

FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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TO : Department of State

837.00/6-1951

FROM : HABANA, 2494, June 19, 1951

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SUBJECT : ANNUAL ECONOMIC REVIEW (1950)

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SUMMARY:

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The generally flourishing conditions prevalent in Cuba for the past few years continued to improve in 1950. Although the trend during the first half of the year was not strongly defined, conditions were very good. They became remarkably so after the Korean crisis with the additional injection of two internal public works loans totalling \$70,000,000. As a result of these stimulations to an already high level of activity, the year ranks close to the top in over-all results with numerous all-time records having been broken in various departments.

Agriculturally, it was a highly satisfactory year with the value of sugar and molasses production being 14 percent above 1949. Cuba's second agricultural industry, tobacco, had an improved year with moderately increased exports, prices, and demand. Coffee production broke all Cuban records while other crops showed varying results, some up and others down.

Cuban purchasing power was so strong throughout the year that imports of many articles shot upwards. Consumption of imported foodstuffs was ahead of 1949 though under 1947, but on automotive vehicles all records were broken with a total importation 58 percent ahead of the previous twelve months. Purchases of radios and refrigerators increased more than 50 percent. The volume of new building and construction together with that of building material purchases, rose in like proportion.

Most domestic industries benefitted handsomely from the rising Cuban market. Production in the textile, tire and mining industries rose more than 50 percent, activity in the mineral field approaching

RMConnell/GLBush/RACrane/CEDavis/  
WRHouk/RLHarrell/CECobb/TFConlon/  
FDLeatherman/JRJohnstone/JLPearson/  
RLWashington/JLMartinez:ald/ecv/mlt/mb/dml

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ACTION COPY — DEPARTMENT OF STATE

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Railroads:

The position of Cuban railroads did not improve and as in previous years most of the companies were barely able to cover their operating expenses. Total operating revenues for all public service railroads for the fiscal year ending June 30, 1950 amounted to \$40,400,000, as compared with total operating expenses of \$39,900,000. During the previous year these figures were \$40,900,000 and \$40,900,000, respectively. In the same period the total number of passengers transported increased from 14,000,000 to 15,900,000 but passenger revenues remained practically steady at \$8,000,000. Freight revenues declined from \$27,300,000 in 1949 to \$26,000,000 in 1950.

The largest single company, United Railways, continued to be operated by the Government which had to make up an operating deficit of about \$100,000 a month. A group representing Cuban and United States interests made an offer to purchase United Railways but the interested parties were unable to agree on terms and the purchase plan was rejected.

There were reports that the Government had under active consideration the nationalization of United Railways but nothing materialized during the year.

In March Compañia Autobuses Modernos, S. A. purchased the streetcar system operated by the Havana Electric Company and immediately started replacing the old, out-moded trolley cars with modern buses. In December, as a result of labor difficulties, the Government ordered the nationalization of the newly-formed company.

Aviation:

Total aviation passenger movement in and out of Cuba showed an increase of 9 percent over the previous year, partly as a result of the introduction of new airlines and services.

There were four airlines that established connections with Cuba during the year: The Argentine airline, FAMA, and the Spanish company, Iberia, stopped in Havana en route to New York and Mexico, respectively. A Colombian company, Lansa, started service between Havana and Barranquilla and the Costa Rican company, Lineas Aereas Costarricenses commenced operations between Havana and San José, Costa Rica.

Two Cuban airlines received new foreign air carriers' permits from the United States Civil Aeronautics Board and two companies received renewals for present routes.

Servicios Aereos, S. A. received a new permit to transport cargo only between Havana and St. Petersburg, Florida, while Aerovias "Q" obtained a new permit to transport passengers, cargo, and mail between Havana and Tampa. Service to Tampa was started in December 1950. Compañia Cubana de Aviación received renewal on its present route from Havana to Miami and Aerovias "Q" got one on its existing route from Havana to Key West. Three Cuban airlines were competing for a permit to operate between Havana and New York but no decisions had been reached by the end of the year.

In August National Airlines re-submitted its application to the Cuban Government for permission to fly between Havana and Key West but no action was taken on the request. The sale of "family plan" tickets in Cuba was authorized by the Government but only one company, National Airlines, advertised and sold passages on that basis.

There were reports that new airports would be constructed at Varadero and Santiago de Cuba. If the Varadero airport is built, Compañia Cubana officials declared that in an effort to make this attractive beach resort more accessible to vacationing United States tourists, it would be made a regular stop on some of Cubana's Havana-Miami flights.

#### Communications:

During 1950 the Cuban Telephone Company handled 3,795,598 domestic toll calls compared with 3,259,835 in 1949. International calls numbered 202,212 and 157,246 in 1950 and 1949, respectively. Since 1945 domestic toll calls have increased by 103 percent and international calls by 288 percent. Despite gross expenditures of about \$8,000,000 during the year for a new plant, there were 23,000 service applications still pending on account of the lack of facilities. A year ago there were 15,000 unfilled orders for telephones. This delay in meeting service demands was the source of some unfavorable publicity for the company in the local press.

In November Cuba signed a new North American Regional Broadcasting Agreement which it is expected will be ratified soon by the Cuban Senate. Two television stations went on the air in Havana and plans were announced for the construction of additional stations in Havana and the rest of Cuba.

For the first five months of 1950 international cable and radiotelegraph companies operating in Cuba reported a marked decrease in revenues, but in June traffic picked up and remained at a fairly high level for the rest of the year.