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PRIORITY

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FOREIGN SERVICE DESPATCH

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COPY NO. 1 SERIES A

FROM : Embassy Havana

661
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 2, 1958

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DATE

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SUBJECT: Progress Report on OCB "Outline Plan of Operations for Latin America"

A. Summary of Operating Progress in Cuba in Relation to Overall U. S. Objectives

Satisfactory progress was made in 1957 with respect to all of the six overall U. S. objectives listed in I.B. of the Outline Plan.

Cuba continued to support the United States in the latter's world policies and to maintain close ties of friendship with the United States. The economy grew and flourished under the free enterprise system; the main contributing factor in the prosperity was the high price received in world markets for Cuban sugar.

Soviet bloc and Communist influence remained insignificant; some trade in non-strategic items occurred but there was virtually no other contact between Cuba and Soviet bloc countries. Cuba's underground Communists, handicapped by the absence of diplomatic relations between Cuba and the USSR and by the declared anti-Communist policy of the Cuban Government, made no progress; on the other hand, favored by the Government's preoccupation with the internal political situation and the laxity of its drive against Communism, they were able to keep operating at a low degree of intensity. Their resilience and resourcefulness were shown when after the Government (on a tip from American intelligence sources) had seized the presses that printed one of the Communists' regular propaganda publications, they succeeded in resuming publication without missing a number.

The United States continued to have full access to Cuban materials essential to national security. The U.S. Government moved toward the disposal of its Nicaraguan nickel-processing plant, under conditions that would assure continued U.S. access to the output, and the new American-owned Moa Bay nickel project made significant progress toward completion.

The U.S. military missions in Cuba continued to operate, with good acceptance from the Cuban side, and Cuba's military potential registered a reasonable increase although it was tacitly understood by all concerned that Cuba's role in Hemisphere defense would in practice consist only in the preservation of Cuba's own internal security.

The U.S. objective related to the development of a stable political system along democratic representative lines confronted the least satisfactory situation.

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PER Johnson OFFICE [Signature]

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REPORTER

The Batista administration, entrenched in power since 1934, had attained a legitimate status as a result of its victory in the last national election of 1954, suppressed constitutional guarantees for lack of discipline and vigilance of the practices and excesses commonly associated with dictatorship. The year was marked by high political tension, revealed mainly through the activities of the Government, terrorism and counter-terrorism. Batista, in 1954, had promised the American Ambassador in Havana that he would hold free and open general elections in the fall of 1954.

B. Major Operating Problems or Difficulties Facing the U. S.

1. To persuade a dictatorial government to restore constitutional guarantees and prepare to hold free and open elections, without imposing responsibility to the charge of intervening in Cuban domestic affairs.

2. To meet the Cuban Government's requests for arms and ammunition recommended by the U.S. military missions in Cuba, knowing that some of them would be used by the Government in its campaign to put down revolutionary activities, and yet to reassure the political opposition that the U.S. was not taking sides in Cuba's domestic disputes.

3. To entertain Cuba's request to revise its tariff upward, in the face of Cuba's claim that it would not be able to furnish full compensatory concessions as called for under GATT. This problem will become more acute in 1958 when the renegotiations with respect to the proposed new rates occur, and will be aggravated by the fact that at that time Cuba will probably be taking anti-inflationary measures which will further restrict the import of American goods into Cuba.

4. To stimulate and maintain Cuba's anti-Communist activities at a time when the danger from internal Communism is not great and when most efforts of the Government will be directed to winning voter support for the coming elections and to defeating the revolutionary movement.

5. To discourage sugar sales to Red China without officially objecting to them.

C. Report of Progress, and Comments or Suggestions, on Specific Courses of Action in Outline Plan

POLITICAL

15-1. Cuba has consistently supported the United States in the international field in every instance in the past year when its support was requested.

16-1. Cuba is already fully aware that its long-term interests lie in cooperating with the United States.

16c-2. The Embassy conducts an FBI Language Training Program in Spanish. Approximately 40 Embassy personnel and 20 Embassy wives are now taking this course; others have already finished it. New arrivals receive a short briefing by the Personnel Assistant with respect to Cuban customs, and the Embassy has recently completed a pamphlet on this subject which will be given to all new personnel.

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16c-3b. Assistance was extended by the Embassy to all visiting high U.S. civilian and military officials and to many distinguished private citizens. Among the visiting officials in 1957 were Assistant Secretary of State Lubetkin, ICA Director-Hollister, Senator Aiken, and the Commanding General of the Caribbean Theatre.

17a-3. The Embassy has repeatedly prodded the Cuban Government to make its Bureau for the Repression of Communist Activities (BRAC) effective. It has had only partial success, because of the Government's preoccupation with containing revolutionary activities, but the appointment of Lt. Col. Mariano Faget in December 1957 gave BRAC for the first time an energetic, experienced director.

17a-5 and 17a-6. Cuba has no diplomatic relations with Soviet bloc countries and thus far has either not received or not been tempted by any direct Soviet bloc offers of technical assistance.

17a-7. Communism has had to retreat in Cuba in the past few years and no longer enjoys much support from any social group. All Sections of the Embassy cooperate in trying to keep it discredited.

17a-11. The Cuban Government discourages the attendance of Cubans at Communist and Communist front meetings and denies passports to persons suspected of desiring them to use for travel in the interests of Communism. The Government also prohibits the entry into Cuba of aliens suspected of traveling in the interests of Communism.

19-1. The President of ORIT is a Cuban and Cuba strongly supports this organization.

19-2. The Cuban Labor Confederation (CFC) is a powerful and sophisticated labor movement that has successfully thrown off Communism, although there continues to be some penetration at the grass roots level.

19-3. Fourteen Cuban labor trainees were sent to the United States in 1957 for training in labor administration, collective bargaining agreements, and workers' education. There are few leaders of promise who have not now had some training in the United States. The problem is how best to utilize this training after they return to Cuba.

19-4. The University of Villanova offers several labor courses, and some were also in the curriculum of the University of Habana before the latter was closed on account of political activities by the students.

19-6. American companies in Cuba offer high rates of pay and have a very good labor performance record. One seldom hears of Yankee imperialism in Cuba.

19-8. Several well qualified American trade unionists visited Cuba last year in connection with ORIT.

20-1. Cuba cooperates by shipping no strategic commodities to the Soviet bloc.

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20-6. Cuba has sold some sugar to the Soviet Union via the European satellites, but these sales have brought no Soviet traders to Cuba nor made Cuba dependent on Soviet bloc trade.

20-7. The Cuban Government is well aware of U.S. policy and regulations regarding trade with Communist China. It has received very tempting offers to sell sugar to Red China and would like to enter this trade. It has asked whether the United States would have any objection to its doing so, and has noted that Brazil is selling sugar to Red China, apparently without adverse repercussions from the United States. Nevertheless, it looks at present as though the Cuban Government will decline this trade to prove its cooperativeness with the United States.

ECONOMIC

21-3. Cuba has no exchange controls. It maintains regular import quotas on rice, potatoes, wheat and wheat flour, red beans, honeysuckle and sisal, quebracho, and ribbons, and, so far as known is not contemplating the imposition of any other regular quotas. In connection with its announced tariff revision, however, it may impose, with the consent of GATT, temporary quotas on other imports where necessary to prevent their entry in excessive quantities during the interim before the effective date of the new tariff rates.

21-4. Cuba consulted with the U.S. and with members of GATT before announcing recently its intention to revise its tariff. The United States has shown sympathetic consideration for Cuba's trade problems while attempting to minimize the expected tariff increases. A list of the proposed rates will be forthcoming shortly, after which there will be renegotiations with the United States and other countries to find acceptable new concessions to compensate for the increases.

22-1. One new Exim Bank credit, a medium-term loan of 17.5 million dollars to the Cuban Telephone Company, was extended in 1957. Other outstanding Exim Bank loans and undisbursed approved credits to Cuba are as follows: Cuban Electric Company, 20 million dollars; Compania Cubana Primadera S. A., 1.2 million dollars; export credits, approximately 1 million dollars.

24-1. Cuba is in no need of emergency grant economic assistance.

24-7 and other courses of action relative to PL-480 Agreements. The U.S. has no PL-480 Agreements with Cuba, as Cuba has needed none, and to offer any would undoubtedly damage the good cash market in Cuba for American agricultural products.

25-1. The United States has a small but effective technical assistance program in Cuba. Some new requests from the Cuban Government in this field are anticipated, and the program might be usefully expanded from the present \$463,000 per year to about \$650,000. As the Cuban Government is not now adequately supporting the agricultural part of the program, the ICA should consider whether or not help in this sector should be continued.

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25-2. There is a joint ICA-USIS committee at this post to publicize the philosophy of the ICA Program and individual ICA projects in Cuba. Publicity over the past year has taken the form of films, pamphlets, press releases and notices, speeches, and a small exhibit.

25-3a. A bilateral nuclear research and power agreement between the U.S. and Cuba is currently under discussion in Washington.

25-3b. A research reactor agreement has been completed, and implementation is presently waiting for financing arrangements by the Cuban Government.

25-4. Several films on U.S. contributions to the development of atomic energy for peaceful purposes are in constant circulation throughout the island under USIS, and the latter also maintains a flow of material on this subject to the local press which has been very well received. USIS has placed an atomic energy exhibit in the hands of the Cuban authorities.

26-2a. A double taxation treaty with Cuba is still under negotiation, the main unresolved points are the tax treatment by Cuba of interest on loans made by foreign banks to Cubans and the tax treatment by the U. S. of companies which have received incentive tax benefits from the Cuban Government.

26-3. The exploitation of Cuban petroleum resources is open to private enterprise, both domestic and foreign.

26-4. The free enterprise system is well established in Cuba and its advantages need no special emphasis by us. Even the public utilities are privately owned.

26-8. An investment guarantee agreement between the U.S. and Cuba was signed on February 4, 1957 and went into effect on November 29, 1957.

26-10. Two private nuclear power projects, one American and one British, are under consideration for Cuba. Neither is likely to materialize soon.

28-1. One project in the ICA Program is directed toward the diversification of Cuba's agricultural economy, now dependent primarily on sugar.

28-2. Cuba's First Symposium on Natural Resources, which has just ended, was the first step undertaken by Cuba toward the development of a coordinated long-range economic development program.

LEGISLATION AND RELATED ACTIVITIES

29-1. The USIS Program, budgeted at \$125,000 a year, is about adequate to meet the tasks assigned in the Outline Plan. The American officer staff was reduced in 1957 from four to three. Restoration of the position eliminated would appreciably increase output and be an excellent investment of manpower.

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29-2. Public Opinion Surveys would probably be useful, especially in showing where the emphasis of the USIS Program should be placed. No surveys have thus far been undertaken.

29-3. USIS keeps a list of all returned trainees and sends them from time to time books, magazines, and other distribution material. It invites them to functions for distinguished visitors and otherwise attempts to maintain relations with them.

29-4. Seminars on the teaching of English were held recently in Habana and Santiago by a visiting English-teaching expert. They were well attended, and enthusiastically received.

29-5. Some local schools are receiving financial support from the Inter American School Service. The present level of such support is considered adequate.

29-6. There is in Habana a flourishing self-governing and practically self-supporting Cuban American Cultural Institute, the principal activity of which is the teaching of English to over 5,000 students. The Institute receives some financial support from USIS. There is need for some kind of a cultural center in Santiago, and USIS is currently considering what might be done to meet this need.

29-7. Excellent relations already exist between the United States and Cuba in the sports field, especially baseball, and need no official stimulus. As one small project, however, the American Ambassador presents a cup each year for Cuba's outstanding baseball player, selected by Cuban sports writers for his ability and sportsmanship.

29-8. The Ambassador and recently the Economic Counselor have made speeches at the Rotary Club which helped to promote some of the courses of action in the Outline Plan.

30-1. A particularly successful attempt under this head was the placing by USIS of Djilas's "The New Class" in Bohemia magazine (circulation of that issue, 500,000).

MILITARY

32-1, 33-1, 34a-1, 34a-3, 46-1. These courses of action are all being satisfactorily implemented. The United States maintains Army, Navy and Air Force Missions in Habana which keep in close touch with the Embassy and attend meetings of the Country Team.

34a-2. All requests to purchase military equipment are reviewed together by the Embassy with the appropriate Military Mission, after which the Embassy submits its recommendation to the Department.

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37-2. Thanks to continuing embassy efforts to get the Cuban Government to strengthen its anti-Communist apparatus, which has been idly idle and ineffective, Lt. Col. Mariano Paget, a highly competent intelligence officer who collaborated with the FBI during World War II and understood American methods, was recently appointed Director of ANAC.

44-1 and 44-2. These courses of action are fully implemented in Cuba.

44-1, 44-2 and 44-3. These training opportunities are all being actively exploited. It is not always possible to find qualified Cuban candidates who have a sufficient knowledge of English to benefit from the training offered. In many such cases training in Spanish at U.S. Service schools in Panama has provided the answer.

Progress in the implementation of all other courses of action in the Outline Plan which are applicable to Cuba is considered by the post to have been adequate in 1957.

The substance of this report has been checked with appropriate members of the Country Team.

For the Ambassador:

Daniel L. Braddock

Daniel L. Braddock
Counselor of Embassy

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