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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, HABANA — 1079 DESP. NO. — January 4, 1952 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON. — AIR PRIORITY PRIORITY

REF :

SUBJECT: Weeka No. 1 For State, Army, Navy, and Air Departments From S---

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SECTION II

ECONOMIC

While 9 sugar mills had commenced grinding on the 1952 sugar crop by January 3, the general immediate outlook for the industry is still somewhat uncertain due to continuing disputation among the interested parties. The labor problems between the mill owners and the sugar workers union have been solved and the agreement was ratified by the Council of Ministers on Saturday, December 29. The only real point of difference was the payment by the mill owners of the union dues and the question of whether this should be on the pay roll or on a per bag of production basis. The latter was eventually agreed upon and mills will pay 2-1/2 centavos per bag, or an estimated 1 million pesos for the 1952 season. Of this aggregate 50 percent goes to the local unions, 35 percent to the administration of the sugar workers union in Habana, and the remaining 15 percent to the CTC, or more appropriately to the war chest of the Secretary-General, Senator Eusebio MUJAL.

It is understood that on January 2 the Secretary of the National Federation of Sugar Workers, Jose MARTINEZ, telegraphed all labor unions of the sugar industry giving them permission to begin work for the new season. Unfortunately, some days previous the sugar cane planters (colonos) had suddenly demanded of the mill owners an increase in their share of production from the 48 percent as established in the 1950 law to 55 percent. The mill owners naturally have strenuously resisted this demand. It is estimated by one authority that if this increase should be put through, it would reduce the profits of the sugar mills in Cuba by from 60 to 70 percent. One large American-owned group estimates that its profits, which were 5 million pesos for the 1951 season, would be reduced to 1 million for the new season. The dispute between the colonos and mill owners is the only element now present in the local picture preventing the official inauguration of the new grinding season. From a legal point of view the position

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of the mill owners would seem secure as the 1950 law which establishes the 48 percent share for the colonos provides that there shall be no change unless there is agreement among the interested parties or unless action is taken by Congress. Nonetheless, the colonos, with nothing to lose and considerable to gain, have refused to start cutting cane and have taken their case to the Government. The Minister of Agriculture recommended to the mill owners and colonos the appointment of a commission to study the cost of production, the commission to report within a period of 30 days. The colonos appear to have accepted this proposal but the mill owners have indicated that their decision cannot be made known until Monday, January 7.

The Cuban press has generally featured this problem during the week and has pointed out that each year the sugar industry, before it can begin its grinding season, goes through a medley of controversy and disputation which should be avoidable. There is, of course, no immediate prospect that the sugar production in Cuba is in danger or that the economy of the country is in jeopardy. However, it is regretted on all sides that such an important industry cannot get underway without an almost traditional period of hard feelings.

The promulgation of Law No. 13, the salary increase bill for civil servants with its accompanying riders, has caused little or no comment during the past few days. It is becoming increasingly clear that so far as the proposed National Commercial Agency is concerned the agreement that it should be implemented only by the Congress is an unorthodox but very effective hobble and it is freely predicted that nothing towards the creation of such an agency will be attempted during the election year of 1952. The budget of the Tribunal de Cuentas has also been promulgated by the Government in the Official Gazette as Law No. 14. This new organization began functioning on January 3. The Budget Law as promulgated contains the controversial provision establishing equality of opportunity of employment in the Tribunal for accountancy graduates of recognized commercial schools as well as graduates from the University of Habana. It had previously been reported that this section of the law had been withdrawn but its publication undoubtedly represents at least a temporary victory over the aggressive University group and some indirect relief for foreign accountants now practicing in Cuba. However, it is understood that the University group intends to sponsor the presentation of legislation during the next congressional session which would nullify this section of the Budget Law. Such legislation, of course, would have to be passed by both Houses of Congress and be signed by President PRIO, which may be a difficult achievement during an election year.

On Thursday, January 3, at 7 a.m. the National Federation of Catering Workers began a 24-hour demonstration strike to force employers to meet a demand for a 30 percent increase in wages. Excepting for certain hotels and clubs, the strike effectively closed all eating places throughout Habana. The union threatens a general strike of indefinite duration to begin January 8 unless its demands are met. If such a strike should develop it would, of course, do tremendous damage to the winter tourist trade. From Matanzas it is reported that the Chesterfield match factory, which had its quota of production reduced by the Government and consequently was forced to dismiss certain employees, has been occupied by its workers in protest. The workers were subsequently expelled from the factory by the military.

Reports from Mexico City advise that the efforts of the Cuban Minister of Commerce, Dr. Ramon ZAYDIN, to arrange for the purchase there of so-called black beans have been unsuccessful. This type of bean is a staple of the Cuban diet and has been in short supply throughout the country during the past several months.

The local press prominently featured on Friday morning reports from Washington that the Civil Aeronautics Board on January 3, with the approval of President TRUMAN, had suspended the certificate of the Compañía Cubana to operate a non-stop service between Habana and New York. The local announcements unfortunately used the word "reprisal" as an explanation for this action and pointed out that the Cuban Government had suspended a similar certificate previously granted National Airlines. There has been no local reaction to this announcement so far but it is doubtful whether the Compañía Cubana and the labor element at the Rancho Boyeros Airport will permit this action by the Civil Aeronautics Board to pass without comment and without some claim of unfair treatment of a Cuban company. In the meantime it is reported from Miami, Florida, that two lawsuits asking in total $1,800,000 in damages were filed in the Federal District Court on January 2 against the Compañía Cubana, Inc., Pan American World Airways, Inc., and the United States Government. These suits were filed in connection with the loss of a Cubana passenger plane off Key West, Florida, last April, and it is apparently the contention that both Cubana and the service airplane of the U. S. Government were guilty of gross negligence. In this

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connection it will be recalled that in Weeka No. 49 of December 6 it was reported that Compañía Cubana, apparently as a precaution against any claims, filed suit against the Government of the United States in an amount of $1,048,760.00.

Carlos HEVIA, the President of the National Development Commission of Cuba and by many regarded as the probable candidate of the Administration Party in the presidential elections in June, has issued a report covering the activities of the Development Commission during the year 1951. For the 12 months under review the Commission awarded contracts for construction and supplies in a total amount of 48,651,702 pesos. Pending the completion of negotiations, the existing trade agreement between Chile and Cuba, which expired on December 31, has reportedly been extended for a short interim period.

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