

FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

SECURITY : UNCLASSIFIED WITH  
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PRIORITY: AIR POUCH

837.00/5-2851

TO : Department of State

FROM : HAVANA 2357 May 28, 1951 1 Enclosure

REF :

SUBJECT : IN RADIO ADDRESS TO NATION PRESIDENT PRIO CLAIMS FULFILL-  
MENT ECONOMIC PROGRAM AND ACHIEVEMENT ECONOMIC INDEPEND-  
ENCE FOR CUBA

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At the meeting of the Council of Ministers on Tuesday, May 22, eight laws were passed and made ready for the signature of President PRIO. The laws were subsequently signed by the Chief of the State and he used the occasion as an opportunity to call to the attention of the Cuban public, by means of a radio address, the significant accomplishments which have been made by his administration. The laws passed by the Council of Ministers and signed by the President included the creation of free business opportunities in the areas of the sugar mills; the creation of a retirement scheme for all employees of the national radio; a law allotting funds to the Cuban Philanthropic Society, "the White Cross of Peace"; a retirement law covering the medical profession; a law granting a Government subsidy of \$60,000 to the Cuban Blood Bank; a regulation recognizing the city of Santiago de Cuba as a first-class metropolitan area; the by now widely publicized and disputed new tax bill and the so-called State Accounting Law, which together with the Organic Law of Budgets and the Tribunal of Accounts represent a marked advance for Cuba as regards fiscal administration and control.

The President's radio speech, which began at approximately 8 p.m., was made before a special audience of government officials, bankers, industrialists and representatives of national institutions gathered in the Palace Reception Hall. At the outset of the talk, and also at its conclusion, the President emphasized his opinion that with the signature of the eight laws mentioned previously he considered that practically all the program of his party for the improvement of Cuba had been completed. He pointed out that it has been his policy to establish the nation on a basis of firm institutional foundation and a solid economic structure and that little by little this end was being achieved.

The President's speech dwelt principally upon three areas covered by the new legislation. He commented favorably, and at some length, upon the necessity of the creation of retirement

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ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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and social security plans similar to those realized for the medical profession and for the employees of the national radio. He described in some detail the benefits which should accrue from the freer conduct of business at the sugar mills, that is, opening these areas to private enterprise in competition with so-called company stores which heretofore have largely held exclusive privileges. However, in large part his address to the nation was devoted 1) to the defense of the new tax law, and 2) the work achieved by the Cuban delegation at the GATT conference at Torquay, England, where, according to President Prío, Cuba for the first time in her existence as a nation achieved economic independence.

The President admitted that the new tax law, which provides funds for the government retirement scheme and for the purchase of land to be divided among small farmers, had met with strenuous opposition in some quarters. Much of this opposition he relegated to what he described as the big land holders, the millionaire industrialists and the interests that defend them from paying their fair share of the tax burden of the country. He insisted that the majority of the merchants and industrialists of Cuba, instead of opposing the law, approved it as a fair, reasonable instrument. The President pointed out that the law is intended to eliminate red tape and place the country's taxation system on a realistic schedule. He made no apology for the rather sweeping and potentially heavy burden that may develop on some foreign capital now resident in Cuba and by indirection he appeared to depreciate and discount the numerous claims which have been made that the new law, once its regulatory provisions have been drawn up and have been made public, will witness a serious flight of capital from the country.

At least a third of the President's speech was devoted to the Cuban position achieved as a consequence of the GATT negotiations at Torquay, England. He is quoted as having stated that the Torquay agreement can be fairly described as the proclamation of Cuban economic independence. According to the press and with reference to the political birth of Cuba, the President stated: "In reality we were a commercial colony attached to the industrial and mercantile powers of the United States that with the Reciprocal Treaty of 1902 became a monopolistic influence over the Cuban consuming market as a consequence of the sale (there) of the sugar which we produced. The day arrived, nevertheless, when our production exceeded the purchase capacity of North America but as a consequence of the treaty, practically preventing us from buying manufactured goods in Europe, these European countries preferred to find sugar and tobacco among those that were their established clients. The great 1930 crisis aggravated this situation of dependence ... and as a result the amount of sugar sold by Cuba in the United States was reduced to

2 million tons, without our being able to open our consumer market to European commerce."

The President reviewed the discouraging picture of the middle 1930s, mentioning the Cuban-United States Treaty of 1934, and then pointed out that with the reopening of hostilities in 1941 the Cuban industry had again been restored to maximum production capacity as part of a war effort to assist the United States and the United Nations.

The President reminded his audience that at the time his Government was installed in October, 1948, the prospects were for a return to an economy on a pre-war basis. He suggested that by the end of his term of office in 1952 the Marshall Plan (which he admitted was responsible for European purchases of Cuban sugar) for the European countries would have been concluded and there would have disappeared, at least in part, the dollar funds which had been used to buy sugar from Cuba. If Cuba did not buy from these countries, it was absurd to expect them, with a shortage of dollars, to continue being good clients. At the same time, and as a result of the war, there had been established in Cuba many new industries which needed adequate tariff protection, for if such protection was not afforded they would have been subjected to fierce competition from foreign firms. These industries at present give employment to 40,000 workmen, who represent the security of 200,000 Cubans and a production value of some 73 million pesos a year. As the head of the Cuban Government, President Prío insisted that he could not calmly sit by and take no action to protect Cuba's interests and he had, to the contrary, requested that a study be made of Cuba's economy and that the recommendations which had resulted were represented under the following points:

1. It would be necessary to maintain sugar exports at more or less 5 million tons per year as anything below this level would gravely jeopardize the prosperity and the social peace of the country.

2. It would be necessary to search out markets for sugar other than the United States where the law fixed the Cuban quota at some 2 million tons.

3. The difference between 2 million and 5 million tons could not be absorbed by other potential purchasers and consequently it was necessary to proceed in such a manner that the products of these possible purchasers of Cuban sugar should enter Cuba under conditions competitive with the products of North America.



The President then reviewed the preliminary negotiations which had been conducted in Washington, D. C. during the months of May and June of 1950, to an end that trade relations between the two countries might be made sufficiently flexible to permit Cuba to diversify her sugar market by offering certain trade advantages to European manufacturers. He reported to his audience that during these and subsequent negotiations the North American representatives had always been understanding and generous and that a number of concessions had been granted Cuba which enabled her to open trade discussions with certain European trade nations.

The President then repeated that the Torquay negotiations can in full justice be identified as a declaration of economic independence for Cuba. He mentioned in detail the negotiations which were conducted as regards increases in the textile schedules as well as certain other items, such as cement, furniture, pharmaceuticals, leather and leather products, liquors and plastics. He mentioned also the conclusion of a new Canadian agreement based largely upon an increased sale of sugar to that country and he held in very definite promise similar agreements with Germany and England. He concluded this section of his speech with the remark, "I think, Cubans, that we have left behind - and I hope it may be forever - the unfortunate history that condemned us to be poor in times of peace and rich only when the world was involved in wars."

The President ended his speech by announcing that he had decided to construct a children's hospital, which will bear the name of his mother, Regla Socarrás Viuda de Prío. The funds for this new hospital, currently estimated at 1 million pesos, will be drawn from the profits of the State lottery.

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The general reaction to President Prío's radio address has been mixed and confused and there appears to be a strong section of opinion that the speech was intended as the opening gun for next year's presidential elections. It is known that the speech had been in preparation for some days and that it had been referred to a number of Government departments and agencies for suggestions and material. In at least one case (that of the Cuban National Bank) it is reported that the text as delivered was a far departure from the text which had been referred to the Bank. A high officer of the Bank expressed the opinion, in confidence to an Embassy officer, that the speech was a mediocre, if not rather poor, political gesture, an apology for the Government's labor policy, a defense of the new tax law and an attempt to inflate to almost unreasonable proportion the importance of the Torquay negotiations.

It is becoming increasingly evident that opposition to the Government's so-called labor policy is solidifying. It is not unnatural that such opposition should be found among industrialists and commercial proprietors, but a sense of very serious misgiving is now permeating a large section of the population, a section which might be described as the "white collar class". There is increasing comment that the Government, by repeatedly giving in to the recurrent and cumulative demands of irresponsible labor leaders, is attempting to govern on the basis of the emergency of the moment and is completely devoid of any long-range, permanent labor policy other than to attempt to secure the labor vote in 1952. There is increased realization that the Cuban labor elements are undisciplined and have no knowledge, understanding or interest in the basic economic welfare of the country. There is also freer comment that it is not surprising that in the face of pious declarations on the part of the Government that it wishes to encourage the industrial development of the country, little or no foreign capital has entered Cuba during the past several years. For instance, it is understood that during the year 1950 the net amount of foreign capital which entered this country for investment purposes was only the equivalent of 8 million dollars. It is believed in many sections that this trend can be directly traced to the unsettled and confused labor situation, the existence of laws which make it practically impossible to discharge employees who may be guilty of serious misconduct, the excessive influence wielded by the local labor leaders and, as an added element, the steam-roller tactics which were employed in effecting the passage of the new tax law.

While the President, in his speech, attempted to capitalize upon the passage of new social security legislation covering radio employees and the medical profession, it is significant that these schemes are typical of those which have already been approved and many which are now under consideration. In very large part these schemes do not represent any contribution by the employees and little or nothing contributed by the State, the entire burden being placed upon private enterprise. Regardless of the ability of private enterprise to carry these schemes, it is an acknowledged fact that their cost and their general influence is discouraging the extension of existing establishments and the creation of new industries which might easily supply wide employment possibilities. The most recent proposal along this line clearly illustrates the practical application of this general policy. It has been proposed that in order to provide employment for all medical students and doctors, each beauty parlor in the country should be compelled to have a doctor as a permanent member of its staff.

It is at least encouraging that the President admitted to his radio audience that the new tax law met with strenuous opposition from some elements of the Cuban population but his description of these opposition parties is sufficiently indefinite

to make his comments almost demagogic in character. If properly applied, the new law as passed will extend by a wide area the basis upon which taxes can be collected by the Government. The provisions applying to the anonymous bearer shares strikes at one of the most serious problems but it is doubtful whether the law will be strictly applied and whether these hidden deposits of wealth will be called upon to pay a fair share of the tax burden. On the other hand, the provisions which can be translated into potential burdens upon foreign capital invested in the country presumably are those which reflect the greatest virtue upon the Prío administration and which are the source from which most of the new income will be drawn. In summary, the new law can only be judged in terms of the regulatory provisions, which have not as yet been completed, but if the past is any measure of the future it is very probable that the law will not be conscientiously applied and that the larger foreign-owned enterprises in this country will carry the principal burden.

The President's lengthy, detailed and almost sentimental discourse on the Torquay negotiations and the great benefits resulting to Cuba has been the cause of some wonder and speculation. The claim that only now has Cuba achieved economic independence may reflect a sense of nationalism which is hardly genuine and it is doubtful whether this appeal will influence many people. In the population section where some knowledge of basic economic rules and practices exists, approval and support undoubtedly will be reflected as regards the efforts of the Government to diversify export markets and assure through bilateral agreements the sale of Cuba's two principal export commodities, sugar and tobacco. However, in following out this diversification program the Government is going to be faced with the question of a balance of trade and the sale in Cuba of materials and products originating in countries where Cuban products are being sold. While the Government of the United States has willingly surrendered preferences in the Cuban market to an important value (a fact which has been largely ignored by the Cuban Government in its comments regarding the Torquay negotiations), it is well established that this country recognizes North American products and materials as a standard to be preferred and it is doubtful whether the European competitive article, even sold at an equivalent price, will find much demand. It is a matter of conjecture whether the Cuban Government, in an effort to maintain its new markets in Europe for sugar and tobacco, may not find it necessary to adopt means to influence or compel a balancing of trade.

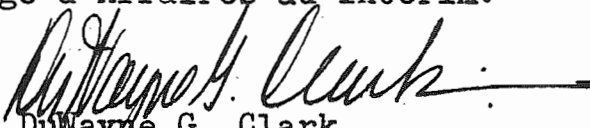
The achievement claimed by President Prío that the Torquay negotiations have been the means for securing the protection of Cuban industry, its employees and families, is valid as it stands but there has been little or no comment regarding the cost to the Cuban customer for this protection. Only in one or two isolated instances has editorial comment appeared pointing out that,



for instance, the renegotiated textile duties will probably result in considerably higher prices for the Cuban consumers. It is very probable that this emphasis on the Torquay negotiations and the protection of Cuban industry and labor is another direct appeal to the country's labor elements and at least another demonstration of the immediate concern of the Government to make temporary political capital by any means it can. END OF CONFIDENTIAL.

Attached is a copy of the President's speech as published in El Mundo of May 23, 1951.

For the Chargé d'Affaires ad interim:

  
DuWayne G. Clark  
Counselor of Embassy

Enclosure: *ax*

✓ Text of President's speech  
(5 copies)

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EL MUNDO  
May 23, 1951

# Proclamó el Presidente Prío Que Cuba Logró en Torquay Su Independencia Económica

## Considera Cumplió su Programa

Dotada Cuba de una  
Estructura Jurídica  
de Sólida Base

"Considero que lo fundamental de mi programa de gobierno, está ya realizado; Cuba se institucionaliza", aseguró anoche, emocionado ante los micrófonos que transmitían su voz a todos los rincones de la República, el presidente Carlos Prío Socarrás, en una de sus periódicas charlas desde Palacio.

De las leyes complementarias que prometió al pueblo, sólo dos faltan, aclaró el doctor Prío, y creo firmemente que se han sentado las bases de un porvenir económicamente más seguro para todos los cubanos, pues los acuerdos de Torquay, pueden celebrarse como la proclamación de la independencia económica de Cuba.

El Jefe del Estado, reunió anoche en el Salón de Recepciones de Palacio, las más destacadas personalidades de su Gobierno, del Poder Judicial, del Congreso, de las Fuerzas Armadas y de la prensa, para que presenciaran la lectura de su mensaje al pueblo de Cuba.

Junto al doctor Prío, en la mesa presidencial, se sentaron el Primer Ministro doctor Félix Lancís, los presidentes del Senado y la Cámara, doctores Varona y Rodón, y el Secretario de la Presidencia doctor Orlando Puente. A su izquierda, en un estrado, se colocaron junto al doctor Juan Federico Edelman, los 21 magistrados del Tribunal Supremo, y fiscales; a su derecha los jefes del Ejército, la Marina y la Policía. Los directores de periódicos fueron colocados en un ángulo escogido del salón, y al frente, la concurrencia formada por congresistas, funcionarios, técnicos bancarios, miembros del Colegio Médico y otras personalidades.

Desde dos plataformas espe-



personajes.  
Desde dos plataformas especial-  
mente colocadas, hacían funcionar  
sus cámaras los fotógrafos y ci-  
nematografistas, para tomar vis-  
tas del acto, que tenía como fondo  
una bandera cubana.

#### Frases Salientes

El doctor Carlos Prío Socarrás  
leyó sin descansar las veintidós  
cuartillas que componían su in-  
forme al pueblo, deteniéndose só-  
lo, cuando lleno de emoción, se re-  
firió a su deseo de dedicar un mi-  
llón de pesos de la Renta de Lote-  
ría a un hospital infantil que lleva-  
rá el nombre de su madre. Las  
palabras le salían trabajosamente,  
y las lágrimas eran contenidas  
con un gran esfuerzo de voluntad,  
al punto de que le fué imposible  
terminar la frase: ...“pues esa  
anciana a quien venero vió morir  
a su padre desangrado por el ca-  
ñón y abrió las fosas de sus her-  
manos, en los campos de batalla  
de la Independencia...”

Dijo el doctor Prío, que temió  
ver pasar el año en curso, sin po-  
der impulsar algunas leyes funda-  
mentales de su programa, debido  
a la falta de impulso congresional,  
y para ello produjo el pacto con el  
Partido Liberal, no con propósi-  
tos electorales, como se ha dicho.

(Termina en la Página 20. Col. 1)