

EBS/62/112
Supplement 2

CONFIDENTIAL

October 9, 1962

To: Members of the Executive Board
From: The Secretary
Subject: Cuba - Repurchase Commitments

The following letter from the President of the Central Bank of Cuba in reply to the Managing Director's letter of September 12, 1962, is circulated for the information of the Executive Directors.

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THE MINISTER-PRESIDENT OF
THE BANCO NACIONAL DE CUBA

Translation

Havana, September 28, 1962

Mr. Per Jacobsson
Managing Director
International Monetary Fund
Washington, D.C.

Dear Mr. Jacobsson:

I have pleasure in referring to your letter of September 12, 1962 concerning the request made by Cuba to the International Monetary Fund, by letter dated August 31, 1962, for the postponement of repurchase installments.

On December 1, 1961 the Fund approved the terms of a commitment by Cuba to carry out half-yearly repurchase operations totaling US\$25,000,000. Since then a new event has occurred which has had an unfavorable effect on Cuba's international liquidity position: the total embargo imposed by the Government of the United States on all interchanges of goods and services with our country. As a result of this measure, the marked decline in Cuba's international assets has prevented it from fulfilling the commitment to the Fund which was entered into on December 1, 1961.

The event, unforeseeable at the time when Cuba assumed the above-mentioned commitment, brings into operation--however limited may be the interpretation given to it--paragraph 2(d) of the Board's Decision of February 13, 1952, because this "unforeseen circumstance" was "beyond the member's control", which makes the normal observance of Fund policy "unreasonable."

I would emphasize to you that the Fund's policy, as described in your above-mentioned letter of September 12, 1962, has been applied uniformly to all members. Convinced of this, Cuba does not ask for any exceptional

measure. It invokes "unforeseen circumstances beyond the member's control" in requesting the application of a rule which has been in force for over ten years and has been applied to the commitments of other countries.

It is Cuba's desire to be able to comply fully with its commitment to the Fund, and this is shown by the prompt payment of the operational charges, but in the present circumstances this desire is limited by the extent of the country's liquid foreign assets--a circumstance which the Fund should take into account.

Now the prospect of a substantial increase in 1963 in output of export products, especially sugar, combined with the growth in production for domestic consumption and the resultant decline in import requirements of such goods, together with the stabilization of its external sources of supply, are indications that Cuba will be able to overcome the aforementioned liquidity crisis within a period not exceeding two years.

For these reasons, the Banco Nacional de Cuba maintains the request made in its letter of August 31, 1962.

Sincerely yours,

/s/
Dr. Raúl Cepero Bonilla