

14 November 1962

**MEMORANDUM OF CONVERSATION WITH THE ATTORNEY GENERAL
CONCERNING THE NEGOTIATION FOR THE RELEASE OF THE CUBAN
PRISONERS.**

The meeting took place at the residence of the Attorney General at 10:30 a.m., on Thursday, November 14, at the DCI's request.

McCone explained that he had had dinner the evening before with Mr. Edward Foley (former Under Secretary of the Treasury, legal representative and a Director of the Drug Industry Association).

Mr. Foley had questioned DCI concerning the negotiations for release of Cuban prisoners in exchange for some 50 million dollars in drugs, and stated that Mr. Donovan had been in touch with members of the industry (presumably Pfizer and Merck) in the past few days, that indications were that the transaction was to be worked out promptly, and the subject would undoubtedly be discussed at length at the Industry's Board of Trustees meeting in New York on November 16th.

Mr. Foley stated that the Industry had no clear understanding of the Government's position, most particularly in view of Cuban developments of the last three weeks.

After explaining to Foley the background of the transaction I told him that Mr. Donovan had been told to do absolutely nothing in this matter and expressed great surprise that the subject was a topic of current discussion among members of the Industry.

In the meeting with the Attorney General I expressed grave concern over the situation, pointing out that CIA had 20 million dollars on covert deposit in the Bank of Canada and that two Letters of Credit had been issued by the Bank, one in the amount of 10 million dollars to Pfizer, and one for seven million dollars to Merck. As long as this money was on deposit and the letters outstanding, there was a danger of publicity emanating from either Donovan or the drug industry, or both. Despite the fact that no official government

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connection had ever been admitted, publicity would implicate the Administration and CIA in the negotiation because of recent press stories (most particularly the Herald Tribune articles) identifying Administration and CIA activities and citing the exact amount of 17 million dollars as representing the Government cost of the drugs. I pointed out that certain elements of competition between the members of the drug industry made it almost a certainty that "leaks" would come from industry sources as long as the letter of credit were outstanding, regardless of Mr. Donovan's denials.

Furthermore, consummation of the transaction seemed totally unrealistic in view of current difficulties with Castro and if an article appeared indicating we were still pursuing this transaction, the American public and a great many others would be confused and disenchanted.

For the above reasons, and feeling that damaging publicity undoubtedly would appear, I strongly recommended that we arrange for the bank to withdraw the Letters of Credit, and for the withdrawal of a substantial part of the money from the [Bank of Canada]. Also advise Mr. Donovan that the pursuit of this effort must await a better climate although our interest remained constant. I urged that action be commenced today.

The Attorney General, after some discussion involving an exploration of possible alternatives, agreed with the course of action.

We agreed that we should carefully explain to the Families Committee and possibly to Miro Cardona that we were in no way abandoning our intention to secure the release of the prisoners but were forced because of circumstances beyond our control to set the negotiation aside pending further developments on other important problems involving our Cuban relationship.

McCone discussed the above with Mr. Bundy who personally approved the action and, in turn, received approval from higher authority. The latter was communicated to the DCI by telephone at 1:45 p. m.

Copy to General Carter w/
covering memo

JOHN A. McCONE
Director

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2 September 1964

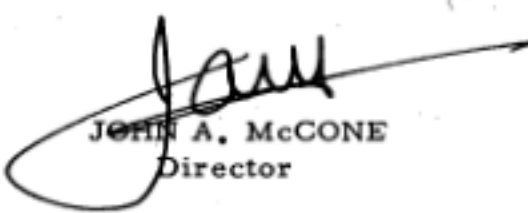
MEMORANDUM FOR: General Carter

You will note from the very brief memorandum of my discussion with Secretary Rusk that he made two requests -- the first, a study of the reasons for lack of action of the Communists in Southeast Asia. This is a matter I discussed at this morning's meeting and I hope that we can have an OCI memorandum on my return.

The second question was concerning clandestine channels to Castro, the Chinese Communists and Hanoi. This should be given serious thought by DDP. Each situation differs. I am sure we could, if we desired, open up a channel to Castro. The Peiping and Hanoi situations are more difficult. In one respect there is a channel open to Peiping through Warsaw, but it is not effective. Perhaps the Taipei Station would have some thoughts on this. Also, there is a channel to Hanoi through the Canadian representative on the ICC; however this obviously is an "official" channel and is not very productive. I think it would be well to go over this matter with Dick Helms when he returns.

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Secretary Rusk expects comments on both these points next week.



JOHN A. McCONE
Director

Attached:

Copy of MR on Discussion with Secretary Rusk

Not a copy of the report

#5 file

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