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FOREIGN SERVICE DESPATCH

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January 4, 1952

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SUBJECT: MONTHLY ECONOMIC REPORT

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The enthusiasm of practically all Cubans over the attractive and abundant retail Christmas displays, and which was maintained actually through the year-end, reflected the enjoyment of unusual prosperity at that time by almost all classes of society; it reflected also the common belief that good times were assured for well into 1952. Due in large measure to last-minute government actions in the form of promulgating Christmas bonuses and other concessions to employees, private as well as civil, Havana banks honored drafts, mostly governmental, in the record amount of 43,000,000 pesos in the three days before Christmas. Other measures taken by the government just before Christmas, which were viewed by the press as improving the business outlook, included: (a) Intervention in the customary year-end dispute between sugar growers, mill owners and workers to effect a compromise which would assure prompt harvesting and milling of the record oncoming crop; (b) Congressional action which the press described as "smothering" of the proposal to create a State purchasing agency; (c) establishment of modus operandi for the general accounting office.

Banks reported in the opening days of January that the demand for loans on the part of both manufacturers and merchants had reached record height and was continuing to mount; bankers were acceding to most of these demands because of the current high merchandise turn-over and because most customers had been meeting maturities of loans for earlier stock replenishment. Christmas sales of household electrical goods, which in some cases were 50 percent greater than a year ago, brought the previously inflated stocks down to a level which might revive interest, within a few months, in placement of new import orders.

The National Commercial Agency:

Law No. 13, which was promulgated on December 22, gave authorities far beyond the bill's original intent, which was to elevate salaries of government employees, teachers and members of the armed forces and to provide added revenues to cover the payroll increment. Among the numerous riders added to the bill in the Senate was Article 12, strongly advocated by Minister of Commerce ZAYDIN, which sets up a National Commercial Agency in such broad legislative phrasing that it could engage in commodity purchase and sale, control distribution, and fix prices (See 894, HABANA, November 30, 1951). However, by cloakroom agreement of party leaders in the House, that

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body was enabled to make its vote of approval of the whole measure conditional upon an undertaking by the government, as expressed by the Prime Minister before the voting, that it (e.g., the Executive) would abstain from independent implementing of the powers conferred in Article 12 and that the Commercial Agency would be a dormant organization until Congress should exercise its claimed and acknowledged privilege of drafting the regulations.

The trade associations and editorial writers who were the strongest opponents of the Commercial Agency proposal have demonstrated a feeling of complacency since the House action, presumably on supposition that the Congress, which promptly adjourned, will not give priority attention in 1952 to the voting of any regulations to place the Commercial Agency in operation.

Agriculture:

The 1952 quota for sugar imports from Cuba, which was announced by the U. S. Secretary of Agriculture in late December in the amount of 2,424,571 short tons, caused little stir in Cuban trade circles, presumably because they anticipate that there again will be additional minor allocations to make up deficits elsewhere as the year progresses. Allocations for Cuba in 1951 had mounted before year-end to 2,947,175 short tons.

As of January 1, ten of the 161 sugar mills in Cuba had commenced operations on the 1952 sugar crop. Harvesting conditions continue to be favorable and a record crop in excess of 6,185,000 short tons is expected, although poor rainfall in Oriente and Camaguey Provinces during November and December may reduce production somewhat in those two areas.

The Cuban Federation of Sugar Workers made public announcement in late December of its readiness to cooperate in the harvest, after having negotiated with the Sugar Mill Owners a number of concessions. These included: (a) Enjoyment of super-production wage schedules for stated periods, (b) payment by mill owners and cane growers of the laborers' union dues, (c) retention of sugar differential benefits, (d) establishment of special funds for loans to workers and for construction of low cost housing, (e) designation of a committee to study the feasibility of a 200-pound sugar bag to supplant the present 325-Spanish-pound bag. The sugar growers and mill owners were still deadlocked at year's end on the contention of the growers that their percentage share of the proceeds from sugar sales should be elevated from 48 to 55.

While December brought scattered rains in the western provinces, the persistent drought in Camaguey and the east was causing pasture lands to brown, beef cattle to lose weight, and milk deliveries to decline sharply. Anticipating a beef shortage, the Cuban Government was considering a proposal to sanction duty-free importation of jerked beef. Operations of the Cuban wheat and flour trade were rendered difficult in December by the government's announcement of a distribution plan for imports which was in conflict in some respects with the machinery set up under the International Wheat Agreement for local distribution of imports. If there should be continued difficulties

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in reconciling these two plans of distribution, local flour shortage could reach serious proportions before the close of January, unless Cuba should decide to purchase at the world market price.

Industry:

The Cuban branch of Proctor & Gamble, e.g., Sabates, S. A., inaugurated its new synthetic detergents factory in early December at a ceremony attended by the Prime Minister and a large gathering of the business community. This imposing plant, said to be the first of its type in Latin America, is located in the eastern industrial district of Habana and represents a substantial investment.

While textile mill activity generally was even less in December than it had been in November (486 of the industry's 2,267 cotton looms and 400 of its 602 rayon looms being idle during December and only 500 cotton looms and 62 rayon looms being operated at full capacity), the prospects for revival of mill activity in coming months were much improved by the unexpectedly heavy and repeated drawings by retailers in late December from the wholesalers' abundant stocks, particularly of dress goods and novelties. Cuban textile manufacturers expect that, when data are assembled, their combined output for 1951 will be found to have been considerably below that of 1950 which included 38.5 million square yards of cotton piece goods and 1.8 million of rayon piece goods.

December production of metallurgical manganese ore amounted to almost 15,000 long tons, but railroad cars could be found for the transport to Santiago of only 11,400 tons. The mine owners were endeavoring at year's end to contract for transport of some of the ore by truck and they expressed the belief that this arrangement would be functioning by the end of January. The extraction of iron ore on properties on the Isle of Pines was discontinued in December, allegedly being uneconomic because of the low grade of the ore and the high cost of use of inadequate port facilities.

Building permits issued for construction in the Habana area during December had an aggregate value of 3.6 million pesos, a drop of 22 percent from the level of the previous month and 14 percent below the level reached in December 1950.

Labor:

The major labor development in December was the agreement alluded to above which improved the wage scales and working conditions for harvesting and milling of the new sugar crop. The nearest approach to work stoppage in December was a 24-hour tie-up of the Habana city buses, which was settled by a 60 percent honoring of the vacation bonus which had accumulated unpaid for several years. The hotel and restaurant workers have demanded a 30 percent wage hike, encouraged by recent action of the Hotel Nacional in forestalling a strike threat by payment of a 15 percent wage increase.

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Two threats of a general strike are credited in the press with having halted consideration by Congress of a bill to establish labor courts. Senator MUJAL, Secretary General of the Cuban Confederation of Labor, had withdrawn the support he earlier had given to this measure but which was conditioned upon the obtaining of guarantees that the law would be drafted in a manner to protect gains already won by the unions. In the final session of Congress he claimed that labor had not been accorded the participation it merited in the drafting of proposed modus operandi for the labor courts.

Transport and Communications:

Cargo discharged at Habana in December, amounting to 278,441 metric tons, fell 7 percent short of the tonnage for the corresponding month of 1950. However, U. S. merchandise arrived in satisfactory rhythm, and complaints of delays mainly related to European cargo which was destined for trans-shipment at New York but which was diverted to other U. S. ports because of the New York strike. With the declared purpose of promoting tourism, an additional passenger and automobile service was inaugurated in December on the Palm Beach-Habana run, and a proposal was presented to the government which would provide similar service from Key West.

In addressing a meeting of the railway workers on December 19, President PRIO reiterated his intention to go to Congress for authority to nationalize the United Railways and to finance that operation by an additional sales levy on sugar of six cents per bag.

A government commission was set up in December to regulate internal transportation services and to assure proper coordination of railway and highway freight schedules to include operations of the trucks which do not ply regular routes. Aerovias "Q" established a new passenger route connecting Habana with West Palm Beach. The Cuban Senate ratified the North American Regional Broadcasting Agreement. Cuba's third television station went on the air in Camaguey.

Finance:

Budgetary collections, as shown by preliminary figures, stood at \$142,229,000 on December 20 as against \$123,075,000 for corresponding portion of the previous fiscal year. Laws promulgated in December included the \$35,000,000 Veterans' Loan, which will permit payment of remaining pension debts to survivors of the War of Liberation, and the \$5,630,000 budget of the Accounting Office which commenced operations on January 2, 1952. In addition, the Treasury released \$3,000,000 in bonds authorized by Law No. 16 of 1950, to be applied to the cost of constructing the new Communications Palace. Regulations were also issued to govern the liquidation of old government debts under the \$4,250,000 appropriation contained in the current budget.

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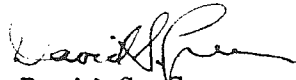
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The Salary Increase Law (Law No. 13 of 1951) was promulgated on December 22, 1951, and raised the salaries of approximately 169,000 Cuban Government employees. Treasury Minister ALVAREZ DIAZ estimates that the new law will add \$14,000,000 to government expenditures during the six remaining months of fiscal year 1951-52, and that tax modifications contained in the bill will produce 2 to 3 million in additional revenues. Nevertheless, the budget is expected to remain in balance, considering the current rhythm of revenue collections.

Bank clearings, including Treasury transactions, totaled \$351,787,000 through December 28, as compared with \$375,944,000 for the previous full month of November. Pro-rated for effective working days, this gives a daily rate of \$19,544,000 for December, as against \$17,902,000 for November.

FOR THE AMBASSADOR:


David S. Green
Commercial Attaché

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