. Diefenbaker, who claims to still have a copy of the document in his possession, was from the outset convinced that this "marginalia" (as Professor Peyton Lyon refers to it), was the hand-maiden of Mr. Kennedy. But since Mr. Diefenbaker has thus far refused to make public the memorandum, it still cannot be said for certain whether or not the trade issue is listed on it. This notwithstanding, the former Prime Minister, in conversation with the author, strongly hinted, and an American participant at the meeting in an interview later confirmed, that the matter had indeed been discussed, but that the two positions remained poles apart.

More significant, however, is the fact that the Ottawa meeting marked a turning point in personal relations between the President and the Prime Minister. From this time onwards, the two men developed a bitter dislike for, and mutual distrust of, one another. This "fateful estrangement" affected nearly all aspects of intergovernmental relations.

* On October 8, 1970, the writer was granted an interview with Mr. Diefenbaker, arranged through the offices of the Hon. R. Gordon Fairweather, M.P., from Fundy-Royal. At Mr. Diefenbaker's request, I presented him with a list of written questions and on the few that he was able to answer from memory, he did so by indicating "yes" or "no." However, Mr. Diefenbaker never replied to any of the other questions submitted to him, though he promised to do so by mail.

+ Interview with Professor Willis D. Armstrong, Columbia University, November 4, 1970. Professor Armstrong was on the Canadian Desk of the State Department at the time.
between the two countries, especially during Mr. Diefenbaker's last year and a half in office, for it was in this period that the personal animosity progressively deteriorated to the point where neither side any longer was at pains to conceal it. Of course it is easy to overstate the impact that this may have had with regard to Cuba, or even on the much weightier matters of mutual interest to both Canada and the United States. The existence of vast bureaucracies, a characteristic feature of modern governments like those in Washington and Ottawa, operates to mediate these kinds of individual animosities, tending in turn to circumscribe the influence of personal disputes on the conduct of international diplomacy. Nevertheless, that Mr. Kennedy and Mr. Diefenbaker held deeply conflicting views over the very survival of the Cuban revolution - a division at the essence of the "trade question" - there can be no doubt. One consequence was that when the Cuba issue burst into the open once again, it had much of the trappings of a highly personal altercation between the two leaders.

It took close to nine months for this to happen. In the early part of 1962 the lull that had been built up in the intervening months on the trade controversy was shattered by the events surrounding the Eighth Meeting of the Organ of Consultation of the O.A.S. held in Punta del Este, Uruguay, January 22-31. In the aftermath of the Meeting, not only did the exchanges across the border become more heated, but they moreover issued with greater frequency from leading government spokesmen on both sides of the line. In this respect the polemical nature of the dispute acquired a more visibly acrimonious character at official
levels than had been the case a year before, once again casting the Cuban revolution on to the centre stage of Canadian-U.S. relations.

It is well beyond the confines of this essay to dwell at any length on the background to the Eighth Meeting and the highly tenuous juridical grounds upon which it was called. Suffice it to record here that the meeting came on the heels of Premier Castro's famous "I am a Marxist-Leninist" speech on December 1, 1961, and was formally charged with the task of combating "Communist subversion" through the entire Western hemisphere. Before it had concluded its deliberations, the Meeting (consisting of the Foreign Ministers of the twenty-one member states of the O.A.S.) had adopted eight bulky resolutions designed to further the economic, political and diplomatic isolation of Cuba from the hemispheric system, and had voted for the expulsion of the Castro regime from the organization. To obtain the required votes for this move, the U.S. delegation offered a variety of inducements to uncommitted or wavering states; for example it is now known that Haiti's affirmative vote was bartered for a pledge that the U.S. would finance the construction of a large jet-port facility in Port-au-Prince to aid in the development of that country's tourist industry, and that in other cases the U.S. offered increased amounts of aid under the Alliance for Progress program in order to finally muster the two-thirds majority necessary for expulsion. During these proceedings Canada was represented by a delegate accredited with "observer status", but what immediate effect the report prepared by him at the conclusion of the proceedings had on the Diefenbaker administration is not known.
As far as Canada was concerned, the most important Resolution passed at this second Punta del Este conference was not number VI, expelling Cuba, but rather Resolution VIII which dealt with matters of trade with the Castro government. Resolution VIII committed all the members of the Organization to halt at once all trade in "arms and implements of war of any kind," and further provided for the permanent governing body of the O.A.S., its Council, to undertake a study of "the feasibility and desirability of extending the suspension of trade to other items," especially to materials of "strategic importance."69

Seen from the perspective of the U.S. cordon sanitaire of Cuba, first erected in 1960 and subsequently strengthened by Presidents Kennedy and Johnson, the Eighth Meeting marks the first effort on the part of the U.S. government to seek multi-lateral support for the Cuban embargo; and less than a month later it was to lay the contents of this same Resolution VIII before a Council meeting of N.A.T.O., in a similar but successful attempt to extend the scope of this objective.*

From the outset the Kennedy administration viewed the work of the Punta del Este meeting as an important victory for U.S. diplomacy in its continuing struggle to isolate the Castro regime. To emphasize the point, Mr. Rusk was accorded a "hero's welcome" on his return to Washington at the conclusion of the conference, which is far from the routine custom. Appearing at a press briefing on the following day, February 1, the usually dour and non-descript Secretary exuded this optimism by claiming "substantial success" in placing Cuba in a state of virtual "complete quarantine" in the hemisphere. After these preliminary

*Infra, Chapter VIII.
remarks, Mr. Rusk outlined the U.S. strategy to tighten the economic squeeze around Cuba. One problem in developing methods to extend and enforce the quarantine emphasized by the Secretary was that the Castro government was using dollars and freely convertible foreign exchange to finance subversive activities in the hemisphere, "which we know from highly reliable intelligence sources." Queried as to whether any substantial sum of dollars accumulated by Cuba derived from Canadian trade, and whether the U.S. government intended to ask Canada to halt such trade, Mr. Rusk replied evasively that the "issue would be taken up after this meeting." Dissatisfied with Mr. Rusk's apparent vagueness, a correspondent for the Canadian Press pressed the Secretary more specifically: to what extent would all the resolutions adopted at Punta del Este be effective without active Canadian participation? To which Mr. Rusk replied:

"Well of course we do hope that other countries, having seen the clear expressions of policy and attitude of the Organization of American States, would consider - and I am not referring to any single country - would consider whether they might align their policies with the policies of the Inter-American system."  

Mr. Rusk's remarks may have been innocent enough, but Mr. Diefenbaker did not interpret them to be so. Asked for a comment in the House the next day, the Prime Minister, demonstrating that he was eagerly awaiting the opportunity, launched a prepared counter-thrust. Citing Dominion Bureau statistics for the first nine months of 1961, Mr. Diefenbaker pointed out that the balance of Canadian-Cuban trade was running heavily in Canada's favour; exports totalled $21.5 million to $4.6 million in imports, requiring Cuba to finance Canadian imports from dollars earned elsewhere; therefore he concluded that Canada was not a source of funds
for Cuban subversion. To further eliminate any suspicions Mr. Rusk may have entertained about Canadian policy, the Prime Minister once again asserted his administration's oft-repeated disclaimer that the government had not authorized any shipments of strategic goods of any kind to the whole Caribbean region more than two years previously. In effect, then, the Prime Minister was arguing that not only were Canadian restrictions on Cuban trade clearly compatible with the resolutions passed at Punta del Este but that they had in fact presaged them, even though Canada is in no way bound to implement the decisions of the O.A.S., since she is not a member of the regional organization. Finally - and perhaps most revealing of all - Mr. Diefenbaker scolded Mr. Rusk for so much as intimating that Canada might bend to the will of the U.S. government when it was not in her national interest to do so:

"While naturally Canada is most desirous of co-operating at all times with friendly nations, the decision as to the course Canada shall take should be made by Canada on the basis of policies which we believe are most appropriate to Canada." 71

Veteran observers in the Ottawa Press Gallery, sensitive to the subtle nuances in tone of speech of leading government figures, all noted that the Prime Minister's comments were made in the heat of anger, but offered varying explanations for its wider meaning. In general, two views prevailed. One was that the Prime Minister was typically "over-reacting" to Mr. Rusk's comments, which could not be construed as particularly "offensive" to Canada. On the other hand, others were inclined to see in the Secretary's remarks the implications that there were broad limits to the exercise of Canadian sovereignty which, however undiplomatic a public statement, provided as it were a perfect pretext for Mr. Diefen-
baker to play upon anti-American sentiment in Canada. With an election in the offing (it was held in June), it was noted that the Prime Minister had in the past resorted to this political expedient in his campaigns, and that the Cuban issue could be used in the same way. In either case, it was apparent that by this time the cumulative pressures on Mr. Diefenbaker had deeply irritated his sensibilities and that he considered any further questions of his Cuba policy a personal affront.72

If Mr. Rusk's statement was cautious, and capable of varying interpretations, other high U.S. officials showed less restraint in pinpointing their criticism at Canada's doorstep. For example, a week prior to Mr. Rusk's press meeting, Arthur Schlesinger, Jr., then Special Assistant to President Kennedy, asserted during an airport interview in Vancouver that trade with the Castro regime seriously weakened the prospects for "democratic reform" in Latin America. Though a U.S. spokesman protested later that Mr. Schlesinger had meant no slur, anticipating Mr. Rusk's disavowal that he had spoken generally and did not mean to "single out Canada," the remark was seen as having a more precise referent by External Affairs Minister Green, who declared it "a most unusual and, I think, improper thing for an official of another country to do."73 Shortly thereafter, on February 7, Senator Kenneth Keating of New York availed himself of Canadian Broadcasting Company time to publicly reprimand Canada. In part the Senator expressed "bewilderment" at what he considered to be a glaring inconsistency in Canadian foreign policy; for while noting that Canada was quite willing to "supply troops for the defence of freedom" it was inconceivable to him why she was not willing to
"make economic sacrifices for the same objective." This brought a hurried public rebuke from Mr. Diefenbaker who sarcastically observed that it was "a matter of some interest to Canadians to have a U.S. Senator telling Canadians over the Canadian national television network what is proper for Canadians." And to heap Ossa upon Pileon within this short space, Senator Wayne Morse of Oregon complained bitterly at the close of the fifth joint meeting of the U.S.-Canada Interparliamentary Group in early March that the sessions had demonstrated that Canada was refusing to "co-operate in stopping her trade in strategic goods to Cuba." This assertion promptly brought heated denials on the part of several members of the Canadian delegation.

At first glance these rhetorical exchanges would not appear very edifying. Yet in penetrating beneath the surface, there is to be found not only the deeply-rooted differences over assumptions to which we have already alluded, but also a fundamental antagonism not limited to Canadian-U.S. relations, but one arising generally in relations between great and small(er) Powers. Canada, as a small (or middle) power, could find no ethical or legal justification for applying further pressures on Cuba, since not only was neither she nor the U.S. in a declared state of war with the Cuban government, but also because her role in the matrix of the international community precluded the imposition of any similar kind of meaningful quarantine of another nation. The situation was quite different as far as Washington was concerned. "The economic weapon," observes the eminent British historian E.H. Carr, "is pre-eminently the weapon of strong powers." Perhaps contemporary history
affords no better case study than Cuba with which to evaluate, *mutatis
mutandis,* Mr. Carr's thesis. Indeed, we now have a rich record of
inside information which clearly indicates that, at least until the
termination of the missile crisis, the existence of the Castro regime
constituted the *bête noire* of the Kennedy administration, and that the
Punta del Este conference was viewed as another step by the President in
employing the might of the United States in bringing about the downfall
of that regime by any means short of an all-out invasion with U.S. troops.
In short, the economic sanctions enacted by the U.S. at the Eighth
Meeting had an eminently political objective.78

From the American point of view, there could be legitimate doubts
from several related angles as to whether Canada supported this goal,
even though it was fully recognized that Ottawa had strong objectives
to U.S. tactics and methods. For one thing, a report appearing in the
Financial Post of February 3, suggested that Washington had by that time
become convinced that a number of items exported to Cuba had come peri-
ously close to crossing the thin and (as suggested above) rather arbitrary

* By the deletion of strong and its replacement by super-power. In
the opinion of the author, no satisfactory economic analysis has
yet to appear showing the precise causal relationship between the
imposition of the U.S. embargo on the one hand and the sluggish
performance of the Cuban economy from 1960 to date on the other.
line separating non-strategic and strategic goods. Among the exports singled out were synthetic rubber, sheet and strip steel, copper pipe and tubing, electric transformers, steel pipes and tubing, chemical explosives, automobile spare parts and, lastly (and lowest in total value of the exports cited), aircraft engines and parts. All of these items were of course barred for shipment from the U.S. to Cuba, thus eliminating any possibility for developing a common continental—let alone hemispheric—policy in this regard. Thus, even though the aggregate value of the exports were small by comparison to Cuba's total foreign trade, the U.S. saw in this trade a "thwarting of principle."

Secondly, a Senate debate less than a week later on a bill to amend Canada's Export Credits Insurance Act revealed that the government-funded Export Credits Insurance Corporation had never suspended insurance guarantees for exporters engaged in transactions with Cuba. And despite the fact that Canadian exporters, as a rule, began to demand immediate cash payments after the nationalization of the economy, E.C.I.C. records showed Cuba to be in arrears by nearly a half a million dollars, with the Corporation obliged to pay some 85% of that figure to the exporters because Cuba had up to this time defaulted. It was known in Ottawa (perhaps this was why the matter received the attention it did in the first place) that these practices were particularly objectionable to Washington. A third cause for U.S. suspicion stemmed from the realization of keen observers of the situation—especially those at the Cuban Desk of the State Department—that Mr. Diefenbaker had steadfastly refused to denounce the Castro government as a "communist dictatorship," though certain of his Ministers had been urging him to do just that.
Apparently these suggestions only served to increase the Prime Minister's resolve to keep Canada's relations with Cuba on an even more steady and determined course.

Pursuant to the Punta del Este conference, the U.S. government took additional measures in order to tighten the squeeze around Cuba, giving rise to a further exacerbation of tensions with Canada. One falls strictly under the rubric of trade. On February 3, the U.S. Department of Commerce, acting under authority of the President, issued the Cuban Import Regulations. The immediate purpose of the Regulations was to deprive Cuba of what was estimated at that time to be a $100 million market in the U.S., mainly in cigars and vegetable produce, by excluding all products "made or derived in whole or in part" of Cuban origins from importation into the United States. The only qualification written into the Regulations is found in the final section, which empowers the Secretary of the Treasury to grant exceptions "consistent with the effective operation of the embargo." 80

It is possible to deduce that the harsh provisions codified in these measures brought U.S. controls into conflict with Canadian trans-shipment regulations, resulting in differing legal expressions as to just what constitutes a "Canadian-made product." According to Canadian statutory law, as embodied principally in Section IX of the Exports and Imports Permits Act, any imported commodity further processed in Canada so as to bring about a "substantial change in its value, form, or use" is considered a Canadian-manufactured product, and therefore not subject to re-export restrictions of any kind. 81 On the other hand, the U.S. Import
Regulations declare such products, if containing any ingredients originating in Cuba, as Cuban de jure and hence proscribed from entering the U.S. In practical terms this means, for example, that any cakes, chocolates, candies etc. made in Canada of Cuban sugar cannot be legally exported across the border. The same prohibition applies to cigars packed with Cuban leaf tobacco, or to canned fruit and vegetable products, to cite the most important Canadian commodities "of Cuban ingredients" which had formerly found their way into the U.S. To be sure, the effectiveness of the Regulations depend not only on the development of sensitive detection techniques of product differentiation but in large measure on the co-operation of Canadian authorities, about which little is known. It should be noted, however, that violators (i.e. the U.S. importers) must not only forfeit their goods if seized prior to consumption, but face penalties ranging as high as five years imprisonment and fines up to $100,000 or, (if higher), the value of the exports involved.* Thus a new twist had been given the perennial problem of "Canadian content."

Less than two months after the promulgation of the Import Regulations a disagreeable incident between Canadian and U.S. authorities arose in connection with them. On a trip to Florida, an immigration officer in the Canadian Consulate in New York reportedly suggested that the cigar industry in the Tampa area, which faced certain extinction as a result of the import ban on Cuban tobacco, could profitably re-locate in Canada.

* Perhaps the height of this absurdity occurred in 1967, when travellers returning to the U.S. from Canada's EXPO in Montreal, were forced to surrender certain pieces of identification if, on questioning by customs officials, they acknowledged that they had consumed food or drinks at the Cuban Pavilion!
The officer’s remarks touched off another blast in Congressional quarters against Canada, to which was added this excerpt from a long and vituperative editorial from the Tampa Tribune: "Most scavengers have the good taste to wait until the victim is dead before they begin their feast."

It was to little avail that the officer quickly offered the inevitable apologia, claiming that he had been misquoted. 32

ANOTHER DEBATE AT HOME

With the reverberations of the Punta del Este conference still ringing in the air, Parliament initiated a second "great debate" in mid-February on the question of Canadian trade with Cuba, and its more far-reaching ramifications in the context of the Cold War and Canadian-American relations. In its essentials, the February debate bears a marked resemblance to the extended disputation of December, 1960. The dramatis personae of the two major parties (with the Socreds and N.D.P. standing aloof as before) remained the same. The views propounded by them repeat, ad hominem as it were, those presented in the House Chambers some fourteen months earlier. And once again, several crucial issues remained obscured by the flow of oratory. Nevertheless the second debate is in one respect more enlightening than the first in that it shows the Liberals and Conservatives edging still closer to ideologically separate poles vis-à-vis the basic nature and character of Canadian exports to Cuba. One pole was grounded in America, the other in Europe.

As on the previous occasion, the pre-occupation of the House turned on the pivotal question of what precisely is meant by the term "strategic
good." Led by Messrs. Pearson and Martin, the Liberal Opposition read
off practically verbatim the list of Canadian exports to Cuba which had
appeared in the Post article of February 3, alleging that all of these
materials were "strategic in character." (They did not, however, make
any reference to the fact that the Post writer had suggested that it was
the Americans who were defining these items as "strategic", nor to their
apparent marginal importance to the functioning of the Cuban economy).
Like Mr. Martin before him, Mr. Pearson isolated one export as the basis
for an attack on the government, but in this case it was dynamite, or
"explosives as such," rather than aircraft engines. According to the
Liberal leader, government assurances that the dynamite was used in Cuba
for sand-blasting and rock quarrying operations and not for military
purposes, were beside the point; dynamite, he contended, was "associated"
with warfare and therefore a "strategic material." Mr. Martin went even
further, asserting that any article used by the "military arm" of a state
is strategic, ipso facto. Implicit in these arguments was the Kennedy
administration's view that the Fidelista doctrine of fomenting revolutions
by deed (as well as by "example") made Havana an out-law in the inter-
national community. As the inevitable corollary, Cuba was considered a
direct threat to the entire Western hemisphere.

It should be emphasized in this connection that the President had by
this time abandoned the fiction that an internal uprising in Cuba was
likely. Altering his course, he now recognized the importance of co-
ordinated external pressures in achieving the desiderata of U.S. policy
in Cuba. Under these circumstances, the Liberal criticism of government
policy was given added force than had been the case in December of 1960; for although Canada was not a formal member of the Inter-American system, she certainly was more vulnerable to pressures to "meet her responsibilities in her hemisphere" (as the President put it in his address in Parliament),* if the end result of her trade policy was to directly clash with the collective will of the nations of the hemisphere as expressed through the O.A.S.

In undertaking the full burden of replying to the charges levelled by the Opposition, Mr. Hees developed an interesting, if not ingenious, argument to resolve the principal bone of contention. Alluding to his own experience as an officer in an anti-tank battalion which saw action at Normandy, the Trade Minister asserted that all goods, from machines to consumer durables to consumer perishables, are necessary to sustain an army. More specifically, he laid stress on what of course is quite obvious, namely that food and medical supplies an army certainly cannot do without, and that the United States had continued to export these commodities to Cuba even after the imposition of the embargo. With this simple example, Mr. Hees succeeded in demonstrating (apparently to the disgruntled satisfaction of the Liberals) that not only did Mr. Martin's argument amount to a sweeping re-formulation of the notion of a "strategic good", but it in fact destroyed the concept altogether by

* Infra, ch.VIII. This phrase, it will be remembered, was first uttered by President Kennedy in a general context in his hard-line speech right after the failure at the Bay of Pigs invasion.
rendering any distinction between strategic and non-strategic goods impossible. At the same time, Mr. Hees reaffirmed the government's intention to adhere to a philosophy of "strict construction" in its understanding of strategic goods. The guidelines for this interpretation, the Minister explained once again, are embodied in both the Exports and Imports Permits Act and the secret COCOM List of the N.A.T.O. allies.\(^{83}\)

What Mr. Hees was saying, in effect, was that Canada's relations with Cuba were governed not so much by normative political criteria, but by the normally accepted practices of international diplomacy, which forms the basis for intercourse among nations that are not in any state of belligerency with one another. As shall be indicated subsequently, Mr. Hees' position, as well as the essential argument used to justify it, coincided exactly with that of virtually all the European states in N.A.T.O. when they convened one week later to hear American proposals for an extension of the O.A.S. embargo to members of that organization.

This approach stood on rock-solid Canadian ground. As Professor Edward McWhinney has shown, the government's attitude towards Cuba strictly conformed to the traditions of Dominion jurisprudence. For under the circumstances, Canadian international law doctrine derives from the spirit, if not the letter, of English practice, which is based on the proposition that relations with foreign nations are largely dependent on "pragmatic", rather than "moral" or "ethical" considerations.\(^{84}\)

Of more immediate comfort to the government was the fact that there were strong indications that its approach to the Cuban issue met with the approval of a good cross-section of public opinion within the country.
No better illustration of this could be found than by an examination of press editorials. In a rare display of uniformity, the mass circulation publications in Canada were singularly critical of U.S. behaviour at Punta del Este; and at the same time most voiced full support for continuing trade along the lines so painstakingly established up to that time.

The Globe was perhaps the most outspoken in its disapproval of U.S. actions. In an unusually long editorial entitled "Fiasco at Punta del Este," it asserted that the conference amply served to vindicate Canada's policy of remaining outside the formal structural apparatus of the O.A.S. The writer averred that this would continue to be the safest way for Canada to avoid being a "U.S. scapegoat" in inter-American affairs. He considered the expulsion of Cuba from the organization as an "illegal act," an infringement on the independence of a sovereign state and a violation of Canadian conceptions of international law. Concluding in the vein of Mr. Diefenbaker's December, 1960, Commons address, the editorial urged that Canada preserve her contacts with the Castro regime in order to enable the Cuban people to retain even meagre links with "western democracy." In another editorial several weeks later, the Globe dismissed as without foundation the contention advanced by several Canadian Senators, among them David Croll, that the Cuban revolution represented a threat to Canada's security. On the contrary, it asserted that no outstanding dispute existed between the two governments, and that there was "no good reason" to justify a boycott. The Globe pressed its point with strident criticism of the Liberals, whom it accused of deliberately sowing confusion by their constant references to strategic goods and their alleged shipment
to Cuba. If the Opposition proposed to completely eliminate all trade with the island, the editorial asked, "why don't they openly advocate this?" Extending the analysis, the editorial suggested that the Liberals were manipulating the Cuban issue in order to appeal to the anti-communist dispositions of the ethnic minorities of the country in preparation for an election. (For an historical parallel, it will be recalled that the last time a matter remotely pertaining to Cuba became a subject for domestic political controversy of this kind was in the 1935 Bennett-King election regarding the high tariff on Cuban sugar*).

Toronto's other major newspaper, the Star, from the outset a strong critic of the U.S. reaction to the revolution, put the Globe's views in a slightly different context when it suspected that the task of Charles Ritchie, Canada's recently appointed ambassador to Washington, would be "to tell the U.S. we're not its twin."86

The Montreal Star took a similar, but somewhat more moderate line. An editorial "Trade Embargoes Settle Nothing," on January 30, for example, said that if anything else, the "wisdom of history" was on Mr. Diefenbaker's side. Several days later the Star postulated that the outcome at Punta del Este might have been far different had Canada been a full-fledged member of the O.A.S. In its opinion Canada would have been - unlike most other Latin nations - in a position of great independence at the conference since, as a developed nation, it could neither solicit, or expect to receive, any appropriations under the Alliance for Progress program. For this reason, the Star hypothesized that Canada would have

* Supra, pp. 100-101.
sufficient political leverage to "modify the effect of the tough arguments of Mr. Rusk and his team...to persuade the O.A.S. to go along with them." 87

Opinion in the francophone press backed the Prime Minister in tones more similar to that of the Globe. Typically, Le Devoir ran a series of editorials in February all sharply critical of the U.S. It praised both Mr. Diefenbaker and Mr. Ritchie for having responded "with dignity" 88 to repeated requests for a rupture in trade and diplomatic relations with Cuba. Such overtures were considered not only short-sighted, but "impolitic," especially in the manner in which they were broached to the public. According to Le Devoir, the method of making open declarations to the press in an effort to sway public opinion in a foreign country on so sensitive a matter was "inadmissible." In this light it was suggested that the environment within the O.A.S. system was such that any Canadian participation would be, at best, "embarrassing." Even more important was the fact that the paper foresaw, with an uncanny eye, the much wider implications inherent in the result achieved at Punta del Este. If such "coercive and imperialist methods" could be successfully employed on South American politics, it speculated, there was no reason to believe that they would not be utilized on the U.S.'s northern neighbour. 89 Le Devoir went on to make the poignant prediction that Cuba would merely serve as a prelude to U.S. pressures for Canadian acquisition of nuclear warheads for her Bomarc missiles.

Support for the government was also forthcoming from Maclean's, the monthly national magazine, and frequently a carrier of feature articles
highly critical of the dramatic turn taken by the Cuban revolution from 1960 onwards. In a report headlined "Why we won't join the blockade to starve Castro out of Cuba," the writer asserted that Mr. Diefenbaker's firmness in maintaining trade and diplomatic ties with Cuba enjoyed the virtually unanimous approval of the Canadian people, "from prairie radicals to Conservatives in Roman Catholic Quebec." In summation he advanced the following thesis:

"Canadians, so far as we know, don't wish to punish other nations for adopting any form of government, even communism. Canadians hope that all free nations will be able to remain free, and that those who are captives of an intolerable status quo can free themselves instead of going communist. But that's a far cry from declaring that they must do so, on pain of starvation, (Emphasis added)." 90

Had this explanation not become popularly identified as the most basic of all rationale for Canadian policy, the government might have found it necessary to formulate it as a doctrine of faith. Thus by early 1962, it was no longer possible for Mr. Diefenbaker to take refuge in the argument that Cuba had inadvertently strayed away from the orbit of the West (in part because of U.S. blundering), and could be brought back into proper alignment by a judicious combination of patience and restraint. Irrespective of the validity of the claim that it was U.S. intransigence towards the social and economic goals of the revolution that was forcing Premier Castro into the waiting arms of the Soviets, something that Mr. Diefenbaker hinted at back in December of 1960, any similar assertion now would be quite academic and beside the point. Any lingering doubts about Cuba's alignment in the Cold War were dissipated by the declaration made by Premier Castro on the eve of the Bay of Pigs invasion that Cuba was a "socialist state," and his later acknowledgement that he had indeed
been a "Marxist-Leninist" all along, though he might not have been fully conscious of the fact.

Thus it became necessary to articulate a more fundamental reason why Canada had elected to openly defy the wishes of Washington on an issue not vital to Ottawa's national interest. Whether fully accurate or not, the explanation offered has the great virtue of being entirely consistent with Canadian history, traditions and temperament, and has therefore acquired some of the characteristics of dogma. And of course no better precedent could be found than in the large sales of grain to Communist China in the 1950's, which were consummated even in the absence of diplomatic relations.

Under closer scrutiny, the explanation raises deeper questions. Is it, for example, simply an expedient rationalization for material self-interest, or does it represent an acute perception born of a nation more "mature" than, yet at the same time not saddled with, the "burdens" of, the United States of America? Looked at from a different focus, was the Canadian decision more a specific function of Mr. Diefenbaker's Tory Radicalism, with its concomitant aversion to the exercise of American power and influence on Canada, or did it issue from a more general, and more fixed, ideological principle?

There may be no definitive answer to either of these questions, nor can it be certain that they represent precise dichotomies. Yet in conversation with the author, one Canadian government official provided some indication that both Canada's heritage and her commitment to a set of ill-defined, yet profoundly influential, "moral" standards form the
greater part of the answer. According to the official, the U.S. proposed on several occasions to find alternative markets for Canadian exports normally destined for Cuba, or possibly even to contract some of the loss over a short-term period for those exports deemed harmful to the effective functioning of the embargo. Successive governments, however, have always been adamant in their resistance to the idea.* Another element reinforcing this thesis is to be found in Ottawa's persistent refusal to accept the proposition that any kind of trade embargo could favourably influence the internal evolution and external political behaviour of a sovereign state, an idea which in itself springs from deeper-seated ethical norms, and which has flowed like steady undercurrent throughout the discussion to this point. In simplistic, but yet popularly colloquial terms, the question formulated in this way raises the old bugaboo of whether it is preferable for the West to deal with "fat" communists, as opposed to "lean" ones; to which Canada, if forced to answer to this question so crudely put, would choose most definitely the former alternative.

AN UNEASY TRUCE

The February crisis is generally regarded as having marked the nadir in Canadian-American relations regarding trade with Cuba. For the next half year or so, tensions gradually eased, occasioned by a mutual re-evaluation of the points in dispute by top officials of both governments.

* The official, whose anonymity must be preserved, also asserted that there is documentary evidence, still secret, to this effect.
On the Canadian side, the feeling developed that there was an inherent and consistent logic to the hard-line American policy, and that even if it was predicted on misguided assumptions, it might be preferable to actively acquiesce in its execution rather than run the risk of jeopardizing Canada's bargaining position in Washington on matters of much greater importance to the national interest. The Ottawa Journal came close to reflecting the mood of the government when, while noting a sharp decline in Canadian exports to the island over the early 1962 period, it remarked:

"We don't think that many Canadians are going to mourn the loss of this trade. Most of us are glad to see it decline... Correct as it may be that Canada has no particular quarrel with Cuba, Canada has a great ally in the United States, and the fact is that Canada's trade with Cuba does our relations with the U.S. no good."

The U.S. also began to have second thoughts about the merits of pressuring Canada. In April, Mr. Rusk publicly acknowledged that Canada was in full compliance with the COCOM regulations concerning the export of "strategic materials," perhaps more so than any other N.A.T.O. member. And an officer working under the Secretary and in liaison with the State Department's Canadian desk, in a reference to non-strategic goods, added to this a note of resignation by saying that "anything we say from here will just get back up there and do more harm than good."

Even more significant is Professor Lyon's revelation that, "speaking off the record, some U.S. officials were even prepared to concede that there were long-term advantages to the West in the continuance of Canada's diplomatic and trade links with Cuba." While Mr. Lyon
does not elaborate, there can be little doubt that the U.S. foresaw Canada as a potentially valuable purveyor of intelligence information of developments unfolding inside Cuba, if it was not already serving that function.*

Despite these tendencies toward détente, the Cuban revolution continued to weigh uneasily within the ambit of Canada-U.S. relations. For although the verbal thrusts and counter-thrusts markedly declined, the dialectics of the dispute could not be expected to simply disappear. After the rancour sparked by the Punta del Este meeting had come and gone, Washington's animus was apparently directed more towards the spirit, rather than the content, of Canadian trade policy. By a kind of curious inversion of logic, this sentiment was in large measure based on a comparison of Canadian exports to Communist China, which were running more than ten times (by value) higher than those to Cuba. Since the former consisted almost entirely of wheat (and related grains), and fully cognizant of the fact that the government was facing a serious problem disposing of unprecedented surpluses of these staples on the world market, U.S. policy makers recognized the importance of, and seemed willing to make amends for, the large wheat exports to the People's Republic. On the other hand, trade with Cuba was by no means as crucial, and for this reason it was thought in Washington that Canadian "defiance"

* According to one Canadian who lived in Cuba from 1964-67, at least one Embassy official was in the employ of the C.I.A. In an interview with M. Leon Mayrand in his Montreal home on October 6, 1970, the writer raised this question with him. M. Mayrand, while refusing to confirm the allegation, also refused to deny it. The interview with M. Mayrand, (Canadian Ambassador from 1964-70) took place just after his briefing to the External Affairs Department.
represented a deliberate betrayal of the American crusade against Cuba. What is more, the feeling was widespread that Canada was pursuing trade with Cuba with excessive zeal primarily to demonstrate that defiance.\footnote{95} One result, according to a newspaper columnist in a small town close to the 49th parallel, was a marked tendency of Canadians to express concern, and even alarm, at the possible long-term effects this would have on even routine business transactions across the border.\footnote{96}

To fuel the potentially explosive situation, the Cuban refugee community in the U.S. kept up its sharp, even vitriolic, criticism of Canada. José Miro Cardona, prime minister until July, 1959, and then head of the Cuban Revolutionary Council, the largest exile organization, expressed the attitude of the community (in diplomatic language) when he was interviewed by a reporter for the Montreal Star:

"It is evident that the Canadian Government's concept of democracy's mortal fight against Communism positively differs from that of the rest of the American nations. Canada's attitude is rather functional, realistically materialistic and - no offence meant - strictly Phoenecian. The very profitable trade between Canada and Communist Cuba demonstrates the truth of this assertion."\footnote{97}

Granted that Dr. Cardona's Manichean comprehension of the Cold War leaves much to be desired, but his assertions require at least cursory examination in their time context. Regarding the first, it has already been pointed out that Canada's trade policy was in basic congruence with the Punta del Este resolutions, and that these had only been voted after forceful pressure had been placed on wavering states. Moreover, four important Latin nations, Argentina, Brazil, Chile and Mexico, comprising over half the southern hemisphere's land mass and population, abstained on several of the resolutions which imposed economic sanctions on Cuba. Thus
it would have been more accurate to say that there was a greater cleavage between the Canadian and U.S. position on that "moral fight" rather than between the Canadian and Latin positions. As to the second assertion, we have sought to demonstrate that for a variety of reasons the profit motive was not decisive in the formulation of Canadian policy in the crisis period. Nevertheless, Dr. Cardona's remarks seemed to possess a slightly truer ring several years later when, thanks to right-wing coup d'etats in Argentina and Brazil, and irrefutable circumstantial evidence brought by Venezuela that guerrillas trained in, and financed by the Havana regime, were operating in that country, all O.A.S. members (except Mexico) eliminated any vestiges of trade and diplomatic links with Cuba. Furthermore, Canadian exports to Cuba increased considerably during the mid-sixties.*

Yet as history would have it by that time the exiles' bitterness towards Canada all but passed into oblivion. Two years from the date of the imposition of the U.S. embargo the record of the Diefenbaker government showed that it had preserved Canada's trade interests in Cuba, notwithstanding some of the heaviest pressure brought to bear on the Dominion by the United States over any one issue. In spite of the lingering impression that Canada was "getting away with something," in part, because as John Bird put it, "Americans regard Canada as different from other foreign countries - just a friendly extension of the U.S..."98 the task had been accomplished by building up a legally unassailable, and morally convincing, position which developed in accordance with the

* Cf. Appendix B.
pragmatic flexibility characteristic of Canadian diplomacy behind the apparent support of domestic public opinion. In a very basic sense, Canada's trade policy towards Cuba reflected the objective condition of a small power looking at the drama unfolding about the island revolution with dispassion, detachment, and perhaps even with a modicum of smugness. Two years and three days from that date, Canada was drawn with inexorable suddenness, into the apocalyptic October missile crisis. Try as she might, Canada could not escape the fateful impact that the Cuban revolution would continue to have on her relations with the United States.
NOTES - CHAPTER VI


3. Peyton V. Lyon, "Is Canada becoming a Mouse that Roars?", Maclean's, June 18, 1960.


8. Ibid., January 17, 1959.


10. Ibid., April 27, 1959.


19. It was widely interpreted to be so in Canada as elsewhere. Cf. Globe and Mail, October 17, 19, 1960.

reasons that Ottawa has never made clear. The fact that no transshipment controls were in effect at the time led to the formulation of a plan by the State Department to "tag" exports to Canada if it was believed that they would be bound for Cuba. The sheer chaos that would have caused, coupled with the difficulties for its enforcement, apparently led to the abandonment of the plan. *Globe and Mail*, October 20, 1960.

27. *Montreal Star*, November 4, 1960. According to the *Star*, Cuba at the time was producing more than 40,000 barrels a week of refined oil in excess of her own requirements. Apparently gasoline rationing was about to be imposed, giving further impetus to the idea of the plan, which perhaps seems preposterous in retrospect, especially since Cuba at the time was by no means firmly entrenched in the Soviet orbit, and any rupture with Moscow would dissipate such a surplus immediately. It will also be recalled that, in the early years of the revolution, Cuba was plagued by the voluntary exile of some of her most skilled technicians and that the management of the economy was in the hands of relative novices.

28. *Vancouver Province*, December 16, 1960. Boti's trip was however seen as having a political effect within Cuba by the revolutionary government, as it was accorded front-page space in the government newspaper. Cf. *Revolución*, December 7, 1960.
37. Canadian-American Committee, Canada's Trade With Cuba (Toronto: Canadian Institute of International Affairs), 1961, p. 7.
38. Ibid.
40. Ibid.
43. Ibid., December 16, 1960, p. 871.
44. Ibid.
45. Ibid., p. 873.
47. Ibid., July 24, 1961.
50. Ibid., December 22, 1960.
56. According to data compiled by the U.S. Immigration and Naturalization Service in Miami, the so-called "second wave" of Cuban emigrés were composed overwhelmingly of businessmen, executives and professional


62. Note 37. The study is now out of print and difficult to obtain. A copy remains on file at the C.I.A.A. in Toronto.


72. Professor Murray Edelman might consider Mr. Diefenbaker's response a reaction to a "condensation symbol," one which in the political arena evokes emotions of either pride, humiliation, anxiety or a
73. Debates. Session 1962. Vol. 1, January 29, 1962, p. 301. Mr. Green was responding to a question from Mr. Martin who regarded Mr. Schlesinger's remark as a "serious indictment" of Canadian policy.

The New Republic (V. 146, March 3, 1962, p. 4) in a brief editorial paragraph criticised Mr. Schlesinger for not only entertaining the belief that an embargo of Cuba would in some unspecified way supplant the military dictatorships in Latin America and produce democratic forms of government, but also for having committed a breach of diplomatic protocol. Mr. Schlesinger replied with a terse letter (V. 147, March 12, 1962, p. 39) maintaining that he had been misinterpreted in Vancouver and that trade with Cuba was a "matter for the Canadian government and Canadian people to decide." And he concluded by saying: "I prefer to believe that your conclusion is as ill-informed and erroneous as the premise." Apparently many top-ranking U.S. officials were unaware of the depth of feeling in Canada over this issue.


76. Saywell (1962), op. cit., p. 175. Morse was well known to harden his position with respect to U.S. relations with Communist States in election years and 1962 was no exception. The Senator won his fourth straight Senate seat that year. Somewhat in the spirit of James G. Blaine, who served as Grover Cleveland's Secretary of State, Morse was a frequent critic of Canada, not only with regard to trade with Cuba but also on tariff and defence policy.


81. The full text of the Exports and Imports Permits Act in effect at the time is to be found in the Canada Gazette, August 27, 1958.

82. Financial Post, April 7, 1962.


88. Mr. Ritchie issued a prepared statement on February 8, denying that Canada had been shipping strategic goods to Cuba. Cf. Lyon, op. cit., p. 418. Meanwhile the Cuban government called a meeting of all the ambassadors of the N.A.T.O. countries with diplomatic representation in Havana seeking assurances that trade would not be curtailed as a result of the Paris parley. Cf. Debates, Session 1962, Vol. II, February 23, 1962, p. 1193.


90. Maclean's, April 21, 1962.


92. Financial Post, April 7, 1962.


94. Lyon, op. cit., p. 420.


With the approach of autumn (1962), senior government officials in the Canadian capital had a foreboding that a U.S.-Soviet confrontation was brewing, but it was not thought to be over Cuba. Rather, expectations centred on possible new Soviet pressures against Berlin. Subsequently it was disclosed that the Canadian Ambassador in Moscow, Arnold Smith, sent a secret memorandum in late August of 1962 to Ottawa and other Western capitals, warning that Chairman Khrushchev was planning a showdown on the status of the divided city. Mr. Smith predicted that the Soviet leader would seal off all Western access routes to Berlin, sign a "peace treaty" with the German Democratic Republic, and then attempt to placate world opinion by offering to sign a treaty banning all nuclear weapons' tests at the United Nations. Thus, when concern began to mount in the U.S. over the reports of an increasing military build-up in Cuba, Ottawa officialdom tended to suspect that the apprehension generated was intended (in part at least) to deflect attention away from the real potential point of crisis. It was noted that twice in early September President Kennedy declared publicly that the U.S. government was satisfied that the war matériel the Russians were supplying Premier Castro was strictly defensive in character. There was every reason to believe that the stern threat in the President's warning that were it to be otherwise, "the gravest issues would arise," would be sufficient to
deter the creation of any "offensive" type of military capability in Cuba. Besides, it was recognized that the 1962 Congressional campaign, by then in full swing, was putting pressure on Mr. Kennedy to "do something" about Cuba. More than seven months after the Punta del Este conference,* the continued existence of the Castro regime still represented an Achilles heel to his administration, and hence a convenient target for hard-line Republican attacks. Talk of another invasion was in the air. In a remarkably blunt editorial, the Financial Post probably articulated what the government was thinking, but could not say openly, when it deplored what it termed "U.S. jingoism" rampant against Cuba. In this, it drew a parallel with the situation that prevailed just prior to the U.S. intervention in 1898, and cautioned against repeating that "ignominious episode." In urging that the Americans exercise restraint, the Post observed (prophetically) that rash action in Cuba could plunge the world into nuclear war. In the view of the Post, "political dinosaurs" were accusing President Kennedy of "massive appeasement," thus distorting the Castro phenomenon far out of proportion to its actual significance, and thereby shifting the focus of attention away from Berlin, "the real sore spot."  

It was during this time that the U.S. moved to strengthen its _cordon sanitaire_ of the revolutionary government. Based on a strategy of maximizing the cost to the Soviet Union of supplying Cuba, new efforts were made to curb non-Communist traffic to and from the island. In conformity

* _Supra_, Chapter VI.
with the pattern that had developed over the past two years, Canada became the immediate object of U.S. supplications to assist in that objective.

In early September, Washington petitioned the Royal Canadian Air Force, through diplomatic channels, to discontinue the practice of providing courtesy crews for Czech aircraft using Canadian airport facilities on their way to Cuba. Initiated some six months earlier, the courtesy crew system had been designed to decrease the hazards to these Czech planes that were entering Canadian airspace without proper knowledge of Canada's air control regulations. The usual procedure was for Canadian pilots to board the Czech airliners at Prestwick, Scotland, and assist their pilots with the flight to Gander, the refuelling stop. In objecting to this practice, the State Department called attention to the alleged shipment of military equipment that was taking place via this aerial route, and further suggested that Canada refuse to grant any Soviet-bloc aircraft (including Cuban) permission to land at any airports located on its territory.

The Diefenbaker government did not formally reply to either of these requests. Instead, the R.C.A.F. issued a terse statement pointing out that the stationing of courtesy crews aboard foreign aircraft was consistent with safety standards established by the International Civil Aviation Organization. It noted that it was common for U.S. courtesy crews to fly in Soviet aircraft bringing that country's representatives to the U.S. No mention was made of the type of cargo conveyed on flights to Cuba; however, the Department of Transport, in commenting on the R.C.A.F. statement, asserted that it did not have jurisdiction to
search Soviet planes on stop-over flights. The net effect of both replies was to reject the U.S. bid to close the Soviet-bloc aerial route to Cuba through Canada. To this response, Washington did not file a public note of protest.

Towards the latter part of September, the State Department transmitted appeals to all of the N.A.T.O. allies to prohibit their flag ships from participating in any trade with Cuba. Strong hints were given that those vessels not complying with a maritime boycott of the island would be black-listed from all U.S. ports. In the case of Canada, intelligence data revealed that at least eight Canadian-owned ships had been carrying cargoes between the Soviet Union and Cuba in recent months.

The issue was brought before the House on September 25 by Mr. Chevrier, a former Minister of Transport and a specialist on matters related to shipping. The Liberal M.P. questioned the advisability of continuing these runs in the light of the U.S. appeal, suggesting that ships of another nationality could easily handle this trade. To this suggestion Mr. Green implied that Mr. Chevrier would do well not to take his cues so obviously from Washington: the shipping lines in question (mainly in Halifax) were under British registry and therefore not subject to Canadian jurisdiction by international legal practice. The External Affairs Minister added that he knew of no direct U.S. requests having been sent to Ottawa, intimating that perhaps the Opposition had a direct line of communication with the State Department that was unavailable to the Conservatives. This reply angered Mr. Chevrier, who accused the government of dismissing an issue with important political implications for Canada on the basis of a legal technicality. Approaching the question
on October 1 from a different angle, the former Minister asked if Canadian ships engaged in Cuban trade were not paying income taxes to the Treasury; in that case Canada was profiting directly from Soviet-Cuban trade. To this Mr. Green replied that he had "never heard of ships paying income taxes." This kind of seemingly innocent humour, for which Mr. Green was so popular with his fellow Tories, provoked a good deal of laughter.6

On October 2, the U.S. called an Informal Meeting of the O.A.S. Council in Washington to brief the Latin nations "on the dangers of Communist expansion from Cuba itself." No new agreement was reached on any collective action to be taken in the event of Cuban "aggression," but the final communique emphasized that the member states were prepared to meet immediately in case "emergency measures" should be required beyond those already authorized. It drew attention to one section of Resolution VII passed at the Eighth Meeting which called on the members to consider elimination of any trade with Cuba in the event of an increased military threat from the Castro regime, and it urged "all friendly nations" outside the organization to review their policies in this regard.

The following day the White House acted to put teeth into its proposal for a shipping boycott. An Executive Order signed by the President gave customs officials the authority to impound all cargo owned or financed by the United States government from any ships docking at a U.S. port, if that ship or its owner was engaged in Soviet-bloc-Cuban trade. A second provision barred from all U.S. ports all the ships of any country if any vessel flying the flag of that country was found to be carrying military supplies to Cuba. A third provision prohibited from any U.S. port any ship delivering non-military goods on a "continuous voyage" to
These measures had immediate repercussions in Canada. On the evening of October 3, Canadian customs officials boarded the Cuban freighter Bahía de Siguanea moored in Montreal harbour and about to sail for Cuba via New Brunswick to load seed-potatoes. After a four-hour inspection of all the cargo on board, one item - a large supply of the chemical permatox - was seized. According to Revenue Minister Hugh John Fleming, who personally led the inspection, the chemical had been manufactured in the United States, and therefore its export to Cuba would constitute a violation of the government's trans-shipment controls. Mr. Fleming took the occasion to announce that all merchant ships bound for Cuba are subject to thorough inspections "as a matter of routine." It was the first time that a ranking government official had made this disclosure.

Against the background of these new developments, Mr. Chevrier resumed his interrogation of the government's policy on shipping on October 4. He attempted to explain that at the basis of his questioning was his party's desire to extract a clear statement from the government as to whether use of Canadian ships in Cuban-U.S.S.R. trade met with the "approval" of the government. If so, how did it justify the collection of revenues from a practice so objectionable to the U.S.? Sensing the political dangers, Mr. Diefenbaker simply maintained, no less evasively than Mr. Green, that "taxation laws do not override the law of the flag, which controls ships." It was clear that the Prime Minister, who for two years had staunchly defended "legitimate" trade with Cuba, could hardly be expected to endorse a suggestion which could restrict the free-
dom of navigation of cargo vessels engaged in this trade. He could
be confident that no military supplies had been, or would be, shipped to
Cuba from Canada. Consequently Canadian shipowners would be exempt from
any collective reprisals *ex hypothesi*. Furthermore, the major N.A.T.O.
allies, most notably Great Britain, were firmly opposed (once again) to
unilateral action of the kind contemplated by the Americans. In fact,
Lord Home, the British Foreign Secretary, had told both the President and
Mr. Rusk that same week that his government was of the opinion that even
a partial blockade of Cuba, in the absence of a declared state of belligerency, was "unjustifiable in law."10 And in what was construed as a
final reply to Mr. Chevrier, Mr. Green left no doubt as to where Canada
stood on this question when he declared flatly that this government had
no intention whatsoever of prohibiting the Canadian-owned vessels from
carrying cargoes between the Soviet Union and Canada.11

No sooner had this unequivocal expression of policy been asserted
than it stood to be frustrated from a familiar quarter. Meeting just
after the announcement of the boycott, the executive of the International
Longshoremen's Association in New York ordered its membership to refuse
to load or unload any ship coming from, or going to Cuba, or the ships of
any owner involved in Cuban trade. As members of the International, the
Canadian affiliates were directly bound to the decision taken by it. As
a practical matter, all Canadian ships used for any type of business
transactions in the United States were thereby forbidden to engage in
Cuban trade. The effect, of course, was to partially negate the inde-
dependent expression of policy announced by the government. The I.L.A.'s
action was bitterly resented by Ottawa, which regarded it as a usurpation
of a governmental foreign-policy function by a trade union. The Tory Globe and Mail summed up this feeling when, in an editorial, it called the decision "extraordinarily arrogant," and urged Washington to "be the master of its own foreign policy" at the risk of "great peril" to the entire Western world. Curiously, this incident symbolized the kind of overpowering tendencies towards Canadian-American "integration" against which Messrs. Diefenbaker and Green were to struggle so intensely throughout the missile confrontation.

None of this, however, could be taken as any sign of an impending crisis of cataclysmic proportions. On the contrary, Ottawa viewed these new measures against Cuba as additional manifestations of exaggerated American fears over the Cuban issue. On October 16 Mr. Diefenbaker told the House that he was much more worried about a clash over Berlin than he was about the question of Cuba. "There have been some indications," he said, "that the Soviet Union may shortly precipitate a new, if not grave, crisis there," an obvious allusion to the Smith report, though he did not refer to it. On the other hand, he expressed a great deal of satisfaction at U.N. efforts to ensure a "peaceful solution" to the Cuban problem. He went on to stress that in his view there was no evidence to suggest that the two trouble spots could be "linked" or "associated" in any way.

On the same day, however, Canadian intelligence officials probably received the first inkling that something dramatic was in the making. At a meeting of the intelligence communities of the United States, Canada, Australia, and New Zealand, arranged months in advance, Canadian representatives were struck by the frequency with which their American counter-
parts failed to attend pre-planned 'working conferences.' It appeared odd that the conference hosts would repeatedly take leave of their guests either to receive urgent telephone calls, or claim that more pressing appointments required their attention. Before the termination of the meeting, the Canadians were apparently able to deduce that tensions were coming to a head over Cuba. A code message to this effect was relayed to Ottawa, and it was linked with a despatch from the Canadian Embassy in Havana which had arrived sometime in October suggesting that the Soviets might have begun construction on intermediate-range ballistic missile bases. 14

At about the same time, information was reaching the Department of Defence that unusual preparations for war were taking place at the North American Air Defence Command (NORAD) in Colorado Springs. Deputy NORAD Commander C.R. Silemon, the highest ranking Canadian at the defense complex, reported that NORAD's defences were being shifted towards the Caribbean area. Their normal posture had been to face North over the Pole to the Soviet Union. Air Marshal Silemon could provide no other information. He did not know that high-flying U-2 aircraft had positively identified the missile sites on October 14, nor did he know that President Kennedy had made the decision to "quarantine" * Cuba four days later. He was informed, however, that the order to mobilize the air defence system had come from the highest military authority in the United States, the Joint Chiefs of Staff. Despite the fragmentary nature of this information, top ranking Defence officials concluded by the weekend of October 20-21 that the situation was indeed extremely serious and that Cuba was at the centre

* In a literal sense, a non-belligerent euphemism for a partial blockade. Quarantine is the official form used by the U.S. government. The
of the imminent confrontation between the super-powers.

Certainly Mr. Harkness knew this. Yet precisely how much information both the Prime Minister and the Minister of External Affairs possessed in the few fateful days before the quarantine announcement is still unclear. In conversation with the author, Mr. Green asserted that he "knew nothing" until less than two hours before President Kennedy's speech. As all three Ministers played critical roles in the crisis, this point assumes great importance in the light of subsequent events that momentous week.*

On October 21, the U.S. chargé d'affaires in Ottawa, Ivan White, received a message from the State Department notifying him that a Presidential emissary would be coming to Ottawa the following day. Mr. White possibly did not attach any special significance to this message, since there was nothing unusual about special missions to Ottawa, and furthermore, he had not been given any other details. By coincidence, Mr. White had a luncheon appointment with R.B. Bryce, the Secretary to the Cabinet, and passed the message on to him. Mr. Bryce, already apprised of Ottawa's suspicions, promptly notified Messrs. Diefenbaker, Green, and Harkness.

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Cubans and others have referred to it as a blockade. Both terms will be used here more or less interchangeably.

*The problem of time plagues any analysis of the Cuban missile crisis. Developments passed so quickly that few of the dramatis personae on the Canadian side are able to remember the hourly state of affairs. Yet this is precisely what is required if we are to reconstruct an accurate account of that great episode in history.
In his belligerent but solemn radio-television broadcast at 7 p.m. on October 22, President Kennedy justified the blockade of Cuba with these well-remembered words:

"The secret, swift and extraordinary build-up of Communist missiles... is a deliberately provocative and unjustified change in the status quo which cannot be accepted by this country if our courage and our commitments are ever again to be trusted by either friend or foe."15

All ships, "from whatever nation or port" proceeding to Cuba would be halted and searched by the U.S. Navy, the President declared. He warned that if construction of the missile sites was not halted immediately, "further action" would be taken. In any event, any attack emanating from Cuba would be tantamount "to a direct attack by the Soviet Union on the United States" and would bring a "full retaliatory response" on the Soviet Union. And finally, Mr. Kennedy indicated that the U.S. would bring the issue before both the U.N. Security Council and the Council of the O.A.S.

The blockade of Cuba, of course, touched off perhaps the most harrowing crisis in history. Because of its far-reaching repercussions in Canada, it forms an indispensable part of this study, despite its marginal effect on Canadian-Cuban relations as a whole. For though what follows is largely a study of Canada-U.S. relations in crisis, it was the "radical inputs" of the Cuban revolution which once again revealed characteristics about the functioning of the Canadian polity which might never have become known otherwise. In this respect, the Cuban missile crisis made an even more indelible imprint on the Diefenbaker period than did the schisms of the previous two years over trade.
THE MERCHANT MISSION

Late in the afternoon of October 22, the Presidential emissary, Mr. Livingston Merchant, arrived at Ottawa's Uplands Airport, accompanied by an intelligence officer and an aerial reconnaissance expert. From 1954 to May of 1962, Mr. Merchant had been U.S. Ambassador to Canada, and was regarded in Washington as perhaps the leading American expert on Canada-U.S. relations. In numerous writings on the subject Mr. Merchant often returned to a familiar theme: that it was in the best long-range interests of both countries for the weaker state to align her policies with those of her powerful neighbour on international issues. Yet despite this, the Ambassador was quite popular with the Diefenbaker Tories, in part because he had effectively lobbied in Ottawa's behalf on several important issues during President Eisenhower's latter term. In addition, his overly traditional and conservative approach to Canadian-American diplomacy was well appreciated in government circles.

In anticipation of the arrival of the mission, the chargé d'affaires scheduled a 5 p.m. meeting with Mr. Diefenbaker, just two hours (as it later turned out) before Mr. Kennedy went on television. When the U.S. party arrived in the Cabinet Chambers, they were met by the Prime Minister, as well as Messrs. Green and Harkness. At first, Mr. Merchant indicated that his group would prefer to meet with Mr. Diefenbaker alone. However, when the Prime Minister raised objections, he consented to the change. After an exchange of amenities, Mr. Merchant made a brief speech stressing the urgency of his mission. Then he placed before the Canadian ministers photographic evidence purporting to prove the existence of medium and intermediate-range ballistic missile bases in Cuba. He asserted that these
missiles had an operational firing capacity of 2500 nautical miles, a range encompassing an arc extending from Hudson's Bay to Lima, Peru. Canada therefore was "directly menaced" by them. This was confirmed by the aerial reconnaissance expert, who analyzed the photographs for the three ministers in greater detail.

After several technical questions were disposed of, Mr. Merchant proceeded to read aloud the full text of the Kennedy speech that would shortly be broadcast to the world. Mr. Diefenbaker immediately cut in and asked if additional copies of the speech were available for their inspection, but Mr. Merchant replied that they were not. (Years later it was speculated that the Prime Minister had the "S.O.B." memorandum in mind when he made this request.) Continuing, the former Ambassador was interrupted at one point almost simultaneously by Messrs. Diefenbaker and Green, both of whom expressed strong objections to a particular passage in the speech accusing Andrei Gromyko, the Soviet Foreign Minister, of practicing "deliberate deception" when he told the President in a White House meeting with him just four days earlier, that no "offensive" missiles were under construction in Cuba. Mr. Green argued that a personal reference of this kind would be contrary to the unwritten rules of diplomatic behaviour, and would "serve no useful purpose."* Mr. Diefenbaker concurred in this view. For his part, Mr. Merchant did not defend the inclusion of the passage. Rather, he suggested that it reflected the parallel seen by the President in Mr.

* Mr. Green explained his reservations to the writer as follows: "We could see no need for that kind of remark. I knew [Mr.] Gromyko personally and was on friendly terms with him, as much as you could be with any of them [viz. the Russians]."
Gromyko's behaviour and the "reassuring" attitude of Japanese diplomats in the weeks preceding the bombing of Pearl Harbour. Immediately upon the conclusion of the briefing, he telephoned the White House, notifying it of the Canadians' objections, just one half hour before Mr. Kennedy was to go on the air. To the welcome surprise of Messrs. Diefenbaker and Green, the passage was deleted from the text of the speech.*

The Merchant mission presented Mr. Diefenbaker with a fait accompli. Like the eleven-hour trip to Paris by Dean Acheson, its purpose was to directly inform the Prime Minister of U.S. intentions, and was not meant to provide a forum for a discussion of strategy and tactics as to how to secure the removal of the missiles. In the course of the conversation, Mr. Merchant indicated that the U.S. was in the process of informing its other allies through diplomatic channels, and that some had already pledged their backing to countermeasures against Cuba. Argentina, for example, let it be known that it was prepared to send a naval flotilla to assist in any blockade, and several other Latin nations pledged troops in the event of another invasion. Canada was not being asked to make any such specific commitments, but Mr. Merchant clearly implied that the President expected complete support for the quarantine; and he left Ottawa with the impression that this in fact was the case. Herein lay the crux of the agony which was to haunt Mr. Diefenbaker through the October crisis and subsequently.

THE FATEFUL DELAY

After briefly informing one other Cabinet member, Mr. Fleming, Mr.

* This hitherto unrevealed episode was told to the writer by Mr. Green.
Diefenbaker returned to 24 Sussex Drive to listen to the Kennedy broadcast. With this exception, he did not reveal anything about the Merchant mission until the following day. He did not even advise his ministers or closest political associates to make it a point to listen to the President, although most did as a matter of course. Within this inner circle, there was an initial feeling of dismay at the failure of the U.S. to give Canada sufficient advance warning of the decision. With the House also in this state of complete ignorance, Mr. Pearson telephoned the Prime Minister immediately after the speech requesting that he make a public statement of Canada's reaction as promptly as possible. The Liberal leader assumed that Mr. Diefenbaker would define Canada's attitude to the dramatic turn of events, and possibly provide additional information about the situation which might have been held secret up to the time of the announcement.

The Prime Minister obliged, but he, of course, could not satisfy these expectations. Shortly after 8 p.m. he addressed the Commons. He began with a plea for "free men everywhere" to be calm. He called for them to unite. He prayed for peace in the world. And he offered one specific suggestion:

"The President has stated that the matter will be brought before the Security Council at once, and whatever the reactions of the U.S.S.R. are to the statements made by President Kennedy, I think what people all over the world want tonight and will want is a full and complete understanding of what is taking place in Cuba. [Emphasis added.] What can be done? Naturally, there has been little time to give consideration to positive action that might be taken. But I suggest that if there is a desire on the part of the U.S.S.R. to have the facts, if a group of nations, perhaps the eight nations comprising the unaligned members of the 18-nation disarmament committee, be given the opportunity of making an on-site inspection in Cuba to ascertain what the facts are, a major step forward would be taken."
"This is the only suggestion I have at this moment; but it would provide an objective answer to what is going on in Cuba. As late as a week ago, the U.S.S.R. contended that its activities in Cuba were entirely of a defensive nature, and that the hundreds, if not thousands, of citizens of the U.S.S.R., mechanics, technicians, and the like, were simply in Cuba for defensive purposes. As to the presence of these offensive weapons, the only sure way that the world can secure the facts would be through an independent inspection."16

Mr. Diefenbaker then asked the leaders of the three other federal parties to express their views. Mr. Pearson pledged the Liberals' full co-operation for any steps the government might take to avert nuclear war. He seemed reticent to fully accept the American countermeasures in the absence of more information. Whether he would have had the same attitude had he known of the Merchant Mission, cannot be known, but he also pinned his hopes on the U.N. and the O.A.S. to "verify what is going on." He suggested that Canada participate in the O.A.S. meeting referred to by the President in the belief that Canada could thus best contribute most immediately to avoiding the "indescribable horror." Speaking for Social Credit, Mr. Robert Thompson also called for participation in the O.A.S. deliberations. He too stopped short of a specific endorsement of the U.S. action, but alluded to Canada's obligations to support her neighbours and friends in the "ideological struggle that encompasses the world today." For the N.D.P., Mr. W.E. Herridge also heeded Mr. Diefenbaker's call for unity, committing his party's support for the government. He was gratified that the U.S. had proposed to take the issue before the O.A.S. and U.N. The N.D.P. House Leader raised one other point on the minds of his party and probably most everybody else: Was the Prime Minister "consulted" or was he "informed" prior to the President's speech?

In the overall context of post-war Canadian-American relations, this
distinction has always been crucial. Consultation is interpreted to mean that Canada is being given the opportunity to exercise a modicum of influence on a policy decision of the U.S. government and that her advice is sought. On the other hand, to inform merely implies that while the U.S. recognizes the value of Canada's friendship, and will give her advance notice on planned actions so as to presumably "adjust" to some of the objections she might have to them, the decisions taken are not subject to change. At least this appears to be the "theory" behind these mechanisms of inter-governmental communications. Unable to receive a reply because of procedural complications, Mr. Herridge repeated his question the following day. Mr. Diefenbaker confessed that the government of Canada was informed." In reality, Canada was neither consulted nor informed. She simply was asked to obey.

That same Monday evening, Mr. T.C. Douglas won a by-election for the riding of Burnaby-Coquitlam. Reached for comment on the President's speech, Mr. Douglas was sceptical: "Before we get too excited," he said, "we should remember that for fifteen years the Western powers have been ringing the Soviet Union with missile and air bases." He stressed that at that moment the world only had the American point of view, but that "we [i.e. the N.D.P.] have considerable sympathy for the Russian case."

He did not elaborate on this point, but he accused Mr. Kennedy of "playing craps with the destiny of mankind." Mr. Douglas in effect anticipated one of the Soviet arguments for the emplacement of the missiles, and for the initial demand for the removal of the U.S. missile bases in Turkey as a **squid pro quo** for dismantling those in Cuba. His immediate response reflected the thinking of many Canadian advocates of neutrality in the
Cold War, though no public figure or major newspaper in the country adhered to this view. Mr. Douglas, however, never re-iterated it.

No Tory government, of course, could be expected to interpret a conflict between the two superpowers in this way, and especially on sudden notice. Yet Mr. Douglas' analysis contained the germ of an idea which was to be found in Mr. Diefenbaker's proposal for a U.N. inspection team to ascertain the presence of the missiles, and that there was a need for more knowledge. On this point all the parties were in agreement. And further, inspection would necessarily force a standstill, permitting both the U.S. and the U.S.S.R. to ponder the consequences of the grim scenario which could easily lead to thermonuclear war. In short, inspection had the great merit of buying time in a seemingly zero-sum struggle. It was a distinctly Canadian proposal, demonstrating that Canada was not simply a blind satellite of the U.S., and certainly consistent with post-war Canadian diplomacy. Following Mr. Diefenbaker's expression of faith in the ability of the U.N. to resolve any conflict over Cuba, made just six days previously, it was not at all surprising that he would look instinctively to the world organization when the unexpected moment of truth arrived. Adding these reasons to the natural inclination of diverse political tendencies to fall into line with the

* Of course Canadian foreign policy makers have never considered neutralism - even in the sense that, say, Finland is neutral - as a creditable alternative Canada's post-war Western alignment. Still one can deduce that, because of the lack of response, Mr. Douglas' reasoning may have had some merit insofar as the other parties were concerned.
government in times of national emergency, a broad consensus initially formed in support of the idea.

Besides the spokesman for the three national parties in Parliament, the major Canadian newspapers generally backed the Prime Minister. The Globe and Mail probably best summed up this sentiment by praising Mr. Diefenbaker's "statesmanlike attitude" in offering "the only constructive suggestion to emerge in the first hours of crisis." A sampling of opinion in all probability would have produced a similar result. At the U.N. the suggestion also was accorded a favourable reception from representatives of many neutral and non-aligned nations. As far away as Africa, Kenya's English-language tabloid, The Nation, editorialized that the Prime Minister had gone immediately to the heart of the problem, which was to verify the claims produced by the aerial photographs. "The best proof, one way or the other," it said, "would be by adopting Mr. Diefenbaker's suggestion." Yet as it later turned out, few proposals ever made by a Canadian Prime Minister in an attempt to ease an international crisis was more maligned and deprecated than this one, both in Canada and the U.S.

This fact is not difficult to explain. As soon as word reached Washington, it was widely believed in government circles that Mr. Diefenbaker's proposal threw doubt on the raison d'être for the quarantine. In the view of the State Department, the Prime Minister was seen as suspicious about the photographs that Mr. Merchant had shown him and that, in any event, his failure to directly endorse Mr. Kennedy's tough measures against Cuba might conceivably damage the prospects for securing the support of America's European allies in N.A.T.O. In this context,
the on-site inspection idea was deeply resented. But within a week the President had pulled off the masterful diplomatic-military stroke of the Cold War by forcing Chairman Khrushchev to withdraw the missiles, marking, as it were, a decisive turning point in the international balance of "deterrent terror." Then came the deluge from both sides of the border, after it was apparent that the U.N. had been virtually by-passed in the actual resolution of the crisis, and that Chairman Khrushchev's humiliation was virtually complete.

It is precisely this kind of *a posteriori* reasoning which leads Robert Reford, for example, to conclude that the inspection idea was "worthless and tactless." Mr. Reford argues that inspection would have been appropriate either one week before, or one week after, the Kennedy speech. In the former case, it could be used to substantiate the data provided by the photographs; in the latter, to provide Chairman Khrushchev with a face-saving device to back down. It is, of course, academic to consider either one of these alternatives, since Premier Castro was adamant in his refusal to permit inspection. In fact, Ambassador Cruz correctly predicted this would be the Premier's reaction at a press conference given in Ottawa on the evening of October 25, three days after the quarantine announcement. On that occasion Dr. Cruz said that U.N. inspection teams would not be permitted to enter Cuba because such a step would constitute a flagrant violation of her sovereignty. In Cuba's view, measures taken for self-defence are not matters for negotiation. But is is nonetheless valid to consider the

* This term is the author's.
suggestion apart from the ultimate outcome of the crisis and on its own merits, as well as in the precise time context in which it was made.

From this vantage point it has been regarded by Professor Lyon - certainly no great admirer of Mr. Diefenbaker's behaviour throughout the crisis, nor, for that matter, a partisan of his administration - as indicative of his anxiety to "say something constructive" at a very trying moment.

Mr. Reford reveals an important point in connection with this analysis. The idea of a neutral inspection force was formulated in the Department of External Affairs in the absence of any knowledge of the impending crisis or of the President's plans to implement a blockade. Therefore the circumstances surrounding its possible use were entirely different prior to its being relayed to the Prime Minister just before his House appearance. It is more than likely that Mr. Diefenbaker himself was convinced by that evening that there were missile bases in Cuba, and that they very likely had long-range firing capability. But he seems to have believed that the world would also have to be convinced in order for Canada to justify its support of the quarantine, for it was exactly this kind of spontaneous assertion of force by the super-powers which he opposed as a matter of principle. Furthermore, he was well aware of the forthcoming election, and could not rule out the possibility that the sudden precipitation of a crisis atmosphere was generated more by domestic political considerations than for any other reason.

To resume the narrative: While the collective visceral response of the three opposition parties was to coalesce behind Mr. Diefenbaker, a conflict of major proportions began to immediately take shape between him and the Department of Defence. With the House still in evening
session, Mr. Harkness received an urgent call from the Pentagon, notifying him that the NORAD had been placed on a "DEFCON 3," a state of attack readiness on a scale in which "5" is "normal" and "0" indicates all-out nuclear war. Canada was asked to order R.C.A.F. units in NORAD to go on the same alert status. After a brief meeting between the Defence Minister and the Canadian Chiefs of Staff, "DEFCON 3" was approved. However, unlike the Chiefs, who were prepared to authorize the alert without any further delay; Mr. Harkness felt that the Prime Minister's permission would have to be secured before the signal could be given to the Commander of Canadian NORAD units. He therefore went to see Mr. Diefenbaker, under the assumption that authorization would simply be a formality. To his surprise and dismay, he found Mr. Diefenbaker unwilling to give his assent. A heated argument ensued, which Mr. Green (who was present for most of it) later described, in conversation with the author, as "bitter and bloody." The Prime Minister maintained that the decision would have to await Cabinet approval, which could not meet before the morning of the next day, Tuesday. Mr. Harkness insisted that there could be no time for delay, the matter being of such urgency as to require immediate action. Mr. Green voiced no objection to Mr. Harkness' request, but Mr. Diefenbaker's will prevailed, at least momentarily. (To this writing, no expert analysis has appeared as to the de jure validity of Mr. Harkness' claim. However, had the Prime Minister supported the alert, he could almost certainly have authorized it without fear of a Cabinet revolt.)

* No longer in use, the term means "defence condition."

+ The classic character of this power struggle between civilian and military branches of government in a Parliamentary (or Western-type)
At a stormy session of the Cabinet the next morning, October 23, Mr. Diefenbaker informed the members of the Merchant visit. He could not make available for their perusal any of the photographic evidence, as the Merchant party had taken it all back to Washington. Both Messrs. Harkness and Green confirmed the Prime Minister's account of the meeting, apparently to the satisfaction of those not present. Then Mr. Harkness pressed Mr. Diefenbaker for permission to order the NORAD alert, but the latter refused, on two grounds. First, he repeated the familiar phrase in the Diefenbaker lexicon to the effect that Canadian policy under his leadership would be determined in Ottawa, and not in Washington, and would be most appropriate to Canada, not the United States. Secondly, he let it be known that he had been in contact with Prime Minister Macmillan of Great Britain, who had urged him to avoid any act of provocation which could "worsen things." He considered that putting Canadian Forces in a full state of combat readiness might easily be construed as provocative on Canada's part. A clear split in the Cabinet developed. Only Mr. Green and the Prime Minister opposed the alert; the rest supported it. In this battle of individual wills, there could be no room for compromise; a definite yes or no answer had to be given, a situation which could not be more nightmarish under the circumstances. After some heated exchanges, it became apparent that the Cabinet was hopelessly deadlocked. Finally the session broke up, with Mr. Diefenbaker once again wielding the decisive negative veto, ex cathedra, on Mr. Harkness' urgent plea. As Professor Lyon asserts, "had he [Mr. Diefenbaker] political democracy was all the more apparent since Mr. Harkness, though a civilian official, was an ardent champion of Canadian military interests and stood at the extreme Right of the Tory Party."
favoured immediate action, the Cabinet would certainly have gone along."

It was a momentary victory, and a Pyrrhic one at that, for the Prime Minister, as subsequent events revealed.

The House convened that afternoon at 2:30. Mr. Diefenbaker declared that the Soviet Union was likely to veto a resolution introduced in the Security Council calling for a halt "to the conversion of Cuba into a base for offensive nuclear missiles." He manifested apprehension about the possible harmful effects of his proposal for a neutral inspection commission, and was determined to clear up any misunderstanding about the motivation which impelled him to make the suggestion:

"In connection with the suggestion I made last evening that a group of nations might be given the opportunity of making an on-site inspection in Cuba, lest there be any doubt about my meaning in that connection, I was not, of course, casting any doubts on the facts of the situation as outlined by the President of the United States in his television address. The government has been informed of, and it still believes that there is ample evidence, that bases and equipment for the launching of offensive weapons have been constructed in Cuba and exist in sufficient quantities to threaten the security of this hemisphere.

"The purpose I had in mind in suggesting a United Nations on-site inspection was to be ready to put in motion steps which could be taken in the United Nations General Assembly in the event of a Soviet veto, or if the Soviet Union denies the existence in Cuba of offensive ballistic missile bases. The suggestion I made was not intended to compete with any proposal of the United States that might be placed before the Assembly, but rather to supplement it by providing a way in which the United States could begin the heavy task of exercising its primary responsibility in respect of the maintenance of international peace and security."

It is instructive to analyze these remarks in broader perspective. Several generalizations - even laws - are said to govern the pattern of post-war relations between Canada and the United States. One is that
there is presumed to exist so closely knit a community of interests between the two countries that deep differences over foreign policy questions rarely, if ever, arise. A second, as Professor Eayrs has skillfully illustrated, is that Ottawa will shrink from any "big" decision which it suspects will be objectionable to the U.S. To these, Professor Everett Hughes, the eminent political sociologist, has added another, which would most appropriately apply in those unusual situations where both conditions are found wanting: that Canada must excuse the fact when she does not follow American policy and actions. Mr. Diefenbaker, nolens volens, was doing just that, though there was also justification in the light of historical experience to foresee the likelihood of the General Assembly launching a peace-keeping operation, despite Soviet opposition. Yet what Mr. Diefenbaker omitted in his remarks proved again to be of transcendent importance: he specifically did not align Canada squarely behind the U.S. quarantine of Cuba which would go into effect the following morning. It requires no great stretch of the imagination to conclude that although the Prime Minister was not questioning President Kennedy's word, he certainly was questioning his wisdom in resorting to so fulsome an act of belligerence which could easily trigger a nuclear holocaust. For some inexplicable reason this simple fact has eluded even the most ardent of Mr. Diefenbaker's supporters.

* Such as the U.N. operations in Korea under the "Uniting for Peace" formula.

+ Professor Grant writes: "Only at one point in his six years as Prime Minister did he [Mr. Diefenbaker] by implication criticize American world policy. In calling for the U.N. to investigate Cuba, he implied that he did not automatically accept Kennedy's account of the facts." (op.cit., p.29). This, like many other interpretations of the U.N. bid, entirely misses the point, which is that the Prime Minister opposed the method of the President.
A brief question period followed Mr. Diefenbaker's remarks. In a reply to a query from Mr. Pearson, the Prime Minister said that the U.S. government had not requested Canada to aid in the enforcement of the quarantine. "I take it that what the Hon. Gentleman has in mind is the shipping control," the Prime Minister asked rhetorically, and he answered himself by asserting that "co-operation in this connection" had not been sought. Shortly thereafter, Paul Hellyer, the Liberal M.P. from Trinity and the party's defence critic, asked Mr. Harkness if emergency measures, such as alerting Canadian units in NORAD and/or naval units in the North Atlantic, had been implemented. The Defence Minister responded: "By and large the answer to that question is no. Naturally we have been reviewing plans to meet all possible contingencies." As it later turned out, both Messrs. Diefenbaker and Harkness had made falsifiable statements; the former out of ignorance, and the latter probably from a conscious desire to conceal certain facts from the Prime Minister and the public. When the crisis first began, destroyers of the Royal Canadian Navy were transferred from Halifax to locations further south along the Eastern seaboard of the U.S., thereby freeing a number of ships of the U.S. Navy to take part in the quarantine operations. And on January 1, 1963, an announcement from NORAD headquarters disclosed that R.C.A.F. Voodoo aircraft had taken up positions at "forward bases" in anticipation of bombing missions from the very "beginning of the crisis" prior to Mr. Kennedy's quarantine speech. But not only did Mr. Harkness know this at the time, he proceeded to authorize, on his own initiative, the "DEFCON 3" alert for all Canadian elements in NORAD immediately after another Cabinet meeting disbanded in the afternoon, once more without
reaching a decision on this the most crucial matter at hand. Thus Mr. Barkness secretly and deliberately defied his superior commanding officer, though he was never reprimanded for his action. Few episodes in post-war Dominion history better exposed the truth of Professor Grant's assertion that "of all the aspects of Canadian society, the military is the most directly an errand boy for the Americans." 

Later in the day, when the House was about to resume a debate on the government's fiscal policies, there occurred a most remarkable development. Casting aside formalities, a young Progressive Conservative backbencher, Mr. Terry Nugent of Edmonton, launched a scathing attack on the legality of the American quarantine. Before a "startled and uneasy" audience, as one observer described it, Mr. Nugent declared that there was "no legal right but might" in the unilateral action taken by the U.S. against Cuba. He said that no M.P. could be happy with Cuba's "love affair" with the Soviet Union and communism, but that while it was one thing to be unhappy with a country and quarreling with it, it was yet quite another thing "to try to impose your will on that country." He defended Cuba's right to acquire whatever arms she needed for her own self-defence as a "sovereign independent nation," and that she had the same right to enter into any type of military alliance she desired, however displeasing that alliance might be to the U.S. Concerning President Kennedy's argument that Cuba had accepted "offensive weapons," thereby upsetting the world balance of power, Mr. Nugent replied: "Sometimes I feel that we call defensive weapons ours and offensive weapons theirs." He acknowledged that the U.S. did have cause for alarm, but noted that many people in the world "live in the shadow of
the fearsome American arsenal," including Canada and Cuba. He scolded
the U.S. for arrogating to itself the right to use armed force to halt
legitimate traffic on the high seas. "In my view," he said, "such an
action would constitute an act of war...unprovoked aggression" against
a sovereign state.

At about this point in his remarks, Mr. Nugent was interrupted by
the Deputy Speaker, Mr. Gordon Chown, who questioned whether it was not
improper to permit discussion on a subject "so highly sensitive...that
it might have a most embarrassing effect on our beloved neighbour to
the south." Mr. Chown asked for the advice of the House when Cuba
should be discussed, and said that he himself did not think it was in
the interest of Canada to do so. Most members believed that this was
a matter for the individual member to decide and that, at any event,
an intervention from the chair in this manner represented a breach of
parliamentary rules. Like Hamlet pacing about while listening to
Polonius' soliloquy, the observer reported that "there was evidence of
considerable movement behind the government curtains," just prior to
Mr. Chown's intervention, suggesting that Mr. Nugent's remarks were
causing it great discomfort. Both the Tory House Leader, Mr. Gordon
Churchill, and the Minister of Public Works, Davie Fulton, endeavoured
to declare Mr. Nugent out of order on a rule of relevancy. A pro-
cedural wrangle ensued, but it proved unimportant, for before it was
over the Edmonton M.P. was able to conclude by urging that the govern-
ment, out of its sense of duty to the Canadian people:

"Take a look at our ally, speak to our ally, and say, any war
you get involved in, we must of necessity get involved in too,
and that we cannot, as a nation with a national conscience,
permit ourselves to be associated in an action which constitutes "unprovoked aggression"...our Government must bring this salient feature to the attention of President Kennedy, to ask him to stay his hand, not to precipitate a fight; I am afraid that the other side might not back down in the face of unprovoked aggression, and where it stops no one knows."

Following this contribution, no member chose to take up, no less dispute, Mr. Nugent's remarks. Whether they reflected what the government might have been thinking at this critical moment, but could not openly express for fear of the repercussions, remains a point of considerable speculation. This much can be said: the discordant notes struck by Mr. Nugent contained some of the seeds of Mr. Diefenbaker's Tory Radicalism. The concern manifested for the alleged illegitimate use of American power and the fear that Canada could easily find it impossible to extricate herself from the consequences of U.S. actions, were themes to which the Prime Minister often had recourse in discussing Canada's role in world affairs. The respect shown for Cuba's independence and sovereignty was not dissimilar to Mr. Diefenbaker's constant harpings on this aspect of Canada's relationship with the U.S. Some observers, aghast at the implications of these parallels, suggested that Mr. Nugent's severe indictment of the U.S., and his bold defense of Cuba, might have easily issued from the mouth of Fidel Castro.

This, of course, was a gross exaggeration. Yet by a curious paradox, it appeared that as the crisis was about to reach its climactic resolution, the ideologies of "Diefenbakerism" and "Castroism", deeply rooted as they were in absolutist conceptions of national sovereignty in the conduct of inter-state relations, were converging from opposite political poles. These considerations aside, the second evening of the
crisis ended without any public endorsement of President Kennedy's unequivocal position regarding the withdrawal of the missiles, and without Mr. Diefenbaker's official approval to put the Canadian forces in a state of alert.

On Wednesday, international tension reached its zenith as the U.S. quarantine was put into effect. The formal proclamation for this action was signed by the President on the previous day, after a Special Meeting of the O.A.S. went on record as recommending that all members, individually and collectively, take all measures to ensure that Cuba would not continue to receive military supplies, and to prevent the missile installations from ever becoming a threat to the peace. However, it can hardly be expected that the President would have been deterred by any O.A.S. vote which did not give the U.S. its complete backing. In any case, the Soviet government in Moscow returned the quarantine announcement handed in by the American Embassy with a protest note declaring it "unacceptable."

With the Cabinet fully cognizant of these new developments, another meeting was held on Wednesday morning. The question of the alert came immediately to the fore. Mr. Diefenbaker repeated his assertion that he was determined to do everything in his power to avoid further provocation which could place Canada directly into the thick of the crisis. He stressed that one of the consequences of putting R.C.A.F. units on a full-scale alert would be to allow U.S. aircraft carrying nuclear weapons to cross into Canada to arm its interceptor planes stationed on its bases. Under the NORAD and N.A.T.O. agreements, this right becomes
reciprocal in the event of a "mutual declaration of emergency."

Supported by Mr. Green, the Prime Minister who had been adamantly opposed from about 1960 onwards, to the stationing of any nuclear weapons on Canadian soil, assailed the opposition in the Cabinet for thinking that he could be forced to back down over an issue on which he had staked his political career. Another bitter argument raged, and this time several ministers hinted at resignation. Again the meeting broke up without coming to a decision.

Since October 24 was U.N. Day, the opposition parties had prepared statements in observance of the occasion. Messrs. Pearson and Herridge wanted to get their views into the parliamentary record, but Mr. Diefenbaker foiled them by issuing his statement outside the House at an anniversary celebration on Parliament Hill. The two opposition leaders therefore released their statements in the form of press releases. Mr. Pearson began his message by expressing great relief that the U.N. was in session at a moment in history so fraught with danger and peril. Just as he had done during the Bay of Pigs crisis, he proceeded to contrast the U.S. behaviour with Soviet actions at the time of the 1956 uprising in Hungary. "Thank God," he said, "that the United States... has not hesitated to bring before the world organization for its consideration the action it feels it has been forced to take for defence and security." (For whose defence and security he did not say). He conceded that Canada might have some reservations about the quarantine, but he nevertheless urged that the government "understand and sympathize" with the U.S., adding that the support voted by the Latin American Republics was another

* Infra, Chapter VIII.
factor militating against holding out any longer. In this Mr. Pearson proved to be utterly oblivious to the perfunctory nature of the U.S. approaches to the U.N. and the O.A.S. Evidence accumulated later strongly suggests that President Kennedy was intent on going through with the naval blockade of Cuba regardless of how the move was regarded collectively by either organization. And he seemed undisturbed by one of Mr. Diefenbaker's major concerns, namely, the dispersal of U.S. nuclear ammunition onto Canadian territory, and the implications that this would have for Canada's sovereignty. It was this issue which struck at the heart of the division between the two leading parties at this moment, telescoping as it were, their differing conceptions of the priorities for Canadian defence policy. On the other hand, Mr. Herridge, in giving an explanation of the N.D.P. position, emphasized the failure of the U.S. to consult Canada, a matter which as the Prime Minister subsequently revealed, was deeply troubling his conscience. Mr. Herridge declared that Canada should express her "deepest regret" that the U.S. had elected to violate one of the most basic of traditions in Canadian-American diplomacy. He urged that Canada join her "friends and allies" in protesting against the "cavalier treatment" accorded them, as well as the United Nations. In a fashion strikingly typical of the reaction of many Social Democratic parties in Europe and elsewhere, Mr. Herridge condemned both the Soviet Union for its role in the installation of the missiles, and the United States for having taken unilateral action to force their withdrawal. He proposed that Canada introduce a resolution in the U.N., requesting that Soviet ships on course to Cuba be diverted away in return for the lifting of the American naval blockade. To guarantee that both sides would co-operate, he suggested that ships of other nations police the shipping lanes around Cuba; nevertheless, nothing ever came of this idea. It goes without
saying that the Kennedy administration would have found it totally unacceptable. It would never have regarded this kind of "trade-off" as a genuine quid pro quo, for the blockade was considered a first-strike gambit that was not subject to negotiations unless it accomplished its objective in toto. In any event, the most important observation which emerges from an examination of the positions of the two opposition parties of that hour is that the N.D.P. stood much closer to the Tories in its approach to the crisis than did the Liberals.

After the morning recess, the House resumed deliberation, by now almost wholly preoccupied with the apocalyptic events that were unfolding outside. From the opening moments of the session the government was subjected to intense pressures from opposition benches to disclose the full nature of Canadian involvement in, and knowledge of, the details of the crisis. Replying to the first question from Mr. Pearson, Mr. Diefenbaker vigorously declined to associate Canada with the O.A.S. resolution backing the quarantine. His reason was that it would be "presumptuous" for Canada to express views on an organization of which she was not a member. This, of course, was an evasion of the question. Asked by Frank Howard, the N.D.P. M.P. for Skeena, whether Canada would now join the Prime Minister sensed an impropriety in the question and answered by saying that "membership of non-membership of Canada at this time" would not contribute one way or the other "to the desirable end all of us have in mind." Both responses reinforced the impression that, up to this point, he was not prepared to budge one inch from his initial position.

Next Mr. Green came in for grilling. Mr. Martin was sceptical
about the contribution that the External Affairs Minister could make in easing tensions while remaining in Ottawa. Instead he repeated an earlier suggestion that Mr. Green, or at least his Parliamentary Secretary, Mr. Heath MacQuarrie, go immediately to the United Nations. Indignant, Mr. Green responded that he was doing his "very best" for peace in the world and that he did not need any prompting "as to what is my duty." David Lewis, the N.D.P. member from York South, wanted to know if the substance of the proposals made by Mr. Herridge would be introduced in the U.N. Mr. Green answered in the negative, maintaining that two resolutions - one submitted by the U.S.S.R., the other by the U.S. - were already before the Security Council and that in any case it would be a breach of protocol to submit an additional resolution to a body of which Canada was not a member.

Attention was then directed to what defence measures the government was taking, if any. A report had appeared in several morning newspapers indicating that the R.C.M.P. and customs officials had searched a Cubana Airlines Viscount jet at Goose Bay after it landed on a re-fueling stopover from Prague. The aircraft, found to be carrying East German and Czechoslovak military technicians, was permitted to proceed on to Havana after the inspection turned up no military supplies or other "objectionable materials" on board. Several members asked if this unusual precautionary measure had been taken to facilitate implementation of the quarantine. Mr. Green replied affirmatively. He pointed out that International Civil Aviation Organization regulations - of which both Canada and Cuba are members - as well as Canadian statutory law, both authorize inspection procedures of this type. Reading from a prepared
text, he noted that under the I.C.A.O. convention no implements of war can be transported over the territory of a state by foreign aircraft unless specific permission is granted by the state. Mr. Green also took the occasion to elaborate on a terse statement he had made Monday evening to the effect that Soviet aircraft would be denied both over-flight and landing rights. He explained that the number of Soviet aircraft using Canadian aviation facilities in recent months had been increasing at an "alarming rate,"* arousing some concern amongst some I.C.A.O. members. (Doubtless the U.S. was one of them, although Mr. Green did not mention any country by name). It was on these grounds that he justified the action, noting that the Soviet Union had been accruing the benefits of membership in the organization without having to bear any of its burdens, such as participating in surveillance activities or paying dues.  

As Mr. Reford indicates, this provided a perfect pretext for Canada to finally halt Soviet overflights, a request the U.S. is known to have made to at least a half dozen nations in order to close the aerial supply routes between Eastern Europe and Havana at the time of the crisis.†

These measures were widely heralded as a demonstration of Canadian support for the quarantine; indeed Mr. Diefenbaker, less than 24 hours

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* Mr. Green did not indicate where the Canadian aviation facilities were located, nor where Soviet overflights took place. It should be noted that the first Soviet aircraft to reach Cuba did not do so until after the resolution of the crisis; Soviet flights to Cuba from the very beginning were non-stop and could not have entered Canadian airspace. Presumably Mr. Green was referring to East European (Czech) aircraft, or to Soviet activities in the Arctic, or both.

† Guinea, Senegal, Jamaica, Trinidad and Tobago were the other nations known to have complied with the request.
later,* would refer to the prohibition on all Soviet aircraft from entering Canadian airspace as indicative of that support. However, the backing given the Americans was not total and unequivocal, for the same restriction did not apply to Cuban planes. The U.S. in strong diplomatic language, urged a move in this direction, but Canada refused on the basis of the I.C.A.O. regulations which guarantee reciprocal landing rights to all member states.

Following this, Mr. Harkness took the stand. The Defence Minister repeated his technically defensible, but nonetheless fundamentally inaccurate, assertion that Canada was taking "no part whatsoever" in the quarantine. He skirted a question from Mr. Hellyer if the government had received a request to increase her defence capabilities in NORAD, and maintained that Canada was not in default of its obligations in the air defense system. When pressed to disclose the exact nature of any measures being taken by the armed forces to meet the situation, Mr. Harkness limited his reply to informing the House that the rotation of one-third of a Canadian infantry brigade in Europe, scheduled for the following day, would be cancelled. He declined to say anything else on the subject, for fear that the public interest would not be served.

Mr. Diefenbaker went further when asked about civil defence preparedness by trying to forestall any additional questioning along these lines. "I think that in these hours and days of international sensitivity," he pleaded with the Members, "all of us will endeavour to exercise restraint in asking questions which under normal circumstances would be appropriate, but which at this time might be considered as provocative and fear-producing." Finally the Trade Minister was asked if Canada

* Infra., p. 280.
contemplated any shift in trade policy in view of the crisis. Mr. Hees replied that there would be no change at all in trading with Cuba. The entire debate, lengthy as it was, reflected the uncertainty and confusion not only in government circles, but in the country as a whole, to the crisis.

While this was happening, the first American reactions to the Canadian posture began to filter across the border. From virtually every quarter there came expressions of shock and bewilderment. Former President Harry Truman exemplified the attitude when at a press conference he said: "We have stood behind them before, and in crisis; they should stand by us now." Mr. Truman was at a loss to explain the motivation behind Canada's delay, adding that the backing given President Kennedy by the O.A.S. should have provided Mr. Diefenbaker sufficient reason to line up squarely behind the quarantine. In all probability, administration officials were conveying the same sentiments through diplomatic channels. The President himself was known to have been infuriated with the Prime Minister.* No doubt his anger was fuelled by the fact that, while he had deferred to the Canadians in the matter of the Gromyko deletion, they had not seen fit to support the quarantine *per se.* Whether Mr. Diefenbaker knew of the President's reaction, however, remains unclear. In any case, he was profoundly shaken by the day's proceedings. The House debate only served to swell his feelings of pent-up frustration at being forced to make the kind of clear-cut decision being imposed on him.

It was in this state that Mr. Harkness found the Prime Minister he urgently came to see him early that evening. Upon returning to his

* Armstrong interview.
office from the House, the Defence Minister received a message notifying him that some U.S. components of NORAD had been placed on as yet "a still greater state of alert." In all likelihood this meant "DEFCON 1", or full preparation for nuclear war. He immediately went to see Mr. Diefenbaker, laying the contents of the message before him, and urging that he approve the alert for the Canadian components without further delay. He told the Prime Minister that aircraft of the U.S. Strategic Air Command were already airborne, loaded with nuclear bombs, and that it was quite possible that Canadian cities would be under nuclear attack before the day was out. For several agonizing minutes Mr. Diefenbaker debated with himself, but then he finally relented. However, he insisted that while Mr. Harkness had his permission to authorize DEFCON 1 (Canadian units, of course, had been at DEFCON 3 without the Prime Minister's knowledge), formal public announcement would have to wait for the House session the following afternoon. Thus, nearly 48 hours had elapsed before Mr. Diefenbaker gave his consent to a decision that the U.S. had expected would be forthcoming as a matter of course immediately after the quarantine speech. In the end, as Peter Newman notes, "the pressure of NORAD, the American State Department, and the nation's military establishment proved too great."

That same evening Mr. Green accepted an invitation to appear on a special C.B.C. television broadcast concerning the crisis. The External Affairs Minister was interviewed by Charles Lynch and Norman De Poe, then the C.B.C.'s Parliamentary correspondent. It was probably one of the most controversial programs of its kind in Canadian history. The three-way discussion began as follows:
Mr. DeFoe: Mr. Green, what is Canada's policy in this crisis? Are we backing the United States all the way?

Mr. Green: Canada has always stood by her friends, and of course the Americans are our friends, and we're standing by them. Mind you, President Kennedy has had to make a very difficult decision when he was faced with finding out suddenly that the Soviet Union was installing offensive missile bases in Cuba. I don't know what ... history will say about his action, but that action has been taken now, and I think the important fact is what's done from now on.

Mr. Lynch: Well, sir, other nations in the Hemisphere, notably the Latin American nations who with the United States are in the Organization of American States, have swung in behind the quarantine of Cuba in what seems a much more decisive way than Canada has. Now, are we behind the quarantine of Cuba?

Mr. Green: Oh, I don't think that their action can fairly be considered as any more decisive than Canada's. They've had a meeting of the Organization of American States, and it's true that they have reached agreement. I think there's one of the members has delayed in agreeing.* But I think that can't be taken as going any further than Canada has done.

Mr. Lynch: Well, are we backing the quarantine? The actual quarantine of Cuba? We're still trading with Cuba. We still have diplomatic relations with her, have we not?

Mr. Green: Well, I think you'll find that some of the Latin American countries are still doing trade with Cuba and also have diplomatic relations with Cuba. That isn't involved in the quarantine.

Thus from the outset, it was plain that Mr. Green felt uncomfortable about having to give a blanket "yes" or "no" answer to Canada's endorsement of the quarantine. In general terms he was prepared to state where Canada's loyalties lay, but would not make any value judgement on the quarantine action itself. When asked about the legality of the quarantine, the External Affairs Minister replied that he had no idea as to what the ruling would be from the International Court.† Questions of international law, he said, had been superseded by the U.S. decision to

* Uruguay abstained in the 19-0 vote. Its Ambassador claimed that he had not received instructions from his government.

† Mr. Green, who is a barrister by profession, told the author that in his opinion this question is still in doubt, but he acknowledged that he never seriously studied it.
act "and we must accept that fact." The questioning continued:

Mr. DePoe: Do you merely accept it or do you support it?
Mr. Green: We are friends of the United States and we're standing beside them.

Mr. Lynch: But are we not a little more than that, sir? We are in fact the only country in the Western Hemisphere that has a bilateral defence alliance with the United States for the defence of the North American continent. We're allied with the United States under that arrangement to defend the North American continent. Now the United States says the North American continent is imperilled by missile bases in Cuba. Do we agree with that appraisal of the situation? And back to the first question, do we back up the American measures to defend the North American continent?

Mr. Green: We are - we belong to - we have the NORAD agreement with the United States which in effect is part of the N.A.T.O. agreement, and N.A.T.O. at the moment is not directly involved in this question. Now, it may be eventually, but at the moment it's not.

Mr. Lynch: But NORAD is not?
Mr. Green: Not at the moment.
Mr. DePoe: The question still comes down - do you and does the Canadian Government consider these intermediate ballistic missiles which the Americans tell us are being installed in Cuba as a threat to Canada?

Mr. Green: I don't think there's any doubt about that. There are many threats to Canada. Threats from Intercontinental Ballistic Missiles. It's because there are threats and have been threats for many years that Canada retains its membership in the North Atlantic Treaty Organization.

Mr. Lynch: And in NORAD, NORAD was born of this—
Mr. Green: That's right, in NORAD, NORAD is part of the North Atlantic Treaty set-up.

Mr. Lynch: Well now, then, what are we doing about the threats from the new bases in Cuba?
Mr. Green: Well, we're not called on to do anything about those bases at the moment.

From this portion of the interview, it was obvious that Mr. Green had no knowledge of the Prime Minister's authorization of the NORAD alert. That Mr. Diefenbaker did not disclose this to him beforehand can perhaps be attributed to a lack of time, or to the belief that Mr. Green would most certainly have been opposed, therefore obviating the necessity for
an explanation. But even more noteworthy is the fact that Mr. Green was implying that he did not see any special threat to Canada from missile bases in Cuba. He opposed the use of force to effect their removal, and decried the publicity given to the crisis:

Mr. Lynch: Well, Mr. Pearson, the Leader of the Opposition in the House of Commons, in a statement tonight, endorsed President Kennedy's action, including the quarantine of Cuba and up to and including the use of force to carry out the quarantine if necessary. This seems to me to be a stronger position in support of the United States than that taken by your Government. Is it?

Mr. Green: Well, I don't know what stand Mr. Pearson has taken. But I think that the stand of the Canadian Government has been to stand with the United States, and I think its been a perfectly proper stand. And at the same time, we're trying to keep the Canadian people and the people around Ottawa from getting all excited about this business, and from panicking. I think it's essential that Canada should show some steadiness in this whole situation. And that's what is being done.

Mr. Lynch: But the method chosen in the House, it seems to me, is to try to do that by not saying anything in the House rather than by — President Kennedy said everything. He came on television, he told the American people and the people of the world exactly what he proposed to do, but it seems to me that the attitude of our Government in the House is that the less we say, the less panic there will be. And it could work the other way.

Mr. Green: Now, Charlie, I'm afraid you're looking at this from the point of view of a newspaperman. You're interested primarily in getting headline news, and if we don't feed you all the headlines you want, you think we're concealing facts from the public. Now, I think any non-newspaperman in Canada would agree that the Government has been telling the facts, keeping the people just as much informed as we possibly can do, and at the same time not endangering our defensive position and not making trouble abroad. This idea that in a crisis which may turn out to be the worst crisis the world has ever known, that everybody in a position of responsibility should start shouting to high heaven and criticizing everybody else and all this sort of business, would be very bad. And I think would be completely irresponsible on the part of a public man. It's with this in mind that we're following the course that we have been following.

The thorny problem of consultation was then raised. Mr. Green did
not seem as perturbed as was the Prime Minister about the President's decision not to seek the opinions of its allies prior to the imposition of the quarantine:

Mr. DePoe: Mr. Green, the Prime Minister was asked a question in the Commons the other day. He was asked whether Canada had been consulted or informed in advance of this decision of President Kennedy's. He said that Canada had been informed, which by implication, means that Canada was not consulted. Are we bound by our alliance to accept unilateral steps taken by the United States?

Mr. Green: Well, the position there is this, that the United States has a great many allies. And I think that all of them, as well perhaps as come other countries, were informed. Now, there was no opportunity to have consultations all around that in every case Canada, as other nations, wants to be consulted fully. But in this case of the action the Americans took, that was impossible. And the Prime Minister's statement that we were informed was the correct statement.

Mr. DePoe: In other words, there is no way that our national opinion can be brought to bear on a decision of this kind?

Mr. Green: Ah well, it depends on the circumstances. In this case, as I've said, where there are a great many nations involved - the fact is that we were informed before the action took place, before the speech was made.

Finally the interview returned to the basic issue of just where Canada stood in the crisis, with Messrs. DePoe and Lynch leaving no doubt as to where they stood:

Mr. DePoe: Well, then wouldn't it be -- the way to be strong in this situation, would it not be to get right behind the United States and make clear that we're four-square with them in all the actions that they've taken in Cuba?

Mr. Green: I think that Canada has taken an attitude in the Canadian way, and I don't think the Americans have any doubt whatsoever that we're standing beside them. Certainly there isn't any suggestion from the United States that they haven't had the fullest co-operation and friendliness — and the greatest friendliness from Canada. I'm afraid you're just trying to stir up a row here between Canada and the United States.
And again, after questions concerning Canada's relations with the

O.A.S.:

Mr. Depoe: Well, Mr. Green, would we get right down to the funda-
mental question that's behind all this? We are in
fact facing up to the possibility of World War Three.
Is Canada prepared to back the United States all the
way, and what happens if we come right up against
World War Three?

Mr. Green: Well, Canada is an ally of the United States, and as
I said in opening, Canada stands with her allies.
There's never been any question of that, and there's
no doubt of that today. Mind you, we're going to do
everything we can to get this crisis settled. We
don't want a Third -- we don't want a nuclear war, and
I don't suppose either of you two want one either, or
any other level-headed Canadian.

Mr. DePoe: But the question is how we approach this. As we go up
to this awesome brink, do we do it all the way behind
the United States, backing whatever they want? Or do
we have an independent approach? Can we have an
independent approach?

Mr. Green: I don't think you realize that all the time in the
North Atlantic Treaty Organization, Canada is in
constant contact with her other allies in that organi-
zation. Discussions are going on there this week on
this very question. Now we're working together as an
alliance, and it isn't a case of Canada being alone
or being independent or anything of the kind.*

Clearly Mr. Green was hedging. On the one hand, Canada was giving
the U.S. "the fullest co-operation and friendliness," while on the other
approaching the crisis "in the Canadian way." This latter is invariably
taken as a polite euphemism for Canada's "incomplete agreement" with an
American decision or policy; yet Mr. Green denied this was the case.
But the fact that Canada was in constant communication with her N.A.T.O.
allies was not sufficient proof that she did not have an "independent

* Portions of this interview were transcribed from a tape provided by
the Canadian Broadcasting Corporation.
approach" to the quarantine.* Given the sophisticated communications technology at the disposal of modern governments, they could hardly be expected to do otherwise, especially in times of grave international crisis. There is no guarantee, however, that such discussions lead, ipso facto, to a harmonization of views on a given issue.† Indeed, both adversaries kept in close touch with one another throughout the crisis.

The dilemma Mr. Green was attempting to resolve has been, and is, a festering sore in the conduct of Canada's external relations since the advent of Cold War diplomacy. Simply put, it is this: how do you express opposition to American actions, without appearing to do so? The St. Laurent government had instinctively remained silent on such occasions, an approach increasingly rejected by the Diefenbaker Tories during their last several years in office. Later many of Mr. Green's critics argued that even if his reservation were justified, he should not have made them public. Opinion was widespread that he should never have accepted the invitation to appear on television, in the demands of secrecy. That he did so served to foster the impression that the crisis was not as serious as he was willing to acknowledge. For a Canadian, no impression could have been more fatal.

* As evidence that Canada's approach to the crisis differed from that of America's other major allies, the following passage from Kennedy, by Theodore Sorensen, is often quoted: "The Alliance held, Macmillan phoned his support, although expressing his interest in a summit talk on disarmament and an immediate suspension of activity by both sides. Adenauer, Ernart and people of West Berlin did not flinch or complain. Despite some wavering by Canada, the N.A.T.O. Council and de Gaulle pledged their backing after Acheson's briefings, attaching neither reservations nor complaints on grounds of no advance consultation."

† Mr. Green told the author that "this decision [viz., to give "all out" support to the U.S.] was about the most difficult any Canadian government has ever had to make."
Specific reaction to Mr. Green's performance was almost wholly negative. Several Young Progressive Conservative clubs protested his apparent equivocation. To many Cabinet members his showing was nothing short of disaster. Some senior party officials, while not disputing Canada's right to differ with the U.S. on principle, nevertheless considered it perfidy not to completely and unequivocally back the U.S. in an impending showdown with the Soviet Union. Only Mr. Diefenbaker was satisfied. As Mr. Green told the author: "Minutes after the interview, the Prime Minister 'phoned me up and congratulated me, saying he was proud at what I had done."

THE REVERSAL

On Thursday morning, October 25, the Defence Committee of the Cabinet met in secret session for the first time since the Korean War, and was briefed by the Chiefs of Staff. At Mr. Diefenbaker's invitation, Mr. Pearson attended the session. It was here that the Prime Minister let it be known that he would give the House and the nation a comprehensive statement fully endorsing the quarantine, and would throw all of Canada's political and moral weight behind the United States. When the House convened at 2.30, Mr. Diefenbaker began by condemning the Soviet Union for having "challenged the right of free men to live in peace" in the Western hemisphere. He then got right to the heart of the problem:

"These offensive weapons in Cuba, located so contiguously to our continent, are a direct and immediate menace to Canada. Furthermore, they are a serious menace to the deterrent strength of the world western alliance on which our security is founded. The result is that a threat is posed not only to this continent, but to the N.A.T.O. alliance as a whole, and indeed to all the free world, whose security depends to
such an extent upon the strategic strength of the United States.... We intend to support the United States and our other allies in this situation. Canadians stand by their allies and their undertaking, and we intend in the present crisis to do the same."\textsuperscript{32}

While indicating that Canada would continue to do everything in her power to resolve the crisis without war, the Prime Minister went on to outline all the steps that had been taken by the government in support of the U.S. objective, although he did not, of course, suggest that there had been any inordinate delay in its doing so. These include the restrictions on Soviet-bloc aircraft, the cancellation of military leaves, the activation of civil defence organizations, and, most importantly, the placing of Canadian NORAD units "under the same level of readiness as U.S. forces." This latter, of course, provided the key to Mr. Diefenbaker's turnabout, since it was where one stood on this question in Cabinet that had been used as a measure of support for the U.S. action.

He then addressed himself to the criticism echoed in diverse quarters that the quarantine constituted a clear violation of the principle of freedom of the seas. These assertions, he contended, were "largely sterile and irrelevant...legalistic arguments...cannot erase the fact that the Soviet Union has posed a new and immediate threat to the security not only to the United States but to Canada as well." He concluded by raising another fundamental issue in the crisis, and took a position on it in language reminiscent of President Kennedy's speech:

"Chairman Khrushchev's apologists say, "What is the difference between Soviet missile bases in Cuba and United States bases on the periphery of the Soviet Union?" The United States bases abroad have been installed only in response to the threatening pressures from the Soviet Union, and have never been concealed from the public. The West, moreover, has refrained in recent years from any move to upset the world balance. There are
countries in all parts of the world in which nuclear weapons could have been installed by the West. A deliberate decision was made not to do so. We in Canada have shown responsibility in this connection in order to avoid the proliferation of these dangerous weapons throughout the world. Sir, to compare the western activities with the provocative, clandestine arming of Cuba [emphasis added] is to ignore the calculated restraint which has characterized Western policy. In this light the call for the dismantling of these new, threatening facilities in Cuba is not unreasonable. It is the Soviet Union itself which has disturbed the balance, and it is for it and Cuba to restore that balance." 33

Two days later, when Chairman Khrushchev offered a horse trade - the dismantling of missiles in Cuba for those in Turkey - the question of "reciprocity" briefly became the burning one of the moment.

Despite its specificity of content, Mr. Diefenbaker's remarks conform to a well-developed pattern in Canadian-American relations: for when the occasion is ripe, there exists a certain proclivity for Canadian political figures to support U.S. actions and policies in mechanical and seemingly servile language, that might even be received in Washington with embarrassment. For a variety of reasons, most of which fall outside the scope of this work, Conservative politicians seem to have demonstrated greater adroitness and skill in this regard than have Liberals. The phenomenon might be partially explained by the longevity of Liberal governments as compared to those of the Conservatives, the latter being forced to seize upon any differences with the U.S. as a means by which to attack the government of the day. Potentially, any position which can be twisted so as to call into question American sincerity or objectives provides the opposition with an opportunity to accumulate domestic political capital, if it is properly exploited.

To this tendency even the Diefenbaker government, predisposed as it was
to maximize assertions of Canadian independence from her powerful neighbour to the south, was not at all immune. Once the decision to put Canadian Forces in NORAD on the same state of alert as their American counterparts, the time had come not only for a statement of Canada's support for the quarantine, but also for a demonstration of her fealty to her great neighbour.

The opportunity was begging from another standpoint. Late Wednesday afternoon, October 24, it was announced in Washington that a number of Soviet ships heading towards Cuba had diverted course away from the quarantine area. Undoubtedly, these ships were carrying additional missiles or related technical equipment, and had they attempted to defy the quarantine, the dreaded holocaust would have come that much closer to being unleashed. It was just after this news that Secretary of State Rusk made his famous comment that the U.S. and the U.S.S.R. were "eye-ball to eyeball and I think the other fellow just blinked." On Thursday morning the U.S. reported that its reconnaissance aircraft had tracked at least a dozen Soviet vessels that had turned away from the sea lanes leading to Cuba. Apparently the Prime Minister, as well as many of his closest associates, took this to mean that the Russians would back away from an all-out confrontation and would seek to resolve the crisis by negotiation. It was therefore felt that by giving the U.S. full support, Canada would not run as great a risk of "provocation" as Mr. Diefenbaker had so much feared on Monday evening. This, of course, was not the only reason why the Prime Minister belatedly chose the course he did, nor was it the most important reason: however it was a factor which no analysts of the Canadian role in the crisis have men-
tioned. And the declaration of support for the U.S. never satisfied Mr. Diefenbaker's latter-day critics. As Professor Lyon writes:

"Compared to the statements being made by the other allies of the United States, it was still conspicuously lacking in expressions of confidence in President Kennedy's leadership." If this interpretation is accurate, then it detracts somewhat from the fulsome praise accorded the U.S. by the Prime Minister in his statement, despite its wording. This, too, is hardly a unique feature in Canadian-American relations.

Following the Prime Minister, the leaders of the three other parties added another round of commentaries on the crisis. Mr. Pearson, although heartened that Canada was "right behind our friend and neighbour," was nevertheless unwilling to give a blanket endorsement to all "the details" of the American action. He expressed the hope that the crisis would serve to limit any further proliferation of nuclear weapons to those nations not already in possession of them, and warmly embraced the efforts of U Thant to bring about a settlement. (Needless to say, Mr. Pearson violated his own injunction when, three months later, he shifted his long-standing position and advocated nuclear weapons for Canada). He also suggested that a U.N. naval inspection force be created to supervise inspection operations.

Mr. Thompson followed by further developing the eschatology of Social Credit foreign policy. To him, the crisis represented the very struggle between good and evil that is to be found in Biblical writings. He said that there could be no compromise between right and wrong, and
that ultimately coexistence with communism would spell servitude for Canadians and free men the world over. Mr. Thompson ended by declaring "we are at war."

For the N.D.P., Mr. Herridge challenged the notion that Canada "must never rock the boat" in responding to U.S. foreign policy. He assailed the U.S. for what he regarded as a "flagrant violation" of the consultative procedures of N.A.T.O. "The N.A.T.O. members," he said, "were simply and boldly told what the United States intended to do," without either their opinions or advice. Like many other Socialist party leaders in Europe, Mr. Herridge raised a point which the other Canadian parties did not have to contend with, because their ideological colouring could not be held suspect: the American policy, he suggested, might readily yield Chairman Khrushchov a propaganda victory in the eyes of the uncommitted nations of the world, since by comparison to President Kennedy's belligerency he could appear as an apostle of peace. Mr. Herridge ended by repeating his proposal for a Canadian-sponsored resolution, to be introduced in the U.N., directing Soviet ships to turn away from Cuba while the U.S. lifted its blockade. In sum, all the parties once again manifested their propensity to react to the crisis on the basis of pre-formulated patterns of orientation towards international issues. In any case, Mr. Diefenbaker's decision rendered any further debate for the remainder of the crisis anti-climactic, since support for the U.S. had, at that point, become unequivocal. As Mr. Reford notes, Ottawa then "could only watch events from the sidelines."
On Friday, the spotlight shifted to an interview with Ivan Mironov, press secretary for the Soviet Embassy in Ottawa, and published in the Ottawa Journal. Mr. Mironov indicated that the Russians were prepared to reach an "accommodation" over the missiles through negotiation between "heads of State." Though unaware of the official Soviet position at the moment, he suggested, as did Chairman Khrushchev hours afterwards, that the dismantling of U.S. bases in Turkey would constitute "a reasonable" trade-off. He pointed to the statement made by Mr. Douglas, leader of the N.D.P., that U.S. bases had been ringing the Soviet Union for fifteen years which could destroy almost any city in Russia. He also predicted that the U.N. would have some role to play in the negotiations. Emphasizing that he was speaking as an individual Soviet citizen and not for his government - in itself a rare incident - Mr. Mironov reasoned that a negotiated settlement would be a victory for neither side, but a victory for world peace.35

The following day - Saturday, October 27 - Mr. Green, acceding to Mr. Martin's request but not explicitly saying so, went to U.N. to try to lend a helping hand in resolving the crisis. There he indicated to U Thant (as Mr. Diefenbaker revealed two days later), that Canada was prepared to contribute "to whatever inspection and verification arrangements the U.N. may undertake." For a brief moment, the timing of the offer seemed fortuitous: hours later the Soviet Union agreed to an international inspection of the missile sites. Quickly the U.S. readied a squadron of aircraft repainted with blue and white U.N. markings and put them at the disposal of Mr. Thant. As Elie Abel was subsequently to disclose for the first time months later, Canada was
notified, and promptly offered to supply R.C.A.F. crews for these aircraft, which would presumably have flown U.N. inspection missions over Cuba. But the scheme came to naught because Premier Castro elected to openly defy Chairman Khrushchev. This notwithstanding, it is doubtful that Canada, at this stage, was at all suitable for the role, even if inspection had been permitted. As Fernand Bourret (without knowing of the specific offer to man these aircraft with Canadians), wrote in Le Devoir the following Tuesday:

"L'attitude unilaterale prise par le Canada dans le conflit... soit l'approbation en conditionnelle des mesures prises par les États-Unis et de tout ce qui pourrait en découler, fait du Canada un pays engagé, un pays qui se trouve certainement à la remorque de la politique américaine.

C'est pourquoi il faut se demander si l'offre que vient de faire le Canada ne constitue pas une fois de plus de la poudre jetée aux yeux alors qu'il apparaît plutôt probable que pour éviter toute nouvelle friction qui serait extrêmement dommageable dans la situation explosive que nous connaissons, ce sont les pays non engagés qui sont capables de jouer le rôle d'observateurs impartiaux."

In this commentary, Mr. Bourret exposed a fatal inadequacy in all Canadian efforts to act as mediator in the U.S.-Cuban conflict, on this and other occasions since 1960.*

On Friday, October 26, a way out of the crisis was found. Chairman Khrushchev offered to dismantle the missile bases in exchange for a guarantee from President Kennedy that there would be no invasion of Cuba. But until it was clear that a solution had been reached, the government was divided as to the most probable outcome of the crisis. Three months later, Mr. Green recalled the apocryphal feeling he had laboured under

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* Infra, pp. Chapter III.
while at the U.N. "On the Saturday night after the Cuban crisis arose, I believed, and I have no doubt that many other people did, that before morning Ottawa might be demolished, as well as Montreal, Toronto and my home city of Vancouver." On the other hand, the majority in the Cabinet prevailed in the view that Mr. Khrushchev's capitulation would be complete after it had become clear as early as Wednesday that Soviet ships would dare not challenge the blockade.

When the House met on Monday, October 29, spokesmen for the four national parties presented, for the last time in tandem, their appraisal of the crisis and the lessons to be learned from it. Mr. Diefenbaker credited the "unity, co-operation and understanding among the Western allies" as having been responsible for averting a near holocaust. He commended the efforts of the U.N. Secretary-General to bring about a peaceful settlement. He then raised the wider issues of crisis. In particular, he complained that the personal communications between President Kennedy and Chairman Khrushchev had circumvented the disarmament machinery of the U.N. and called for the re-convening of another Geneva conference. He noted that the Soviet Union had accepted the principle of inspection and verification even though Premier Castro had not, and implied that this might be taken as a sign that the Russians would be willing to make other concessions on questions of disarmament.

Mr. Pearson echoed the same theme. He saw in the outcome of the crisis an opportunity to forge a break-through in easing other Cold War points of tension. He also was of the view that there were "certain implications" in the events of the previous week for Canadian foreign and defence policies, but he did not elaborate. Clearly though, the full
impact of the crisis on the Liberal leader was such as to turn his thinking completely around on the issue of nuclear weapons for Canada. This probably was the most far-reaching effect the U.S.-Soviet missile confrontation was to have for the nation, though it was not to be felt until Mr. Pearson announced his conversion to a pro-nuclear position the following January.

A.B. Patterson, M.P., for Fraser Valley and spokesman for the Social Credit party, gave his full backing to Mr. Diefenbaker's disarmament suggestions. He urged, however, that Canada maintain her vigilance, for there could be no certainty that the crisis had entirely passed away.

Mr. Herridge, like the three other leaders, rejoiced at the turn of events, but accused the government of having failed to give U Thant, the Acting Secretary-General, its immediate support. He argued that this lapse had effectively destroyed any hope for the middle and lesser powers to seize the initiative in negotiating an end to the crisis. Mr. Herridge added that Canada should insist on: 1) the continuation of the process of dismantlement with simultaneous inspection, and 2) the submission by the two super-powers of all their outstanding differences "before ever again taking any such provocative action." As befits the pattern, Mr. Herridge's contribution attempted to strike a balance in laying blame for the crisis, which was reflected in his proposals for its ultimate solution. What was absent from the remarks of the leaders of all the parties was any statement of praise for President Kennedy's skill in handling the missile threat; none even mentioned his name.

But it may be legitimately asked: How did all of this directly affect Canadian-Cuban relations? Did the government re-evaluate its ties
with the Castro regime at the conclusion of this bitter *contraceptus* over defence policy? Were there any new U.S. pressures? Was the Cuba issue a more effective weapon in the hands of the Opposition than it had been in the past? The post mortem on Canadian conduct throughout the crisis provided some answers to these questions.

**IN THE AFTERMATH**

At the outset of the crisis, there were widespread manifestations of disapproval in the Canadian mass media of President Kennedy's action. Until it became known that Soviet ships had veered off their course towards Cuba, most major newspapers across the country viewed the quarantine as a rash, if not illegal act of brinkmanship. Many objected to the unilateral nature of the decision. On October 23, the *Toronto Star* thought it "hasty and provocative." The following day it accused the U.S. of having a double standard: it was acceptable for the United States to have missile bases near the Soviet Union, but not for the Soviet Union to have missile bases near the United States. The *Peterborough Examiner* took the same view: "What is good for the goose is going to be good for the gander." The *Ottawa Citizen* condemned the quarantine as "wrong" because it violated the principle of the freedom of the seas. It asserted that American diplomacy has steadfastly defended this principle since its inception as a nation, and that in one fell swoop Mr. Kennedy had shattered that laudable tradition. The decision was wrong, also, because it could be construed as an act of preventive war. The *Fredericton Gleaner* complained that the President
had left the U.S.S.R. no face-saving option; she must either fight a nuclear war or surrender. The Sudbury Star was of the opinion that domestic political pressures had forced Mr. Kennedy's hand. It went on to suggest that the flagrant disregard for the capacity of the U.N. to deal with the problems could spell the collapse of the world organization, just as the Italian aggression against Ethiopia brought about the effective disintegration of the League of Nations. Both the Windsor Star and the Woodstock Sentinel Review considered the Kennedy speech an ultimatum, bringing the world to the edge of nuclear war. The Red Deer Advocate attempted to put the crisis in historical perspective by perceiving it as the logical consequence of the failure of the traditional U.S. policy of supporting dictators in Latin America: "Having unlocked the stable door by its disastrous policy in the past...the U.S. is now attempting to close it long after the horse has accepted the spur of Communism and bolted from the Western scene." And it concluded by predicting that the naval blockade of Cuba would be greeted "with dismay" by the friends and allies of the U.S. around the world.33 Finally: Le Soleil considered that it was Canada's "devoir de ne pas encourager nos alliés américains à déclencher à la légère des opérations militaires susceptibles de provoquer un conflit...même si le Canada adhère à NORAD. Il appartient surtout aux Canadiens de ne pas tomber dans l'hystérie anticubaine qui s'est amparée d'une partie de l'opinion publique et des militaires américains."39

Even the great majority of newspapers which recognized the "necessity" of the U.S. action, nevertheless expressed grave reservations about the method adopted.40 In particular, there was widespread dissatisfaction
with the shabby treatment accorded the United Nations. The Victoria Times, for example, argued that "the best, perhaps the only chance to control events now rests with the U.N.," asserting that its first task was to determine the accuracy of the President's information. The Globe and Mail noted that his measures carried great risks of war, and declared that these could have been reduced had the U.S. been prepared to present its case against the Soviet Union and its Cuban ally before the United Nations. It, too, feared that Mr. Khrushchev would be unable to extricate himself from the crisis without resorting to war. Rather, it was suggested that a wiser course would have been to summon an emergency meeting of the Security Council once it had been established that offensive missile bases were indeed being constructed, and to demand an immediate investigation of the charges. The Montreal Star raised the same point: the President had indeed called first for a blockade and then for urgent meetings of the O.A.S. and U.N. Should not the logical sequence have been, it asked, the other way around? The Saskatoon Star-Phoenix agreed. Its editors wrote that recourse to the "instrument" of the U.N. for the purpose of a "neutral" inspection to determine the "facts" would have swung world opinion unequivocally to the U.S. side, thus increasing the "moral" effectiveness of the blockade. They also challenged that the U.S. was culpable of a kind of genteel hypocrisy in calling the blockade a "quarantine." In their view, there was little doubt that in time of peace, any interference with navigation in international waters represented an illegal act of war.

There were, in addition, deep misgivings about the lack of prior consultation with Ottawa. The Globe urged that Canada, Great Britain,
and other N.A.T.O. allies should let their displeasure be felt in Washington. The Toronto Star asked: "Do we have no right to be consulted on a decision on which depends the fate of every Canadian? Similarly, the staunchly conservative Winnipeg Free Press was saying as late as October 25, that Canada "obviously cannot exercise an influence on matters with regard to which we are not consulted, as was the case with Cuba." On both these counts, press criticism of Mr. Kennedy duplicated the same thinly-veiled currents of doubt that could be observed in the more diplomatic statements the Prime Minister was making on the crisis. In most instances, newspaper editorialists made it clear that they were in complete accord with Mr. Diefenbaker's generally restrained and cautious reaction to the first few day's events.

Before the week was out, however, the collective Canadian attitude towards the entire crisis changed with an alacrity and a vengeance scarcely imaginable. Whatever logic there was in the arguments about consultation and the U.N. was all but swept away by the dramatic U.S. victory. Newspapers, magazines, and journals encompassing a broad political spectrum hailed President Kennedy in the most glowing of terms. To cite a few representative examples: The Ottawa Journal warned: "Beware the fury of a patient man." The Regina Leader Post declared that the President won himself new stature. The London Free Press marvelled at his "delicate" but effective use of overwhelming power. At the annual Couchiching Seminar on U.S.-Canadian relations held in Windsor early in November, Professor Holmes described Mr. Kennedy's "unilateral action" as "one of the most remarkable diplomatic moves in history." Professor McWhinney praised his "absolute resoluteness"
in meeting the greatest challenge posed to the Western world since 1939.\textsuperscript{42} A regionally balanced sampling of public opinion taken during the first fortnight in November by the Canadian Peace Research Institute found that out of 1,000 citizens questioned, 79.3\% approved of the American "countermeasures", while only 12.7\% disapproved, with 8\% registering no opinion.\textsuperscript{43}

In sharp contrast, Mr. Diefenbaker came in for some blistering criticism. He was accused of a multitude of sins, among them indecisiveness, failure to provide moral leadership when it was needed most, distrust of Canada's greatest ally and, most disastrous of all, placing into jeopardy the security of the entire North American continent. Papers like the Toronto Star, which had been quick to praise his inspection proposal, now complained about his "vacillation." The Winnipeg Free Press perhaps typified the change in editorial opinion, when it wrote that Mr. Diefenbaker's handling of the crisis in the hours following quarantine announcement was

"not only confused but, to most Canadians humiliating....Three days passed before his attitude was clarified on the central issue ....By that time an overwhelming majority of Canadians agreed. Their thinking was, in fact, far ahead of the government's."\textsuperscript{44}

Similarly, the academic establishment was not sparing in its condemnation. As a case in point, Professor Frank Underhill, one of Canada's most respected historians, termed the behaviour of Messrs. Diefenbaker and Green a "naive, inglorious, exhibition." Mr. Underhill accused both of being incapable of making commitments. All they know how to do," he asserted, "is to give press conferences and preach sermons against sin."\textsuperscript{45} And if we are to believe Professor Lyon, most Canadians (presumably in their dealing with Americans) came to feel
profound "embarrassment" at the behaviour of their government in general, and Prime Minister in particular, in the months following the crisis. But even more significant, both the defence establishment and influential elements within the financial-corporate complex began (to use Professor Grant's phrase) "baying for Mr. Diefenbaker's blood." Indeed, the missile crisis was but the harbinger of the full-blown weapons' controversy which was to bring about the downfall of his government in February of 1963. This development was hastened by the coalescence of both of these important sectors in opposition to his continued rule, which began to take shape after the outcome of the crisis had become clear.

The sentiment in official Washington circles can be readily imagined. Of all the Western allies, only Canada and France were informed by special emissaries. The other received their information about the existence of the missile sites either through diplomatic channels, or in the case of Great Britain and Germany, from personal telephone calls made by Mr. Kennedy. Clearly Canadian co-operation was the most pivotal, since the missiles posed a threat to North America and not to Europe. In fact the activation of the NORAD defence system did not occasion any concomitant move on the part of the N.A.T.O. Command in Paris. Furthermore, it soon became known that not only had the U.S. requested Canada to put her NORAD forces on the same state of alert as the American units but that the Pentagon had asked her special permission to fly over 600 (1) nuclear interceptor aircraft across Canadian territory in order to station them at U.S. airbases in Labrador and Quebec. This request also had been denied. The noted columnist Marquis Childs summed up the reaction in the Defence Department in part as follows:
"It would be hard to exaggerate the anger in the Pentagon at this outcome... Both the delay and what appeared as a wiggling and almost obstructive response had the look, to those managing the deterrent... of deliberate refusal on the part of an ally and nearest neighbour to co-operate in the mutual defence of North America."46

It should be emphasized, however, that few U.S. officials were immediately willing to give expression to this anger in public. In all probability, they were under strict orders not to make matters worse by antagonizing Canada, especially after it was apparent that the government did not enjoy the confidence of the general public. But there was one notable exception. On the last Monday of debate, October 29, Diefenbaker pointed with pride to an editorial in the Washington Post which praised Canada for her support of the U.S. during the crisis. The Post considered this all the more noteworthy in the light of the strain in Canada-U.S. relations that had developed after President Kennedy took office, and Mr. Diefenbaker's record of independence from U.S. pressure. It maintained with "satisfaction" that the Prime Minister had come down "unequivocally" on the side of the U.S. in the face of the "direct and immediate menace of Soviet missile facilities." It contended that actual implementation of the blockade in Canada commenced at 3 a.m. October 23, with the search of the Cubana aircraft, which was seven hours before President Kennedy himself formally proclaimed the quarantine, and that the Canadian air force had been placed on the same alert status as U.S. forces. The editorial concluded that the crisis had "brought neighbours together and surely Canada's counsel will be sought and valued... Whatever the outcome, it is deeply reassuring that no cool air is blowing from Canada."47 These assertions so incensed the Chief Liaison Officer of the Atomic Energy Commission to the Canadian
Government, Robert W. Ritzmann, that he wrote a strong letter of protest in reply, which was printed on November 5. While acknowledging that Canada did take steps to screen Soviet-bloc aircraft before the quarantine was put into effect, Mr. Ritzmann argued that these measures alone hardly constituted sufficient evidence of Canada's full support of the U.S. He recalled that the government had spurned the U.S. request "made several months earlier" to eliminate the practice of furnishing co-pilots and navigators for Soviet-bloc planes bound for Cuba. Mr. Ritzmann alluded to the widespread criticism in Canada to Mr. Diefenbaker's "indecision" and the concluded by questioning Canada's sincerity in meeting her commitments to defend the Western Hemisphere against Communism:

"I hope your editorial was written only to show solidarity as it certainly didn't convey the attitude of the Canadian government or its actions. It served to misinform your readers, and further delude Canadians into thinking that the United States doesn't really expect them to uphold their end of defence commitments....The image that Canada is our good friend to the North who can always be counted on is not true. To be sure, Canada does not lean to Communism, but Canada is most happy to let the United States carry the entire burden of defending the North American continent. I believe that our foreign policy regarding Canada should be changed to that of wooing her friendly conviction while insisting that she uphold her... commitments on all occasions."43

Although no formal diplomatic note of protest was delivered to the American Embassy as might be customary on such occasion, Mr. Ritzmann was nevertheless relieved of his post on the following day by order of the Commission. In making the announcement, the A.E.C. explained that the effectiveness of Mr. Ritzmann as Liaison Officer had been severely impaired. It was pointed out that his letter had been the principal
factor leading to the decision. This was a typically rational response to be expected from any U.S. government, yet there is every indication to suggest that the Kennedy administration was in complete agreement with Mr. Ritzmann's views.49

In these circumstances—that is, with the U.S. government furious, and with an unusually large critical public to contend with at home—a fierce tug-of-war erupted within the ranks of the government and the Progressive Conservative party on the whole question of Canada's relations with revolutionary Cuba. For a long time a minority faction had been of the belief that Cuba was an albatross around the neck of the Diefenbaker regime, and a burden that Canada might well dispose of without suffering more than negligible loss either to her economy or to her independence. This group, which probably included a majority in the Cabinet, nevertheless was, up to the time of the missile crisis, unable to congeal around any one unifying figure who was willing to risk a head-on clash with Mr. Diefenbaker; and owing to the necessity of preserving Cabinet solidarity, the extent of the dissensus never became known. Moreover, the Cuban issue had been of only marginal interest to Cabinet members and party officials alike, both of whom viewed it not on its own merits, but strictly in terms of its damaging effect on Canada-U.S. relations. There was virtual unanimity that the entire American approach to the Castro revolutionaries was from the start predicted on a more generally misguided failure to recognize the need for social change throughout Latin America, of which the Cuban case was just one of a long series of examples. Even on the Prime Minister's
right wing, the most compelling reason that could be mustered for severing all ties with Cuba was that it would help boost Canada's declining fortunes in Washington. Few took seriously the claim that the Castro regime represented a threat to the security of the Americas - both North and South. But the events of October 22-29 effected a significant reversal of attitude. Opponents of the government's policy became more numerous and more outspoken. After all, just who was Fidel Castro to Canada or Canada to Fidel Castro, for that matter? Why not make a clean break with him now after he had demonstrated that he was quite prepared to risk nuclear war for his own security, a war in which Canada would perforce become instantaneously involved? What possible advantage was there in any future relationship with him that would not be offset a thousand fold by the tension created with the U.S.? Did not the missile crisis prove that the Americans were probably right all along about the danger of the Castro threat, even if they themselves had contributed to creating that threat? These were some of the questions being asked in the highest echelons of the Progressive Conservative party in the aftermath of the crisis.

The incipient challenge to Mr. Diefenbaker implicit in these and other questions found its consummate expression in a speech given by George Hogan, the national vice-president of the Progressive Conservative Association, to the Rousseau Club - a study and research group within the party - Toronto on November 8. A rising star on the Tory horizon, Mr. Hogan was one of the party's most brilliant theoreticians. Generally, he was regarded as occupying a so-called "centerist" position, an amorphous tendency which often played an influential role in mediating
intra-party disputes between the Diefenbaker "radicals" and the more orthodox (and "pro-American") conservatives. In the 1957, 1958 and 1962 national elections Mr. Hogan served as Mr. Diefenbaker's campaign tour manager. He was one of the few "intellectual-activists" in the P.C. party whose views the Prime Minister not only respected, but often heeded. Prior to the October crisis, he had advocated greater restrictions on trade with Cuba down to the "irreducible minimum": foodstuffs and medical supplies.* But in his address to the Rousseau members, Mr. Hogan went further, considering it now imperative that Canada suspend both diplomatic, as well as any type of trade relations, with the revolutionary regime.

The recent developments enabled him to marshal some new arguments for the desirability of this all-out policy change. Terming Premier Castro "an irresponsible and probably unbalanced adventurer," Mr. Hogan asserted that the crisis had demonstrated that the Cuban leader was a pawn of "Soviet imperialism." Therefore, to continue to maintain diplomatic relations with such a government represented an effort to be both neutral and committed at the same time. If Canada had refused to grant recognition to Communist China because of U.S. opposition, why sustain ties with Cuba "a country whose actions have vitally menaced not only American interests but our own, and a country about which Americans obviously have stronger feelings than they ever did about China?" Breaking off diplomatic relations, Mr. Hogan argued, would lead to the restoration of confidence in Canada amongst her closest allies, and permit her to discard any neutralist pretensions.

* These, it will be remembered, were the only exports permitted by the U.S.
As for the suspension of all trade, he could see two important political advantages accruing as a result. First, the volume had declined to such minor proportion that its total suspension would have no noticeable effect on Canada's economic interests. Thus, suspension would definitely lay to rest the erroneous impression in Washington that Canada was exploiting the vacuum left by the Americas, whose economic interests in Cuba had been sacrificed "enormously." Secondly, the loss to Cuba of marginal imports from Canada, though it would have no immediate effect either on the state of her economy or her commitment to communism, conceivably could induce a greater degree of economic autarky in the long run, adding (however minimally) to those factors tending to loosen the Soviet grip on the island. He reasoned that the composition of Canadian exports were such that it would be more "economically rational" for Cuba to develop substitution industries, or seek other non-communist trading partners to replace them, rather than purchase them from the Soviet Union. The underlying assumption was that the less dependent Premier Castro was on Soviet trade, the greater the degree of his political independence from the Kremlin. Finally, (and this did not pertain to Canadian-Cuban relations per se, but bore eloquent testimony to the deep impact of the missile crisis which only served to intensify public sentiment against Cuba), Mr. Hogan proposed a radical re-structuring of the lines of authority between the civilian and military branches of government. Among his suggestions was one which would have given the NORAD commander virtual autonomy in implementing decisions requiring "military judgement."

Messrs. Diefenbaker and Green as well as their closest policy
advisers were in substantial agreement on at least one major point of this analysis. Like Mr. Hogan, they regarded the deployment of Soviet missiles in Cuba as a calculated risk taken by Chairman Khrushchev to upset the balance of terror between East and West, and to demonstrate the vulnerability of American power. In this deadly game of nuclear blackmail, Premier Castro had been manipulated by Moscow, a view which it will be recalled held as wide a currency in the West at the time as it does now, nearly a decade later. No credibility appears to have been given to the argument that the missiles were intended to provide Cuba with a deterrent capability against a possible invasion, or that their installation might have first been suggested by the Cubans. The belief that another assault against the island might be forced upon the President as a political necessity was all but forgotten.

Yet Messrs. Diefenbaker and Green did not accept the "solutions" that flowed from the Hogan theses. In particular, they disputed the putative obligation inherent in his argument that Canada, as a gesture of good-neighbourliness, should defer to the wishes of the U.S. on Cuba, China, or any other international question for that matter. It was claimed that refusal to grant recognition to Communist China was not based on Washington's view, but reflected the majority opinion in Canada. In any case, there was a qualitative difference between the acts of breaking off and establishing diplomatic relations, so that in Cuba and China in this context were not comparable. Moreover, the Prime Minister was embittered that a trusted political associate would publicly disassociate himself from government policy on so vital an issue. Thus, when Mr. Martin sought to pin down Mr. Diefenbaker the very next day
(November 9) in the Commons, the Prime Minister, in a masterful exchange, remained firm:

**Mr. Martin:** Are we to conclude...that in the formulation of foreign policy this government does not take into account the view of the vice-president of the Progressive Conservative Association?

**Mr. Diefenbaker:** Mr. Speaker, the hon. gentleman, with that experience that goes back over the years, will recall observations made from time to time by those of his party in official positions that bore no relationship to the policies of that party.52

Herein lay the significance of the missile crisis for the future course of Canadian-Cuban relations. Had Mr. Diefenbaker wanted to rupture Canada's by now fragile links with Cuba,* no moment would have been more opportune; in addition to strong backing from his Cabinet and party, he most certainly would have found Canadian public opinion giving him overwhelming support. However, in the mind of the Prime Minister those factors which militated against the move all along continued to remain paramount. This settled the matter, for after Mr. Hogan's unsuccessful challenge, both external and internal pressure on the Cuba issue slackened considerably.† Subsequently, neither the Pearson or Trudeau governments ever had to face the kind of public confrontation over ties with the Castro regime that was forced upon Mr. Diefenbaker.

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* In late September, 1962, Mr. Green announced the withdrawal of the Canadian Trade Commissioner from Cuba. Citing a sharp decline in trade occasioned by a drastic reduction in Cuban reserves of hard currency, he declared that the Commissioner could serve a more useful function elsewhere. It will be seen from Appendix B that 1962 was the low year in post-revolutionary Canadian-Cuban trade.

† It should be noted that the question of maintaining trade and diplomatic relations with Cuba never became a political issue in the 1963 federal election.
In established Canadian academic circles, analyses of Mr. Diefenbaker's (and hence Canada's) behaviour throughout the missile crisis invariably proceed from two inter-related premises. The first was that the American blockade was both a necessary and justified action in order to eliminate an immediate threat of Soviet aggression against the nations of the Western hemisphere. Secondly, it was therefore presumed to follow that the Prime Minister's hesitation in authorizing the Canadian NORAD alert, and his refusal to endorse President Kennedy's decision to implement the blockade, were both grievous errors of miscalculation and misjudgement. Many of Mr. Diefenbaker's critics would not forgive him for what they regarded as his obdurate blindness in imperilling the smooth functioning of the continental defence system at a time when it faced its severest test. From these points of departure, attempts have been made to provide logical explanations for this behaviour. Mr. Diefenbaker is asserted to have: (1) suffered from chronic indecision in the last years of his tenure in power, partly because he was heading a minority government, but more importantly because he had lost the capacity to lead the Canadian nation; (2) developed such an intense dislike for President Kennedy that he was incapable of a rational response to the blockade; and (3) became so obsessed with his own peculiar brand of "Greater Canadianism" and Canadian nationalism that any unequivocal support of U.S. policies would tarnish his own self-image and that of his government.

Some observers, while sharply critical of Mr. Diefenbaker, were
also inclined to see in Ottawa's "sluggish response" to the crisis, defects of a more general and basic nature which transcended the Prime Minister's particular personality, but nevertheless was very much reflected in it. According to Professor Underhill, the crisis illustrated the "naïveté" pervasive in Canada about the realities of world politics. "The root weakness of Canadians in international affairs," he wrote, "is that we have never been willing to face up to the element of force and its crucial role in all international diplomacy."\(^{53}\) Professor Holmes, in remarks before the Couchiching Seminar, complained about the awkward "style" of Canadian diplomacy which he asserted was to some extent responsible for the failure of Canada to influence U.S. foreign policy. He alleged that too often Canadian governments foster the impression that differences with the Americans are based on "prejudice and perversity rather than conviction," citing Cuba as an extreme case in point. On a more theoretical note, Mr. Holmes argued that Canada had fallen into the trap of many "middle-powers," which are under a natural compulsion to forever demonstrate their independence of the great powers, while at the same time seeking to retain the respect of their allies. And Warner Troyer, a specialist on the Canadian armed forces, was of the opinion that the missile crisis showed the typical Canadian disinclination to take defence matters seriously. He hypothesized that Canadian units in NORAD would have required ten days to three weeks in order to achieve a state of readiness sufficient to meet a possible attack of the kind threatened from Cuba.\(^{55}\)
A critical examination of any of these arguments lies well outside the scope of this work. Any such undertaking would perforce require a lengthy normative political discussion which would involve debatable judgments about the Canadian people as a whole, in itself a difficult undertaking. We should, then, leave to future philosopher-historians of the Diefenbaker era the task of deciding whether or not the Prime Minister's behaviour during the missile crisis - especially during the first few days - expressed the General Will of the Canadian nation at that particular point in historical time. But because few, if any, writers on the subject have been led to challenge the widely accepted view that Mr. Diefenbaker's role then was "ignominious" (as Professor Underhill termed it), it is worth noting there is also to be found a good deal of justification in what he did and did not do.

The Prime Minister himself raised one important point in his own defence immediately after the crisis. On November 5, he told a meeting of Zionists in Toronto that the course of the crisis emphasized the absolute necessity for full consultation between allies prior to the implementation of any policies or actions which could conceivably lead to war. "It should be made clear that consultation is a pre-requisite to joint and contemporaneous action being taken," he said, "for it could never have been intended that either of the nations would automatically follow whatever stand the other might take."56 Elaborating this theme in Nassau on December 28, Mr. Diefenbaker noted that while no U.S. ally had been consulted in advance, Canada's commitments to NORAD should have marked her for special consideration. As he noted, on no occasion was it ever suggested that America's European allies were menaced by the
missiles. In this context he called attention to the consultation requirements inscribed in the NORAD agreement of 1958. A key paragraph of this document reads as follows:

"The two Governments consider that the establishment of integrated air defence arrangements...increases the importance of the fullest possible consultation between the two governments on all matters affecting the joint defence of North America, and that defence co-operation between them can be worked out on a mutually satisfactory basis only if such consultation is regularly and consistently undertaken."57

Again on January 25, 1963, in a major speech in the Commons defending his entire approach to relations with the United States, he returned to the situation during the crisis:

"How could you act at the same time as your partner acted if you had no knowledge in advance beyond an hour and a half prior to the delivery of the speech of the President of the United States? ....The United States knew in advance the course she was going to follow and had naturally had arrangements made in advance. We, as a partner in NORAD, had no knowledge [emphasis added], I simply point that out without further observation."58

The implication in these remarks would seem to be clear. Canada fought in two world wars only after the decisions to do so were made in Ottawa, and not in London or Washington. Even by 1939, it could not be claimed that Canada had evolved to a fully "responsible," or self-governing Dominion. Yet from these experiences it was clear that in matters of war, Canada was a fully-sovereign nation. Whatever lingering doubts were left as to the inviolability of this fact were removed when Canada emerged from W.W.II as one of the leading world powers with virtually absolute freedom to conduct her own foreign policy. Thus Mr. Diefenbaker's insistence on consultation was in every way consistent with Canadian history and traditions.
A comparison of Canadian and British responses to the missile crisis is illuminating from this perspective. In a study prepared for the RAND Corporation, H.A. De Weerd shows that the initial reaction in London to the Kennedy speech was one of shock and incomprehension, and hence, virtually identical to that in Ottawa. Prime Minister Macmillan is reported to have been "dismayed, angered, and frustrated" when he first heard about the blockade, especially since his Foreign Secretary had made it clear in Washington just several weeks earlier that Great Britain would have to regard such a move as an unjustifiable act of war in peacetime. Mr. Macmillan feared that the American action would leave the British Isles in grave peril from a retaliatory blockade by the Soviet Union, and he was dismayed that this possibility apparently escaped the attention of Washington. He linked this disregard for British interests with the failure to consult, reasoning that an immediate endorsement of the blockade would only serve to leave his country even more powerless to help avoid a nuclear holocaust. Like Mr. Diefenbaker, Mr. Macmillan's first instinct was to turn to the broader problem of disarmament seemingly raised by the crisis, as the best possible means for its solution. His proposal for progress on arms limitations and the banning of nuclear weapons tests as a quid pro quo for the withdrawal of the missiles reflected a much greater willingness to bargain with the Russians than did the suggestion for an inspection mission made by the Canadian Prime Minister. In fact, Mr. Macmillan who kept in close telephone contact with President Kennedy throughout the crisis, also communicated with Mr. Diefenbaker at least once a day, always counselling caution and restraint. Indeed, all the available evidence suggests that the
British leader was fully in accord with the Prime Minister's decision to hold off the immediate activation of Canadian elements in NORAD, a step which both considered would only contribute to the aggravation of the situation.\(^60\) This notwithstanding, history has recorded that Mr. Macmillan played the role of faithful ally, and Mr. Diefenbaker that of untrusting neighbour,* to the United States in the Cuban crisis.

Further, the legality of the quarantine action itself cannot be peremptorily dismissed. Canada's high standing in the international community rests to a large extent on her respect for, and observance of, statutory international law. No article or clause in the U.N. Charter sanctions the interdiction of vessels in international waters by any state in the absence of an armed attack on that state. The closest the U.S. could come to justify the quarantine was to invoke Article 51 which provides for self-defence against attack. However, Article 51 had previously been explicitly interpreted to mean that self-defence could only be used in the event of an armed attack, and not against the threat of an armed attack or any other act which might "upset" the peace.\(^61\) In conversation with the author, Mr. Diefenbaker refused to say whether or not he knew this beforehand, or if he had been briefed by legal advisors to this effect after Mr. Kennedy's speech. Nevertheless the Prime Minister's statement that legalistic arguments were "sterile and irrelevant"\(^+\) should not be considered Canada's last

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* Mr. Macmillan, it should be noted, authored the introduction (along with Robert MacNamara) to Robert Kennedy's *Thirteen Days*, published posthumously in 1969.

+ *Supra*, p. 230.
word on that subject, since that assertion came at a time of extraordinary duress; indeed it implies that Mr. Diefenbaker may have entertained doubts about the quarantine from a strictly legal point of view from the outset.

As might be expected, Mr. Diefenbaker's critics have tended to sidestep these specific considerations. For example, Professor Lyon makes only passing reference to the consultation requirement in the NORAD agreement. After an unconvincing and somewhat ambiguous footnote, he comes to the conclusion that whether or not consultation was "anticipated" in the agreement is still an open-ended question. The basis of Mr. Lyon's criticism, as that of Professor Stairs, is that in a nuclear age, the exigencies of time supersede any other consideration. Thus it is alleged that because of the possibility of instant nuclear war, Canada must, in the best interests of her survival, forget about the "formalities" of her relationship with the U.S. at times of grave emergency, such as occurred during the missile crisis, and provide Washington with immediate and unequivocal support.

This thesis strikes the author as circumlocutory, for it fails to take into account the actual course of the crisis. It is well to emphasize that the decisions to quarantine Cuba and to activate NORAD were taken on the same day, i.e. October 18, four days prior to the Kennedy speech. Therefore, had the President desired to take Canada into his confidence there certainly was ample time to do so. As it was, more time elapsed between those decisions and the quarantine declaration (four days), than between the declaration and Mr. Diefenbaker's speech supporting it (less than three). To conclude then, as
did Professor Stairs, that the Diefenbaker government "suddenly [took] an independent line" when the crisis began, is to ignore the facts of the situation as well as to sweep under the rug counter-arguments derived from a careful inspection of both the NORAD agreement and the U.N. Charter as to the legality of the U.S. action.

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Set in historical perspective, Canada's involvement in the Cuban missile crisis was an extraordinary occurrence. On no occasion prior to, or since then, has the Dominion government been as intensively engaged in a power struggle with the United States as during the first few days of the crisis. From the moment that Mr. Merchant revealed President Kennedy's immediate objective - that of securing a swift withdrawal of the missiles - and the measures that were to be taken to achieve that objective, a qualitatively new psychological relationship was created between the Canadian Prime Minister and the American President. A similar struggle was brought into play within the Canadian government, bearing an even more direct clash of wills. "When we speak of [political] power," Professor Morgenthau has observed, "we mean control over the minds and actions of other men....Political power is...a relation between those who exercise it and those over whom it is exercised....It may be exerted through order, threats, persuasion, the authority or charisma of a man or of an office, or of a state, or a combination of these."65

From this concept of power, and the controlling influence it exerts in international politics, the Cuban missile crisis can be
regarded as having maximized the political character of Canada-U.S. relations for a brief moment in time. Applying the concept as a tool of analysis, two conclusions emerge in so far as the Canadian experience was concerned. First, Canada has no power at all when vital U.S. interests are at stake, even if Canadian interests are not identical in such a situation. Secondly, powerful forces within Canada are immediately set into motion against independent expressions of Canadian policy when that policy conflicts with American interests and objectives.
NOTES - CHAPTER VII

1. This is the only chapter of this study where historical and empirical information can be found bound within the covers of a few books in the literature on Canadian foreign relations. Both Robert W. Reford's *Canada and Three Crises* (Lindsay: John Deyell), which first appeared in 1969, and the volume of *Canada in World Affairs, 1961-62*, written by Peyton V. Lyon, devote some thirty odd pages to Canada's role in the Cuban missile crisis. The account given here attempts to reconstruct the highlights of the Canadian involvement from these two sources. It has been supplemented by other material gathered from interviews with several former government officials, most notably the Honourable Howard Charles Green. Interviewed nine years after the crisis, Mr. Green appeared to recall those historic events of October, 1962, with crystal clarity. (The interview was taped and is in the possession of the author.) This chapter focuses on selected aspects of the crisis which raised more fundamental questions concerning the government's behaviour; it does not delve into the details of the Kennedy administration's actions, nor does it explore the reasons behind them. Several excellent works cover the crisis from beginning to end, among them *Collision Course* by Professor H.M. Pachter, *The Cuban Missile Crisis* by Ellie Abel, and the memoirs of Messrs. Schlesinger and Sorensen, cited in the previous chapter. Footnotes in the chapter are limited to material not cited in the Lyon and Reford accounts, or where the author wishes to emphasize a point in question, or otherwise present the material from a slightly different angle from either of these authors. Mr. Reford's account, written after, and with the aid of, Mr. Lyon's, contains some fascinating inside information put together from conversations with "anonymous" government officials. Both came to similar conclusions regarding the Canadian responses. At various points the account presented here differs with their interpretation of events.


12. Globe and Mail, October 10, 1962. Incidents such as these illustrate the basic political fact that the limits of Canadian sovereignty inhere in the "special relationship" with the U.S.
18. Ibid.
20. Bayrs, in Tupper and Bailey, op. cit., Ch. 2.
23. Mr. Harkness all but admitted this implicitly when, in testimony given to House Standing Committee on Defence years later, he disputed the thesis that Canadian Forces had not been placed on "adequate" alert status during the crisis. Canada. House of Commons, Standing Committee on External Affairs and National Defence, No. 47, May 27, 1969, pp. 1659 ff.
24. Grant, op. cit., p. 9. Professor James Rosenau has developed the concept of the "penetrated political system" to describe the phenomenon by which one state manages and conducts the foreign policy decisions of another state. Penetration arises when "non-members of a national society participate directly and authoritatively through actions taken jointly with the society's members, in either the allocation of its values, or the mobilization of support on behalf of its goals." James N. Rosenau, "Pre-theories and Theories of Foreign Policy" in R. Barry Farrell (ed), Approaches to Comparative and International Politics (Evanston, Ill.: Northwestern University Press), 1966, p. 65.
Montreal Star, October 24, 1962 (p. 4). Professor Quincey Wright, for many decades an acknowledged authority on international law, came to essentially the same conclusions concerning the legality of the quarantine as did Mr. Nugent. In particular, the following striking similarity is to be noted:

"It may be that some weapons should be regarded as inherently offensive, but no agreement to this effect has been made, and general international law, following the opinion of most strategists, has regarded the offensive or defensive character as dependent on their intended use. Any weapon can be used either defensively or offensively."

Quoted from Quincey Wright, "The Cuban Quarantine," American Journal of International Law, Vol. 57, 1963, p. 551. As Professor Wright proceeds to show, great Powers - no less than small states - have an obligation under the U.N. Charter to submit international disputes to the Security Council for their peaceful resolution and to refrain from unilateral action against weaker states that "get in their way."

In the circumstances, the quarantine represented an action which threatened the use of force to realize an "immediate interest" or objective of the U.S. government and thus constituted a violation of article 37 of the Charter which directs parties in an international dispute to refer the dispute to the Security Council if it cannot be settled by "other means."

Most notably Trade Minister Hees and M. Pierre Sevigny, the Associate Defence Minister. Cf. Toronto Star, February 11, 1963.


Mr. Armstrong, in conversation with the author, also freely acknowledged that this was the case.

Professor Hans Morgenthau would not agree with this conception of sovereignty. By his definition, "sovereignty is limited to the ability of a state to freely exercise law-making and law-enforcing functions within its territory." Sovereignty is not, he says, "necessarily lost when a state loses control over political or military decisions." Cf. his Politics Among Nations (New York: Alfred Knopf), 1967, pp. 303-4

Globe and Mail, October 25, 1962.

Ibid.


Lyon, op. cit., p. 47.

Le Devoir, October 30, 1962. Earlier, when Mr. Diefenbaker announced full support of the U.S. (i.e. on October 25), Mr. Bourret condemned him for blindly backing "U.S. imperialism." Le Devoir, October 27, 1962.


This survey of press opinion presented was collected from the Globe and Mail, October 24, 1962, and from an unpublished paper by Professor Denis Stairs of Dalhousie University entitled "Canada's Policies Towards the Castro Regime," pp. 73—75.

Le Soleil, October 26, 1962.

The following survey of press opinion was abstracted from Stairs, op. cit., pp. 75-77.

Lyon, op. cit., p. 50-51.


Winnipeg Free Press, November 1, 1962.


Washington Post, October 28, 1962. Max Freedman, Washington correspondent for the Winnipeg Free Press, interpreted the editorial in a different way. He wrote on November 17 that the Post had commended Canada "for adopting an attitude not as unhelpful as might have been feared." In short, the Prime Minister had been damned with faint praise.


Lyon, op. cit., pp. 56-57

Mr. Hogan developed the basis of his Progressive Conservative philosophy in a monograph entitled The Conservative in Canada (Toronto: McClelland and Stewart Ltd.), 1963. His tragic death in 1964 deprived his party of one of its most promising leaders in decades.

Globe and Mail, November 9, 1962.


54. Lyon, op. cit., p. 63.

55. Ibid., p. 53.


58. Lyon, op. cit., p. 59.

59. H.A. De Weerd, British Attitudes in the Cuban Crisis (Santa Monica: RAND Corporation), 1963.

60. Mr. Green, in conversation with the author, was quite explicit on this point. Cf. Lyon, op. cit., p. 62.


63. Stairs, op. cit., pp. 66-68.

64. Ibid., p. 68.

While the formulation of Canadian foreign policy has always been heavily influenced by such constant "objective" determinants as geography and ties to the Old World, "subjective" or voluntarist factors have emerged as important in various periods. During the Diefenbaker years the political personality of the Hon. Howard Green not only altered the traditional style of "Quietism" in Canadian diplomacy, but also attempted to loosen it from its Cold War Procrustean bed. A simple, pious man, Mr. Green brought a distinctive pride in "being Canadian" at External Affairs. Believing that the instincts of compromise and common sense are virtues inherent in the Canadian character, he was convinced that these assets destined Ottawa to play a key role in solving major world problems. On various occasions he suggested that Canada take an "idealistic" approach to international affairs which he claimed suited her traditions as well as the "national temperament" of Canadians. Few figures in Canadian political history have presented more of an appearance of seeking to single-handedly defy the Machiavellian laws of statecraft as he did.

Mr. Green's tenure at East Block is, of course, best remembered for his tireless devotion to the twin causes of disarmament and the abolition of nuclear testing. During his years as Minister these concerns became the priorities of the Department at his direction. His strategy for bringing about an accommodation on issues facing the super-powers be-
trayed his own personal simplicity: it was to find whatever common ground existed as a basis for preliminary discussions. Only on rare occasions did he show any inclination to penetrate into the deeper political, economic, and military aspects of international issues. Invariably his first reaction to trouble in the world was to raise the possibility of Canada's playing some type of peace-making role, in which he had great faith. And though there was nothing new in this *per se*, Mr. Green's independent, "left-wing conservative" approach challenged some of the prevailing orthodoxy of Canadian diplomacy at the time. Not surprisingly he became one of the most "controversial" figures in the Tory government.

Historiographers of the Diefenbaker era, as well as contemporary journalists and publicists, have not been kind to Mr. Green. The most frequent criticism levelled against him is that he was incredulously naive for having reduced complex international questions to very rudimentary categories of homespun philosophy. One standard joke, recalling his lack of experience in external affairs, described him as being "minister of affairs foreign to him." Even his hard work to find a formula for negotiations on disarmaments has been subjected to ridicule; for example, Professor Lyon has termed it a "magnificent obsession."¹

It is not the purpose here to undertake any detailed evaluation of Mr. Green's contribution to Canadian foreign-policy making. But the fact that he had a large hand in shaping Canada's diplomatic conduct did prove to have some unusual repercussions when applied to the Cuban situation. At the first signs of a serious rift in relations between Washington and Havana, Mr. Green appears to have sensed the impending
difficulties for Canada. An exacerbation of tensions to the point of a rupture in relations would force her to "choose up sides" in a conflict in which there was nothing to gain, and potentially much to lose.2 Later, when out of office, Mr. Green argued that the preservation of stability and peace in the Caribbean was of special interest to Canada because of her long-standing ties in banking, insurance, and trade with the region as a whole. Added to this there are the bonds of Commonwealth membership with a number of islands in the Antilles chain.3 It was his premise, from which he never wavered, that it was in both Canada's immediate as well as long-range national interest to bring about a normalization of relations between the two countries. Towards this end, Mr. Green, utilizing the instruments of Canadian diplomacy at his disposal, personally made a number of efforts at conciliation, thus adding another dimension to Cuba's impact on Canadian-American relations. Seen in the larger context of Canadian "peace-making," these efforts proved to contain the elements of a new approach to external policy and for this reason assumed an importance far greater than would have been the case otherwise.

CANADA AS MEDIATOR?

The first indication that Mr. Green was prepared to put Canada's "moderating influences" to use in the U.S.-Cuban imbroglio became evident in July 1960. In late June the revolutionary government nationalized, without compensation (or "intervened" as the Cubans call it), all the foreign oil companies on the island. (Included was a subsidiary of Royal Dutch Shell, under the management of a Shell holding company in
Toronto, but not a de jure Canadian operation.\textsuperscript{4} This step brought immediate U.S. retaliation in the form of the virtual elimination of Cuba's sugar quota on the American market. Just as rapidly, the Soviet Union acted to fill the void by offering to purchase the full amount of the quota. It was then that Chairman Khrushchev issued his famous "warning," which later was interpreted to be "only symbolic," that Soviet missiles would, if necessary, be used to defend the revolution.

Seeing in Mr. Khrushchev's threat a Soviet attempt to exploit U.S.-Cuban differences, Mr. Green's first concern was to warn against any possible U.S. over-reaction. True, the threat was "extremely serious," and it was not possible to conceive a President of the United States making that kind of threat against any country; but first and foremost, the emotional elements had to be repressed. Here Canada had a useful role to play in keeping such international conflicts within the bounds of "order":

"We all know our friends across the border and how they react. They are a proud people and this is not a threat that can be easily ignored either by the United States or any other country. Canadians would react pretty violently against the same kind of threat too.

So we have to try to understand the human reaction in these different countries. Canada's attitude with regard to the Cuban crisis has been to urge patience, discussion and negotiation and that heads be kept cool, having in mind the hope that in this way very serious problems can be worked out without any further damage being done.\textsuperscript{5} [Emphasis added]

These remarks, laden with down-to-earth homilies that were characteristic of Mr. Green's public statements during the nearly four years he served as External Affairs Minister, nevertheless contain the essence
of Canada's attitude as he publicly portrayed it. In sum, Mr. Green looked upon Mr. Khrushchev's threat as constituting a provocation, but nothing more than that. Canada's position was not only to sympathize with the Eisenhower administration, but also to help it nurse any "injured pride." At the same time he feared that an escalation in the war of words might easily plunge the super-powers into an explosive confrontation from which neither could withdraw. For this reason, his first reaction was to urge restraint on the U.S. This was hardly an exciting or imaginative policy. Its motive was simply to serve notice on the international community that while Canada's ultimate loyalty rested on her firm alliance with the West, she nonetheless could have a useful role to play in the reduction of tensions by acting as interpreter of the United States to the rest of the world. In the more prosaic formulations of the specialist, Canada went on record as prepared to use her "diplomatic credit"* in Washington to aid in the resolution of an international dispute. However, the incident disappeared as suddenly as it had appeared; and there was nothing to suggest that this offer had any immediate relevance to any of the powers concerned.

Mr. Green made a second gesture aimed at preventing the U.S.-Cuban conflict from reaching a point of no return the following January. On the 3rd, President Eisenhower, in response to Cuba's demand that the U.S. Embassy staff be cut to eleven, angrily announced the severance of diplomatic relations with the Castro regime. "There is a limit," he

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* * Infra, Chapter IX.
said, "to what the United States in self-respect can endure,[and] that limit has now been reached." As in the case of the embargo, Canada was notified just prior to this action, but whether it was suggested that Ottawa do likewise remains uncertain. At the official level the government refused comment, except to confirm a report that Ottawa's diplomatic relations with Havana would continue "uninterrupted." An article in the New York Times the following day which confirmed this quoted the External Affairs Minister as saying that Canada regretted that matters had reached such serious proportions and would be only too willing to assist in a constructive way "to improve the situation." On the surface this proposal could not have been more modest, and it would be easy to exaggerate its meaning. However, behind it lay a principle of Canadian diplomatic activity developed by Mr. Green to which there was great resistance within the foreign policy-making bureaucracy.

In conversation with the author, Mr. Green recalled that neither he nor his closest advisers believed the break with Cuba to be fully justified. While it was agreed that the U.S. had been subjected to considerable provocation by the confiscation of the property of American nationals, the forced reduction in Embassy personnel, and the general hysteria against "Yankee imperialism," they were of the view this action was bound to contribute to a further aggravation of tensions. Like Mr. Diefenbaker, Mr. Green did not believe that Cuba had yet become a Communist beach-head. Even if this were the case, breaking diplomatic relations was not an acceptable method of expressing opposition to a foreign government. In resorting to this argument, Mr. Green was again
articulating the so-called declaratory doctrine of diplomatic recognition to which Canada has traditionally subscribed. According to its tenets, recognition of a sovereign state should be governed principally by the criterion of physical control over the state apparatus, and does not necessarily imply moral or ethical approval of the regime in power.* Had Mr. Green, acting for the Canadian government, come to the conclusion that the U.S. decision was the correct one under the circumstances, he would not have offered Canada's services as a mediator. Thus the basis of the "Green doctrine:" the wider the gulf with the U.S. over a given issue, and the more specific its content, the greater chance Canada has of effectively using her diplomatic assets to bring about compromise settlements, even on issues not directly involving the U.S.

The subtlety of this innovation, and its application to the present situation, was understood in Washington. By means still unknown, it was suggested instead that Canada consider taking similar steps against Cuba in solidarity with the U.S. This request stirred an informal debate at East Block, and at the Canadian Embassy in Havana, as to the merits of retaining diplomatic ties with Cuba. All the protagonists in this controversy are still not known, but they included a number of American businessmen who argued that Canada should follow the U.S. lead.† But this view did not prevail. A week later a government spokesman was quoted as saying that Canada would not take similar action for the following reasons: (1) No other N.A.T.O. country had broken with Cuba;

* Supra, pp.215-216.
† Anderson letter.
(2) Canada had little diplomatic business in the past to transact with Cuba, and (3) Canada had had "no diplomatic difficulties with the Government of Fidel Castro."8 This latter was a euphemism meant to indicate that Canadian property and assets had been accorded treatment different from that of U.S. nationals and corporate enterprises. (What logic there was in argument (2) escapes this writer). In the upshot, the acceleration of plans to overthrow the Castro government rendered Mr. Green's mediation suggestion quite meaningless.

DIPLOMACY AND THE BAY OF PIGS

The invasion at the Bay of Pigs provided Mr. Green with a third (and the most propitious) opportunity to apply his dictum of negotiation. This third effort suffered a similar fate, but had more far-reaching repercussions.

On April 18, with the invasion still in progress (it had been launched one day earlier), Mr. Diefenbaker read a long prepared statement in the House. "The Canadian Government," he said, was "following events in Cuba with much anxiety and deep concern." Mr. Khrushchev's message of support for the Castro government had introduced "a new and more threatening" element into the situation: "International Communism" was attempting to secure a foothold in Cuba in order to launch its penetration into the whole of Latin America. The Prime Minister reserved the major part of his statement for an analysis of the development of the revolution in the context of the international forces impinging on it:

"It is now all too clear that the situation in Cuba is much more than a continuation of the original internal revolution which was to a large extent an expression of the legitimate
social and economic aspirations of the Cuban people. Cuba, like so many small and defenceless countries, has become the focal point in the ideological contest which is progressively reaching into every corner of the world. In our country we cannot be indifferent to the new danger which affects the hemisphere in which we live.

"Cuba is a casualty of the internationalization of its original revolution. In this process the interests of the Cuban people have been subordinated to the interplay of outside forces beyond their control. Civil liberties are further curtailed in the name of national security, and arbitrary acts of reprisal have become a substitute for justice. These are manifestations of a dictatorship which are abhorrent to free men everywhere.

"Any threat to the peace of this hemisphere affects us here in Canada. We have neither the means nor the intention to intervene. What we earnestly wish to see established are stable conditions within Cuba which will allow it to develop in peace and live free from outside pressures as a constructive partner of the nations of the Western Hemisphere."[1]

At first reading this constitutes a far-reaching moral and political indictment of the Cuban revolution. True, the Prime Minister was willing to concede that the revolution had its roots in the popular will of the Cuban people, long suppressed by colonial and neo-colonial subjugation. As one observer noted, this may have been for the purpose of recalling to Cuban authorities Canada's long-standing objection to the Monroe Doctrine and U.S. policies in Latin America generally. Mr. Diefenbaker was seen as apprehensive lest President Kennedy resurrect the Doctrine as a justification for the overthrow of any Latin regime not to U.S. liking. [2] A commentator in Le Devoir went as far as to suggest that Mr. Diefenbaker had, by implication, been sympathetic to Cuba's efforts to escape from U.S. economic domination. This represented, according to his thesis, the fundamental "nationalist" basis of the revolution, with which Canada was in full accord. The analysis suggested that the
revolutions's political turn towards Moscow was provoked by implacable hostility to the new regime.\textsuperscript{11}

On the other hand, the thrust of the Prime Minister's remarks can be shown to be in the opposite direction, towards a condemnation of Cuba. According to Mr. Diefenbaker, the Castro government had betrayed the Cuban people by creating a totalitarian society, thereby undermining the democratic principles upon which the struggle against Batista had been waged. In forming an alliance with the forces of "International Communism," it had been transformed into an external threat to the security of the entire hemisphere, Canada included. Since the Prime Minister had refused up to this point to make any comment on the ideological character of the revolution, his statement was (initially) widely regarded as marking the end of Canada's apparent official detachment from the upheavals within Cuba, and acceptance of the American view that the regime there had become so much of a menace that Canada was not prepared to co-exist with it. Thus, two weeks after the President had acknowledged the invasion to have been a complete failure, and for which he assumed full responsibility, Washington officials were still interpreting Mr. Diefenbaker's statement as a general expression of support for the attempted overthrow.\textsuperscript{12}

On this last point most Canadian observers were inclined to disagree. For the most part, Mr. Diefenbaker's remarks were regarded as a belated act of atonement for past Canadian errors in evaluating the "true nature" of the situation in Cuba, typical (presumably) of Canada's lag in recognizing the dangers of Communism. But that did not signify tactical support of the invasion. As one writer in the Winnipeg Free Press
argued, the Prime Minister "made some noises about Cuba," the principal purpose of which was "to make an impression... intended for U.S. consumption."

The noises were of two kinds: "loud ones" to voice Mr. Diefenbaker's vigorous opposition to Communism, "quieter ones" to reassure Fidel Castro that Canada had deep misgivings about the future course of Mr. Kennedy's policies. Unfortunately, "Canadianology" has not yet been refined to the point where it can provide a reasonably accurate method of reading in-between the lines of statements by Prime Ministers to disentangle any such dialectical content. As Professor Lyon asserts, Canada's interests in such situations would be best served by silence.

Mr. Diefenbaker never again rose to make any reference to the abortive Bay of Pigs invasion, save for an announcement nearly one year later that Canada had formally expressed "concern" to the Cuban Embassy in Ottawa over the fate of the captured prisoners.

At first Mr. Green also remained non-committal. On April 21, when it had already become clear that the invasion had failed, Mr. Herridge asked the External Affairs Minister if the government had informed Washington of Canadian opposition to the invasion fiasco. Mr. Green countered, somewhat absurdly, by asking Mr. Herridge if he wanted Canada to "declare war" on the United States. He recalled the successful results of secret Canadian representations during the Suez and Hungarian crises of 1956, but gave no indication that the government intended to act similarly in this case. And he characterized as "sheer speculation" a report in the Toronto Star to the effect that Canada was prepared to act as a "referee" between the U.S. and Cuba. The report
suggested that the first step along these lines had already been taken with Ottawa sounding out both Washington and Havana in order to pave the way for secret diplomatic discussions between both governments. According to Mr. Green, experience had shown that "few dividends" could be expected from such a direct approach.16

A foreign policy debate was held in the House on April 26-27. Opening it, Mr. Green limited his references to Cuba to repeating remarks made by the Prime Minister to the press on April 19 that Canada would continue to maintain "normal relations" with the Castro government. By implication, the same question arose during Mr. Green's appearance before the House Standing Committee on External Affairs on May 2. Asked to comment on Premier Castro's declaration that Cuba had become a socialist state, he refused to interpret this to mean that she had become an integral member of the Soviet Bloc. The formal Castro proclamation was "worrisome," but not "menacing," as suggested by the questioner. Thus there would be no significant change in policy towards Cuba.17

Mr. Green's disinclination to immediately offer even a cursory examination of the invasion in the light of the fixed precepts of Canadian foreign policy stood in marked contrast to the lengthy exposition delivered by Mr. Pearson on this subject. It is worthwhile to make a brief digression to illustrate this difference in some detail because of the wider implications in it.

During the House debate, Mr. Pearson attempted to analyze the invasion from the perspective of a "balance" of both the "moral" and "normative" factors involved. On the "debit" side, the Liberal leader
acknowledged that the U.S. intervention was a "mistake," that the landings of the exiles was certainly not "very successful," and that in any event the U.S. did not correctly gauge the "winds of change" blowing in Cuba, or for that matter in the whole of Latin America. Nevertheless, he did not question U.S. motives in launching the assault, nor did he express any reservations about the end it was designed to achieve. Quite to the contrary, Mr. Pearson found several reasons to explain and justify the invasion. Contending that there is a "big difference" between "local" non-communist tyrannies and communist ones, he described the latter as being infinitely more dangerous because they are "wedded to the international communist conspiracy," behind which "lurk the forces of communist imperialism." In his view, the U.S. intervention could not be equated with the Soviet suppression of the Hungarian uprising, because "mistake" in a free democracy is subject to correction by public opinion, whereas no such alternative is available in Communist dictatorships. In this connection he maintained that the U.S. had demonstrated its commitment to democracy in Cuba by unleashing "for the most part" the more liberal and reform-minded exile groups, many of whose members had previously fought against the Batista dictatorship in its waning years of power. Further, he suggested the House take solace in the fact that, according to his interpretation of the President's hard-line speech on April 22 accepting full responsibility for the invasion, the so-called "Kennedy doctrine" then enunciated
was not applicable to Canada." He "presumed" that the U.S. would not, in the absence of an attack on its territory, take unilateral action against any other nation in the hemisphere. Not definitely certain as to whether the latter would indeed be the case, he ended his presentation by merely "hoping" that it would be, and that collective action would at least be attempted through the O.A.S. 18

Mr. Pearson's public reactions to the Bay of Pigs were hardly unique. For the most part they fall into the stereotypical patterns which have been brilliantly analyzed by Professor Daniel Stern. According to Professor Stern, the Cuban invasion was highly anxiety-producing to the "Anti-Communist Liberal," because it challenged what he has called the primitive political assumptions of Liberal ideology. Most important of these, he contends, are the notions of "goodness" and "badness" which have become associated with the behaviour of the Communists, and to which the Liberal has been conditioned to respond. Arguing that political - if not ethical or moral - anxiety will produce the typical defence mechanisms characterized by Freud, Stern proceeds to classify Liberal reactions under ten Freudian categories. 19 From his contributions to the Bay of Pigs discussion, Mr. Pearson's "explanations" fit conveniently into this theoretical framework. First, his frequent references to "Communist imperialism," an element which he considered to supersede all

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* He was referring to Mr. Kennedy's address before newspaper editors in Washington in which he declared that "U.S. restraint was not inexhaustible," and that if the other nations of the hemisphere failed to meet their commitments to its security, the U.S. would not hesitate to do so. Most observers took this to mean a classic re-assertion of the Monroe Doctrine.
others in the invasion equation, represented an effort to displace the opposition generated in Canada to the attack upon an object or idea for which this affect required no change in primitive political assumptions. By conjuring up this grim picture of "Communist totalitarianism," Mr. Pearson reduced, in his own mind at least, the disquieting "moral" questions raised by U.S. intervention to more comforting political premises. Secondly, the allusions to the essentially democratic functioning of the American polity, and, by "logical" extension, to its foreign policy, provided a convenient method to rationalize the invasion. Implicit here is the idea that Western-type democratic political systems constitute a superior form of political organization over and against "socialist" or "communist" forms, which suffer from the original sin of dictatorship. The assumption is that American democracy is an intrinsically exportable commodity. It also should be parenthetically noted that Mr. Pearson's assertion concerning the composition of the invading "Bridge 2506" exiles was incorrect for it was subsequently revealed that the C.I.A. had carefully excluded the reform-minded elements (such as the leftist, but non-Communist "Revolutionary Movement of the People" (M.R.P.) under the leadership of Manuel Ray) from participation in the invasion. And third, by splitting the content of Mr. Kennedy's ominous speech of April 22, Mr. Pearson had effected a dissociation, or isolation, of certain passages in it which had aroused particular concern in the House. In an effort to assure his colleagues that Canada would be granted "immunity" under the new doctrine, he attempted to repress the negative emotional effects of the threat issued by the President. For even if the launching of a similar type of operation
is beyond the collective comprehension of Canadians, the speech at minimum did not portend well for the future course of Canadian-American relations under the new U.S. administration.

Noteworthy, too, is what Mr. Pearson omitted discussing. Nowhere did he touch upon the legality of the invasion, in sharp contrast to his attack on the Soviet Union as an "international outlaw" in suppressing the Hungarian rebellion of 1956. This, too, was at the basis of his strong opposition to the tri-partite Anglo-French and Israeli strike against Nasser's nationalization of the Suez Canal. (For his diplomatic efforts at the U.N. in bringing about a peaceful settlement of that conflict in 1956 Mr. Pearson, of course, received a Nobel Peace Prize).

This critique can be extended on a less "abstract" plane. One example will suffice. Mr. Pearson's assertion that political "mistakes" cannot be "corrected" in Communist societies because of the absence of public pressure against the government is historically without foundation. True, opinion is not institutionalized in the Communist countries in the form of autonomous interest groups as in the Western democracies. However, there is now a reliable body of literature extant which suggests that the leaderships of the monolithic party-states of the U.S.S.R. and Eastern Europe, and to some extent in Cuba as well, are indeed subject to some popular restraint from below. Further, foreign-policy formulation in the United States, and for that matter Canada also, has traditionally been the preserve of exclusive elites, and quite outside the process of political consensus that remains the pattern of domestic politics. Moreover, the practice of North American democracy is to
require a majority for "correction," and as Professor Dahl has shown, majorities are no more likely to reach a "right" decision than are minorities, assuming that a right decision can be shown to exist in objective fact.25

Mr. Green was not susceptible to any such psycho-ideological encumbrances. Virtually without ideological predilection in a generic sense, his "politique de grandeur" envisaged Canada taking the "correct stand" on issues, rather than playing her traditional role as an "honest broker" in world affairs.26 Perhaps freed somewhat from the constraints of Mr. Diefenbaker, Mr. Green found in a N.A.T.O. Council Meeting held in Oslo from May 9-10, the opportunity to censure the U.S. (albeit mildly) for having launched the Bay of Pigs invasion in the first place. Though the complete text of his speech to the Council has never been made available to the public, the Canadian Press reported that he stressed "the inviolability of the principle of self-determination," and that it was the special responsibility of the N.A.T.O. powers to adhere to this principle. Unilateral action of the kind encouraged in the attack on Cuba flaunted the spirit, if not the letter, of the Atlantic Charter. It also ran counter to the idea of collective security for which a regional organization such as N.A.T.O. was created in the first place. The External Affairs Minister acknowledged that the U.S. had been "provoked," but nevertheless maintained that outside interference would "do more harm than good." Instead, he urged that if recourse to Draconian measures against an aggressive member of the hemispheric community were necessary, they could only be sanctioned by the
unitary voice of all the nations of Latin America acting through the O.A.S. The report went on to add that Mr. Green had characterized the Cuban revolution as a "genuinely social one." The "extraordinary changes" taking place on the island were the inspiration of nationalist, and not communist elements. Accordingly, Mr. Green ventured the opinion that many of the reforms enacted by the Castro regime "should not be reversed," singling out for attention the wholesale redistribution of land. He said that while he deplored the abolition of democratic freedoms, it would be folly to believe that their restoration could be brought about by the kind of unilateral intervention contemplated by Washington. Finally, Mr. Green reiterated his conviction that the outstanding differences between Cuba and the U.S. could be settled by negotiation.  

In Geneva several days later to attend a working session of the U.N. Disarmament Committee, Mr. Green followed up these remarks by indicating to a correspondent for the Associated Press that Canada stood ready to "mediate" the dispute. "We would hope," he said, "to be able to solve this problem." He further included Mexico and Brazil as the Latin nations most likely to participate with Canada in the attempt. Juxtaposed alongside Mr. Diefenbaker's tough statement of April 19, Mr. Green's contributions to the post-mortem debate on the invasion leave the unmistakeable impression that the Prime Minister may have had a prise de conscience, if indeed Mr. Green was speaking for his Chief. Certainly though, Mr. Green's own outward disposition had changed, for in openly apportioning blame on the U.S., he had gone further than the
most vocal critics of the invasion in the socialist C.C.F. party. In doing this, Mr. Green had crossed the Rubicon from "Quiet Diplomacy" to "Independence."29

Mr. Green's performance at Oslo and Geneva was met with wide acclaim in the Canadian press.30 In both English and French Canada, his offer to use Canada's "good offices" as a bridge between the U.S. and Cuba struck a particularly responsive chord with editorial writers. Le Presse praised Mr. Green's attitude as combining frankness with purity of motivation. Le Soleil commented that it convincingly demonstrated that Canada was sincerely seeking to create the kind of climate that would help foster world peace, and that Canada could act as an unbiased and impartial power in settling international disputes. The Toronto Star called attention to Mr. Green's plea to analyze the great changes taking place in Cuba in the light of her long history of frustrated nationalism and economic domination by the U.S., and termed it "excellent advice." Ian Slanders of Maclean's wrote that the comments ascribed to the External Affairs Minister "may have splashed cold water on some of the hotheads advocating a return to gunboat diplomacy,"31 something hardly new in the annals of Cuban history. Most euphonious of all, the Globe and Mail hailed Mr. Green for having discharged a "real service" to both Canada and N.A.T.O. by injecting a note of sorely needed "common sense" on the whole Cuban issue. The Globe article credited Mr. Green with having "admirably clarified" the government's position in the midst (once again) of general hysteria against Cuba in the United States, intimating that few, if any, of America's N.A.T.O. allies had succeeded in doing the same thing. Placing the issue squarely in the context of
the Cold War, the Globe saw a parallel in a Communist outpost ninety miles off the coast of Florida, and U.S. bases on the peripheries of the Soviet Union and China. It argued that neither situation could be presumed to be more morally justified, but that both blocs would be forced to tolerate this new status quo in the interests of world peace. The only serious objection raised by the editorial to Mr. Green's efforts concerned his suggestion that action against Cuba could only be legitimate if it received the backing "of Latin America." In the Globe's opinion, "participation of many nations instead of one cannot make an unjustifiable act justifiable." On the other hand, the problem of unilateral intervention in Cuba was largely hypothetical in view of the strong outcry raised in Latin America as a whole to the U.S.-sponsored invasion. The editorial concluded:

"Negotiations between two hostile states usually require a mediator. Canada is in perhaps the best position of any nation for the role. Our Government has remained neutral in the controversy, and has tried to maintain friendly relations with both the United States and Cuba. We enjoy confidence and goodwill in both countries. We should be prepared to offer our services as a mediator." 32

U.S. officials were quick to recognize the rebuke contained in Mr. Green's mediation offer. "As they read it," wrote Mr. Slanders from Washington, "Green was telling the world that the U.S. line vis-à-vis Cuba is based on exaggerations, distortions, and unwarranted fears, and not worth taking seriously." 33 It was also seen as a direct rebuff to U.S. efforts to offset the loss suffered by its prestige in Latin America as a consequence of the invasion. Encouraged by the immediate approval given by Congress to a bill authorizing an increase of $500 million in aid to the region, the Kennedy administration began its
concerted campaign to isolate the Castro regime within the O.A.S.
"What's he trying to do, scuttle us?" one State Department official complained. Another was reported to have said that Mr. Green's comments would make censure of Cuba more difficult because they suggested that the differences between the U.S. and the revolutionary government were negotiable to begin with. In brief, Mr. Green's straightforward mediation offer had accorded the Castro government a political legitimacy which Washington simply could not accept.

From the perspective of Canada's diplomatic experience and "national spirit," circumstances could not have been more favourable for Mr. Diefenbaker to give public blessing to Mr. Green's efforts, thereby elevating them to the level of official policy. The arbitrary use of American power, which the invasion and its aftermath seemed to suggest might form part of a recurrent pattern, the Prime Minister exposed, as has been noted before, as a matter of principle. The spontaneous consolidation of public opinion behind the External Affairs Minister was a development he could not have failed to notice, nor be insensitive to. Furthermore, Mr. Green had acted in the finest tradition of Canadian diplomacy, trying to restrain the U.S., in this case from reckless action against a small Latin state. Unfortunately for Mr. Green, the timing of all this was extremely awkward, since the President's trip to Ottawa, which had been advanced ahead of schedule, was upcoming the following week. Mr. Diefenbaker therefore felt compelled to deny the accuracy of the report of the Canadian mediation overture. On May 13 he told the House that, although the government was poised at all times to assist
in promoting good relations among the nations of the Western hemisphere, it was his opinion that "there is no justification for any suggestion to the effect that mediation was discussed at Geneva."

What the motives were that prompted the Prime Minister to make this assertion in the wake of not only Mr. Green's speech in Oslo, but also in the face of incontrovertible evidence to the contrary, remains a subject for speculation. Perhaps he felt the inexorable pull of political considerations, which for Canada has always meant (as we have emphasized previously) to avoid at all costs any aggravation of Canadian-American relations at the highest levels. Then, too, at the basis of this necessity there may have been the feeling that despite the soundness of the Green initiative, the publicity given it had produced the kind of adverse reaction in Washington so as not to merit further discussion.

There is some circumstantial evidence to suggest that this may indeed have been the case. A week prior to the invasion, the Canadian Ambassador in Washington cautioned President Kennedy that an exile attack would not unleash an internal uprising against the Castro regime, as many of his closest advisers (and the C.I.A.) had expected it would. In the view of the Canadian diplomatic community in Washington, the disaffected elements within Cuba would either be quickly neutralized by the efficient techniques of spying and other measures of internal security that had been developed, or even coalesce behind the regime in a surge of nationalist feeling against an externally generated attack, or both. This prediction was based on an analysis of the domestic political situation within Cuba made by the Havana Embassy.*

* Rae interview.
In this light, Mr. Green's initiative appeared to rebuke the President for having failed to take heed of the correct information supplied by Canada. Mr. Kennedy, who was known to loathe ex post criticism of this kind, might well have ordered that Mr. Diefenbaker be given the appropriate forewarning of U.S. disapproval during preparations for his visit. In any event, it is interesting to conjecture as to whether Mr. Diefenbaker would have issued the same denial had he been asked to comment on Mr. Green's activities for the first time after his fall-out with the President less than a week later.

In retrospect, the Oslo-Geneva incident proved to be but a minor irritant in Canadian-American relations regarding Cuba. Certainly its effects were short-lived. Nevertheless, it illustrated very clearly the shallow political waters in which Canadian foreign policy is forced to navigate on any issue which the United States has taken a firm, irreversible position. Indeed, Ottawa's capacity to moderate an international dispute, which invariably involves the United States, is greatly circumscribed by American sensitivities, even when it involves a matter vital to Canada's national interest. In the Cuban case, almost any other position other than unqualified support for the elimination of the Castro government was bound to lead to an intensification of U.S. frustrations. Not only for "moral" and political reasons did the Diefenbaker government lack the will to do this, but it also would have jeopardized - quite unnecessarily - Canadian trade interests in Cuba.

There is some evidence, though it has never been officially confirmed,
that Canada made yet another attempt to mediate between Washington and Havana after the missile crisis. A plan drawn up at External Affairs called for a committee of prominent Canadians to visit Cuba and study the economic situation with a view to determining the type of assistance most needed. It was hoped that the committee would receive tacit U.S. approval, and that some of the aid would be financed by private U.S. sources. Carried out without any publicity, it was hoped that this step would set the stage for secret negotiations between the two sides. In all likelihood, the plan was never set in motion.

MORE DIPLOMATIC TRIBULATIONS

From all the accounts that have appeared thus far on the Kennedy-Diefenbaker meeting in Ottawa, it still is not definitely known if the subject of Cuba ever came up for direct discussion. Yet in his historic address to Parliament on May 17, 1961, it will be recalled that the President openly bade Canada join the O.A.S., leading seasoned observers to suspect that Cuba was still very much on his mind. A key part in Mr. Kennedy's speech came when he urged Canada to assume greater "responsibilities" in the inter-American system in order to:

"secure the hemisphere against aggression and to defend it against the encroachments of international communism... and to meet its needs for social reform and development,"

adding that,

"We cannot turn our backs on Latin America in time of trouble... All the free members of the O.A.S. would be heartened and strengthened by your increased role... Can we not become partners in inter-American affairs?"

In conversation with the author, Mr. Willis D. Armstrong, a member
of the President's entourage and one of his principal advisers on Canadian affairs, asserted that Mr. Kennedy fully anticipated that this proposal would be rejected, but nevertheless used it, in part, as a vehicle for expressing his dissatisfaction with Canada's apparent "aloofness" from the dangers inherent in the Cuban situation.* Government officials in Ottawa apparently went further and regarded it, inter alia, as a circuitous way of forcing abandonment of Canada's demonstrably independent attitude towards the Cuban revolution. This fear may have been more apparent than real, since Mexico all along continued (and still continues) to maintain trade and diplomatic relations with the Castro government, notwithstanding O.A.S. resolutions to the contrary. In any event, it is noteworthy that the Trudeau government, at this writing, officially still maintains the position that Canadian membership in the O.A.S. might compromise her Cuban policy, positing it as a basic reason for staying out of that organization.39

Whatever the ultimate effects of the President's remarks, the government decided to send an observer delegation, headed by the Associate Defence Minister, M. Pierre Sevigny, to the first Punta del Este conference held three months later in August, 1961. The conference, it will be recalled, officially launched the Alliance for Progress. After his return home, M. Sevigny gave the House a lengthy résumé both of the proceedings at Punta del Este and the delegation's visits to various Latin countries. In the course of a comparison between Puerto Rico, which he visited, and Cuba, which he did not, the Minister described the revolutionary government as "corrupt" and asserted that by contrast

* Armstrong interview.
Puerto Rico was a showplace for democracy and economic development. Mr. Sevigny did not elaborate on this comparison, nor did he provide any evidence to substantiate the charge. This incident led to a brief strain in Canadian-Cuban relations, especially after it was noted that Mr. Diefenbaker did not ask for a public retraction from his Associate Defence Minister, as he had done on another occasion in connection with accusations made by M. Sevigny against the "Communist" governments of British Guiana and Ecuador.

A potential acid test for Canadian diplomacy came in the weeks succeeding the second O.A.S. conference at Punta del Este in January, 1962. We have already outlined some of the pressures brought to bear on Canada by U.S. officials during that low period in bilateral relations. On top of these Canada was forced to cope with the U.S. campaign within N.A.T.O. to extend the scope and magnitude of the Cuban embargo.

With this objective in view, President Kennedy despatched W.W. Rostow, then head of the policy-planning committee of the State Department and several key aides, to draw up support for the embargo at the N.A.T.O. Council meeting held in Paris on February 20. Though the details of Mr. Rostow's "briefing" to the assembled representatives of the 15-member Alliance was kept secret, accounts later revealed that the U.S. had asked its allies, in essence, for full co-operation in implementing the measures that had just recently been adopted by the O.A.S. Broadly, they included: (1) a total ban on the shipment of arms and "strategic" goods; (2) stiff penalties to prevent any clandestine traffic in such goods; (3) the inclusion of Cuba on the list of communist states to which commercial trade is restricted; and (4) the solicitation of

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* Supra, Chapter VI.
political pressures congruent with those instituted by the O.A.S., presumably including, first and foremost, the severance of diplomatic relations with the Castro regime.

Of course, Canada could be satisfied that she was fulfilling at least the first two of these requirements. But this in itself was little consolation for, as the correspondent for the London Times noted, the measures seemed to be directed principally against Canada.41 For from the outset of the U.S.-Cuban controversy, the Americans, with their traditionally holist approach to Latin America, personified in the Monroe Doctrine, viewed the revolution as a hemispheric challenge. Thus Canada's very proximity helped magnify the divergence of policy. Fortunately, however, the Canadians found that their opinion that Cuba was more specifically a U.S., and not a N.A.T.O. problem, was shared unanimously by the European delegations. As a consequence, the U.S. was virtually isolated on every aspect of the Cuban question, obviating Canada from the necessity of making any hard choices as she might have had to do within the O.A.S.

Still, the N.A.T.O. meeting had reverberations at East Block. As recalled by Mr. Green, one group within the Ministry urged (once again) the breaking off of diplomatic relations, this time in order to refurbish Canada's supply of "diplomatic credit"* in Washington, which had been dissipated over Cuba and other disputed issues. In support of this proposal, it was argued that the $30 million worth of Canadian exports to the island the previous year (1961) constituted Canada's only

remaining vested interest there; and that this trade could not be expected to show any marked decline in the absence of an embassy staff in Havana. Witness, it was said, the multi-million dollar wheat sales to Communist China in 1960-61, which had been consummated while Canada continued to deny formal recognition to the Peking government or support her entry into the United Nations. In fact, one variant of the argument went as far as to suggest that Canadian exports would be more likely to increase without diplomatic relations. It was alleged that in a number of important export commodities Canada had been accorded special treatment by the People's Republic over Great Britain, although that country did maintain full diplomatic ties with the People's Republic. In effect, the group in favour of this course was opting for de facto, rather than de jure relations with the Castro regime. But all this reasoning was rejected as spurious, on the grounds that the analogy was invidious, and the issue was settled once and for all: Canada would maintain "normal trade and diplomatic relations" with Cuba. As Mr. Green told the writer, Canada could not be "bamboozled" into doing something the government considered fundamentally "wrong." It was therefore hardly surprising that when the Canada-United States Inter-Parliamentary Group met in Ottawa two weeks later, the most the legislators could agree upon was a nondescript joint communiqué which declared that while "a communist Cuba is a serious menace to the western hemisphere...the policies of both Canada and the United States must be developed in the light of each country's long-range plans to counter the communist threat." To paraphrase Professor Denis Stairs somewhat, the Canadians "were sticking to their guns, but were manning them behind
CANADA, CUBA AND THE U.N.

The tension immanent in the Diefenbaker government's diplomatic approach to the Cuban problem is best exemplified by Canadian behaviour at the United Nations. Here, whenever the issue periodically arose (and it did so, invariably at the peak crisis points in U.S.-Cuban (non)-relations), Canada acted as a faithful ally of the United States, at least insofar as her voting record is concerned. Doubtless this was in large measure a reflection of the implicit constraints placed on all the Allied members of the world body, but it nevertheless exposed the obvious inconsistencies in the Canadian attitude towards the Cuban revolution which Mr. Green and his colleagues could not adequately explain.

In July of 1960 the U.N. took up the Cuba question for the first time. Cuban Ambassador Carlos Lechuga filed a formal complaint with the Security Council, charging the U.S. with economic aggression against his country, and declaring that plans were afoot for an armed attack to overthrow the revolutionary government. The Canadian delegation, like those of the Western nations, supported a motion to divert the complaint to the O.A.S., citing Article 33 of the Charter, which specifically authorizes the Council to call upon regional organizations to assist in the peaceful settlement of international disputes. Mr. Green defended this action in the House on different grounds. He called attention to the 1954 Declaration of Bogota, which put the O.A.S. members on record as opposed to the extension of communism into the hemisphere, though he made no mention of the fact that the Declaration was passed ex post at U.S.
instigation so as to give a "legal" cover to the C.I.A. - engineered coup which overthrew the leftist Arbenz regime in Guatemala in June, 1954.\(^4\) Two months later in September, the same complaint came up before the opening of the General Assembly session. There Canada, like all the N.A.T.O. countries (but unlike a number of unaligned states), voted to assign it to the First Committee of that organ, but not to its Plenary Session, as requested by Cuba.\(^*\) In both cases, Canada's ballots signified that the government was inclined to regard Cuba's charge as substantially without foundation, and not worthy of the immediate attention of the world organization.\(^4\)

During the lengthy debate on the Bay of Pigs invasion, in which Mr. Stevenson "categorically" denied any U.S. involvement in the whole affair, the Canadian delegation remained conspicuously silent until after Mr. Diefenbaker's address to the House. Two days later, on April 20, Mr. Wallace B. Nesbitt spoke for the Dominion on the floor of the Assembly in support of a seven-nation Latin American draft resolution which "requested that the members of the Organization of American states help settle the dispute between the United States and Cuba."\(^4\) Mr. Nesbitt argued that the Assembly did not possess sufficient information to condemn either disputant, and that recourse to Article 33 would therefore be

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* Mr. Green told the author that he met Premier Castro briefly at the star-studded U.N. General Assembly meeting in September 1960, and recalls having been "very impressed" with the Cuban leader. He recollected that the Premier remarked "Canada is good," and he retorted by expressing the wish that bilateral relations between the two states would remain friendly and cordial. (It was on the occasion of this meeting, of course, that Mr. Diefenbaker made his militant attack on "Soviet imperialism").
"the most appropriate approach in present circumstances." Echoing the Prime Minister, he laid blame on "outside" forces which had "intruded" into the Americas, thereby "aggravating" the situation, an obvious reference to the Soviet Union although he did not mention that country by name. This line was virtually identical to that taken by Sir Patrick Dean, the representative of Great Britain, who also endorsed the Latin-sponsored proposal.

Still yet another manifestation of this tendency was made plain several weeks after the second Punta del Este conference. In mid-February, Romania and Czechoslovakia submitted a joint resolution to the Political Committee of the General Assembly, requesting that:

(1) the U.S. halt interference in Cuba's internal affairs and refrain from all acts violating her territorial integrity;

(2) both the U.S. and Cuba settle their differences in a peaceful manner.

Each operative section of the resolution was voted down; the first by 11 in favour, 50 against, and 39 abstentions, the second by 39 in favour, 46 against, and 15 abstentions. Canada voted against both because, as Mr. Green told the House, "The resolution prejudged the issue and was an attempt to make mischief in an already complicated situation." The weakness of this rhetorical "explanation" served to demonstrate an inherent contradiction between, on the one hand, Canada's unflagging respect for Cuba's sovereignty, as revealed in the battles over trade and diplomatic relations, and the realities of her role as an integral member of the Western bloc on the other.

Here, in a nutshell, lay an important limitation of Canadian diplomacy, whether "quiet" or "independent". True, Canada can often act as a "go-between,"
or "honest-broker" on issues which divide the Atlantic community or the Commonwealth. However, given her exceptionally close affinity to and identification with the United States, it was virtually impossible to foresee the execution of a policy which would carve out a credible role for her as mediator in an effort to break the long impasse between Washington and Havana. No socialist country, it would seem, would be prepared to accept Canada as a trustworthy "third-party" while, for example, she still remained a member of N.A.T.O. Besides, even if Canada were able to establish her "objectivity," she is just "too rich and light-skinned" as Professor Baldwin puts it, \(^{47}\) to shed appearances of being an American satellite.
NOTES — CHAPTER VIII

15. "[T]he Canadian government has been concerned over the fate of the prisoners held in Cuba, and that concern was expressed to the Cuban authorities through diplomatic channels in February. Furthermore, in view of press reports to the effect that the trials of these prisoners are to take place in Cuba later this week, I think on the 29th, instructions have been given by me that the matter be raised once again with the Cuban authorities in order to urge the Cuban government, on humanitarian grounds, that any trials of prisoners should be conducted in a fair and just manner. There is, of course, a limit to the impact of representations made, because none of the prisoners were Canadians; but this appeal on the part of the Canadian government is made on the basis of what we believe should be the purpose of all governments, namely the maintenance of justice." Debates, Session 1962. Vol. III, March 26,


21. One of the general principles of international law subscribed to by the members of the United Nations is that a state shall use "diligence" in order to prevent military expeditions from its territory. According to U.S. law, the same requirement applies, even if the expedition is finally organized outside of U.S. territory. Cf. Wright, *op. cit.*, pp. 546-547.


29. For an attempt to distinguish the two, cf. "The Choice to be Made" by Stephen Clarkson in Clarkson *op. cit.*, pp. 253-69.

30. Editorial opinion is summed up in Spencer, *op. cit.*, (note 27).
Henry Kissinger has shown that the coincidence of national interest and national experience constitutes a "supreme test" for the effective functioning of diplomacy. Cf. his The Necessity of Choice (Cambridge: Centre for International Affairs, Harvard University), 1961, passim.

Interview with Mr. A. Sarna, Department of Trade and Commerce, Ottawa, September, 1970. See also the government pamphlet, Foreign Policy for Canadians: Latin America (Ottawa: Information Canada), 1970, p. 23. It should be noted that since then Canada has accepted official observer status in the O.A.S. Whether this is a prelude to full membership is an open question.

Mr. Sevigny, in his book This Game of Politics (Toronto: McClelland and Stewart), 1965, writes (in reference to the conference) that as a result of Mr. Douglas Dillon's offer of $20 billion in Alliance for Progress funds over the next ('61-70) decade, "it was apparent that a new era of prosperity was dawning on Latin America." He goes on to describe the reaction of the Cuban representative, Che Guevara:

"The only one...unimpressed by the generosity [sic]...was Che Guevara. Dressed in combat fatigues...armed with menacing and awe-inspiring pistols, surrounded by bodyguards who looked more gangsterish than the worst hoodlums of Hollywood B movies, Guevara had managed to steal the spotlight...with a ready smile to conceal his toughness." (p. 139).

46. C.I.I.A. Monthly Bulletin, February, 1962, p. 12. It should be noted that Canadian intervention in all U.N. proceedings are tightly controlled by the External Affairs Ministry, and the cases involving Cuba were no exception. As Professor Bayrs pointed out, the Canadian delegation has thus been dubbed "total abstainers" because of its refusal to participate in U.N. discussions prior to receiving explicit instructions from Ottawa. Bayrs, op.cit., p. 173.

CHAPTER IX - THE DIEFENBAKER PERIOD IN PERSPECTIVE

CUBA AND CANADIAN NATIONALISM

Well before it had been swept from power, the Diefenbaker government's conduct of Canada's external relations had fallen into near-total disrepute in the Canadian academic community, to say nothing of the press and mass media. Even the more tolerant of liberal critics, while acknowledging the desirability of greater assertions of independence in an increasingly depolarized international system, found the resulting impairment in Canada-U.S. relations completely unacceptable. Not that there had been any fundamental changes in the total direction of foreign policy as charted by the previous Liberal governments since the beginnings of the Cold War. Quite to the contrary, the continuity of Canada's post-war policies remained almost entirely undisturbed despite the change in governments. What was radically new in the Diefenbaker-Green approach to foreign policy was the predisposition to exalt Canadian assets, rather than to act in the traditional Canadian role as a self-effacing "middle-man" behind the scenes in international diplomacy. According to the critics, divergencies in policy with the U.S. were deliberately magnified, needlessly alienating Washington from Ottawa and playing havoc with normally friendly relations.

In a monograph of seminal importance to the study of Canadian foreign policy, completed just after the Diefenbaker government fell, Professor Peyton Lyon provided a somewhat more elaborate expression of the problem.
According to him, Canada's faithful allegiance to the Western alliance, her genuine efforts at resolving some critical international disputes (such as the Suez crisis), and her close economic, social, cultural and even linguistic ties with the U.S. have led to the accumulation of reserve holdings of "diplomatic credit" in Washington. Canada uses this "credit" in two ways. One way is to secure special tax or tariff concessions which are directly beneficial to the Canadian economy. The Defence Production Sharing Agreement* is a specific example. In general terms, the willingness of Washington to underwrite a disproportionate share of the cost of maintaining the continental defence system can in part be attributed to the high standing of Canada's stock.

Another way is to influence American policy on many vital international issues. Virtually all Canadians, regardless of political persuasion, would probably agree that to the extent that Canada has been able to do this, she has acted as a positive force for moderation and restraint.

Similarly, a great deal of influence, if not importance, accrues to Canada, because other countries recognize her high standing in Washington. Professor Lyon then asks the crucial "policy question": Should Canada draw on her valuable reserves of diplomatic credit on issues of lesser importance in which there is definite conflict with the U.S.? To put the question in another way, should it be Canadian policy to demonstrate independence as a matter of principle when Ottawa

* Under the Agreement, Canada is given a competitive advantage in the U.S. market for a wide variety of defence technology. Sales annually to the U.S. amount to some $800 million.
is convinced the U.S. is wrong? If not, what practical limits should be set to the expression of a distinctly Canadian policy in foreign affairs? Professor Lyon proceeds to argue that it is "foolhardy" for Canada to deplete her reserves of credit on matters not vital to the national interest, and that in these circumstances realism should form the better part of international virtue. This applies especially in instances where the issue is of major importance to the U.S., but of only minor concern to Canada. At the core of the analysis is a so-called fundamental rule which says that the ability of Canada to contribute constructively to the betterment of the world community is directly proportional to her supply of diplomatic credit in Washington. Consequently, it becomes a central task of any Canadian government to maximize its credit holdings and to exercise wisdom in its use.

The applicability of this financial analogism to the Cuban situation is (Peyton) obvious, although Professor Lyon makes only oblique reference to it. Conceptual schema of this kind are particularly useful when concrete behavioral patterns can be viewed from a common perspective. It was not just that the Diefenbaker government had incurred the wrath of the United States because it was unwilling to follow Washington's lead in isolating Cuba. In this case it was possible to segregate the components of a dangerous and potentially self-destructive policy, and to suggest that they represented something that was fundamentally wrong with Canadian behaviour towards her great neighbour to the South. In other words, Cuba was a paradigm of what was rotten with Canada's external relations. In trade it was said that the government could not hide its exuberant glee at the prospect of making some "fast bucks" at American expense. Even
strong sympathizers of the policy of maintaining normal commercial rela-
tions with the Castro regime acknowledged that Mr. Diefenbaker derived
some wry satisfaction from this thought, despite the rigor of his demean-
or. As Professor Schwartz concluded:

"Trade with Cuba [though] without economic motivation... had an emo-
tional appeal, for it provided a way of showing defiance of the U.S."²

Concerning the efforts to bring about a diplomatic settlement of the U.S.-
Cuban conflict, it was suggested that a propelling force behind Mr. Green's
initiative was a desire to demonstrate Canada's putative moral superiority
over the U.S. This collective instinct allegedly derives from a neurotic
tendency of Canadians, which claims that to be neutral is to be better
than the Americans, who are seen (collectively) as incapable of calm dis-
passion. With regard to Canada's behaviour in the missile crisis, Mr.
Diefenbaker's fateful hesitation was said to have been indicative of the
worst kind of Canadian chauvinism; there was no reason to treat Canada
as primus inter pares of the Western allies just because of her close
proximity to the capital of the "free world."³

There was a grain of truth in these assertions. From the moment
that Cuba became an issue in Canadian-American relations, the guiding
spirit behind the Diefenbaker government's approach was founded on the
Prime Minister's syncretic brand of Canadian nationalism. Like the
nationalism of many small powers, Diefenbakerism qua ideology was
characterized by an antagonism towards a neighbouring great power. In
this respect it followed the traditional expressions of Canadian national-
ism. Yet the wider sweep of Mr. Diefenbaker's anti-Americanism, and
the diverse uses to which it was put, injected a new element into an old
phenomenon. At times it appeared as if he were attempting to revive Loyalist fears and hatreds of the Yankees from the epoch of the Revolutionary War. From the new nationalism there also emerged an effort to find the taproots of a distinctive Canadian national identity. Both these tendencies reflected the insular nature of the Diefenbaker government, which found expression in a certain negativism in its conduct of external relations.

The critics were, of course, correct in seeing in this disinclination an important source of the government's refusal to cave into American pressures on Cuba. But what went virtually unnoticed was the actual content of Canadian policy in relations with the Castro regime itself. This exposed the obverse side of Canadian nationalism as it was applied to the Cuban situation, and which obscured from view certain realities about the revolution. For the government never really cared about Cuba per se, especially after the revolution turned to Communism. Had a right-wing regime been installed, neither its policy nor its attitude would have been significantly different. This was one of the great weaknesses of an approach based on a negative reaction to the U.S. obsession with Castro. Canada's approach would have been much more positive and constructive during the crucial 1960-62 period had she taken the interest to actively encourage the development of those tendencies within the revolution which she could support. She might have even made common cause with Cuba on issues in which both countries were found to be in agreement. To this point we shall return in the concluding chapter.
PARTY DIFFERENTIATION AND CUBA

Whatever basic differences may be said to exist between the Conservatives and Liberals on domestic issues in contemporary Canadian politics, differences in foreign policy are, with rare exceptions, imperceptible. True, there have been differences in nuance or emphasis. But on the major issues facing the Dominion since 1945 both major parties have tended to speak with virtually one voice. Even the socialist C.C.F.-N.D.P. party of the early sixties supported the government on such key questions as membership in N.A.T.O., NORAD, and the O.A.S., and on its initiatives to bring about limited agreements on disarmaments and nuclear testing. That this pattern of cross-party consensus remains a basic political fact of Canadian external relations is hardly surprising. Nearly all of the Western democracies, especially the English-speaking nations, have shown the same tendencies since the advent of the Cold War. There are, to be sure, some good reasons specific to Canada which help to explain this development. However, an examination of them would take us too far afield.

From this perspective it is instructive to compare the Liberals' "continentalist" approach to the formulation of Canadian policy towards the Cuban revolution with that of Mr. Diefenbaker's "nationalism." The most obvious method that suggests itself is to draw some summary conclusions from the public statements of the principal actors which we have been at pains to reproduce. An inspection of the debates on trade leaves unmistakeable the impression that a Liberal government would have, at minimum, barred for export to Cuba any goods with an "industrial
component." As a practical matter, this would have meant that Cuba would have had to look elsewhere to purchase such items as electric generators, sheet metal and dynamite. She also would not have been able to send her Viscount and Britannia aircraft to Canada for reservinging. One could also argue, less plausibly perhaps, that the Liberals would have been quicker to implement the trans-shipment regulations, and probably would have placed even more rigid controls on all entrepôt trade with Cuba than the Conservatives. From its studied silence on Mr. Green's public bids to patch up the U.S.-Cuban conflict, it is probably safe to conclude that the then official Opposition would not have made similar overtures, although some of its leaders privately sympathized with his efforts. And during the missile crisis, Mr. Pearson's endorsement of the quarantine came sooner than did Mr. Diefenbaker's. Probably it would have come sooner still had the Liberal leader participated in the meeting with Mr. Merchant.

In the last analysis these did not constitute terribly important differences of policy. Even the long drawn-out, inter-party polemic on trade was but a tempest in a teapot once Cuban foreign trade radically changed in direction towards the Soviet bloc. To say that the differences were much more than attitudinal would be hairsplitting. Moreover, there is no certainty that the Liberals, had they actually been in power, would not have acted in a manner virtually identical with that of the Tories. Both the Pearson and Trudeau governments not only left Mr. Diefenbaker's carefully constructed trade policy intact, but also adopted much of the same rhetoric to defend it. However, since the resolution of the October crisis, the U.S.-Cuban climate has eased
somewhat. Thus, to any analytic contrast in behaviour between the two major parties toward revolutionary Cuba must be added the caveat that the tribulations between the Diefenbaker government and the U.S. regarding Cuba occurred in essentially unrepeateable circumstances.

What was important from the point of view of this discussion was that throughout Mr. Diefenbaker's last two and a half years as Prime Minister, Cuba became a focal point of a power struggle between Canada and the U.S. Of course it was a struggle in which the use of force was never threatened. It is even doubtful whether the U.S. government ever threatened any kind of reprisals whatsoever in order to bring Canada into line. The struggle took a different form. As Professor Eayrs correctly points out, to have power means to have the ability "to get your own way." This applies just as much to a relationship between a small or medium power and a super-power, as it does to a child-parent relationship, about which so much has been written. In seeking to grasp all the possible levers of control over the Cuban situation, the Kennedy administration and Canada ran afoul of one another. This was at the heart of the trade controversy. What angered and frustrated Washington was not really the volume or composition of Canadian exports, although this might have changed had the projected increases materialized. Far more important was the fact that Canada's "non-alignment" challenged ever so slightly the comprehensive totality of American policy. Thus, for the first time, a third state became a major factor in Canadian-American relations over an extended period of time since Canada assumed independent control over her foreign policy. In relatively novel circumstances such as these the Liberal leadership demonstrated a greater
proclivity to trust the basic logic behind American policy towards Castro that did the Diefenbaker government.

Subtle as this distinction may have been, the Cubans were not insensitive to it. When the Diefenbaker government fell, there was an outpouring of sympathy for the Prime Minister in the Havana press and on Cuban radio and television. Editorials with banner headlines hailed him as a hero for resisting American efforts to force bombas atómicas on Canada. A Maclean's reporter in Cuba at the time noted that Mr. Diefenbaker's portrait was prominently displayed alongside those of Marx, Lenin and Castro in hotels and shops, characteristic of Cuba's ideological eclecticism at the time. To the Cubans he had become something of a folk hero, a David fighting off the Goliath Yankee "imperialists" just like their Fidel. There was no doubt whatever whom Cuba wanted to win the forthcoming election. Just Mr. Diefenbaker's record in preserving trade and diplomatic relations was sufficient to have given him a landslide, had Cubans been able to vote in Canada.  

The defeat of the Tories in the 1963 Federal election is co-terminous with an important phase in the history of Canadian-Cuban relations. It marked the end of a period in which the United States' influence on the course of bilateral relations reached its peak and ushered in a transition to the quiet pattern of the present. After the accession of the Liberals to power, and the Kennedy assassination just six months later, Cuba virtually ceased to be an open issue in Canadian-American relations. The final part of this study will focus on direct bilateral relations with Cuba in the post-revolutionary period, the basic features of which have been independent of the party or particular government in power in Ottawa.
NOTES — CHAPTER IX


3. On the contrary, Professor Holmes has argued that Canada is about No. 10 on the list of most favoured allies. See his essay "A Future for a Middle-Power?" in J.L. Granatstein, *Canadian Foreign Policy Since 1945* (Copp Clark: Toronto), 1969, pp. 190 ff.


5. James G. Bayra, *Fate and Will in Foreign Policy* (Toronto: CBC Publications), 1967, p. 71. This formulation is meant to reinforce the one already cited by Professor Morgenthau on p.

AN OVERVIEW

More than a decade has elapsed since Mr. Diefenbaker elaborated Canada's trade policy towards revolutionary Cuba. Since that time two successive Liberal governments have followed the same course of developing trade in "non-strategic" goods, while maintaining the ban on the trans-shipment of "strategic goods" of U.S. origin to the Castro regime. On the public record, there never seems to have been any doubts raised about the wisdom of the course. After an initial review of Canada's commercial ties with the Caribbean area in general, Mitchell Sharp, then Minister of Trade and Commerce, announced the continuity of policy in July, 1963. It was repeated by Prime Minister Pearson in May, 1964, after a meeting of the Canada-U.S. Committee on Trade and Economic Affairs, which was attended by Secretary of State Rusk, and again by External Affairs Minister Paul Martin several months later. Mr. Martin's reiteration of the Canadian position came in the wake of the Ninth Meeting of the O.A.S. in July, 1964, which adopted new and stiffer sanctions against Cuba than those already in effect. By a vote of 15 to 4, the Organization passed a resolution urging member-states and "all other countries of the Western hemisphere which share their interests" to: (1) sever all diplomatic and consular relations with the government of Cuba; (2) suspend all trade with Cuba, except for medical and food supplies needed for humanitarian purposes; and (3) suspend all maritime trade with Cuba, even if such service is
required for humanitarian purposes. In rejecting any idea that Canada would be prepared to take similar measures, Mr. Martin emphasized that the Liberal government's policy, like that of its predecessor, was in congruence with the majority of the Western nations, and particularly the members of both N.A.T.O. and the O.E.C.D.; but he also added the by now standard disclaimer that trade with, and diplomatic recognition of a government does not, in the Canadian view, constitute "approval" of that regime.

Prime Minister Pierre E. Trudeau reaffirmed this view at the National Press Club in Washington after meeting with President Nixon in March, 1969. On that occasion Mr. Trudeau was asked "why Canada supports Cuban intervention in Latin America," and "what the U.S. should do about Fidel Castro." His reply summarized previous arguments:

"Well, I suppose a long dissertation on Cuba would be a repetition of the one you have heard and read many times. I would perhaps reject the premises that we do support Castro's activities in South America merely because we are trading with him. Because if that were the principle on which we were to base ourselves, we could argue that the United States does trade with a lot of governments with policies of which they do not approve. And I believe that one of the best vehicles of understanding and closer relationships between countries is trade. The missionaries come first and the traders come next.

I think that the Canadian approach to these problems - and it has not been an original one - is that in our relations with other countries we should not try and intermingle with two types of issues. Short of being at the state of war with any other nation, we do not believe that curtailment of trade is in any sense conducive to a lessening of tensions between countries. On the contrary, we trade with Communist China. We trade with Cuba. The United States trades with many countries, the policies of which I am sure your people disagree.

Therefore, what should the United States do with Fidel Castro? I suppose anyone in this room would say that the
thing you shouldn't do is ask the F.B.I."³

Mr. Trudeau went on to imply that what was lacking in the U.S. was an understanding of the forces of independence and nationalism at work in the Cuban revolution, and he urged the initiation of a dialogue with the Castro regime.

These assertions, of course, contain their own assumptions. Among them is the premise that greater "understanding" between nations, be it achieved by trade or other means, will necessarily lead to a reduction of tensions. As Hans Morgenthau has observed, precisely the opposite outcome is just as likely.⁴ Moreover, the present administration in Washington has made it clear that it is not prepared to come to terms with the Castro regime so long as it remains militarily tied to the Soviet Union and supports "subversion" in Latin America. Cuba, on the other hand, regards her alliance with the socialist states as "indestructible," and her revolution subversive "by example." Then, too, U.S. trade restrictions are not uniform, but are applied with a degree of severity that varies directly with the intensity of its disapproval of the policies pursued by its "enemies." Thus, the answer provided by Mr. Trudeau did not explain why, for example, restrictions on U.S. trade with Cuba are more rigid than those against the Soviet Union and Communist China, failing again to take into account the relationships of power involved. But in any event, the Prime Minister's statement sufficed to make it plain that he did not contemplate any change in policy, and this position has not been called into question ever since.

* Supra, Chapter IX.
Despite these assertions of independence, *de facto*, Canadian trade with Cuba remains severely circumscribed. As a result of the issuance of the Cuban Assets Control Regulations (C.A.C.R.), the limitations placed on this trade have become more stringent than they were during the early embargo period. The C.A.C.R., which entered into force on July 8, 1963, replaced the Cuban Import Regulations of February, 1962. The prohibition inscribed in the Import Regulations applied only to the importation into the United States of goods of "Cuban origin," and hence they did not affect American-owned or controlled firms organized and operating in Canada, or any other foreign country for that matter. In the case of exports, Ottawa was informally asked to deny export licenses to these firms, which it did quietly, though not without apparent reluctance. The C.A.C.R. removed any uncertainties arising from possible failure to secure Canadian government co-operation. They enjoin all persons, which includes subsidiaries, subject to the jurisdiction of the United States, from engaging in "unlicensed" transactions with Cuba or Cuban nationals, at the risk of a maximum penalty of $10 million and ten years in jail. A subsidiary is considered subject to the jurisdiction of the United States if American citizens or residents of the United States own the controlling share of its stock, or set company policy, or both.* These determinations

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* Ironically, it is of interest to note that Canada, in adherence to several U.S. Security Council Resolutions, exercises virtually identical controls over Canadian citizens outside Canada trading with Southern Rhodesia.
are made by the Office of Foreign Assets Control of the U.S. Department of the Treasury, which authorizes any potential sales by such subsidiaries in its capacity as administrator of the C.A.C.R. Technically, the Treasury is prepared to grant licenses for "certain non-banking transactions" with Cuba which do not involve U.S. dollars or U.S.-owned or operated transportation facilities, provided that no U.S. "persons" (which would include Canadians resident in the U.S.) or companies are involved. It will also, on occasion, exempt from the provisions of the legislation U.S. citizens who are directors and officers of Canadian subsidiaries, unless the product to be exported is on the U.S. commodity control list (which is, it should be noted, much wider in scope than the Canadian export control list), provided that it receives six months prior application from the parent company.

However, these concessions, the first formal, the second merely an unwritten verbal declaration, are largely illusory; for since the promulgation of the C.A.C.R., both the Treasury and the State Departments have urged American multi-national corporations to persuade their subsidiaries abroad to comply voluntarily with the spirit of the regulations - viz., not to trade with Cuba. As one Treasury Department official has been quoted as saying, "if it develops that a substantial amount of trade is being conducted by subsidiaries with Cuba (and constant checks are made on this point), then the exemption will be reconsidered."6

This modus operandi has had repercussions on the trading practices of Canadian subsidiaries on at least one occasion, which will be described below. The essential point to be emphasized here is that the
policy of "voluntary compliance" has acted as a powerful deterrent to the expansion of Canadian-Cuban trade. Many U.S. parent companies of Canadian subsidiaries fail to make application for an exemption under the C.A.C.R. for fear of its possible harmful consequences. Furthermore, many Canadian firms, either with or without a minority of American shareholders' interests, feel similar restraints and do not want to jeopardize their U.S. markets. Quite obviously it is impossible to quantify the amount of trade lost as a result. But as an authority on international, and particularly East-West, trade notes,"experience to date bears out the practical and diplomatic superiority of this non-coercive[sic] method of international regulation."7

In addition to the "external" obstacles that stand in the way of Canadian-Cuban trade, there are those which arise "naturally" in the course of normal commercial intercourse between capitalist and socialist states. Since the Canadian market is in private hands, Canadian trade has functioned on a system of buying and selling largely on the basis of commercial considerations such as price and quality, without insisting on balancing import and export trade bilaterally. On the other hand, Cuba, with a state-trading economy, has shown a marked tendency to rely on bilateral arrangements in the conduct of her trade relations. Thus many trade deals with Canadian firms have been made on a barter basis. In 1963, for example, Cuba exchanged large quantities of raw and refined sugar for wheat and flour with the Robin Hood Co. Ltd., without any cash transaction taking place. These practices reflect Cuba's status as a less-developed country as well as her lack of foreign exchange. They also tend to create added difficulties
since G.A.T.T., which still formally governs Canadian-Cuban trade, makes no provision for either mode of exchange.*

Against this background, and in the light of Chapter VI, we are now prepared to examine the pattern of post-revolutionary Canadian-Cuban trade relations. From this perspective, the years of 1959-63 must be regarded as a transition period. The severe dislocations induced in the Cuban economy as a consequence of both the U.S. embargo and the revolutionary regime's unsuccessful attempts to develop secondary manufacturing industries accounted for some erratic fluctuations in the volume and the composition of trade. In 1962, for example, Cuba's foreign exchange reserves dropped to pre-World War II levels, and this contributed to the sharp decline in trade as compared to the previous year. However, 1963 saw a turnaround in Cuba's foreign exchange position, due to a sharp rise in the world price of sugar. Export prices for raw sugar from Cuba to non-Communist countries rose at one time to eleven cents per pound during the year, several times the average price received in 1962. This accounted for the 200% increase in Canadian imports (by value) over the preceding 3-year period. With the further integration of Cuba into the socialist economic community during 1963-64, however, a steady pattern in trade emerged, and it has persisted into the present.

Appendix B provides the raw data for trade from 1959 to 1968. Perhaps the most striking observation to be made from the statistics presented therein is that the gross volume of trade has increased by two to three times over the last pre-revolutionary decade. It appears to have reached its peak in 1966 when a total of more than $67 million worth of commodities was exchanged between the two countries. Since

* Most of the purchasing from Canada is handled by the Cuban Trade
that year there has been a slight levelling off. In 1970, the last year for which statistics are available, Canadian exports amounted to $50.5 million and exports from Cuba were valued at close to $8 million. These figures closely approximate the averages from 1964-70. They are also indicative of the huge surplus enjoyed by Canada in its Cuban trade. As Table 1 in Appendix B shows, the surplus of Canadian exports to imports is the last pre-revolutionary quinquennium was $16.3 million. The figure jumped to $45.5 million over the 1959-63 period, and then leaped almost exponentially to $237.4 million during the second post-Castro quinquennium, from 1964-68. Thus it is apparent that despite Cuba's avowed intention to balance her trade bilaterally, she had completely failed to do so with Canada. In fact, according to statistics compiled by the Department of Industry, Trade and Commerce, Cuba's trade deficit with Canada in recent years has been exceeded only by her much larger imbalance with the Soviet Union. It estimates that Cuba has imported (roughly) $1 billion worth of commodities annually since 1968, and that therefore Canada's share of $50 million represents about 5% of the market. Moreover, conservative calculations suggest that at least 30% of Cuba's hard currency earnings, derived mainly from exports of sugar and sugar products to Western Europe and Japan, are required to pay for imports from Canada.² (All purchases from Canada must be paid for in convertible currency, and the cash delivered to the exporters' banks prior to shipment). Clearly trade with Canada represents a strain on the limited

Commission in Montreal. Purchase requirements are brought to the attention of Canadian manufacturers and exporters, especially those whose products are already known. The Cuban government's policy appears to be to deal directly with the Canadian supplier or buyer, as much as possible.
financial resources of the Castro regime.

This suggests that Canadian exports fill an important need in the Cuban economy. There is some evidence to support this thesis. The U.S. Department of Agriculture reported in 1969 that Cuba depends upon Western sources for about half of its food supplies. It states that calories supplied by imports represent almost 90% of total cereals that are consumed and 85% of the total fats and oils. An inspection of the commodity composition of Canadian exports shows a high proportion of food products. Thus Canada supplies Cuba with not inconsiderable quantities of skim milk powder to make condensed milk, dairy and pure-bred cattle, baker's yeast and the traditional seed potatoes, all of which are important sources of proteins. Basically, Canada and Cuba carry on the same "vegetable trade" which characterized pre-revolutionary commercial exchanges.

Although they account for only a small fraction of total exports, Canada also has provided Cuba with capital goods. While most could not be classified as spare parts, they probably have been primarily utilized to replace depreciated components of Cuba's existing capital stock. The majority of these items, such as building materials, pipe, tubing, metal wire, and cable are included in the miscellaneous category "others" in Appendix B. Perhaps the most important capital export, and certainly the most recognizable to Cubans as to country of origin, was the complex electrification equipment shipped to the island in 1963-64 to assist in the cultivation of Cuban "red" tobacco. Under a "Plan Canadiense," a pilot project was established in Pinar del Río province which has contributed to the mechanization of tobacco harvesting and apparently has
improved the aroma of the product as well. More recently, Canada has supplied Cuba with a variety of machinery which will bring about, according to Cuban estimates, the complete mechanization of all phases of potato harvesting at special state-created "potato projects."

Two traditional export items, important in pre-revolutionary years, have disappeared from the commodity list. Cuban purchases of Canadian newsprint ceased shortly after the visit of the Mikoyan trade mission in February, 1960. The Russians, on that early occasion, proposed to supply Cuba with all her requirements for the product, and apparently at a much lower price than it was until then bought from Canada and elsewhere. Ironically, 1959 was an excellent year for newsprint sales to Cuba, with one company, Canadian International Paper, capturing 90% of the market. And Soviet-bloc aid in the construction of a deep-sea fishing fleet, combined with a fleet of vessels purchased from Spain, was directly responsible for the elimination of all Canadian fish exports to the island since 1964.

The most important commodities in Canadian-Cuban trade in the post-revolutionary period have been, and continue to be, wheat and wheat flour, cattle and sugar. Each shall be considered in turn.

WHEAT

Canadian exports of wheat and wheat flour to Cuba were of marginal importance during the first several years of the revolution, and fell off completely by 1962. The trend over this period can be ascribed to at least two factors. First, both commodities were included in the list of items to be supplied by the Soviet Union in the comprehensive
trade agreement concluded between both countries after the Mikoyan mission in February, 1960. Secondly, a plan to rehabilitate the three flour mills on the island was intended to make Cuba virtually autarkic in this important wheat by-product.

However, the Soviet Union was unable to make good on its commitments, not only for deliveries of wheat, but for other grains as well. A succession of poor harvests and unexpected difficulties in transportation across the vast distance between the two countries, accounted for this failure. And apparently the Cuban flour mills were unable to function efficiently enough to warrant added investment. Thus, it was following Premier Castro's visit to the U.S.S.R. in 1963 that Chairman Khrushchev pledged the Soviet Union to fulfill Cuban requirements for wheat and flour from external sources, and to assume responsibilities for shipping. As a competitive exporter of wheat, and geographically the closest to Cuba of any other grain-exporting nation,* Canada obviously enjoyed a natural comparative advantage over any other potential supplier. Under the terms of the so-called Great Grain Sale signed in September, 1963, the Soviet Union allocated approximately one quarter of more than a million tons of wheat and 750,000 tons of flour, purchased from Canada, for direct shipment to Cuba. The contract, negotiated by the Canadian Wheat Board and representatives of the Canadian and Soviet governments, was careful to specify that that part of the sale of wheat and flour destined for Cuba would be strictly on a cash basis. By contrast,

* With the exception, of course, of the U.S. However, since wheat comes under U.S. Government subsidy programs, the embargo immediately ruled out the U.S. as a source.
credit terms were made available on the bulk purchases going to the Soviet Union itself. The distinction was made necessary, of course, by U.S. objections to the extension of credits of any kind to the Castro regime.14

Quite apparently, it was the government's intention to avoid publicizing the Cuban "component" of the Soviet wheat deal, although the dollar values of each commodity were, and continue to be, included in the statistics for Canadian exports to Cuba. But an article in the *London Times* nearly one year later, claiming that Canadian wheat sold to the Soviet Union was being "diverted" to Cuba,15 forced the Minister of Trade and Commerce, Mitchell Sharp, to disclose the basic terms of the agreement. Thus Mr. Sharp implicitly denied, as did William McNamara, President of the Wheat Board more explicitly, that a "diversion" had in fact occurred. On August 24, 1964, one day after the appearance of the *Times* article, the matter was raised in Parliament by the leaders of the Opposition parties. After Mr. Sharp's disclosure, the following exchange took place:

**Mr. Diefenbaker:** Mr. Speaker, I would then direct this question to the Prime Minister. With respect to the diversion of this wheat and flour to Cuba, has there been any complaint by any friendly government?

**Mr. Pearson:** Not to my knowledge, Mr. Speaker; and even those governments which have cut off normal trade with Cuba have agreed, I think - I am speaking particularly of the United States - not to prevent the sale to Cuba for cash of exports of certain foodstuffs and medical supplies.

**Mr. T.C. Douglas (Burnaby-Coquitlam):** May I ask a supplementary question? I ask the Prime Minister if he knows of any international commitment which Canada has made which would preclude our selling wheat either directly or indirectly to Cuba.

**Mr. Pearson:** No, Mr. Speaker.16
Subsequently Mr. Pearson would discover that he would be unable to deny the suspicions of Messrs. Diefenbaker and Douglas.

At the same time as news of the "diversion" surfaced, a Soviet Trade Mission visited Canada and concluded an arrangement for the purchase of 860,000 tons of wheat and equivalent wheat flour for the year of 1965-66. The agreement amounted to a renegotiation of the 1963 sale, only this time Cuba was marked to receive a much greater share of both commodities. Just how much greater the share was to be was not announced at the time though figures released over the next two years would show the increase to be considerable. Whereas the average dollar values of wheat and flour purchased by the Soviet Union for Cuba averaged roughly $8.5 million over 1963-64, the figures rose to approximately $20 million and $24 million respectively in the following two-year period.

Already in 1963, after the conclusion of the first wheat pact, Washington was dissatisfied with the "diversion." At the Seventh Meeting of the Canada-United States Interparliamentary Group, held in Washington in January, 1964, members of the American delegation lodged an informal protest at the terms of the sale. In the Report issued by the Group on the results of the meeting, the Canadians did not attempt to defend the sale per se, but were content to have included an assertion that the scope of the Canadian trade with Cuba had been grossly exaggerated.17

The 1965-66 sale called for more drastic measures. For reasons still obscure, the Assets Control Regulations had not been invoked up to this time against the previous 1963-64 sales, although they involved American subsidiaries. But now it was felt in Washington that the
magnitude of both the wheat and the flour to be shipped to Cuba had
over-reached acceptable bounds. Thus it was that by August, 1965, or
perhaps even earlier, at least three flour milling companies, all sub-
sidiaries of U.S. corporations wholly owned by them, were in receipt
of directives from their U.S. parents prohibiting them from processing
any part of the Soviet order bound for Cuba. The three companies
were the Quaker Oats Co. of Canada Ltd., of Peterborough, owned by
the International Milling Company of America; Robin Hood Flour Mills
Ltd. of Montreal, a subsidiary of the U.S. General Foods Company;
and Pillsbury Canada Ltd. of Midland, of the U.S. parent of the same
name. The proscription meant that not only were these companies
henceforth forbidden to mill Canadian-grown wheat into flour destined
for Cuba, but that they were also to be barred from bidding for any of
the unprocessed wheat going to the Cuban market. It was not disclosed
if the Control Regulations had been formally applied or if the sub-
sidiaries in question were being asked to comply with them voluntarily,
but in either case the effect was the same. As was the case with the
much-publicized prohibition of the sale of Ford of Canada trucks to
Communist China in 1958, the restriction on exports to Cuba issued by
the parent corporation amounted to the indirect transmission of a U.S.
foreign policy decision to a Canadian-incorporated subsidiary, and one
which quite obviously was in conflict with Canadian policy.

The veto of the Ford deal had aroused deep resentment in Canada,
and had provided Prime Minister Diefenbaker with a ready example in

* In July, 1970, the author addressed inquiries to the subsidiaries con-
erning this matter, but was unable to obtain any information from
them.
to force its will on the government. "They tried that when I was Prime Minister," said Mr. Diefenbaker, "and I want to find out where the courage is now on the part of this government to face up to the situation." 19

The revelation of the injunction posed an embarrassing dilemma to the Liberals. In 1964, the Minister of Trade and Commerce, Robert Winters, had issued a set of comprehensive "Guidelines to Good Corporate Citizenship." One principle developed in the "Guidelines" was the "maximization of markets," especially for Canada's most vital exports, throughout the world. In the light of the document, Mr. Martin declared that the government would take "the strongest action in the national interest." Prime Minister Pearson gave solemn assurance that Canada would address strong protests to the U.S. "if investigations confirmed the reports" about the orders received from the parent companies. Both these assertions amounted to equivocations. However, Mr. Winters conceded that this type of restriction of Canadian subsidiaries' freedom of export constituted a clear violation of the "Guidelines," although he did not know "just what action to take." 20

This was tantamount to an acknowledgment that while there had been an infringement on Canadian sovereignty, the government would recoil from any attempt to compel the three subsidiaries to countermand the order of their parents.

Nor were the subsidiaries involved prepared to contemplate such a step. The presidents of all three companies each cited the overriding authority of the U.S. Trading with the Enemy Act, for all intents

* Supra, p.167-168.
demonstrating Canada's political vulnerability as a result of the high degree of economic "integration" with the U.S. By the same token, Mr. Diefenbaker openly defied President Kennedy by authorizing the sale of wheat to China in 1961 and 1962, a move which received widespread popular support. Despite this, it is a curious fact that the prohibition laid on the three companies did not generate immediate protest, either on the part of Members of Parliament or of the public at large, when it was first announced in the press. It was only after Paul Martin, the Secretary of State for External Affairs, had inserted in the record of Hansard an excerpt from the final communiqué of a Joint Canada-U.S. Ministerial meeting stating that:

The U.S. members made clear that the U.S. government was not requesting U.S. corporations to induce their Canadian subsidiaries to act in any way that differed from their normal business practices...and commercial activities,\(^{18}\)

that T.C. Douglas of the N.D.P. brought to light the facts in the wheat transaction with the Soviet Union. Still another four months elapsed before the prohibition received attention in the public arena.

As during the earlier trade controversy, the issue provided the Opposition with a weapon for debate. L.R. Sherman, a P.C. member from Winnipeg, noted that under the circumstances, two Canadian-owned corporations were able to complete the Soviet order, thus insuring "a profit to Canada." But what, he enquired, would the government do if no such companies existed in Canada? "If this is the visible part," he said, "what of the invisible?" John Diefenbaker, at this time Leader of the Opposition, was more explicit in pinpointing his criticism. He charged that the U.S. government was consciously asserting "extraterritoriality" over Canadian corporations in an attempt
and purposes now equivalent to the Cuban Control Regulations. John Tatam, President of Robin Hood, had already made this clear one year earlier, when he noted that his company was barred from processing any part of the Soviet wheat order bound for Cuba. On this occasion J.C. Whary of Quaker Oats summed up the detached attitude of the three flour milling companies this way:

"We are apprized of the fact that ... our parent company falls under the law of the U.S. ... and as a subsidiary we are subject to the same laws. Our own common sense dictates our actions as it should...our government's."22

The upshot of all this has been to enable the Ogilvie and Maple Leaf Milling companies, both Canadian-owned and controlled, to monopolize the highly lucrative Cuban market for wheat and flour ever since 1965. (An unwritten agreement with the Canadian Wheat Board guarantees at least a 40% cut for either company of the Cuban business). The breakdown of Canadian exports to Cuba given in Appendix B shows that wheat and flour taken together have accounted for (roughly) between 75% and 90% of the dollar value of exports to the island over this period. As can be seen, sales of these products reached an all-time peak of $52.7 million in 1966, nearly twice as high as the peak figure attained for total Canadian exports during the 1960-63 period when trade with Cuba had been a much more sensitive issue in Canadian-American relations*.

* The significance of this outcome seems to have eluded the authors of the illustrious "Watkins Manifesto" on the structure and control of Canadian industry. Professor Abram Rotstein, who wrote the section on "extraterritoriality" saying that he could reveal only the tip of the iceberg," used the Cuban case (without specifically referring to it) to illustrate the pernicious effects on the Canadian economy as a
In terms of total volume of exports of Canadian wheat, the Cuban market does not figure prominently. The latest statistics available, for the crop year 1969-70, show that of the approximately 318 million bushels of wheat exported to all countries in this period, Cuba took less than 5 million, or less than 2% of the total. On the other hand, Cuban orders for flour have helped resuscitate a once-flagging industry in Canada. Loss of the previously large market in Venezuela in the early sixties was instrumental in the liquidation of several smaller milling companies and a de-emphasis of flour milling on the part of the larger companies in the composite grains market. Dramatically, Cuba has taken up the slack. During the same 1969-70 crop season, more than half the total of all Canadian wheat flour exported abroad went to Cuba. In view of the Castro regime's chronic problem of food production, there is every indication to suggest that Cuba will continue to absorb massive quantities of Canadian exports of wheat in the foreseeable future. Thus Canadian wheat and flour, for decades shut out of the Cuban market

result of this practice. He never seems to have grasped that so-called "pure" Canadian industry benefitted as a result. Similarly, Prof. Watkins in his introduction to Prof. Kari Levitt's Silent Surrender (Montreal: McClelland and Stewart, 1970), perhaps the most forceful expression of the "national capitalist" thesis to date, briefly leaves the erroneous impression that flour is not being exported to Cuba due to government complicity.

*Conversation with Dennis Harvey, Grains Division, Department of Trade and Commerce, September 23, 1970.
because of the Cuban-American Reciprocity Treaty, has now in effect supplanted the American products, a change made possible only by the Castro revolution and subsequent international developments.

P\(\text{CATTLE 24}\)

Perhaps the most remarkable chapter in the development of post-revolutionary trade relations has been written in the field of animal husbandry. Steadily since 1960, Canada has supplied Cuba with varied and large shipments of dairy and purebred cattle, and to a lesser extent, other animals such as sheep and baby chicks. The deliveries of cattle have been unique: of all Canadian commodity exports to the island, they alone have directly aided in the growth of a new and important industry. Other imports from Canada included mainly consumer perishables, many of which were, and continue to be, needed to avert critical shortages of basic foods. The small volume of capital goods imported have replaced, for the most part, depreciated American machinery in pre-existing industries. Canadian cattle herds, on the other hand, were directly involved in Cuban plans for economic development. For the most part, the Canadian-bred animals have been used for milk production, although some herds continue to serve both the ganadería de leche (milk) and ganadería de carne (meat) branches of the industry.

Historically, Cuba has always been a cattle-raising country. The first census taken after the creation of the Republic in 1902 estimated that there were more than 3 million head of cattle on the island, or more cattle than people. However, despite favourable climatic
conditions and an abundance of grazing terrain, pre-revolutionary Cuba was not able to supply her own requirements of milk and meat. (In fact, nearly 75% of the meat consumed prior to 1960 came from the United States). In part this was due to the characteristics of the predominant species of cattle, the Zebus (or Brahmans) and the Criollas (native cattle). Both are known as exceptionally poor producers of milk and for the inferior quality of their meat.

When the revolutionary government came to power, one of its most immediate professed objectives was to substantially increase the per capita consumption of protein by the Cuban people. As one consequence, an intensive campaign of animal slaughter was quickly set in motion. While 800,000 head of cattle were sacrificed in 1958, by the end of 1960, sacrifices were running at more than 1,200,000 annually. In the city of Havana, consumption of meat derived from cows increased by 60% in this two-year period. But soon it became apparent that the quantity and quality of the cattle remaining could not sustain the increased demand for much longer. It was at this time, probably in the spring of 1961, that the Castro regime made the important policy decision to make a significant, long-range investment in the cattle industry. Its objective was not only to increase the production of milk and meat so as to fully satisfy the needs of the population, but also to transform Cuba eventually into a net exporter of both commodities. It was envisioned that these exports would constitute an important source of foreign exchange for the country.

That Canada would become an indispensable supplier of bulls and cows was perhaps pre-determined by both politics and economics. The
U.S. embargo did not recognize cattle as "an essential, non-subsidized foodstuff," therefore ruling out that country as a potential source of supply. Nor could Cuba turn to her chief trading partner, the Soviet Union. In addition to the high costs of shipping live animals great distances, the U.S.S.R. and the Soviet-bloc generally, are notoriously poor cattle-raising countries. According to the statistics of the Food and Agricultural Organization of the United Nations, the ratio of cattle to people in the U.S.S.R. is 0.39, compared to 0.75 in the United States and 0.89 in Canada. Actually the discrepancy is still greater, since the U.S.S.R. relies heavily on imports of steer cattle to satisfy minimal per capita consumption requirements. Canada, on the other hand, is a net exporter of cattle and dairy products.

Canadian cattle sales commenced shortly after the Boti mission in December, 1960. By the following October, P.A. Savard, Canada's Commercial Counsellor in Cuba at the time, reported that Cuba had become Canada's second largest market for livestock and poultry.25 Most of the animals shipped were Holstein sire bulls, but also included were Ayrshire and Jersey dairy cattle. In February, 1962, a meeting of the Ayrshire Breeders Association of Canada revealed that Cuba was the major buyer of Ayrshires in 1961, taking all but 62 of the 2,162 animals exported that year.26 Throughout the 'sixties, Canadian cattle exports consisted mainly of Holstein heifer calves, averaging more than $1 million annually. In July, 1969, the export program was given a big boost when Cuba signed a $10 million contract for the purchase of 30,000 dairy cattle from the Holstein-Friesian Association of Canada. Shipments began early in 1970 and were
scheduled to take place at the rate of 1,000 head per month over a period of three years. The animals were loaded at the ports of Montreal and St. Johns on Cuban vessels. For the first time since Canada began exporting cattle to Cuba, the facilities of the Canadian Export Development Corporation (formerly Export Credits Insurance Corporation, E.C.I.C.) were used to insure the Holstein-Friesian sale and to provide guarantees to exporters' banks.* Further details concerning the terms of the contract are not known, since it has been the Friesian Association's consistent policy not to give any undue publicity to these sales. With the United States the chief market for Canadian cattle, it is still feared that announcements of any kind will provoke negative reactions on the part of U.S. buyers.+ Thus, in the case of animals going to Cuba, the normal transference of ownership procedures are not used. The animals are not registered as cattle exported by the Association, nor are they, in many cases, even counted before leaving Canada, as is customarily the case.27


+ It is probably for this reason that George Clemons, longtime President of the Holstein Friesian Association and a close "cattle confidant" of Fidel Castro, refused to answer letters requesting further information.
The Canadian Holsteins represent, as it were, the crucial starting point for Cuba's dairy production program. After an initial acclimatization process which lasts several weeks, the bulls are mated with female Zebus by a carefully developed procedure which requires the skills of trained technicians. By methods of artificial insemination which are carried out at specially named A.I. centres, the offspring of the first filial generation (F1) are produced. On the whole, these animals are capable of yielding two to three times as much milk as either the pure Zebus or Criollas. Further crossbreeding with semen provided by the Holsteins has shown to produce an F2 generation of hybrids with as much as ten times the original Zebu milking capacity. Ultimately it is the aim to evolve a "tropical Holstein" which will not only be resistant to the humid heat of Cuba's summers, but also will prove to have great regional versatility, adapting to both Cuba's flatlands and to the extensive grazing areas which are to be found in the semi-mountainous plateaus of the island.

In conjunction with the cattle program, and a necessary part of it, nearly 300,000 hectares of pasture-land have been opened up for intensive cultivation.

Though modern stock-raising in Cuba is still in its formative stages of development and still very far from reaching a level of production sufficient to eliminate milk and meat rationing, the Canadian contribution to this enterprise has been decisive. Thus, for example, of 2,000 foreign bulls in Cuba in 1970, it is estimated that 75% were imported from the Dominion. They are breeding about 2 million offspring per year. Without Canadian assistance in this area, Cuba's entire cattle
technological aspects of cattle-raising were able to provide Cuba with valuable information on the techniques of machine milking, a key factor in the eventual success or failure of the overall objectives of the program. As Premier Castro himself is quoted as saying, "We hope to be Canada's best customer for cattle." 

SUGAR

Sugar, quite naturally, has remained Cuba's major export to Canada. However, exports of both raw and refined sugar have fluctuated erratically in the post-revolutionary years. From 1959 to 1962, Canadian purchases declined considerably, and amounted to less than $1 million in 1961 and 1962. In 1963, imports increased to a record of $11.8 million, but the trend did not continue, and since 1963 imports have generally been running lower than in the decade prior to the revolution. In 1958, the last pre-Castro year, nearly 25% of sugar imports to Canada were from Cuba; since then, they have averaged roughly 8%. And whereas sugar and its by-products have accounted on the average for about 84% of the total value of Cuban exports to all countries since 1963, it has averaged only about 50% of the total value of exports to Canada.

The principal obstacle to larger Canadian purchases of Cuban sugar continues to be the tariff preference accorded Commonwealth producers. The basic preference of $1.00 per hundred pounds for sugar of 96° polarization introduced in 1927 as part of the 1925 Canada-B.W.I. trade treaty has remained unchanged ever since.*

* Supra, pp. 127 ff.
Despite the change in the relative value of the preference rate as a result of the devaluation of the Canadian dollar in 1962, Cuban sugar has not been able to make any noticeable inroads on the Canadian market. The low output of B.W.I. sugar in recent years, coupled with the larger quotas provided the Caribbean countries in the U.S. as a result of the cancellation of the Cuban quota, has not changed matters. Both Australia and the Republic of South Africa have taken advantage of the Commonwealth preference and rebates to undercut Canada's most-favoured-nation (m.f.n.) competitors, such as Cuba.* In practical terms, this has meant that Cuba has been able to compete for about 20% only of the Canadian market. With the demand elasticity very low, since the annual consumption of sugar in Canada has been about one million tons for the last eight years, Cuba could still theoretically dominate the supply of 200,000 tons. That she has not done so can be ascribed, inter alia, to shipping difficulties, production failures, and to the priority given her own preferential markets. These markets include the Soviet-bloc countries and China. In addition non-preferential hard currency outlets such as Japan absorb the major part of Cuban sugar sold in the free-world market. On the whole, Canadian refiners have been sceptical of Cuban attempts to reach record production goals (such as the unrealized 10 million tons for 1970), and have not measurably changed their importing practices in response to the renewed emphasis given sugar in the Cuban economy after 1962.

For their part, Cuban authorities have consistently argued since that time that they could increase sales to the Canadian market many-

* It should be remembered that Canadian-Cuban trade, unlike Canadian trade with other Communist countries, conforms to G.A.T.T. regulations, which provides for reciprocal most-favoured-nation treatment.
fold, and at a rate much more profitable to importers, were it not for the inequities built into the structure of Canada's sugar trading system. They have pointed out that with the elimination of preferential duties and certain "unwritten" quotas, Cuba could supply Canada with the major portion of her sugar requirements at up to 1¢ per pound cheaper than other Commonwealth competitors. Thus Emiliano Lezcano, the managing director of Cubazucar, Cuba's state sugar export corporation, claimed in a brief submitted to the Canadian Tariff Board on the occasion of its investigation into sugar-pricing in 1970, that Cuba actually supplies seaboard refiners with raw sugar below the price fetched on the free world market. According to Sr. Lezcano, Cuba loses $0.5 million annually as a result, compared to sales to other free-world markets, with much higher ad valorem Canadian duties largely accounting for this difference. He also noted that Cuba could supply Canada with refined sugar at one-third its wholesale price on the Eastern market, including transportation and packaging costs. However, Sr. Lezcano's offer has never been given the opportunity to be tested.

The Canadian system, as it is presently structured, also discriminates against higher quality Cuban sugar. According to a sliding scale of duties, the rate of duty increases rapidly with the degree of polarization for m.f.n. sugars, but remains relatively constant for Commonwealth sugars. As a consequence, sugar of optical rotation greater than 96° has been virtually excluded from the Canadian market. This situation does not prevail in most countries that buy sugar on the free-market. For this reason Cuba has implied that Canada has a low priority rating amongst potential purchasers in this market.
On another level, Cuba's objections to the operation of the Canadian sugar tariff system are of a more general and more theoretical nature. There is ample documentary evidence from Canadian sources which suggests that most of the benefit of the reduced Commonwealth tariff accrues to suppliers in Australia and South Africa. Thus the subsidy paid by the Canadian taxpayer, which in 1970 totalled over $10 million, is transferred to producers in relatively developed countries and therefore is contrary to the principles of the original B.W.I.-Canada trade treaty. This scheme, as we have shown, also benefits Canadian sugar refiners and beet producers, forcing the Canadian consumer to pay from between an estimated 30 to 50% more for sugar than if all duties were removed. In essence, Canadian consumers of sugar are taxed in order to subsidize producers both in Canada and in Commonwealth-producing nations. This system runs counter to one political objective of Cuba's trade policy, viz., to provide, ceteris paribus, low cost sugar to foreign consumers qua "the people", or in any case not to provide "monopoly capital" raw materials which are used to extract socialized profits. (In this respect, the Cuban's views converge with Canadian anti-nationalists, though from diametrically opposite points of departure). Moreover, they note that the preferential margins accorded Commonwealth producers only partially benefit the economies of these islands, since the sugar industry in the B.W.I. region is controlled by British companies. Taking all of these factors into consideration, Cuba has called for the complete

* Supra, pp.90 ff.
dismemberment of the entire British Preferential tariff system.\(^3\)

On October 23, 1968, both Canada and Cuba were among the 73 signatories to a new, U.N.-sponsored, International Sugar Agreement. The basic aim of the I.S.A. was to stabilize sugar prices on the free-market by adjusting the quantities of sugar coming onto this market. Under the terms of the Agreement, exporters pledged to place "minimum stocks" on the world market when the world price of sugar approaches an upper "target" of 5.25\(\times\) (U.S.) per pound. They also undertook to supply "traditional" markets with what is called their "normal requirements" at a bulk price not exceeding 6.5\(\times\) per pound. Importers are bound not to purchase sugar from non-members when the world price falls below the floor of 3.25\(\times\) (U.S.) per pound, and have also agreed to restrict imports from non-members when prices are between the upper and lower targets.

The Agreement is administered by an International Sugar Council, composed of representatives of all member-states, which sets free market quotas and establishes import restrictions.\(^2\) Its long range effects on Canadian imports of Cuban sugar remain unclear, though it is apparent that its major provisions militate against a repeat of Canada's 1963 experience, when she was forced to purchase sugar from Cuba and other producers at the unusually high prices then prevailing. (In 1963, Cuba sold Canadian refiners 70,000 short tons for some $11 million, i.e. 12\(\times\) per pound; in the years 1965 through 1967 Cuba exported to refiners an annual average of 73,000 short tons for approximately $3 million annually, i.e. 4.8\(\times\) per pound).\(^3\)
At this writing, sugar holds the key to any marked change in the present pattern of trade. The *sine qua non* for any significant increase in Cuban purchases of Canadian manufactured commodities or, to a lesser extent, agricultural products, is a significant increase in Havana's reserves of hard currency. The revolutionary government has made it clear that it considers the lopsided imbalance with Canada in recent years as having an upper limit. The simplest way to close this gap, especially in view of Cuba's preference for the system of bilateralism, would be to grant freer access to Cuban sugar, and especially refined sugar, onto the Canadian market. This would give Cuba the wherewithal to buy Canadian goods. However, given the entrenched protectionist position of the refining complex, and its tacit political alliance with the beet-sugar industry, the prospects of this happening are no better than they were in the pre-revolutionary epoch.

**TRANSPORTATION**

It will be recalled that in the weeks leading up to the missile crisis, the Kennedy administration took steps to implement a shipping boycott of Cuba. All ships visiting Cuba were to be "blacklisted" from U.S. ports thenceforth. The boycott was formally proclaimed in October, 1962, despite the objections of some U.S. allies, most notably Great Britain. The Diefenbaker government was also opposed, as has been noted.* However, since that time, no Canadian-owned or registered ships have engaged in any way in trade with Cuba. It is apparent that, once again, the U.S. has succeeded in making trade with Cuba "irrational"

* *Supra*, pp. 238 ff.
from the standpoint of yet another class of Canadian firms, viz., private shipping companies. Similarly, the use of government-owned or operated vessels would invite immediate American retaliation. This is a risk in which the possible costs so obviously outweigh the benefits that no Canadian government (i.e., Liberal or Conservative) is prepared to take it. As a result, virtually all Canadian exports to, and imports from, Cuba are carried in Cuban or Soviet vessels. (On occasion Cuban or Canadian aircraft are used, but this accounts for less than 5% of the volume of Canadian-Cuban trade). The fact that Cuba continues to import from Canada despite higher transportation costs which arise from the U.S. shipping embargo is due to the fact that Canada is the only source of certain essential imports such as cattle and skim milk powder. As one observer described it, Cuba has become known as a "captive market" for certain Canadian exports.*

* Conversation with D.N. Goodwillie, Canadian Dairy Commission, Ottawa, October 1, 1970.
NOTES - CHAPTER X

1. Globe and Mail, May 8, 1964. An article in the New York Times of the previous day suggested that Canada was prepared to support the United States against Great Britain on the issue of trade with Cuba at a N.A.T.O. meeting. The issue was brought to the fore as a result of the impending sale of Leyland buses to Cuba, which the British government refused to block despite concerted pressure by Washington. Canada, however, denied that this was the case, and in fact supported the British view.

2. Le Devoir, July 28, 1964. Sanctions were voted on the grounds that Cuba had directly aided Venezuelan guerillas.

3. From the text of the interview, as provided by the Department of External Affairs, dated March, 1969.

4. Hans J. Morgenthau, Politics Among Nations (New York: Alfred Knopf), 1967, p. 504. Professor Morgenthau writes, inter alia: "The conception that international conflicts can be eliminated through international understanding rests on the implicit assumption that the issues of international conflicts, born as they are of misunderstandings, are but imaginary, and that actually no issue worth fighting about stands between nation and nation. Nothing could be further from the truth."


15. London (Sunday) Times, August 23, 1964. According to the article, bumper wheat harvests in the U.S.S.R. had brought about the diversion. It predicted that "the days of massive Canadian sales were over," and quoted Chairman Khrushchev as saying: "I know, I sympathize with Canada but I can't help it. When one man cries, another man laughs, that's how life is."


19. Globe and Mail, July 13, 1966. Mr. Diefenbaker's projection of his own self-image as having "stood up to the Americans" on this issue is not 100% correct. In 1962, a Quebec firm, Swatson Livet, was denied permission by its U.S. parent to export to Cuba. Mr. Diefenbaker promised action but was as powerless to challenge the multinational corporation as was the Liberal government. Cf. Debates, Session 1962. Vol. I, October 22, 1962, p. 704.


21. Globe and Mail, August 24, 1965. Mr. Tatam is an American citizen, as are a majority of Robin Hood's Board members.

22. Ibid. As Harry Magdoff has written: "The interests of the parent company often contradict those of the country in which they operate. It follows that while multi-national corporations do not, as so often claimed, internationalize their managements, they do de-nationalize a section of native bourgeoisies in the countries they penetrate. This of course weakens the native bourgeoisies and makes it much harder for them to resist demands and


24. A good discussion of the goals and achievements of the Cuban cattle industry is to be found in Sergio Aranda, La Revolución Agraria en Cuba (Mexico, D.F.: Siglo Veintiuno Editores, S.A.), 1969, pp. 80-114. Most of the data in this sub-section is taken from this work.


29. Granma, June 16, 1968. Rosafé Signet is apparently from a lineage of bulls which has been used successfully for A.I. in Canada and in Mexico.


31. Per capita sugar consumption of the leading industrial nations of the world was estimated as follows: United Kingdom, 119; U.S.A. 103; Canada, 100; U.S.S.R., 92; France, 76; Federal Germany, 74; Italy, 60.5. All figures in pounds/year are taken from Canadian Sugar Institute, Canadian and World Sugar Statistics (Ottawa: Queen's Printer), 1965, p. 74.


34. Republic of Cuba, Submission to the Canadian Tariff Board. The document is dated October 15, 1969, and is signed by Dr. Raúl Leon, Vice-Minister of Commerce. Hereinafter cited as Submission....

35. Department of Trade and Commerce, Memorandum to the Canadian Sugar Trade, December 12, 1963.

36. Canada and Dominion Sugar Company, Sugar: Brief to the Tariff Board,
Shortly after assuming office, President Johnson moved to penalize those "friendly" governments that refused to comply with the regulations of the U.S. embargo. Military aid to various nations, such as Spain and Morocco, was suspended, while the financing of military training programs in Great Britain and France was terminated altogether. In the case of the latter, the sums were quite small, probably about $100,000 in each instance. In making this announcement, the State Department listed 14 nations that had been exempted from this action because they had taken "appropriate measures to halt Cuban traffic." Canada was among the nations cited. The Diefenbaker government, it will be recalled, vigorously opposed the extension of this aspect of the embargo to Canada. It appears, then, that the Liberal administration tacitly reversed this position, although it was careful never to make this public. In practical terms the reversal has been of little significance, since Canadian shipping companies have "voluntarily" complied with the boycott, as noted previously. Cf. the article by Tad Szulc, *New York Times*, February 19, 1964.
PART III:

THE PATTERN OF POST-REVOLUTIONARY RELATIONS
CHAPTER XI - OF NATIONALIZATION, COMPENSATION

LITIGATION AND DEFAULT

SHIPS

It was earlier noted that Canadian diplomatic recognition of the new Cuban government formed in Havana in January, 1959, followed by one day the receipt of a note delivered to the Canadian Embassy, pledging respect for all of Cuba's "international obligations and existing treaties."* Only several days before, a spokesman for the Canadian government was quoted as saying that recognition would be immediately forthcoming as soon as "certain measures" were taken by Cuba, "such as signifying intention to honour its international obligations."1 The assumption in Ottawa at the time was that such obligations would include payments for the balance owed on eight vessels of the Canadian National Steamships (C.N.S.) fleet purchased by the Batista government for $2.8 million. It is, of course, doubtful if repayment for the ships was actually made a condition of recognition; however, from the subsequent fate of the ships, it appears that the Cubans had indeed been cognizant of the debt when the Cuban Foreign Office note was drawn up.

The story of the C.N.S. vessels, the subject of widespread interest in Canada after Fidel Castro's accession to power, antedates the triumph of the revolution by less than half a year. In the summer of 1958, the Banco Cubano del Comercio Exterior, a mixed enterprise established in

* Supra, p. 156.
1954 with both government and private capital to promote trade, purchased the eight vessels in furtherance of this objective. Under the terms of the sale, the Banco agreed to an immediate cash payment of $560,000, with the balance to be paid off in five annual instalments of $448,000 each at 5% interest on the remaining principal. The balance was covered by a letter of credit put up by the Bank of America.2

Sale of these ships to Cuba in the waning months of Batista's rule was not without its ironic aspects. As part of the C.N.S. fleet, the ships had for decades plied the waters of the Caribbean, but for most of that time forced to steer clear of Cuba. Then, too, by the summer of 1958 the declining fortunes of the Batista regime had become apparent. Even in Parliament, a body notoriously ill-informed on foreign affairs, especially on Latin America, there was apprehension about the sale. Several members queried the then Minister of Transport, George Hees, as to the wisdom of advancing credit to a government wracked by instability and crisis. Mr. Hees defended the transaction on the grounds that:

"Not only was... [Cuba's] offer... the best amongst seven for the entire fleet, and not only was it the highest offer, but it was the only offer providing sound security for the balance of the purchase price."3

Immediately following the sale, the Banco entered into a Lease-Purchase agreement with the Browning Lines, Inc. of Detroit to operate the vessels. To expedite operations, a company known as Flota Marítima Browning de Cuba, S.A. was created and incorporated in Cuba. However, after just two months as operators, the Flota filed a formal
notice of renunciation of the agreement, charging the Banco with a breach of contract, while reserving the right to take such action as might be deemed appropriate to recover its investment in the project. In fact, a breach had occurred, but through no fault of the Banco. A strike by the Canadian International Seaman's Union had tied up seven of the eight ships in Halifax harbour, thereby leaving the Flota with total losses on its initial outlays for the shipping operation.

This was how the situation stood when the revolutionary government took control. In effect, it inherited a $2.8 million debt for vessels it could not put to immediate use. Some five months later this obligation became de iure as well as de facto when the Banco was completely absorbed by the new National Bank of Cuba.

The problem of the ships was of sufficient importance to warrant the brief two-day visit made by Prime Minister Castro to Canada in April, 1959. In his press conference in Montreal, Dr. Castro had this to say about the matter:

"I ask you to alert public opinion so that we can recover the half-million dollars paid out by the old regime.... I know that the problem is a complex one, involving a union conflict between the ships and its owners. Simply I tell you that we have great need for a half-million dollars. It would not be just for the Cuban people to suffer from the past errors of the Batista regime."4

And on the following day, after a long meeting with Harold Banks, President of the Seaman's Union, Dr. Castro emerged to say that if the ships did not retake to sea, Cuba would stand to lose the half-million dollars, "a sum not much for Canada, but enormous for Cuba."5

The ships remained stranded in the port of Halifax for over a year
when, on August 4, 1960, Flota filed a warrant for their arrest, claiming $1.5 million for damages, loss and injury. The appearance, in the Nova Scotia Admiralty District of the Exchequer Court of Canada, was entered under protest by Cuba on the grounds that that court did not have jurisdiction in the case. Lawyers for the Republic contended that in signing the Lease-Purchase Agreement, the Flota had tacitly acknowledged only Cuban courts to have jurisdiction of all matters relating to the agreement. Ordinarily this line of reasoning might have been expected to succeed. According to the common interpretation of international law on the subject, a sovereign state is immune from claims against its property in a foreign court.

However, Judge Pottier of the Nova Scotia District set aside the traditional doctrine in favour of a modified restrictive theory of sovereign immunity, based on a distinction between the public acts of a state (jure imperii) and private or commercial acts (jure gestionis). It was assumed that, had the vessels been freed, they would have engaged in commercial activities, and therefore were liable to arrest as are private ships owned by private individuals. The decision was based principally on litigation proceedings in U.S. courts, and especially on the case of Flota v. Ciudad de la Habana, heard in the U.S. District Court for Maryland in February, 1960. In this case, which involved the eighth ship in question, it was held that a foreign court could be authorized to hear the Flota's claim, despite the fact that in the Lease agreement both parties explicitly waived all jurisdictions outside of Cuban courts. This ruling was given on the grounds that a contract-
ual agreement cannot ipso facto oust a court from jurisdiction as to its "enforceability" or "reasonableness." 6

On September 25, 1961, exactly five months after the Admiralty decision, the fate of the ships took another abrupt turn. A Cuban appeal to the Exchequer Court reversed the lower court ruling, setting aside the writ of summons for arrest and damages. However, the Republic failed, partly for technical reasons relating to the condition of the ships, to remove them from Canadian waters before the Flota filed notice of appeal to the Supreme Court of Canada. 7

The high court's ruling came down on June 11, 1962. In it, two concurring opinions were written, both of which dismissed the claim against Cuba and gave her final possession of the seven ships - still moored in Halifax harbour. A short opinion by Justice Locke, and concurred in by one other Justice, simply stated in effect that no evidence had been adduced by the plaintiff to show conclusively that it was Cuba's intention to put the vessels to any use whatever. There being no question as to rightful ownership, Justice Locke recommended dismissal of the appeal with costs, while refusing to deal with the more substantive problem of "public" versus "commercial (or "private") sovereign property. On the other hand, the lengthy opinion of Justice Ritchie, concurred in by the three remaining Justices, not only ordered the Browning Lines to pay the full costs of the litigations, but also reverted to the traditional legal interpretation of "absolute sovereign immunity" in releasing the ships to Cuba. 8

The political implications of the Flota case should be obvious. In addition to providing Cuba with yet another example of Canada's
"good faith" in keeping post-revolutionary relations on a correct and "friendly basis," the decision once again emphasized the contrasting outlook between Canada and the United States regarding the revolution itself. And in all probability the outcome of the litigation helps to explain the fact that Cuba eventually paid off the entire balance outstanding for the debt incurred on the purchase of the C.N.S. ships by the Banco. This occurred, it might be noted, despite the apparent temptation of leaving America's (and the world's) largest bank in the lurch for Cuba's accrued debt. 9

The Flota decision, and, more particularly the written opinion of Justice Ritchie, sent a wave of consternation through both the legal profession and the trading community within Cuba. As international law expert McWhinney observed, Flota suggested that no property of a sovereign state could be classified as "commercial," therefore ruling out the possibility of its seizure by private corporations in lieu of payments from state-trading nations. 10 As a consequence, Canadian exporters were placed at a further disadvantage when competing with the state-trading enterprises of the Communist states. Thus, in the event of defaults, private Canadian companies are unable to claim the property of Communist states within Canada as collateral security ("hostage" property).

BANKS

Mention has already been made of the October, 1960, nationalization decree of the revolutionary government in connection with the imposition
of the U.S. trade embargo.* The decrees, the most wide-sweeping of a series of measures which brought virtually the entire Cuban economy under State control, nationalized 362 Cuban and foreign-owned companies, having an estimated value of $2 billion in total assets. Previously the Government assumed complete control of the sugar industry (1959-60), oil refining (June-July, 1960), and all U.S.-owned private banks (September, 1960). The October decrees nationalized all the remaining banks, both domestic and foreign, operating on the island, but specifically exempted all branches of the Royal Bank of Canada and the Bank of Nova Scotia. In a public speech explaining the take-over, Premier Castro averred that the exemption of the Canadian banks was directly attributable to the valuable assistance they had been rendering the Cuban government in its financial transactions abroad.

Most Canadian observers, however, have argued that Castro made this exception with other, more important motives in mind. One hypothesis suggests that at this early stage of "socialization" it was deemed expedient to keep at least one banking channel open to the U.S. money market. Another maintains that the Premier had aimed to emphasize Cuba's long-standing grievances with the United States. By contrast, Canadian banking and business interests in Cuba were presumably free of imperialist taint. A third hypothesis, not mutually exclusive of these, credits the Castro regime with having recognized that "indiscriminate" nationalization of the Canadian banks, without distinguishing them from U.S. financial institutions, would have added a serious obstacle to the expansion— if not continuation— of trade relations.13

* Supra, pp. 164-165.
In any case, the highly reliable Financial Post reported that U.S. officials expressed satisfaction that both Royal and Nova Scotia had not been expropriated since "at least banking matters \[there\] can still be cleared through trustworthy hands." 14

Whatever the reasons for the exemption, it shortly proved to be quite academic, since both Canadian banks opted to withdraw from Cuba. The decision was dictated by the fact that both banks began to suffer a sharp decline in profits not long after the installation of the revolutionary government. This trend was a direct result of various nationalization laws and decrees promulgated in the 1959-60 period. In particular, the creation of the state-operated Foreign Trade Bank attendant to the nationalization of the entire foreign trade sector of the economy in September, 1960, cut heavily into the Canadian banks' business. Among other things, the Trade Bank became (de facto) the sole authority for the issuance of documents required for import and export transactions. Added to this, it became increasingly difficult to compete with the Central Bank, the Banco Nacional de Cuba, for loans. With the confiscation of all the major American and Cuban companies, many of which had been customers of the Canadian banks, loans were also more risky because they could not be covered with adequate security. In a number of cases, the security for past loans had disappeared when the government took control of lands and corporate properties.

But while the banks were clearly "over-extended," they also had found their decision-making autonomy severely circumscribed. A decree
passed in 1959 made it illegal for any bank in Cuba to dismiss any personnel on its payrolls as of January 1, 1959, or to close any of its branches. Later the Royal Bank claimed that it had actually been operating at a deficit for nearly the whole of the 1959–60 period because it had been forced to retain a staff of some 700 employees while at the same time sustaining a substantial loss in non-savings transactions. Accordingly, both banks opened negotiations with representatives of the National Bank (whose President at that time was Che Guevara) for their departure from Cuba, though apparently each did so independently of the other.

Agreement on the basic terms of withdrawal was first reached with the Royal Bank. Under a legal "nationalization contract" signed on December 6, 1960, and based on figures of November 30, 1960, the Central Bank purchased at book value all the assets of the Royal Bank of Canada in Cuba, and on the other hand assumed all its liabilities in Cuba.

The contract provided for the unimpeded repatriation of an estimated $7 million held by Royal in U.S. Government bonds, and for settlement in U.S. dollars of the Bank's net investment in Cuba. In a report to the Annual Meeting of Royal's shareholders the following January, the Bank's General Manager, C.B. Neapole, elaborated on this latter aspect:

"The difference between our assets of approximately 139,690,000 Cuban pesos and our liabilities of approximately
130,860,000 Cuban pesos — or approximately 8,830,000 Cuban pesos — represented the capital investment of the Royal Bank of Canada in its Cuban business plus certain accumulated unremitted profits and other sundry items. Under the settlement, Banco Nacional de Cuba actually paid the Royal Bank of Canada in U.S. currency the total amount of our capital at par of exchange; that is, for each Cuban peso of capital investment, one U.S. dollar.17

The significance of the agreement lies in the fact that not only was Royal permitted to withdraw its capital stock, but also that it received full compensation in hard currency. This contrasts with the offers made by the Cuban government during this time to indemnify American interests in the form of long-term government bonds at 4½% interest, valued and payable in Cuban currency. These terms were rejected by the U.S. Government as "inadequate."18 Nevertheless, it should be obvious that compensating Canadian interests was in no wise comparable to paying off some $1 billion in U.S. investments "promptly, fairly and adequately."

In his report, Mr. Neapole also noted that a much smaller amount of accumulated profits and investment items remained to be recovered. However, he expressed confidence that accord would be reached on them as well. He announced that in order to maintain continuity in the management of its former branches, the entire Cuban staff would be re-hired by the National Bank. Non-Cuban personnel were to be "repatriated" at Royal's expense. At the same time the nationalization contract authorized the Bank to maintain an information office and a Special Representative in
Havana to assist in matters of Canadian–Cuban trade. At Royal's Annual Meeting one year later, Mr. Neapole provided a happy sequel, as it were, to the story, when he noted that nearly all of the commitments undertaken by the National Bank, including the liquidation of the balance outstanding, had been fulfilled. 19

Like the agreement with Royal, the contract signed between the Bank of Nova Scotia and the Banco Nacional de Cuba provided for the absorption of all assets and liabilities of the former by the latter. In a press release issued on December 16, Nova Scotia called attention to "the wish of the Cuban Government to operate all major industries, particularly commercial banks, as state-owned institutions." Negotiations had apparently begun several months earlier on a transfer arrangement, and their successful conclusion occasioned this brief statement to the press. However, the Bank has steadfastly refused to make public any of the details of the transfer agreement. Asked the day of the press release to elaborate on "the terms of its settlement with the Cuban Republic," Bank President F. William Nicks declined to comment, except to say that all of Nova Scotia's shareholders' moneys had been repatriated. This was interpreted by another official to mean that the Bank was repaid its "total capital" sunk into the development of the Cuban business. Presumably then, Cuba repurchased the Bank's investment
holdings, as in the case of Royal. 21

Although neither of the Canadian banks could question the equity of the settlements reached with the revolutionary government, both expressed "sentimental" regrets about leaving Cuba. The recognition of this necessity prompted Mr. Neapole to remark that, despite the satisfactory agreement, the Royal Bank did not receive "compensation... for good will built up over the long period we were in Cuba." 22 Somewhat more candidly, J. Douglas Gibson, General Manager of Nova Scotia, acknowledged that the Bank's nostalgia reflected the recognition that its Cuban business had "contributed significantly to both assets and earnings." 23 On this note the books were closed on more than a half-century of Canadian banking in Cuba. Regardless of the future of the Republic, it can be safely predicted that this link between the countries will never again be restored.

LIFE INSURANCE

The same pattern of wide-sweeping economic and financial change, instituted by the Castro regime in 1960, which began to plague the operation of private banking had a similar deleterious effect on the life insurance business. However, compared to the assets and liabilities of the Canadian banks, those of the five Canadian insurance companies with branch offices in Cuba have had a complex and more uncertain fate. Regrettably both the Cuban government and the companies concerned have elected to regard any settlements reached and claims still outstanding as strictly "confidential"
information. This quite obviously is due to the sensitive legal and political issues which have arisen as a result. Nevertheless, from admittedly fragmentary data, it is possible to reconstruct the sequence of events bearing on the problems that have yet to be completely resolved.

Two laws, one passed in May, the other in July of 1960, were the first of a series of revolutionary measures which seriously affected the entire insurance industry on the island. In May the government placed a moratorium on the outflow of all "profits or surplus capital" held by the insurance companies in the country. Shortly thereafter this ruling was made applicable to all foreign bonds and securities held by these and all other Cuban-incorporated firms. With the value of the Cuban peso steadily deteriorating, this amounted to a de facto devaluation of the not inconsiderable assets already held by the Canadian insurance companies. Two months later all of the funds held as securities by the companies in private Cuban enterprises became the property of the Cuban state. Law 851, passed July 7, 1960, nationalized all of the corporations in which the premiums of policy-holders had been invested. An announcement issued in conjunction with the decreeing of the law

* It will be recalled that under Batista, the insurance companies were required to hold a minimum fixed percentage of premium assets in Cuban corporations and in Government bonds. Supra, p. 57.
by the government made it clear that Cuba, for the time being at least, had no intention of continuing to pay the interest on any of these investments. 25

The Law of Urban Reform, passed as part of the comprehensive "third phase" of nationalization decrees issued October 13 and 14, 1960, brought the last item in the Canadian companies' investment portfolio under government control. The Law stipulated, in effect, that all mortgages were to become the property of the Cuban State. No further interest payments were to be made on them, and all rents were thenceforth to be collected by the government.*

Taken together, these three measures essentially "froze" the insurance business, and it was at this point that the Canadian life-insurance companies virtually ceased to underwrite any new contracts. However, in contradistinction to the situation prevailing with the banks, a formidable obstacle had been placed in the way of negotiating settlements to expedite the Canadian companies' withdrawal from Cuba. Earlier in the spring (1960), a government law established the grounds upon which a Cuban could be declared an "enemy of the revolution." Under this edict the state was empowered to confiscate all the property of a person so classified, except for a bare minimum of personal effects. Life insurance policies were interpreted by the law to constitute "property," and a further provision

gave the state the authority to claim the cash surrender value of
any policy from the Cuban-incorporated company from which the policy
had been purchased. In the event of default of payment, or if a company
was to make a cash surrender payment to a declared "enemy of the
state" whether or not outside of Cuba, the state decreed it had the
right to "intervene" (i. e. expropriate) all of the funds and assets
of that company in Cuba. 26 The latter case could not have applied
to bank deposits, since banking accounts contracts specified that
demand payments had to be made only at bank branches within Cuba.
No such stipulation was provided for in the insurance policies issued.

To this writing, this state of affairs has posed a peculiar kind
of dilemma for the five Canadian life insurance companies. Inter-
mittently since 1960, both the Cuban government and Cuban exiles
living in the United States have made claims for the recovery of the
cash surrender value of numerous policies, nearly all issued prior
to the revolution. Just how many policies have been involved is
not known, but one authoritative source conservatively estimates
this number to be at least 100. * In a few instances, the refugee
claimants have not been declared "enemies of the state" and hence
there has been no conflicting government claim. However, in the over-
whelming majority of cases, the opposite has been true; nor is this
fact at all pertinent from the standpoint of the retaliation that
could be taken against the companies.

* Telephone interview with Mr. R. M. Bell, Confederate Life
At first the problem did not appear as intractable as it has turned out to be. It was reasoned that not only are foreign branches of Canadian-owned companies bound to comply with the laws of the foreign country in which they are incorporated, but also that the same would hold in Canada were a Canadian citizen declared an enemy of the state and his property confiscated. Under Canadian law, the paid-up value of a life-insurance policy would have to be relinquished to the government by the foreign (English, Dutch, and American) life-insurance companies operating in Canada. However, several suits brought against the Canadian companies in the U.S. and Canada between 1962 and 1965 established the right of Cuban immigrants to receive cash surrender payment from the companies' Head Offices in Canada. In Ugalde v. Confederation Life, heard in the Supreme Court of Florida, and in Vargas v. Crown Life heard in the Pennsylvania Superior Court, the tribunals ordered the companies to pay naturalized U.S. citizens the full surrender values on life policies issued in Havana. An identical ruling was handed down in the case of Colmenares v. Imperial Life, heard in the High Court of Justice of Ontario in February, 1965, though it was not based specifically on the arguments presented in Ugalde or Vargas.

In Colmenares, the plaintiff sued for payment of the cash surrender value of two life policies, one issued in 1942, the other in 1947. Plaintiff's counsel argued that, according to the terms of contract, premiums were payable at any branch office of the insurer and that, in any event, all amendment to the policies, including the
initial decision to accept the risk on the insuree's life, were made at the company's Head Office in Toronto. It was shown that under the proper law governing the obligations of the contract in the province of Ontario, there could be no question but that the full surrender value of the policies would have to be paid. Thus, the case for the plaintiff rested on the contention that in signing the insurance contract, it would be imputed that both parties had intended to submit to the system of law of Ontario, and not of Cuba, on any matter(s) pertaining to the interpretation of the contract. On the other hand, it was not difficult for the defendant company to establish that Colmenares was insured while a resident in Cuba, as a Cuban citizen, and had had his policy application drawn up and countersigned in Spanish by a Cuban agent of Imperial Life, who conducted periodic checks on the health status of his client. On these grounds the company claimed that it was Cuban law that was applicable in this situation. Therefore, judgment in the case hinged on the determination of the appropriate jurisdiction of the proper law of the contract.

Three previous cases were cited in the litigation. In 1951, *Bonython v. Commonwealth of Australia* asserted that the "closest and most real connexion" country to a transaction is the criterion by which the proper law of a contract should be tested. This definition was applied in *Re United Railways of the Havana and Regla Warehouses Ltd.* (1960), where a British court ruled that damage and
property claims could not be brought against the United Kingdom government for losses sustained by that corporation in Cuba. A direct application of this test in Colmenares would have resulted in a victory for Imperial Life, and the dismissal of the claim against it. However, presiding Justice Stewart chose instead to follow the arguments of the closest Canadian case, Rossano v. Manufacturers Life Insurance Company (1962) as a guide. In Rossano, it was ordered that the cash surrender value on a life policy issued in Egypt be paid to the plaintiff. The fact that the Canadian company had assumed contractual obligations to its client in Egypt, or that the contract was signed in Egypt, were arguments said to have been extraneous to the central issue in dispute. According to Justice McNair, it can be presumed that where a resident in a foreign country purchases a life insurance policy from an agent of a Canadian company, he has "faith not only in that company but also in the system of law under which it operates." As in Rossano, the decision to file suit directly against a Canadian company in a Canadian court helped strengthen this interpretation.

In his written decision, Justice Stewart also rejected as irrelevant the contention that Cuban legislation controlling the exchange of currencies effectively changed the proper law of the contract. In a brief to the court, Imperial noted that Cuban law required that payment on all insurance policies could only be made in (Cuban) pesos. (The legislation referred to was Law 568, which made it illegal to pay U. S. dollars to policyholders or their trustees whether in or
outside of Cuba. This decree became effective on October 2, 1959).31 However, because the contract did not specify that the policy was only payable in Cuba, this line of reasoning could not be sustained. Whether this implied that Imperial sought to liquidate its debts to Cuban-exile policy-holders in virtually worthless pesos remains unclear; but were this the case, this action would not have been without a certain amount of irony, since Imperial has steadfastly refused to accept pesos in compensation for its still "frozen" assets in Cuba.

Though the award in Colmenares was small ($8,742,22), a sum which the company emphasized it was "anxious" to pay, the significance of the case was much more far-reaching. The precedent established here put all five Canadian insurance companies in the anomalous position of having to pay "double indemnity" on all life policies surrendered by "enemies of the Cuban state" outside of Cuba. More importantly, any remittance unauthorized by Cuban law, if brought to the attention of Cuban authorities, would constitute sufficient grounds for the expropriation of the Cuban assets of the company in question. It therefore would not be hazardous to deduce that fear of the consequences of disclosure was the over-riding consideration in the refusal of four of the five companies to provide this study with any information regarding the fate of their assets and liabilities in Cuba.* The only company to respond positively, Manufacturers Trust, has indicated that it held one mortgage in Cuba, and in compensation it was replaced in 1965 by Cuban Government Bonds, bearing 4% interest. According to

*Cf. Appendix D.
the firm's associate accountant, W. Donald Cormack, payments of both interest and principal on these bonds has been maintained up to the present.*

Nowithstanding the difficulties involved in the repatriation of the assets of the life insurance companies and reaching settlements of their liabilities, at least four of the companies still maintain branch offices in Havana to collect premiums and provide the services stipulated in the contracts of old policy-holders. These activities probably constitute one of the last, if not the last, form(s) of foreign private enterprise permitted to exist in revolutionary Cuba. In all likelihood, these services will not be completely phased out, nor will all insurance contracts be absorbed by the state, until a comprehensive agreement is reached between the Castro government and the companies for the unblocking of the latter's Cuban assets.32

AIR CARGO

Another example of a case in which a dispute between a Canadian corporation and the Cuban government was brought to litigation had its origins in developments after the revolution. In early 1961, Cuban trade officials, some of whom were members of the original Boti mission, were successful in negotiating agreements for purchases of Canadian cattle, fertilizer, and a variety of other agricultural products in the forthcoming year. In order to facilitate rapid

* Cormack letter.
shipment of these items, the Cuban government asked Ottawa to sign a bilateral accord to initiate regular airline service between the two countries for this express purpose. For reasons still somewhat uncertain, the Canadian government rejected the bid, although it has been suggested that an influx of large delegations of Cubans on "official business" had been causing concern in Ottawa, and it was feared that a comprehensive air charter agreement would make security checks on the visitors more difficult. *

Ultimately, however, a limited charter arrangement was worked out between the Air Transport Board (A.T.B.) and Cuban authorities. It called for a 50 - 50 split between Canadian carriers and Cubana Airlines, the national airline company of the Republic. Pressure from agricultural exporters, Trade and Commerce, and External Affairs - the latter having been instrumental in the negotiations - forced the A.T.B. to reverse a prior policy decision against such a charter deal. It is interesting to note that the debate between proponents and opponents of the charter reproduced in microcosm, and was yet another expression of, the broader question of the advisability of maintaining trade relations with the Castro regime. Spokesmen for the exporters in Trade and Commerce sought to establish a co-ordinated program to maximize the potentialities of the Cuban market, whereas the A.T.B. feared that the creation of an established aerial trade route with Havana would restrict Canada's

* Interview with J. W. Gervin, Assistant Director, International Relations Branch of the International Transport Policy Committee, Ottawa, October 2, 1970.
bargaining influence on the Americans in matters affecting bilateral transportation. The superior status of the External Affairs Department apparently decided the issue. The latter, while sympathizing with A.T.B., nevertheless supported an open trade policy. Its "ostrich-like" position was: proceed with the signing of the charter, but do not publicize it. After a pledge for Cuba's co-operation on this aspect of the agreement had been secured, a search began for an interested Canadian carrier. All Canadian charter companies carrying any type of "defence-related" cargo between Canada and the United States were forced to turn down the offer for fear of losing much more lucrative contracts. Finally, after several months delay, a Montreal charter company, World-Wide Airlines, was persuaded by the A.T.B. to act as the Canadian carrier. Flights carrying baby chicks and cattle commenced in June, 1961, in C-46 aircraft, but shortly thereafter World-Wide purchased a larger DC-4 craft from Air Canada for the run, because "they didn't want their purchases landing in the U.S. en route." According to Donald McVicar, President of World-Wide Airlines, the contract negotiated with Havana, although claimed by the A.T.B. never to have been formally signed by Cuba, called for a minimum of 10 flights per month by each carrier.

The foregoing provides the background for one of the more bizarre incidents in post-revolutionary Canadian-Cuban relations. From the outset the air charter deal was beset with difficulties for World-Wide. After one month, the Cubans failed to live up to the terms of the contract. Havana claimed that it did not have sufficient reserves of dollars to pay the company, and that Canadian charter rates were in
any event too high, approximately 40% above their own. With the Cubana flights continuing, an adjustment in payment terms and rates was subsequently made, however, and the World-Wide flights continued on an irregular basis for the next two years.

The regular World-Wide route took the DC-4 craft, equipped with Rolls Royce Tyne engines, over the southern part of the United States. On one flight, the DC-4 developed engine trouble and was forced to land in Florida for repairs. When apprised of its destination, the World-Wide craft was taken into custody by F.B.I. and airport security agents. Before the necessary repairs were made, all the goods on board intended for Cuba were impounded, and World-Wide enjoined thereafter from using U.S. airspace. This injunction, it should be noted, was in direct violation of I.C.A.O. regulations, of which the U.S. is a charter member. At this point the U.S. requested that Ottawa take immediate steps to revoke World-Wide's license to fly to Cuba, but to no avail.35

Following this incident, the World-Wide DC-4 diverted its course from the land route over the U.S. Each flight to Cuba originated in either Toronto or Montreal, stopped-over in Halifax, and then proceeded down the Atlantic coast to Cuba, always careful to avoid the U.S. territorial limit out to sea. Not only was this route much more costly than previously, but it also was much more dangerous. In an effort to maintain "normal and friendly relations," it appears that Cuba agreed to pay for the re-routing, although this point still awaits documentary classification.* In any case, Cuba abruptly

* Gervin interview.
terminated the agreement with World-Wide in July 1964. A brief statement delivered to the Canadian Embassy noted that cessation of the service was due to the transference by the Cuban governments of air shipments to Cuban vessels registered under the state-owned shipping firm, Líneas Mambisas.

Upon cancellation of the Canada-Havana run, President McVicar claimed that Cuba was in arrears to World-Wide by more than three-quarters of a million dollars. In September, 1964, the company filed suit for breach of contract in a Superior Court of Quebec for the sum of $953,853. The suit was immediately thrown out by the Court on the grounds of "diplomatic immunity." Determined to strike back at Cubana, Mr. McVicar then resorted to a hitherto untried tactic which was to have tense repercussions for Canadian-Cuban relations. The following October, when a Cubana Airlines plane landed in Montreal to pick up Cuban Foreign Minister Raúl Roa, who was flying home from London, World-Wide got a writ of seizure that grounded the Cuban plane, and detained the Foreign Minister. The writ named as defendants in World-Wide's action Cubana Airlines, Líneas Mambisas, and members of the Cuban Trade Mission in Montreal, in addition to the Cuban government. Third-party writs were also obtained against shipping and aircraft companies servicing Cuban trade, as well as the Royal Bank of Canada, which acted (and still acts) as a financial agent for Cuba in North America. Sr. Roa's release from the writ was only secured after a $1 million bond had been posted by the Trade
Mission, and as a result of the intercession of an External Affairs official in what apparently were delicate negotiations.36

From the information available, it is not at all clear if Fidel Castro personally ordered the posting of the bond. However, the Cuban Premier was furious. He stormed into the Canadian Embassy, charging that "Canada had betrayed him." As Ambassador Mayrand recalls it, Dr. Castro declared that Canada had fallen back on a "solemn trust" to keep Canadian-Cuban relations on a "fair and friendly basis." Mr. Mayrand quotes the Premier as saying: "We send our best people to your country...and now look at the perfidy you have heaped upon us." For this and other reasons, a certain pall was cast over Canadian-Cuban relations, at least in a formal sense, which persisted until the Ambassador's retirement in 1970.* (Such are the vagaries to which the conduct of diplomacy are subject while Fidel Castro remains the "maximum" leader of the Cuban State).

World-Wide's claim against the Cuban government followed to the Supreme Court of Canada. In a brief submitted before the high tribunal, the company argued, as did the Browning Lines, that a distinction could be made between "pure state property" of a sovereign government - including a country's embassy building, furniture, cars, etc. - and property used for commercial purposes. Despite differences between the two cases, World-Wide's claim constituted a test of the doctrine enunciated in Flota, and it was on this basis that the appeal

* Mayrand interview.
was once again dismissed.*

**AN ASSESSMENT**

At a meeting of the Standing Committee on External Affairs on March 5, 1959, the following exchange was recorded between the Minister, Sydney Smith, and a questioner:

Q. Would the Minister care to make any comment on how self-government [i.e., revolutionary government] may or may not have affected any relations Canada may have with Cuba?

A. I do not think I could say anything else other than that they are just as cordial as they were under the Batista regime. I say this very firmly, that we did not succumb to the requests for supplies of armaments and military equipment to Batista. That is a great advantage now in respect of our relations with the present government. Our stock is higher than that of some other countries of the West in that regard.

Q. Along the same line, would you not say that there was any danger whatsoever to any Canadian interests in Cuba?

A. There is no suggestion of it. I would suspect there would not be.37

Of course, the fate of Canadian interests in Cuba may not at all have been linked to the elaborate precautions taken by the Diefenbaker government to insure that no arms or military supplies were shipped to the island, once it became apprised of the serious nature of the insurrection. Even if the Castro regime was made aware of this fact, a simple enquiry into its raison d'être would show the decision to have been routine. The prohibition followed a long-standing policy of not authorizing the sale of any military equipment in areas

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* Letter from Clive Baxter, editor of the Financial Post, to the author, dated November 11, 1971. However, Mr. Baxter informs me that Mr. McVicar is confident that the Cubans will repay his now-defunct company soon. He has therefore promised that an investment of $1,000 in a new organization he plans to form will bring a return of $10,000 when Cuba settles.
classified as "unstable" or "hot," and did not necessarily signify tacit support for the July 26 Movement in its struggle against Fulgencio Batista. Nonetheless, it is certainly apropos to ask, thirteen years later, to what extent Mr. Smith's prognosis, made well before the revolutionary government embarked on a program of full-scale nationalization, was accurate. We can ask *inter alia*: (1) Did Canadian land and capital assets in Cuba have special status, either because of Canada's past "non-imperialist" role or because of her decision to maintain trade and diplomatic relations in defiance of Washington? (2) Have Canadian subsidiaries formerly operating in Cuba been fully indemnified, and if so, on what terms? (3) What has been the attitude of the Canadian government towards compensation? Has it used, or threatened to use, the nationalization issue as a *quid pro quo* to extract other concessions from the Castro regime?

These are relevant, and potentially provocative questions. The U.S. broke off both trade and diplomatic relations with Cuba ostensibly because of the failure of nationalized U.S. firms to receive "prompt, adequate, and effective" compensation. A decade earlier, Canada's refusal to grant recognition to the Communist government in China was nominally based, *inter alia*, on similar considerations with respect to "Commonwealth property." Unfortunately the dearth of factual information publicly available on claims and settlements permits only some tentative observations on this important subject. In fact, for a long time neither the Canadian nor the Cuban government has comprehensive records of all the assets of Canadian firms or nationals.
It was only by mid-1971, when negotiations commenced between both coun-
tries with a view to achieving a lump settlement of Canadian claims our-
standing, did systematic efforts towards a compilation begin.38

The question of compensation has been a persistent problem for the
development of Cuban foreign policy. Premier Castro has offered, at
various intervals since 1959, to compensate both Cubans and non-Cuban
for properties expropriated in exchange for "political" concessions,
especially from the U.S. At the root of the problem lie two inter-
related components, one technical, the other programmatic in nature.
On the one hand, the U.S. blockade and the re-orientation of trade
towards the Soviet-bloc have produced a marked scarcity of convertible
currency, the staff of "adequate compensation." On the other, the
problem reduces to the formulation of what the economist James O'Connor
has termed a normative political economy of compensation. Though this
conceptualization is used largely with reference to Cuban private
enterprise, there is no reason why it cannot be extended to encompass
formerly foreign-owned property. When applied in this dimension, the
nationalization/compensation process can be expected to reflect, in
large measure, the revolution's posture towards the country in question,
just as it foretold which sectors or "sub-classes" of Cuban society it
wanted to woo and which it sought to destroy.39

Compared to the treatment meted out to American-owned land and
capital assets, the pre-revolutionary properties of both Canadian corp-
orations and individuals have been accorded a high degree of respect.
On no occasion, for example, has the Castro regime resorted to outright
expropriation of a Canadian firm. Indeed, there are signs that it has always made an effort to draw a fine line of distinction between Canadian and American companies. Thus, when two Canadian subsidiaries—one manufacturing brassières, the other toilet articles, were expropriated in October 1960, because it was thought that they were American-owned, the Cuban government returned them to their Canadian owners upon receipt of documents proving national ownership. The complications for Cuba in this regard are particularly acute because many firms incorporated in Canada have a high proportion of their capital stock owned by Americans.

However, expropriation is one thing, compensation quite another. With respect to the latter, Cuba has treated Canadian corporations in essentially three different ways. Some firms, such as several of the life insurance companies, have seen their assets "suspended" in a state of "congealment." Others have been offered Cuban government bonds at 4% and sometimes 4⅝% interest as a basis for settlement. But only the two Canadian banks were fortunate to experience what is commonly called "soft nationalization," viz. repayment of "surplus" assets in dollars.

This was not due to any idiosyncrasy on the part of the Cubans. Quite to the contrary, the decision to settle accounts with the banks in precious convertible currency was the only rational one under the circumstances. The decision in mid-1960 to transfer Cuban Government assets, backed by gold reserves, to the Canadian banks had given the banks "hostages" worth far more than the difference between the banks'
assets and liabilities in Cuba. Together with Cuban government securities the Canadian banks had in their possession in Canada more than $150 million in total assets, compared to the roughly $10 million demanded by the banks in U.S. dollars. Thus this "model" of compensation has to be considered an anomaly. It can be safely predicted that none of the remaining Canadian assets in Cuba will be liquidated in this way. Furthermore, the Cuban government has repeatedly pointed out to the Canadian firms whose assets are still "frozen," that in negotiations leading to the signing of the charter of the International Trade Organization, Canada rejected as "unrealistic" the argument that expropriated property should be indemnified in the currency of the investor state. Instead Canada has tended to subscribe to the more traditional doctrine that such a decision is fundamentally "political" in nature, and therefore should be made strictly in accordance with the laws of the host country. 41 This revelation has always been an unwelcome one for the corporations concerned.
NOTES - CHAPTER XI


5. Ibid., April 28, 1959.


9. By March, 1962, Cuba had paid three instalments of $448,000 each on the original $2.8 million debt. This left a balance of $896,000. George Blanchet, Secretary-Treasurer of the C.N.S. Crown corporation, told the author in an interview in Ottawa in December, 1969, that the balance was paid off "to expectations," though apparently not in two successive annual instalments as provided for in the 1958 bill of sale. When asked if this meant Cuba had deducted the value of the eighth ship, Mr. Blanchet acknowledged that this could not be disclosed. He also refused to provide any further information on the fate of the ship, which presumably is still in U.S. custody. Cf. Appendix D and note 2, this chapter.


13. This can be inferred, for example, from Ruby Hart Phillips' article in the New York Times, December 11, 1960.


17. The Royal Bank of Canada, Report of the Proceedings of the Ninety-
Second Annual General Meeting of Shareholders, Montreal, January 12,
18. Leland L. Johnson, "U.S. Business Interests in Cuba," World Politics,
Vo. XVIII, April, 1965, p. 444.
19. The Royal Bank of Canada, Report of the Proceedings of the Ninety-
Third Annual General Meeting of Shareholders, Montreal, January 11,
1962, p. 17.
21. Efforts to obtain a close approximation of the cash turnover involved
in the Nova Scotia compensation agreement have been singularly un-
successful. On one occasion, the Trade and Commerce Minister in the
Pearson government, when pressed on this question, stated flatly
that "the amount so paid is not a matter of public record." Debate.
A telephone request by the author for further information was denied
by a Bank official in Toronto.
27. Ibid., November 19, 1960.
30. 51 Dominion Law Reports (2d), pp. 122-123.
32. The net Cuban assets of the life insurances still to be repatriated
are valued at over $50 million. Cf. Report of the Superintendent of
Insurance, Schedule K, "Market and Currency Values" (Ottawa: Queen's
Printer), 1970, p. 75.
34. Ibid.

37. Quoted in Reford, op. cit., p. 155. In the first exchange Mr. Smith was no doubt referring to the United States, which openly continued to supply arms to the Batista government until at least March, 1958. He also may have had Great Britain in mind. Arms from that country were sent to the regime of the ex-dictator as late as November, 1958, later provoking a furor at the Foreign Office in London. Cf. the document published in the Journal of Inter-American Economic Affairs, Vol. 14, No. 1 (Summer, 1960), pp. 105-110.


40. Globe and Mail, October 29, 1960; Financial Post, December 17, 1960. The companies in question were Exquisite Form Brassière of Montreal, and the Moore Corporation of Toronto. The former's plant in Cuba was valued at $250,000, the latter's at $360,000.

CHAPTER XII: THE CANADIAN LEFT AND THE CUBAN REVOLUTION

THE TRADITIONAL LEFT

In Canada as elsewhere, the Cuban revolution had a profound impact on broad sections of the political left. The story of the guerilla struggle and the rapid transformation of Cuba into a socialist state captured the imagination of a variety of radicals, many with differing organizational orientations and political perspectives. Even in phlegmatic Canada, the romantic mystique surrounding Fidel Castro and his followers was able to gain a foothold, particularly with more youthful radicals. This emotional attachment to the revolution was re-inforced by Cuba's determination to overcome economic and psychological warfare waged by the United States and carry the revolution forward in the face of seemingly overwhelming odds. In this, many Canadians, but especially those of left-wing tendencies, could not but derive a certain sense of vicarious satisfaction. Among most of the traditional, or establishment, groups on the left, Cuba appeared as almost a deus ex machina. Long stagnant from the debilitating consequences of Stalinism, sectarianism, and the shattering impact of the Cold War, "the revolution" became a ready symbol with which to identify. To some radicals, particularly the Trotskyists, Cuba held out the promise of a pool of new recruits, if not a revival of the faith.

In line with a directive from the political bureau of the Fourth International in early 1960, and following in the path of their American
confrères, Canadian Trotskyists took the lead in building solidarity with the Cuban revolution. A series of Fair Play for Cuba Committees were established in several Canadian cities, including Toronto, Winnipeg and Vancouver, largely through the efforts of Trotskyist cadres. Modelled after chapters in New York and the San Francisco Bay area, the Committees undertook an assortment of activities designed to portray the revolution in a favourable light to North American audiences. Commencing in 1961, the Toronto Fair Play Committee began to print a quarterly bulletin, containing for the most part the impressions gathered by Canadian visitors to the island and excerpts from Prime Minister Castro's speeches. The Toronto Committee, Fair Play's Head Office, acted as a distribution centre for a wide variety of Cuban publications, many of which were first translated into English. One popular means of publicizing the revolution was through the showing of films and slides taken by Canadian visitors to the island, for one of the Committee's major objectives was to expedite travel arrangements for private citizens and citizens' groups wishing to see Cuba first hand. Various chapters set up speakers bureaus to inform church and civic groups of the "truth" about the revolution, based largely on the impressions gathered by returning travellers. Perhaps the most ambitious project of this kind took place in 1963, when a former British Columbia M.L.A. Cedric Cox, toured Canada (and some parts of the U.S.) from coast to coast, striking the theme that Cuba was making "extraordinary progress" in building socialism and developing a "humane" society.¹ (Cox, at the extreme left of the N.D.P., lost his seat in the 1963 election which was held while he was on a trip to Cuba. According to Robert Strachan, party leader at
the time, Cox's militant support for the revolution, and his refusal to return in time for the campaign, cost the N.D.P. the election. This led to his immediate expulsion from the party).*

The Committee was also instrumental in the formation of a Medical Aid for Cuba organization. This group rendered invaluable assistance in purchasing badly-needed medical supplies and pharmaceutical products of all kinds and in assuring that they reached the island. In many instances, the Canadians played a key role in securing the successful trans-shipment of medical supplies originating in the United States. According to Committee spokesmen, nearly one-quarter of a million dollars worth of sera and blood plasma were sent to Cuba between 1961 and 1969, mainly from U.S. sources. In emergency situations the Committee has mobilized its resources to help victims of natural disasters, such as Hurricane Flora, which hit the island in October, 1963.

The activities of the Fair Play groups proper climaxed in 1964 when it was chosen by the Cuban government to select some eighty-odd students for an all-expenses paid trip to Cuba "to learn about the revolution." The students, ranging in age from 17 to 28, and from

* This incident underscored the dilemma that the Cuban revolution has posed to the N.D.P. Leftist elements, seeing in the revolution the destruction of capitalist relations of production and the defiance of the United States, have consistently urged that the party go on record in support of Premier Castro's government. The rightist elements have been equally persistent in maintaining that Cuba's elimination of civil liberties runs counter to cherished party principles. In the tension between "Socialism" and "democracy" there is manifested a classic division within many left-wing Socialist and Social Democratic parties.
all-across Canada, joined delegations of American and British youth for a two-month stay on the island during July and August. Nearly all returned with glowing descriptions of the new society being built on the island. Their reports were collected and published in pamphlet form by the Committee. One student romanticized the experience of the group in a poem, a few of the lines of which read:

"The imagination, its exercise. Shelley knew
And died with his dream. But in Cuba
Its happening...
Who isn't inspired in Cuba?
No wonder the United States
Has to enforce a travel-ban."²

Several months after this trip, the Fair Play organizations both in Canada and the United States fell from Cuban grace. Fidel Castro personally asked that they be disbanded, letting it be known to certain North American confidants that Cuba could no longer maintain a close association with groups dominated by Trotskyists. This occurred at a time when Cuban foreign policy, following the strain in Cuban-Soviet relations growing out of the missile crisis, shifted towards a greater accommodation to Soviet foreign policy. Steps in this direction included various indications that Cuba was prepared to open negotiations for a broad modus vivendi with the United States which, inter alia, would include the indemnification of claims against the revolutionary government. Another step was the convening of a conference of Latin American Communist Parties, held in Havana in November, 1964. This conference granted doctrinal recognition to non-violent means of revolutionary change and represented a concession by Havana to the orthodox Communist parties of Latin America.
From this time onwards, Havana has relied almost exclusively on the Canada-Cuba "Friendship Committee" (C.C.F.C.) as its propaganda instrument in Canada. The Committee, at one time composed of a heterogeneous mixture of radicals, is now the virtual preserve of the Communist Party of Canada. In terms of what it does, the C.C.F.C. is almost non-functional. Its activities are not pitched to the scope of the old Fair Play group, nor are they intended to appeal to the mass public. As a ritual the C.C.F.C. will address telegrams of support for the revolution in honour of Cuban national holidays, such as January 1 and July 26. Beyond this, however, it appears as of this writing at least, that interest in, if not enthusiasm for, the Cuban revolution has considerably declined in traditional left circles.

Meanwhile Fair Play continues to exist on paper, due in great measure to the sharp criticism Trotskyist organs have levelled against the silencing of poet Herberena Padilla and Fidel Castro's backing of the Soviet invasion of Czechoslovakia, the old Committee has fallen into complete disrepute with Cuban diplomats in Canada. While this change was of no far-reaching significance, it was symptomatic of the increasing tendency towards ideological rigidity in Cuba in recent years.

There is no evidence whatever to suggest that any of the activities of the traditional left on behalf of the Cuban revolution has ever led to the impairment of inter-state relations between Ottawa and Havana.

True, the R.C.M.P. undoubtedly has maintained files on these activities and many of the persons involved. However they could hardly have been regarded as dangerous, notwithstanding the support - sometimes financial -

* This shift in attention may be related to the greater importance given to the Indo-China war and to a seemingly contradictory tendency toward less
provided them by the Cuban state. But with another group of radicals this has not been the case.

THE QUEBEC LEFT

In point of historical time, the Cuban revolution made its appearance just one year before the so-called "Quiet Revolution" was launched by the Liberal Party in Quebec. The conjunction of these two events was of great significance to the political left in the province, for Cuba seemed to embody the fulfillment of the idea maître chez nous, the slogan of the Quiet Revolution, by radical means, and going well beyond any of the reformist changes advocated by the Liberals. The victory over Batista's despotism was seen not only as a victory for Cuban independence, but also as an expression of the collective liberation of a whole people. After more than a decade of economic austerity and political paralysis under the authoritarian administration of Premier Maurice Duplessis, many politically conscious Quebeckers were drawn immediately to the Cuban experience because of its emotional appeal. The inspiration of the revolution found expression in various journal articles which purported to show the similarity of the Cuban struggle with the tasks that remained to be accomplished in Quebec. What Fidel Castro seemed to have demonstrated to the left was that out of the experience of a revolutionary struggle man emerges with a new-born confidence in himself, thereby exposing the fallacy of bourgeois pessimism which is born of economic exploitation. It was precisely this change in consciousness that was required if the people of Quebec were preoccupation with-if not reaction against-following from afar the revolutionary struggles in the Third World.
ever to achieve full economic and political independence. As Raoul Roy wrote in early 1960:

"La révolution cubaine est une belle refutation de ceux qui invoquent la force des États-Unis et du Canada anglois pour refuser de lutter pour l'indépendance politique du Québec et pour sa complète libération économique. La révolution de Cuba est un exemple exaltant pour le Québec .... Ceux qui doutent des possibilités d'une république francophone indépendante politiquement et économiquement au Québec devraient faire un voyage à Cuba. Peut-être cela leur injecterait-il un peu de courage. Castro prouve au monde entier que... [en] politique TOUT est possible."

There were also those who felt that Fidelismo, as in the more limited case of Peronismo, was an idealistic expression of Latinité, that largely mythical concept which is alleged to bind French Canadians with the Spanish-speaking peoples of the Western hemisphere.

Other Quebec leftists manifested a tendency to find concrete parallels between Cuba's long experience with colonial and neo-colonial forms of economic subjugation and the situation prevailing in the province.

Michel Chartrand, the militant labour leader and one-time President of the Central Committee of the Parti Socialiste du Québec (in a sense the precursor to the Front du Libération de Québec)*, put it this way in an interview accorded the Fair Play Committee:

* The Parti Socialiste was formed in 1963 by French Canadian radicals who bolted the N.D.P. Its platform could be accurately described as far-left and quasi-separatist.
"In Cuba, before the revolution, they exploited the sugar crop the same way the giant monopolies in Quebec exploit the forest. Because of the abundance of cheap labour, they had never mechanized the sugar industry. In the same way, the pulp and paper companies exploit Quebec workers. My intention is that in Quebec, socialism will start with the forests. We must go into the rural districts and explain to the people that socialism means ownership, by the people, of the forests."4

From this, M. Chartrand went on to advance the thesis, still very much the subject of academic debate, that the Cuban revolution was a revolution made by the agricultural proletariat; and as the inevitable corollary, it followed that the "real" revolution in Quebec would also begin in the rural areas.* He envisioned that expropriation of the foreign monopolies would proceed in a fashion similar to that in Cuba, and that indemnification would be based on the profits and repatriated earnings of the foreign companies. "We will hold public hearings to investigate their activities," he is quoted as saying, "and ask them: How much did you invest? How much did you get back?" Furthermore, as with other leftist activists, it was the leadership qualities of Fidel Castro and other Cuban revolutionaries that was the source of greatest inspiration. "The problem in Quebec as it was in Cuba, from the socialist point of view, is leadership - the socialists are just

* According to the interpretation of the Cuban Communist Party, the Cuban revolution was made by the Cuban working class in alliance with the peasantry. This theory is disputed by Lee Lockwood, among others, who argue that the role played by the urban middle-class underground was a key element in the success of the guerilla uprising. Cf. his Castro's Cuba, Cuba's Fidel (New York: Vintage Books), 1969.
sitting on their backsides." In Machiavellian terms, it was in the revolutionaries' *virtù* - their capacity for heroic action - that Quebec militants began to see the possible application of the Cuban example to the political scene within their province.

The failure of the Lesage government's program of social reforms, and the inability of the Quiet Revolution to meet the aspirations of most of the people of Quebec, produced a certain natural spin-off of new radicals. These elements, combined with some of the older militants, now began to visit Cuba in greater numbers. But, whereas Canadian sympathizers with the revolution, and even leaders such as M. Roy and M. Chartrand came as tourists, the militants had other ideas in mind. To them the Cubans were successful practitioners in the art of making revolution, and Havana the place to come to learn the requisite skills. The interest shown by Cuba in developing techniques for rural guerilla insurrection - a phase in Cuban political strategy towards Latin America which began to gather momentum in the mid-sixties - acted as an inducement to the Quebec leftists.

Whether Havana has ever provided a training ground for French-Canadian revolutionaries bent on the use of violence to achieve political objectives is a matter of some speculation. On the surface, the evidence is conflicting. In 1965, Prime Minister Castro told Ambassador Mayrand that he deplored politically inspired bank robberies and other acts of terrorism in Quebec "which only serve to destroy your great country.*

* Mayrand interview.
Moreover, the Cuban press had all along studiously avoided any mention of the political significance of a separatist movement in the province of Quebec. On the other hand, as the F.L.Q. began to pick up more adherents, apprehension in Canadian government circles became more manifest. In the House of Commons requests for information on the activities of Quebec separatists in Cuba became more numerous. Of particular concern was the appearance in Montreal of the pamphlet Victoire and various editions of La Cognée (The Hatchet), the F.L.Q. newspaper, each urging a Cuban-type guerilla uprising in the hinterlands of the province. The climax of this came in 1969 when Lucién Saulnier, then the chairman of the City of Montreal's Executive Committee, announced that the R.C.M.P. had dossiers on more than two dozen Quebec subversives who had received instructions in the techniques of terrorism in Cuba. The failure of the R.C.M.P. to either confirm or deny M. Saulnier's allegations lent credence to the belief that insofar as the Police were concerned, they were true.

Etched against this background, the F.L.Q. crisis of October-December, 1970, entered upon the centre-stage of Canadian-Cuban relations for relatively brief moments in time.

At the beginning of the crisis, the Cuban press did not print any news on the developments that were taking place. No mention was made of the kidnapping of James Cross, the British Trade Commissioner in Montreal, until the abduction of Pierre La Porte one week later. Then a terse despatch from Prensa Latina, Cuba's news-gathering agency, simply informed readers of Granma of the two events, but it avoided all
comment whatsoever on the F.L.Q. Similarly, the assassination of M. La Porte was carried in a brief communiqué, which was conspicuous for its absence of any background information. Clearly, from the moment that the crisis arose, the Cuban government could only look upon it with a good deal of circumspection. This was made all the more apparent when José Fernández de Cossío, the Cuban Ambassador in Ottawa, belatedly announced that Cuba was acting as a mediator in an attempt to bring about the resolution of the crisis. Sr. de Cossío placed great stress on the fact that Cuba's intercession was undertaken specifically at the request of the Canadian government, and that Havana was doing it for purely "humanitarian reasons." Even more significant was the fact that official Cuban sources steadfastly refused to acknowledge the Ottawa Embassy's role as mediator both to foreign newsmen and to the Cuban people as well. Meanwhile, the Department of External Affairs ordered five Air Canada charter flights to Cuba suspended, allegedly to preserve Cuba's "neutrality and impartiality" in the crisis, a move to which Havana gave at least tacit consent. (How this would have insured Cuban impeccability as a mediator escapes the author).

There were compelling reasons why Cuba's behaviour throughout the crisis should be dictated strictly by raison d'état. As the previous chapters (particularly chapter X) have made clear, the Castro regime values highly its trade and diplomatic links with Canada and would go to great lengths to preserve them. Nothing would have been more irrational than for Havana to have issued some worthless statement of support for the F.L.Q. kidnappers thereby placing in jeopardy the steady
shipment of Canadian wheat and cattle. As a matter of general
principle, Fidel Castro himself has made it plain that "Cuba cannot
afford to lose a single one of her trading partners." Moreover,
the situation of the F.L.Q. in Quebec was strikingly different from that
of say the Tupamaros in Uruguay or of the National Liberation Army
(E.L.N.) in Argentina. Both of these urban guerilla organizations had
been given "moral" backing by Havana in the past and, furthermore, both
had shown some evidence of being capable of commanding some degree of
mass support, and both were operating in countries with which Cuba has no
relations at all. Such was not the case with the F.L.Q. Thus, with
the imposition of the War Measures Act following the abduction of M. La
Porte, Cuban authorities maintained a position of complete silence —
this notwithstanding the fact that a number of well-known Fidelista
sympathizers, including M. Chartrand and several leading Quebec intellect-
uals who praised Cuba on their return from a trip to the island in 1968, were arrested and jailed under the provisions of the Act. Again, as
during the events of May, 1968, in France, it was clear that in the
event of a conflict, Cuba's potential economic development — her national
interest — was of much greater importance than the issuance of verbal
declarations of "solidarity" with radicals and revolutionaries in the
developed countries.

Little has been made public about the part played by Cuba Embassy
officials in bringing the crisis to its conclusion. It should be re-
called, however, that when Mr. Cross and the kidnappers were finally
located by the R.C.M.P., the territory of the Embassy was extended to
include an area of the Man and His World exhibition at the Montreal EXPO. It was here, under the shield of diplomatic immunity, that the kidnappers and their party exchanged Mr. Cross and their weapons for free passage to political exile in Cuba. And then, in a move entirely consistent with Cuba's attitude to the whole affair, it was announced at a news conference in Havana that the arrival of the F.L.Q. party in the country was not of sufficient importance to merit any discussion. According to an official spokesman the request for asylum was granted solely in order to save the life of the British diplomat and - again - entirely at the behest of the government in Ottawa. Since then several reports out of Havana tend to confirm the impression that the presence of the F.L.Q. exiles in Cuba continues to represent an embarrassment to the current line in Cuban foreign policy, and that under no circumstances in the foreseeable future, is the revolutionary government prepared to offer its territory as a sanctuary for groups like the F.L.Q.

In the context of Canadian-Cuban relations, the F.L.Q. crisis and its aftermath demonstrated two things. First, it cleared up any ambiguity concerning Cuba's attitude towards the Quebec extremists and revealed a general disinterest in separatism as a force for radical political change in Canada. Secondly, and more significantly, it was another illustration of the subtle, yet mutually understood modus vivendi that exists between Ottawa and Havana. At the heart of this modus lies a reciprocal awareness of the political constraints within which the other must act; but that despite this rigid framework, and
beyond its pale, there is wide scope for mutual co-operation, since each side is fully prepared to recognize the other's "national interests."

To what extent the recognition of these obvious realities changed the outlook of Quebec radicals towards the Cuban state is not readily discernible. What is clear, however, is that amongst all sections of the left in the province, few, if any, still consider the Cuban guerilla experience as having any relevance to their own situation. This does not mean that there has been any noticeable widespread disenchantment with the Castro regime; but it does suggest that, especially with the present concentration on electoral activity and the development of trade union militancy within the left, the Utopian visions of projecting the Cuban revolution as a paradigm for a full-blown social revolution in Quebec appear that much more inadequate.

THE HIJACKERS

Shortly after the passing of the F.L.Q. crisis, Canada and Cuba opened negotiations towards the ratification of a Hijacking Agreement. It was the original intention of both parties that such an Agreement would provide for the mutual notification, apprehension and extradition of hijacking offenders and serve as a basis for the conclusion of a long-term bilateral treaty between the two countries. Since talks began on the subject there have been several meetings between the delegations of the respective sides, but no accord has been reached. About all that is known about the progress of the negotiations is suggested in one line of a communiqué, issued after the first formal
meeting, which asserted that there had been a "full and frank exchange of views concerning the issues." This can only be interpreted to mean that both sides found each other in substantial disagreement on the issues involved.

In view of only fragmentary information, we can only speculate on the basis of the disagreement. On various occasion, Cuba has attempted to establish the principle that all hijacking negotiations should proceed from the premise that there should be a reciprocal return of all plane and boat hijackers without any exceptions. Because of Cuba's vulnerability it is clear, as far as the Castro regime is presently concerned, that security against these attacks is of much greater importance than providing North American radicals - whatever their particular political views, at least temporary sanctuary; indeed, it is now apparent that Havana considers these elements, whether they be Black Panthers, kidnappers or hijackers, political liabilities.

Canada, on the other hand, has apparently approached the negotiations from the position that the 1903 Extradition Treaty between Great Britain and Cuba, which was made applicable to Canada, should be re-affirmed. Under the terms of this treaty, Cuban exiles are granted asylum in Canada provided that they meet the requirements of the Department of Immigration. Given this fundamental divergence in orientation, the prospect that a hijacking treaty will be ratified in the near future does not look good.
NOTES - CHAPTER XII


2. Christopher Fahrni, et al, Canadian Students in Cuba (Toronto: Fair Play for Cuba Committee), n.d., p. 33.


5. Ibid.


13. Ibid., pp. 494 ff. According to Karol, one reason for Cuba's failure to endorse the efforts of French students and workers to bring down the de Gaulle government was the belief that, in the event of victory, a left-wing government in Paris would not be in a position to offer as advantageous trade arrangements.


17. New York Times, September 27, 1970. It should be noted that boat hijacking has caused more problems for Cuba than airplane hijacking.
CONCLUSION

On the occasion of the ninety-ninth anniversary of Confederation, there appeared in the Havana newspaper El Mundo the following tribute to the Dominion of Canada:

"Today, on the first day of July, Canada celebrates her national holiday. Canada, a thriving and prosperous nation, with an enlightened, intelligent, progressive, industrious, and therefore prosperous people, constitutes a model State which today can take legitimate pride in belonging to the family of truly free and sovereign nations of the world. Her evolution, her exemplary development in all respects, gives her the right to be considered among the great countries of the world.

We do not exaggerate when we affirm that the Cuban people consider themselves inextricably tied in brotherhood and friendship to the Canadian people, with whom we have friendly relations and the warmest of ties. Therefore, in the name of our people and EL MUNDO, we congratulate the people of Canada and her leaders with all our heart on the occasion of this historic date."1

Of course, the rhetoric in this statement is characteristic of the grandiloquent phraseology to which the Cuban revolution, and especially its tightly controlled press, is so often prone. Irrespective of its distortions concerning the real nature of Canadian society (Quebec is a case in point), and the powerful restraints on the de facto assertion of Canadian sovereignty which it neglects to mention, Havana could not paint this idyllic picture of Canada's role in the world without contradicting certain consistent principles of its foreign policy. Thus it is particularly noteworthy in this respect that the statement appeared at a time when the Pearson government was making it clear that Canada
would openly defend the legal and moral position of the United States
in Vietnam, and conceding that Canada's position on the International
Control Commission was not that of an independent but that of a repre-
sentative of the "West." 
Closer to home, Cuba has always been sus-
picious lest the Canadian Embassy among other Western embassies, be
harbouring staff members in the employ of the C.I.A. At the least,
Ottawa's almost unswerving loyalty to Washington on crucial international
questions would hardly mark her as a candidate for so much praise.
These considerations notwithstanding, the mere fact of the continuing
impasse over the repatriation of the still frozen Canadian assets, to
say nothing of Fidel Castro's outburst before Ambassador Mayrand in
1965, demonstrated that bilateral relations were not all that warm and
cordial as suggested in the tribute.

But a statement such as the above was not meant to be an important
declaration of policy, nor designed to draw up a balance sheet of the
assets and liabilities in bilateral relations. Hence to subject it to
critical analysis would be to misread it, and thereby fail to distinguish
between the intent and content of Cuban rhetoric. Rather it expresses
sentiments which reflect a certain political pragmatism. These are
based on the recognition of two realities, one fundamentally economic,
the other political. In the first instance, Canadian exports are im-
portant to Cuba, both in terms of supplying vitally needed foodstuffs and
for her overall strategy of development, as we have previously indicated.
Secondly, Premier Castro and the top Cuban leadership are undoubtedly
astute enough politically to appreciate the fact that the continuance
of trade, and to a certain extent the maintenance of diplomatic relations with Cuba, have not been without risk to Canada. Although by no means of overwhelming significance, uninterrupted and friendly links with Ottawa always tend to loom larger in the light of the public disagreements between the Diefenbaker government and Washington over these issues in the early years of the revolution. For Cuba, Canada cannot be perceived without a subconscious allusion to this memory.

In the high degree of tolerance exhibited towards the socialist experiment in Cuba, in the view that to "starve out" the revolution would be immoral,* and in the early efforts to mediate the conflict between Havana and Washington, we see here the operation of the so-called voluntarist bias in Canadian external relations. As the term has been used by Professor John Warnock, among others, voluntarism embodies the reasonableness, good-will, sense of fair play, and commitment to pacific and legal resolution of international conflicts which are said to guide Ottawa's behaviour in the world affairs.³ Sensitive to the style of Canadian diplomacy, Cuba has gone to great lengths to reciprocate, ever mindful of the respect Canada has accorded the revolution. As the statement excerpted above suggests, the Castro regime does not simply view its relationship with Canada in passive terms. On the contrary, this is not only co-existence of states with differing social systems, but a model relationship between a developed capitalist country and an underdeveloped socialist one. Despite Cuba's ready inclination towards hyperbole, one would have to search far to find laudatory comments of this nature which refer specifically to the state of Cuba's relations

* Supra, pp. 221-22.
with other capitalist countries. Cuba's diplomatic prudence in the F.L.Q. crisis demonstrated anew that she values highly her ties with Canada and will suppress any of her revolutionary instincts in order to preserve them.

From the point of view of the approach we have followed, the more important question is how to put the Canadian-Cuban relationship into a Canadian perspective. Hopefully this will enable us to draw some general conclusions from it. This problem is more difficult, for on a material level Canada is much more important to Cuba than vice-versa.

That Canada still trades with Cuba, and that this trade has increased several fold since the prolonged controversy of 1960-63, and that diplomatic contacts remain unimpaired, are facts which in the face of sharp opposition from the U.S. government, are on the surface at least, unprecedented in Canadian-American relations. Certainly it cannot be denied that in opposing the U.S. on the Cuban issue, Mr. Diefenbaker demonstrated an independence of will that was rare for a Canadian Prime Minister. Unfortunately it is not possible to assess the full significance of the Canada-U.S. rift over Cuba without access to the files at External Affairs, and to those of Mr. Diefenbaker. But even if something dramatically new turns up from an inspection of the relevant documents, we could only with difficulty derive full appreciation of the significance of the rift without locating it in the context of historical time and geo-political space.

The past decade has witnessed great changes in the international
states-system, and particularly in the nature and character of the Cold War. No longer is it customary to think of the world as divided into only two power blocs, each separated by geographic and ideological curtains and each prepared to use nuclear weapons to insure that no defections take place from their respective blocs. However in 1962 the political division of the world into bi-polar spheres of control still constituted the basic fact of international relations, unlike the situation that prevails today. Deep differences with the U.S. on its policy towards the Communist states was, at the time, cause for much greater alarm than now, especially in the case of Canada, for so long America's staunchest ally. In this light, Canada's disagreement with the U.S. regarding Cuba assumed even greater significance for it concerned the nature of a regime located in a region of the world where U.S. hegemony has rarely been challenged since the promulgation of the Monroe Doctrine.

Furthermore, to many Canadians, and especially to civil servants in the Federal bureaucracy, it is painful to recall that Canada-U.S. relations reached a low ebb while John F. Kennedy was in the White House. They do not like to be reminded of Mr. Kennedy's remark that when he gave Canada an order he expected it to be obeyed. The martyrdom of the late president has all but obliterated these unpleasant memories. Certainly Mr. Trudeau's success in attempting to parallel the style of the Kennedy mystique illustrates the obvious reverence with which Mr. Kennedy is now held.
Nevertheless, when differences with the U.S. in that period are recalled, Cuba immediately comes to mind. With respect to the U.S.-Cuban confrontation Canada was not acting in her traditional role as middle-power on the world stage. The order of the day was not negotiation, compromise, or the solution of conflicts through the intermediary of international organizations (features characteristic of Canadian diplomacy and foreign policy), although Mr. Green did make some feeble attempts to put Canada's "moderating influence" to use. Principally, Cuba has proved to be, from this perspective, a limited experience in the formulation and implementation of an independent foreign policy. This meant not only taking a position, or an "approach" to an international issue identifiably different from that of the U.S., but also calling into question certain root American assumptions about the nature of communism, assumptions which Canada had shown herself often ready to assimilate without much hesitation. Looked at from this angle, Cuba represents something of a landmark case study for the foreign policy planners in East Block, especially those with nationalist inclinations.

At the same time there is an obverse side to the coin. On this side, one wonders whether Havana would be more justified in tempering its celebration of Canada. Although Canada's Cuba policy undoubtedly has reflected a high degree of political maturity, the results it has produced are eminently those of enlightened self-interest. For by standing aloof from the Cuban "problem," Canada has managed to make a handsome profit out of trade with the island without incurring any reciprocal obligations. In this connection it should be
noted that as far as is known the Canadian government has made no effort to redress the lop-sided imbalance in trade, and it also has not authorized the granting of even short-term credits to Havana. The policy on credits, for example, contrasts sharply with that of Great Britain, France and Spain. Each of these countries have extended commercial credits to Cuba for periods up to seven years - Britain for a fertilizer plant, France for the purchase of agricultural and transportation equipment, Spain for trucks and fishing trawlers; in each case despite protests by Washington. Not even Cuba's record of prompt and full payment in hard currency for Canadian goods has been able to induce the present government to change its mind and adopt a more liberal credits policy. Nor has Ottawa seen fit to offer Cuba any external aid, either in the form of grants or loans. Whatever technical help provided Havana has been channeled through private organizations (such as the Holstein-Friesian Association) and is in no way subsidized by federal government aid programmes. Here, then, are the practical limits to the expression of Canadian voluntarism as applied to the Cuban revolution.

We should then ask - as the Globe and Mail intimated on January 1, 1969, a decade after the triumph of the revolution - why this is so. The reasons are plainly political. During the 1969-70 foreign policy review conducted by the Trudeau government, the majority view of those close to Cuban affairs maintained that there should be no change in Cuban policy because of certain "alarming" tendencies within Cuba. These included the restrictions on freedom of movement, the increased
militarization of Cuban life, and the turnabout in Havana's foreign policy since the Soviet-led invasion of Czechoslovakia. It was pointed out that Cuba is still one of the most autocratic regimes in the world, even by comparison to many other Communist states where power is much more diffuse. Ambassador Mayrand also noted the "defects" in Fidel Castro's character which he told the author "are perhaps more oppressive to the Cuban people than the American embargo."* It was therefore argued - somewhat quixotically in this writer's view - that a more "lenient" posture towards Cuba had to be ruled out on the convenient - and eminently Canadian - dictum that bad behaviour should not be rewarded. Thus it was hardly surprising that in its report on Latin America in the "Foreign Policy for Canadians" series only one reference was made to Cuba, and that concerning the obligations to sever diplomatic, commercial, and transportation links with the island were Canada to become a member of the O.A.S. +

In line with this approach, Canadian government officials, when asked to comment on the state of relations with Cuba, invariably respond with formal assurances about their "normality"; but of the complex realities which lie beneath them we are really told very little. In short, while Canada does have a policy towards Cuba, it is neither a declaratory nor a creative policy. Developed in large measure as a negative response to U.S. hostility to the revolution, the policy largely reflects the reproduction of learned diplomatic behaviour in a situation

* Mayrand interview.
+ Supra, pp. 345 ff.
where political unlearning and innovation is what is needed most. Indeed it probably could be said with a great deal of justification that Canada's reluctance to fully "comprehend" the dynamics of the Cuban revolution - one of the more important events of contemporary history - is but another example of the insufficiency, if not the ineptitude, of Quiet Diplomacy.

Let it also be said that this inadequacy is not just the result of fear of the United States, although it would be naïve to discount this factor entirely. It is also a matter of being able to apprehend the nature of, and empathize with, the spirit of another society alien in so many ways to that of Canada. For in the inability of Canadian policy-makers to picture to themselves the passions of the Cuban revolution, as in their belief that somehow the principles and practices of liberal democracy ought to have some relevance to the situation in Cuba, there is illustrated a certain amount of the parochialism which pervades the Department of External Affairs and many of those who occupy policy-making positions. For this reason, and despite the fact that many of the personnel connected in one way or another with Cuban affairs have a great deal of diplomatic experience, the mainsprings of political behaviour in Cuba remain obscured by the prejudices of the profession. Thus, just the comprehension of much of the language of the revolution, let alone its totalitarian practices, is something against which the

* For example, when a Trade Counsellor was posted to Havana in 1970, re-occupying the post left vacant in 1962, Ottawa disguised his real function by naming him as a Secretary.
Canadian diplomatic mind, trained as it is to perceive phenomena in generally conservative and unimaginative terms, rebels almost instinctively. To these tendencies even the Ambassadors who have served in Havana, seem not at all to have been immune. As Max Weber might have termed it, the flaw in Canada’s approach to Cuba lies in the failure to apply the concept of Verstehen, which requires the observer-as-analyst to understand the meaning of a phenomenon for the actor (i.e. Cuba) in its own terms, not that of the observer’s.

From this standpoint, voluntarism can never be expected to provide even the necessary foundation for comprehending the Cuban phenomenon; for while only the most callous and insensitive will fail to appreciate the simple fact that the humanitarian spirit animating the praxis of Canadian voluntarism has in fact assisted the Cuban people in times of great hardship and adversity, its limitations as a method for grasping the meaning of a social revolution for its participants should be apparent. What is needed, in the opinion of the author, is a new conceptual apparatus which will enable Canadian policy-makers to look at the Cuban experience from the point of view of the articulated goals and motives of the revolution itself, rather than from pre-formulated Canadianized constructs. This approach is not utopian, nor would it require a radical alteration in the value preferences of those responsible for policy-making. Neither does it imply that any aspect of Canada’s current policy towards the Castro regime should necessarily be changed; however it does suggest that by the use of the method of Verstehen certain policy premises would be seen in need of careful re-examination. Once this precondition is met, it is not unlikely
that if any bold, imaginative policies or options really exist for Canada, they will be discovered in the process of that re-examination.

What then of the future?

Recently the Trudeau government has made some new openings to the "East." An exchange of visits has taken place between the prime ministers of Canada and the Soviet Union in an atmosphere of cordiality. A Protocol Agreement signed in Moscow has pledged both countries to mutual co-operation in the scientific and technical fields. It also holds out the promise that economic — and to a limited extent political — relations will develop along new paths over this decade. In 1971 Canada was, after Cuba, the first nation in the Western hemisphere to establish diplomatic relations with the People's Republic of China. As of this writing, a trip to Peking is in the offing for Mr. Trudeau if he wins the next election. There is even talk of Canada finding a way to circumvent the Hållstein doctrine in order to be in a position to recognize the German Democratic Republic. However, if the bases of Canada's Cuba policy remain unchanged it does not appear likely that the "new directions" Mr. Trudeau claimed he would chart for Canadian foreign policy will have any measurable impact on relations with the Castro regime. Thus, barring some dramatic new development, such as a political rapprochement between Washington and Havana, the present pattern of Canadian-Cuban relations is not likely to change very much in the years lying immediately ahead.
NOTES - CONCLUSION


2. James Steele, "Canada and Vietnam," in Clarkson *op. cit.* pp. 64-84.


Archival Sources

Listed below are all of the files consulted with corresponding call and file number.

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<td>Commercial Relations, Canada and the Spanish West Indies, 1885-1888.</td>
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<td>Cuba: Appointment of A.E. Fortington to Investigate Potato Marketing in Cuba, 1925.</td>
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<td>Documents of the British Legation-Cuba.</td>
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<td>Havana Office Reports, 1930-1941.</td>
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<td>Isle of Pines Disaster: Visit of P.W. Cook.</td>
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<td>Tariff and Treaty Negotiations: Cuba.</td>
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Files 837.51/136 and 4241/311 contain the most material pertaining to trade relations from 1920-1941.
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The following is a list of newspapers and magazines which have been especially useful in the preparation of this study:

<table>
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<tr>
<th>Bulletin (Fair Play for Cuba Committe)</th>
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<td>Maclean's</td>
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<td>Monthly Newsletter</td>
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APPENDIX

A

Wan Eggprts to. and Impts from Cuba 1950 - 1962,
(in Canadian dollars)

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<td>882,679</td>
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<td>1,900,977</td>
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<td>1,899,225</td>
<td>1,897,250</td>
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<td>1955</td>
<td>351,794</td>
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<td>1,902,769</td>
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<td>1,899,725</td>
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TOTAL (All Exports)

Sourc: Library Reference Service, House of Commons

in Canadian dollars

Appendix A
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<td>1,804,698</td>
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<td>1912</td>
<td>1913</td>
<td>1914</td>
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For Tire Rubber, Synthetic Tar, and other chemical products.
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<th>Refined Sugar</th>
<th>Stemmed Cigar Leaves</th>
<th>Unstemmed Cigar Leaves</th>
<th>Total (All Imports)</th>
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<td>10,452,167</td>
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<td>Pharmaceuticals</td>
<td>1,714,865</td>
<td>1,763,770</td>
<td>1,794,427</td>
<td>1,824,595</td>
<td>1,855,728</td>
<td>1,887,976</td>
</tr>
<tr>
<td>Milk (1)</td>
<td>724,887</td>
<td>677,437</td>
<td>725,349</td>
<td>788,247</td>
<td>776,174</td>
<td>796,285</td>
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<tr>
<td>Cod</td>
<td>300,070</td>
<td>325,105</td>
<td>305,974</td>
<td>328,456</td>
<td>306,845</td>
<td>316,754</td>
</tr>
<tr>
<td>Potatoes</td>
<td>6,568,457</td>
<td>7,814,106</td>
<td>1,671,406</td>
<td>1,347,989</td>
<td>1,681,450</td>
<td>1,765,287</td>
</tr>
<tr>
<td>Total (All Imports)</td>
<td>10,877,645</td>
<td>12,714,574</td>
<td>12,462,306</td>
<td>12,864,385</td>
<td>13,215,476</td>
<td>13,343,574</td>
</tr>
</tbody>
</table>

Source: Library Reference Service, House of Commons

(1) Includes Powder Milk, Skim Milk, Whole Milk, Evaporated Milk.

EXCELSIOR

Major Canadian Exports to and Imports from Cuba, 1962-1967

APPENDIX B
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes and Cigars</td>
<td>124,600</td>
<td>124,600</td>
<td>124,600</td>
<td>124,600</td>
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</tr>
<tr>
<td>Steamed Cakes</td>
<td>124,600</td>
<td>124,600</td>
<td>124,600</td>
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<tr>
<td>Unsteamed Cakes</td>
<td>124,600</td>
<td>124,600</td>
<td>124,600</td>
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<td>Cement</td>
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<td>124,600</td>
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<tr>
<td>Raw Sugar</td>
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<tr>
<td>Seafood and Fish (1)</td>
<td>124,600</td>
<td>124,600</td>
<td>124,600</td>
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<td>Tomatoes</td>
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<tr>
<td>Pepperidge</td>
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<td>124,600</td>
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<td>124,600</td>
</tr>
<tr>
<td>Imports</td>
<td>124,600</td>
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<td>124,600</td>
<td>124,600</td>
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</tbody>
</table>
APPENDIX C

Commercial balance between Canada and Cuba 1949 - 1969
(in Canadian dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Canadian exports</th>
<th>Canadian imports</th>
<th>Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949-1953</td>
<td>93,125,218</td>
<td>49,299,268</td>
<td>43,825,980</td>
</tr>
<tr>
<td>1954-1958</td>
<td>81,221,475</td>
<td>64,962,851</td>
<td>16,258,624</td>
</tr>
<tr>
<td>1959-1963</td>
<td>85,674,499</td>
<td>40,132,844</td>
<td>45,541,655</td>
</tr>
</tbody>
</table>
APPENDIX D

SELECTED REPLIES TO CORRESPONDENCE SOLICITING INFORMATION
August 5, 1970.

Mr. Harold Boyer,
Department of Political Science,
Sociology and Anthropology,
Simon Fraser University,
Burnaby 2, British Columbia.

Dear Mr. Boyer:

We have given very careful consideration to your letter of July 6th and we are sorry to have to tell you that for a variety of reasons it is not possible for us to make any contribution to your research project in this particular area.

Yours sincerely,

P. R. MacGibbon
Secretary
Mr. Harold Boyer  
Department of Political Science,  
Sociology and Anthropology  
Burnaby 2, B.C.  

Dear Mr. Boyer:

This is in answer to your letter of July 6th asking us to supply the relevant information to allow you to prepare a complete study of relations between our Company and the Cuban regime.

The preparation of this would be a really time-consuming task which could only be done by a senior member of our organization and would result in very substantial costs. To add to that, historical data on the Caribbean area generally would entail an additional amount of costly labour.

While you say that you are prepared to defray the expenses for any cost involved, we wonder if you appreciate the amount of work that would be necessary for us to supply meaningful information and what this might entail in dollars and cents.

Yours sincerely,

F.D. Murdoch  
Consultant  
Corporate Administration
March 16, 1970

Harold Boyer, Esq.,
Department of Political Science,
Sociology and Anthropology,
Simon Fraser University,
Burnaby 2,
British Columbia.

Dear Mr. Boyer,

Referring to your letter of 22nd ult., the fact that the information which we sent you regarding our operations in Cuba was taken from several different pages of one of our records is not an indication that we were withholding other information regarding Cuba. It was necessary to send the information in the form in which we did in order to segregate it from other matters contained in the record which did not deal with Cuba.

With regard to the data which you would like to obtain regarding the Sugar Mills in Cuba in which the Bank was interested, we regret that this is not available. As to the Bank's relationships with other foreign banks operating in Cuba and the Cuban Government, these were first class.

Yours truly,

C. H. INCE,
Acting Archivist

CHI/1m
Mr. Harold Boyer,
Department of Political Science,
Sociology and Anthropology,
Simon Fraser University,
Burnaby 2, B. C.

Dear Mr. Boyer,

This has reference to your letter of January 27, 1970. Your surmise to the effect that no more information is available from the Company is correct.

As bibliography, I can only suggest Hansard in which requests and statements have been made in the use or comments in relation to the Canadian National (West Indies) Steamships Limited. I cannot think of any other source of information and therefore regret to be unable to provide any more help in this connection.

Yours very truly,

G. R. Blanchet,
Secretary-Treasurer,
Canadian National (West Indies) Limited.
Mr. Harold Boyer,
Department of Political Science,
Sociology and Anthropology,
Simon Fraser University,
Burnaby 2, British Columbia.

Dear Mr. Boyer:

We have given very careful consideration to your letter of July 6th and we are sorry to have to tell you that for a variety of reasons it is not possible for us to make any contribution to your research project in this particular area.

Yours sincerely,

PRM/DS
14 July, 1970

Mr. Harold Boyer  
Department of Political Science,  
Sociology and Anthropology  
Burnaby 2, B.C.  

Dear Mr. Boyer:

This is in answer to your letter of July 6th asking us to supply the relevant information to allow you to prepare a complete study of relations between our Company and the Cuban regime.

The preparation of this would be a really time-consuming task which could only be done by a senior member of our organization and would result in very substantial costs. To add to that, historical data on the Caribbean area generally would entail an additional amount of costly labour.

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With regard to the data which you would like to obtain regarding the Sugar Mills in Cuba in which the Bank was interested, we regret that this is not available. As to the Bank's relationshps with other foreign banks operating in Cuba and the Cuban Government, these were first class.

Yours truly,

C. H. INCE,  
Acting Archivist
Ottawa 4, Ontario.
February 4, 1970.

Mr. Harold Boyer,
Department of Political Science,
Sociology and Anthropology,
Simon Fraser University,
Burnaby 2, B. C.

Dear Mr. Boyer,

This has reference to your letter of January 27, 1970. Your surmise to the effect that no more information is available from the Company is correct.

As bibliography, I can only suggest Hansard in which requests and statements have been made in the use or comments in relation to the Canadian National (West Indies) Steamships Limited. I cannot think of any other source of information and therefore regret to be unable to provide any more help in this connection.

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