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FOREIGN SERVICE DESPATCH

FROM AMEMBASSY, HABANA *on assigned to* 1052

December 28, 1951

TO THE DEPARTMENT OF STATE, WASHINGTON.

AIR PRIORITY

REF : PRIORITY INFO 58

SUBJECT *Date of Action 1-3-52*
Weeka No. 52 for State, Army, Navy, and Air Departments
From SANA *Action Office Symbol*

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Director of Office Tip

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The civil service salaries bill with its riders, including the loan of 8 million pesos to the Tobacco Stabilization Fund and the much publicized National Commercial Agency, was approved by the Council of Ministers and signed by President PRIO on Saturday, December 22. The new law, which is known as Law No. 13, has been promulgated in a special edition of the Official Gazette.

There was no opposition to the section of the new law which provides for increased salaries for civil servants although these increased schedules presume higher government expenditures to a total approximating 17,500,000 pesos per year. The law in itself largely provides for increased income to cover these higher expenditures and new scales of personal income taxes, as well as corporation taxes, are embraced in the legislation. On the whole it would appear that these higher taxes are by no means excessive, at least in comparison with those paid in many other countries in the world. For instance, personal income ranging between 45,000 and 50,000 pesos per year is taxable at only 19 percent. In Article 15 there is included the clause which provides that as regards Cubans or foreigners who reside for more than half the year outside Cuba and derive their income or pensions from positions or businesses established in Cuba, the amount of income tax payable shall be doubled. This provision will work a hardship upon Cuba's wealthy who spend a great part of the year abroad and it will as well apply to American-owned sugar properties whose executives are resident in the United States.

The deal made in connection with the approval of the National Commercial Agency places the implementation of this section of Law No. 13 in the hands of the Congress and excludes the Executive from taking any action. It is assumed that President PRIO, in signing the law, approved this agreement among the congressional leaders. The sponsor of the Commercial Agency, Commerce Minister ZAYDIN, has objected on the grounds that the Executive Power is competent to

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regulate the execution of any laws when Congress does not do so. This point has been raised in several editorials, with a suggestion that the procedure may be unconstitutional. In any event, it is generally agreed that for the time being at least the proposed Commercial Agency has been stymied by a neat congressional maneuver and presumably before any legislation implementing the law providing for the creation of the Agency can be passed, it will be fully debated and discussed in both Houses of Congress at some indefinite future date.

On December 26 President Prío signed the bill embracing the budget for the Tribunal of Accounts. The status of commercial school accountants as against graduates of Habana University is still in doubt although the provision establishing equality was withdrawn from the bill before it was sent to the President. The signature of the budget legislation for the Tribunal of Accounts is regarded as a major step towards an improved fiscal regime for the Cuban Government.

The local press has given further prominent notice to the announcement by the U. S. Department of Agriculture of the estimated sugar consumption in the United States for the coming year. The quota for Cuba for the new year has been cut from 2,947,175 short tons in 1951 to 2,424,571 short tons. The statistical comparison is unfavorable but the local industry considers that very probably during 1952 the Cuban quota will be increased. In the meantime it is now fairly obvious that when the new grinding season has been completed, Cuba will have available for world markets (excluding the U. S. market and the domestic market) an aggregate approaching 4 million short tons. Recently concluded agreements insure the sale during the new year of between 100,000 and 225,000 short tons to Canada, 500,000 long tons to the United Kingdom and something like 225,000 long tons to Germany. This year, the Netherlands, Belgium, Japan, Pakistan and Chile have also been important markets. There are no immediate indications that the local industry is greatly concerned as they have no unsold carryover of 1951 sugars, (2) know they will get the larger portion of any deficits from the U. S. domestic areas, now estimated at about 600,000 short tons, and (3) they feel it will be necessary, in the last analysis, only to push sales on the "world" market of from 500,000 to 700,000 long tons in order to assure a normal carryover (250,000 long tons) at the end of 1952. However, it is obvious the Government was well advised in having concluded the agreements with Canada, the United Kingdom and Germany and it can be expected that efforts along this line will be continued.

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The congressional session concluded without any final action having been taken on legislation covering labor courts. In the face of the criticism which resulted from Senator MUJAL's threat to call a general strike if this bill was passed without the Cuban Confederation of Labor being consulted, he appears to have felt strong enough politically to have repeated the same threat on December 24. He is reported as having stated that the draft bill for the establishment of labor courts ignores the demands, rights, and interests of the working class. Apparently Mujal went further and stated that after the general 1952 elections the organized workers of Cuba will establish a Labor Party, which will enable them to more effectively defend their interests and place representatives of the working class in Congress.

The National Assembly of the National Federation of Sugar Workers opened on December 27 with a reported attendance of 700 delegates from labor unions of the Cuban sugar industry. Undoubtedly this group will discuss the minimum requirements for the inauguration of the new grinding season, which are reported to include the payment of superproduction as a basic wage, the contribution to the labor unions, and the use of the 200-pound bag. The case of the sugar laborers was taken to President Prió on December 26 where it reportedly received a sympathetic hearing. However, as the date for the official opening of the grinding season approaches, it is apparent that labor's demand that there be a full settlement of all its requirements before grinding begins is a tall order. It is more likely that the grinding season, which has already started in some sections of the country, will get off to its official start on the first of the new year with the understanding that labor's demands will continue to be discussed.

The holiday week has witnessed several other labor developments. The employees of the Omnibus Aliados have brought renewed pressure upon the Government to take over this cooperative property on a basis comparable to the Autobuses Modernos. In the meantime it is reported that the labor leaders for the unions of both large autobus companies have agreed to prevent any further unauthorized strikes similar to the one that occurred last week. There are reports that catering workers are prepared to strike on January 3 unless full agreement is reached with employers for the payment of a 30 percent wage increase. A draft decree setting up a regulating commission for the baking industry was approved by the Council of Ministers on December 22.

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Negotiations for the extension of the Cuban-Chilean Trade Agreement appear to be progressing rapidly. In compensation of an assured greater participation in Chile's sugar requirements, Cuba has been requested to grant concessions to Chile on onions, red beans and malt, all items upon which the United States now enjoys a preferential position in the Cuban market. The Embassy has been approached by the Cuban Government in the hope that these preferences can be removed at least in part so that Cuba's bargaining position with Chile will be improved.

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