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FROM: HABANA, 1169, May 22, 1950

REF: OOA14

SUBJECT: SUMMARY OF CURRENT ECONOMIC INFORMATION - CUBA

RECORD ACTION INFORMATION

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GENERAL INFORMATION

Areas and Boundaries

Cuba is the largest and most important of the West Indian islands, having an area of approximately 44,164 square miles. The island is about 780 miles long, with an average width of 50 to 60 miles and a coastline of approximately 2,000 miles, and lies some 90 nautical miles south of Key West, Florida. It is bounded on the north by the Atlantic Ocean and the Gulf of Mexico, on the south by the Caribbean Sea, on the west by the Gulf of Mexico and on the east by the Atlantic Ocean and the Caribbean Sea. Its southeastern section forms the western shore of the Windward Passage.

Topography

The topography of the island varies widely from extensive marshes to mountainous districts, but most of the island may be described as rolling, with numerous wide valleys and plains. The north coast is mostly steep and rocky and the south coast, with the exception of the eastern end, is generally low and swampy.

The mountains are principally in three groups, located at each end and in the center of the island. The largest are the Sierra Maestra in the extreme east and southeast end. The Pico Turquino, 7,870 feet, and the highest point on the island, is in this region. Other ranges, principally the Sierra de Los Organos in the west, run parallel to the north coast. The third group of smaller mountains is scattered throughout the middle of the island, centering in the eastern part of the Province of Las Villas.

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Rivers are generally short, narrow and shallow, and few are navigable.

In the mountainous area at the southeastern and eastern end of the island is the coffee growing centre, and in the extreme western part lie the famous tobacco plantations. Sugar is grown throughout the island.

Climate

Cuba's climate is semi-tropical, tempered by prevailing winds and sea breezes. At Habana the mean average temperatures are 71° F. in January and 81° F. in August. Temperatures at the eastern end of the island are slightly higher. The warmer (rainy) season begins about the middle of May and continues until the end of October; but even during this period the mornings are usually bright and clear and the nights pleasant. The cooler (dry) season begins in November and continues until May.

Population

According to official estimates the population of Cuba at the end of 1948 was 5,194,779 inhabitants, divided by provinces as follows:

Population of Cuban Provinces

<u>Province</u>	<u>1948</u>
Pinar del Rio	444,199
Habana	1,332,035
Matanzas	408,595
Las Villas	1,041,078
Camaguey	522,779
Oriente	1,446,093
Total	5,194,779

The population of Habana and its environs (not including the nearby cities of Marianao, Guanabacoa and Regla) was 715,229 at the end of 1948. Based on five members to the family, the number of families in Cuba increased to 955,716 at the end of 1948.

The density of population for all of Cuba is 117. per square mile. Habana is the most densely populated Province, with 162.02; Camaguey is the most sparsely populated with 20.03 per square mile.

Although the last Cuban (1943) census figures divided the population of Cuba racially into 74.4 percent white and 25.6 percent colored (broken down into 9.6 percent Negro, 15.6 percent mestizo, and 0.4 percent yellow), it is believed that the second group now accounts for a larger percentage of the population. Habana, the capital, and by far the most important city, has a cosmopolitan population including Spaniards, West Indians, Central and South Americans, Europeans, and Chinese. There are about 11,000 United States citizens residing in Cuba, approximately half of whom live in the Habana area.

According to the latest census (1943), 77.9 percent of the population over 10 years of age could read and write. Of the entire population of all ages, 53.3 percent could read and write.

Form of Government

Cuba is a republic. Its Government is divided into three branches -- legislative, executive, and judicial.

The legislative branch consists of two bodies, the House of Representatives and the Senate. The House of Representatives is composed of one member for every 35,000 inhabitants or fraction in excess of 17,500. They are elected by Provinces for a 4-year term. One-half of the House membership is renewed every 2 years. The Senate is composed of 9 senators from each Province, a total of 54, elected for a 4-year term.

The executive power is vested in the President, who is elected for a term of 4 years by universal, equal, direct and secret vote on a single day, ballots being counted by Provinces. The candidate carrying each Province is credited with a number of provincial votes equal to the total of senators and representatives to be elected from each Province, and the candidate having the greatest number of provincial votes is considered elected. A Vice-President is elected in the same manner as the President, and for the same term of office.

The judicial functions of the Government are exercised by a Supreme Court, the Superior Electoral Tribunal, and other courts and judges established by law.

Weights and Measures

The metric system is the legal standard of weights and measures in Cuba. In addition, chief weights and measures used in local trade include the vara, 33.384 inches; the caballeria, 33.1638 acres; the cordel, 0.1023 acre; the quintal, 101.43 pounds; the Spanish short ton, 2,028.6 pounds; and the Spanish long ton, 2,272 pounds.

PRODUCTION

Agriculture

Cuba is primarily an agricultural country, and sugar cane is the predominant crop. The manufacture of sugar from cane is its principal industry. Also of great importance are cattle and dairy products, and tobacco and the manufacture of cigars and cigarettes.

Agricultural production for 1949 included: Raw sugar equivalent to 5,800,000 short tons; leaf tobacco, 60,000,000 pounds; coffee, 61,000,000 pounds; henequen fiber, 35,000,000 pounds; rice (milled) 85,000,000 pounds; beans, 100,000,000 pounds; peanuts, 17,000,000 pounds; blackstrap molasses, 300,000,000 gallons; condensed and evaporated milk, 1,080,000 cases; powdered milk, 200,000 pounds. It is estimated that between 825,000 and 840,000 head of cattle were slaughtered during the year, an increase of 3 to 5 percent over the 1948 figure. The production of citrus fruits, avocados, tomatoes and a variety of vegetables, all of which enter into the export trade, are important adjuncts to agricultural income, in addition to the many fruits and vegetables which are produced almost exclusively for domestic consumption. The annual value of forest products is estimated at \$4,500,000 and that of fisheries at \$2,000,000.

Industries

In addition to agricultural production, important industrial production in 1949 includes: 514,214,000 cigars; 7,808,000,000 cigarettes; 9,331,000,000 matches; 1,837,000 barrels of cement; 27,611,387 linear yards of cotton piece goods; 796,460 square yards of rayon piece goods; 3,779,829 pounds of rayon tire cord; 2,022,128 pounds of rayon filament yarn, 1,767,576 pounds of rayon staple fiber; 10,000,000 cases of carbonated beverages; 96,513,920 liters of beer; 53,050 automobile tires and 33,994 inner tubes;

24,000 short tons of paper and 5,330 short tons of paper board; 4,000,000 pounds of peanut oil; 145,414,523 liters of alcohol; 1,271,411 gallons of paint; 100,000,000 pounds of soap; 5,850,000 pairs of leather footwear; and 3,055,799 pairs of rubber footwear. There are also in operation factories for the manufacture of furniture, bottles, chemicals, medicinals, cosmetics, biologicals, perfume, yeast, rope and twine, brick and tile, dry ice, and hats. Meat packers, tanneries, fruit, vegetable and seafood canners, and other establishments produce a wide range of consumer goods.

With the exception of 161 active sugar mills, which are scattered throughout the island, and alcohol distilleries, many of which operate in conjunction with these mills, industrial production is found mainly near the city of Havana.

Mining

Mineral production during 1949 consisted principally of copper and manganese, although some chromite was produced and very small quantities of gold, iron and lead-zinc. No coal is produced in Cuba. Some natural naphtha is obtained in the Motembe district and some light gravity oil in the fields near Jarahueca.

TRANSPORTATION

Highways

The Central Highway runs from Pinar del Rio to Santiago de Cuba, and tributary roads connect it with most of the principal cities. With the exception of the Central Highway and some of the principal secondary highways, road surfaces are generally bad and travel necessarily slow. Roads in existence on January 1, 1950 included about 2,950 kilometers of paved and about 1,250 kilometers of improved highways. As of the end of the year there were in operation 57,269 passenger automobiles, 5,820 motorcycles and scooters, 27,394 trucks and truck trailers, 3,978 busses, 17,753 bicycles, and 696 gas-operated rail cars.

Railways

Cuba has 5,918 kilometers of main-line public service railroad trackage, of which some 605 kilometers are narrow gauge. In addition, there are about 1,060 kilometers in sidings and yards. Five principal railroads, constituting

87 percent of the total public service trackage, connect the larger cities and ports. The two most important systems are the United Railways of Habana, operating a total of 2,600 kilometers, and Consolidated Railroads of Cuba with 2,116 kilometers. In addition to the public service railways, the sugar mills of Cuba operate a total of 12,197 kilometers, henequen plantations 149 kilometers, and the mining industry 127 kilometers, making a total of 12,473 kilometers for industrial purposes. Industrial lines include standard and various widths of narrow gauge track.

Inland Waterways

Despite numerous coastal rivers, there are few navigable waterways.

Air Routes

There are at present two active Cuban aviation companies engaged in transporting both passengers and freight: (1) Compañía Cubana de Aviación, which operates routes throughout Cuba serving Habana, Camaguey, Manzanillo, Bayamo, Baracoa, Antilla, Santiago de Cuba, Guantanamo, Preston, Cayo Mambi, Varadero and Cienfuegos, as well as international routes between Habana and Miami and Habana and Madrid; and (2) Aerovias "O" which operates between Habana and Key West, Habana and Mexico, and furnishes local service between Habana and Varadero and Habana and Isle of Pines.

There are also several Cuban air freight carriers operating regularly between Cuba and the United States.

Other air carriers which operate to and through Cuba on international routes are: Pan American Airways, Braniff Airways, Chicago & Southern Airlines, National Airlines, KLM (The Royal Dutch Line), Compañía Mexicana de Aviación, British South American Airways, and Línea Aeropostal Venezolana.

Airports

Fifteen airports are available for public transportation, of which the only international ports of entry are Rancho Boyeros Airport outside of Habana, and the Camaguey Airport, at Camaguey, Cuba. There are also 63 privately owned airports scattered throughout Cuba for the use of private planes, most of which are the property of sugar mills and other large industrial enterprises.

Seaports

Habana, the principal port of Cuba, handles approximately 70 percent of the island's imports and 25 to 30 percent of its exports. Other important ports are Santiago de Cuba, Cienfuegos, and Nuevitás. A free trade zone has been established at Matanzas which, if properly developed, should prove extremely beneficial to Cuba.

Storage facilities for general cargo at Cuban ports are adequate. In addition, there are special warehouses in most ports for sugar, and a number of public and private facilities for storage of specialized cargo, such as oil.

The principal ports are well equipped with docks and cargo-handling equipment, but there are many at which overseas cargo must be lightered between steamer and dock, owing to insufficient depth at dockside to handle ocean vessels.

COMMUNICATION FACILITIESMail

The first-class letter rate for ordinary mail from Cuba to the United States is 2 cents per ounce and, for airmail, 8 cents per half ounce. Parcel post service between Cuba and the United States is available, and Cuban post offices issue and cash international money orders.

Cable

The Western Union Telegraph Co. operates three cables between Habana and Key West, and the Cable and Wireless (West Indies) Ltd. maintains cable service between Habana, Cienfuegos and Santiago de Cuba and to the islands south of Cuba.

The All America Cables and Radio, Inc. has direct submarine cables to New York, Miami, the West Indies, and both coasts of South America.

The Cuban Telephone Co. connects Habana with Key West by telephone cable, from whence world-wide telephone service is available via the Bell System.

Wireless

International radiotelegraph services are available from the Radio Corporation of Cuba, Cuba Transatlantic Radio Corporation and Compañia Inalambrica Cubana, all of which have world-wide connections, plus a limited domestic service to the larger Cuban cities.

Radio

There are 104 standard wave broadcasting stations on the island. At present there are no facilities for television, but the Cuban Government has recently issued construction permits to three Cuban companies interested in establishing television services in Habana. It is estimated that there are about 600,000 radios in use.

Telephone

At the end of 1949, Cuba had 105,681 connected telephones. The Cuban Telephone Co. is the principal company supplying telephone service, although there are a number of small private companies with an estimated total of approximately 5,000 subscribers. The Cuban Government operates a private inter-office telephone system in Habana. Through its wholly owned subsidiary, Radio Corporation of Cuba (Cuba Radio), the Cuban Telephone Co. has direct radio-telephone service to Central and South America, other West Indies islands, and certain cities of Europe.

Telegraph

Cuban Government-owned telegraph and radiotelegraph circuits cover the entire island. Rates for ordinary messages within the country are 3 cents per word.

FINANCE

Currency

The monetary unit of Cuba is the peso, with a par value of \$1.00 United States currency. Legal tender consists of Cuban silver pesos and silver certificates, as well as United States currency.

There are no exchange controls which would tend to restrict trade with the United States. A tax of 2 percent is assessed on exports of money or its equivalent, covering all kinds of merchandise. The full amount of this tax is refunded, however, if the corresponding value of, or return from, such exports is received from the United States within 180 days and from other countries within 240 days.

Cuban exporters of sugars and syrups are required to turn over to the Cuban Government at par a maximum of 30 percent of the dollars received from the exportation of their products in exchange for pesos. This measure, instituted in 1939 when the peso was quoted at a considerable discount, was designed to provide the Government with dollar exchange. The required rate of conversion fluctuates in accordance with changing conditions; at present the maximum of 30 percent is in force.

Banking

There are 15 principal banks in Cuba, of which 11 are members of the Habana Clearing House. Habana Clearing House membership is composed of three American banks, two Canadian banks and six Cuban banks. Several of the latter banks established in Habana have branches in other cities of the island. There are also a number of small, unimportant banks in some of the lesser towns which conduct general banking operations only in their immediate communities.

The composite statement of the 15 principal banks in Cuba showed total assets on December 31, 1949 of \$662,518,500, representing an increase of \$33,698,039 over the 1948 year-end figure of \$628,820,461.

A central bank of issue and rediscount known as the National Bank of Cuba was created by law on December 28, 1948 and is functioning.

There is no official loan or discount rate. Unsecured loans and discounts of commercial paper are available through the principal banks at from 5-7 percent and 90 day loans with collateral having a ready market at 3-4 percent, with other collateral at 6 percent.

INSURANCE

As of December 31, 1949 there were approximately 130 insurance companies established in Cuba, more than half of which were British, Canadian, and American companies, writing life, fire and casualty, marine, workmen's compensation, fidelity and other insurance. Workmen's compensation insurance is compulsory, and is written principally by Cuban companies.

There are no official data available on premium income for 1949. Premium income for 1948 totalled over \$39,000,000, of which the Cuban companies wrote about 45 percent and the foreign companies 55 percent.

FOREIGN TRADEImports and Exports

Cuba's foreign trade in 1949 was valued at \$1,029,696,975, of which \$578,306,696 were exports and \$451,390,279 imports, as compared with the 1948 total of \$1,237,328,786, with exports of \$709,872,461 and imports of \$527,456,325. The United States in 1949 supplied \$408,060,654 or 90 percent of Cuba's total imports, and took \$421,673,183 or 73 percent of its total exports.

Imports are mainly foodstuffs; machinery, utensils and vehicles; drugs and pharmaceuticals, including perfumes and toilet preparations; metals and manufactures; paper and paper manufactures; chemicals and fertilizers; and cotton, rayon and nylon textiles. Exports consist principally of sugar and sugarcane products, tobacco, leather and food products.

Tariff Structure

The present Cuban tariff has five duty rate columns (a) the maximum; (b) the minimum or general; (c) the United States preferential, under a Reciprocal Trade Agreement; (d) Geneva Agreement minimum tariff; and (e) Geneva Agreement, United States preferential. The last two columns apply only to articles negotiated at Geneva and comprehended in the General Agreement on Tariffs and Trade.

Preferential rates on articles of United States origin under the Reciprocal Trade Agreement range from 20 to 75.9 percent less than the general tariff rates and on articles negotiated at Geneva, from 20 to 85 percent.

As an integral part of the customs tariff there are certain surcharges, such as 10 percent on luxury articles and 3 percent Public Works Tax on other articles, except those of prime necessity and certain raw materials which are exempt. Special surcharges are collected on precious metals and manufactures, jewelry, passenger cars, cigarettes, alcoholic beverages, and certain other items.

Other Charges

Important charges in connection with United States exports to Cuba, in addition to customs duties, are: A 2-percent consular invoice fee on the value of the merchandise f.o.b. port of exportation; a Public Works Tax of 3 or 10 percent on imported goods, depending on the article imported; a gross sales tax of 9 percent assessed on the value of both imported and domestic commodities, except in the case of raw materials, which are exempt, and certain essential products, which are subject to tax at the rate of 6 percent; a Port Improvement tax of \$0.70 per 100 kilograms plus a 25 percent surcharge; a Civil Retirement tax of \$0.02 per shipping case or container; and revenue stamps amounting to \$0.20 plus 20 percent on each bill of lading.

Special Packing Consideration

The usual export packing is satisfactory for shipments to Cuba, and no additional precautions are generally necessary as regards handling or climatic conditions. All packing containers are subject to import tariff. While in some cases a study of the tariff will indicate that the use of alternative materials will reduce the levy, the adequacy or sufficiency of the export packing should not be sacrificed.

TRADING POTENTIALSBusiness Activity Indicators.

There are as yet no reliable estimates of Cuba's national wealth or of national income, but studies are being made to determine them.

Cuban Government revenues from all sources were approximately \$247,150,000 in 1949, a decline of \$28,266,000 over the previous year's figure of \$275,416,000. Total currency in circulation as of December 31, 1949 was \$670,600,000 (\$129.12 per capita) or an increase of \$85,000,000 over the 1948 figures of \$585,700,000 (\$115.95 per capita). Total assets of the 15 principal banks operating in Cuba amounted to \$662,518,500 at the end of 1949, while clearings of the eleven banks associated with the Havana Clearing House totalled \$2,298,509,882.

Salaries and wages paid in commerce and industry in 1949, excluding agricultural workers and government workers, amounted to approximately \$525,248,120 ^{1/} and salaries and wages paid to sugar workers amounted to about \$174,856,560. ^{2/}

There were 510 motion picture theaters having about 304,600 seats, and box office receipts of first-run releases in the principal Habana theaters amounted to \$2,664,644.

As of December 31, 1949 there were 95,157 motor vehicles in circulation, including passenger cars, trucks, trailers, busses, motorcycles, motorscooters, ambulances and gas operated rail cars; 105,681 telephones connected; 600,000 radios in private use; 114,000 household mechanical and 6,000 kerosene refrigerators installed. Net current generated by public service light plants was 689,525,830 kilowatt hours. Newspaper and magazine circulation totalled approximately 957,000. During the year the railroads carried 12,029,342 paying passengers, revenue from which amounted to \$7,298,533.10, as compared with

^{1/} Based on contributions to the Health and Maternity Labor Fund and compiled by the Statistical Division of the Ministry of the Treasury.

^{2/} "Cuba Sugar Year Book" estimates based on data supplied by Cuban Institute for Sugar Stabilization and the National Sugar Mill Owners Association of Cuba.

the 1948 figure of 14,628,952 passengers, and passenger revenue of \$11,059,997.37. Airlines carried from Cuba 172,969 passengers; bus revenue is estimated at about \$25,000,000. Domestic telephone calls during the year totalled 3,259,835, and international calls 157,246, of which 79,811 were outgoing and 77,435 incoming.

Tourism increased somewhat in 1949, 180,013 tourists having come to Cuba in that period as against 173,364 in 1948. Excluding exports of sugar, the international maritime shipping volume was almost exactly the same as the previous year, 2,479,870 metric tons having been imported into Cuba as against 2,486,548 in 1948, and 364,371 metric tons exported as compared with 367,312 tons in 1948.

The value of sugar and molasses produced in 1949 is estimated at between \$530,000,000 and \$535,000,000.

Building permits issued in Habana Province during the year under review amounted to 31,979,062 as against 35,704,165 in 1948.

Local Customs Affecting Sales

Neither religious nor racial factors affect the general demand for commodities. Cuba is semi-tropical and, except for about 3 months in the year when woollens are worn and blankets are useful, cotton clothing predominates for men and cotton and rayon for women. Housing is typical of the climate. The use of rugs and drapes is limited, although increasing. Floors generally are of tile or cement; shutters or Miami-type blinds are used in most houses; and roofs are of tile, concrete or corrugated iron. House construction in the cities is generally of limestone rock, concrete or brick; in rural areas, wood predominates. Lighting is almost entirely by electricity in the cities, while in rural areas where electricity is unavailable or income small, kerosene lamps and candles are largely used.

The principal diet of the average Cuban family consists of rice, beans, meat, plantains, and various native fruits, such as oranges, bananas, pineapples, and mangoes. Fried food predominates, and garlic and pimiento are freely used in seasoning. Green vegetables are used comparatively little. The use of fresh fish is generally confined to coastal areas, and consumption of native fresh food products is generally on a seasonal basis.

MARKETING FACTORS

Principal Commercial Cities

Approximately 70 percent of all imports are distributed from Habana. Next in importance is Santiago de Cuba, covering the eastern section of Cuba, while other important but less active centers are Camaguey, Santa Clara, Matanzas, Manzanillo, and Pinar del Rio.

Marketing Channels

While there is no accurate record of the number of firms engaged in overseas trade, this group probably involves at least 5,000 firms and individuals. Importers, exporters, and manufacturers' agents are located principally in Habana.

No strict line of demarcation exists between wholesalers and retailers. Price considerations are largely involved in the determination of whether a company will be a direct importer of a given commodity or will purchase through a manufacturer's agent or some of the large import houses.

Aids to Distribution

There are ample warehouse facilities throughout Cuba, including those for cold storage. Services of advertising agencies are available in Habana, as well as commercial credit companies, including branches of concerns with world-wide connections, and credit services of foreign and domestic banks.

Trade lists of firms specializing in particular lines of activity, and detailed reports on the business standing and distribution capacity of individual firms, may be purchased from the Office of International Trade, Department of Commerce, Washington, D. C., or any of its field offices in the United States.

Trade Practices

Irrevocable letters of credit are usually required, although there is a growing trend toward extending credit of 30, 60 and 90-day sight drafts to long established

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importers. Open account terms are rarely extended. In domestic trade 30-day open account or trade acceptances are common practice.

R. M. Connell
First Secretary of Embassy

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