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FOREIGN SERVICE DESPATCH

Action Assigned to Winclath
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Action Taken with

FROM : AMEMBASSY, HABANA

2077
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

~~June 6, 1952~~
DATE 6-2-52
Date of Action 1952

REF :

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	REC'D JUN 9	OTHER ARMY NAVY AIR CIA	Direction to DC/R <u>File</u>	

SUBJECT: Weeka No. 23 for State, Army, Navy and Air Departments
From SANA
SECTION I

POLITICAL

Political activity was in full swing during the week. Possibly in reply to the pronouncements of the opposition parties, Minister of Education RIVERO Agüero stated what appeared to be an authoritative outline of the Government's political plans. He said the Council of Ministers would substitute someone for General BATISTA in the Presidency six months before the November 1953 elections, so that Batista could be the Government candidate "without suspicion." He stated categorically that the "elected candidate, whoever he may be, will take possession on February 24 or May 20 following the elections" (depending on the decision of the Electoral Tribunal now formulating electoral procedure). He also warned the opposition to "face reality" and behave because the "rifles are on Batista's side."

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This seemed to be in reply to numerous proposals for a "neutral government" to conduct elections. Both the PPC and the PRC executive committees published identical statements on the same day calling for 1) withdrawal of Batista, 2) a neutral government to conduct free elections, and 3) restoration of the 1940 Constitution. These declarations were published separately, since the PPC declined the PRC offer for a "Civic Front" (Weeka 22, May 29), apparently considering it a matter of principle not to join the party to which it had been irreconcilably antagonistic before March 10. Nevertheless, the fact that the two parties finally coincide in at least one thing, opposition to the Government, is significant since, combined, they undoubtedly represent the majority of public opinion. The Communist Blas ROCA, called this "coincidence" a smokescreen to cover the fact of a political pact between the two parties while avoiding the label.

Political commentators reported internal struggles within the PPC and the PRC. A split exists within the former, it is said, between the "negative" tendency led by Candidate Roberto AGRAMONTE, and the "active" faction led by party president Emilio OCHOA, who favors participation in the 1953 elections, contrary to the declaration of the party in April (Weeka 15, April 10). In the PRC, the so-called "second rank" is said to

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be in rebellion against the "discredited" leaders in exile, despite large sums of money emissaries from Prío are reported to be offering. A Movimiento de Recuperación Auténtica is underway, headed by Senator Arturo HERNANDEZ Tellaheche, and many expect a reorganization of the party structure.

The FEU also proposed a "neutral government" as a solution, in a seven-point program involving a provisional president and a new Council of Ministers (in the selection of which the FEU would participate) made up of persons not aspiring to political office. One of the points was that the new government would resist "all totalitarian, 'foreignizing' or imperialistic doctrines." This proposal was praised by opposition columnist Carlos LECHUGA (El Mundo) as a formula for settling the abnormal situation in a non-partisan manner, worthy of consideration because of the tradition of the FEU. He also emphasized the provision for further discussion included in the plan and the plan's "lack of rigidity." Rivero Agüero attacked the statement, charging that the FEU "lacks authority for that kind of proposal, after the painful GRAU San Martín experiment, that cost Cuba so much blood and money."

Another neutral government proposal was made by "elder statesman" Cosmé de la TORRIENTE, also involving restoration of the Constitution, withdrawal of Batista, and general elections. He characterized the current situation as "disastrous" and dangerous in view of the Communist threat to America. He proposed a commission of prominent citizens to work out the details of the plan. All of these proposals, made by responsible or representative persons or groups, undoubtedly have had some effect on the Government's policy, as reflected in Rivero Agüero's statement.

The proposition of Nicolas CASTELLANOS to form a "united front" was received coolly by most of the other parties. The feeling was that the large parties saw no advantage in aligning their strength behind such a dubious character. Rivero Agüero said "he who broke the opposition front to sell himself to Prío lacks the political morality to propose such high ethical questions."

The demonstrations scheduled for June 1, the day elections were to have been held under the Constitution (Week 22, May 29), were prohibited by the Government. The Auténtico demonstration was called off, with a protest that the Government, "lacking popular support, was afraid of a peaceable opposition demonstration." The FEU demonstration was apparently called off without any public announcement. Only the Communists conducted any protest demonstrations. Two groups, numbering around 300, organized demonstrations at night which were broken up by the police.

The electoral code, as passed by the Council of Ministers, was sent to the Superior Electoral Tribunal which will work out the details. The code is substantially as reported last week (Weeka 22, May 29), with the addition that the President and Vice President will not be elected by direct vote, but on the basis of the number of votes for Senator and Representative obtained by their party. This will assure a legislature of the same party as the administration.

Deposed president Prfo was reported to have arrived in Mexico City on June 5 from Miami. He declined to state the purpose of the trip, according to the press.

The Government courted labor's political support when it issued a ruling favoring the unions' point of view regarding application of the "summer working day" (see Section II) for white collar workers. Further important tests of how far the Government is willing to go in catering to labor are shaping up in the labor courts issue (Weeka 17, April 25) and in the settlement of a pending dispute at the Government-operated Autobuses Modernos. Public hearings on the labor courts are scheduled to open next week. The management of Autobuses Modernos, plagued with financial troubles, wants to withdraw certain benefits enjoyed by the workers. A competent labor observer reported that if the busmen go on strike to support their position, it may spark a general strike by other CTC affiliates who are said to be dissatisfied with the Government's delay in settling disputes which have been before it for some time.

Whether labor is prepared to challenge the Government at this time remains to be seen, but it is a fact that certain CTC elements have complained of Mujal's present policy of "peace at almost any cost" with the Government. These dissidents are said to be considering a break with MUJAL in the near future.

ARMY

On May 29, 1952 Lt. Colonel Manuel A. B. UGALDE y Carrillo, former Chief of Aides to Major General Francisco TABERNILLA y Dolz, Army Chief of Staff, was appointed Chief of SIM (Military Intelligence), vice Colonel Ramon E. CRUZ y Vidal. Cruz was assigned to the Army General Staff as Chief of the Inspection Section. Ugalde was dismissed from the Army in early March 1951 when, as a 1st Lt., he was allegedly connected with a small uprising in the 7th Regiment at La Cabaña over the pay and allowances of Cuban Army troops reportedly being sent to Korea. (See Weeka No. 9, March 2, 1951 and No. 10, March 9, 1951). After the coup of March 10, 1952 he was reinstated in the Army, promoted, and assigned as Chief of Aides to the Chief of Staff.

Cruz y Vidal, according to the press, was relieved by Batista personally because of mistreatment and rough handling of suspects picked up by SIM. It has also been reported that Cruz y Vidal had stolen \$23,000 of SIM confidential funds while its Chief.

NAVY

Cuban Naval Aviation has received a special credit of \$336,000 which will be used for the purchase of six amphibian aircraft (four Widgeons and two Catalinas). It is planned to station one aircraft each at Cienfuegos and Santiago de Cuba to assist in air-sea rescue missions in conjunction with naval surface craft, the rest remaining at Mariel.

This week saw numerous U.S. Naval ships visiting Havana. Two destroyers were present most of the week while Amphibious Group Two is scheduled to arrive on Sunday, June 8, for a three-day stay. The Cuban Navy has appointed a liaison officer for each of the four ships and has arranged many courtesies for the U.S. naval personnel, including luncheons and guest privileges at recreational clubs.

AIR

The local press, on June 5, confirmed the report made in Weeka No. 22 that President Batista planned to move the Cuban Army Air Force to the former U.S. Army Air Force airdrome at San Antonio de los Baños (Batista Field). At a luncheon given by Batista in his home at Ciudad Militar on June 4, which was attended by the Minister of the Presidency, the sub-secretary of the Treasury and the Chief of the Cuban Air Force, Colonel Carlos PASCUAL, Batista discussed the project of rehabilitating this Air Base for the transfer of the Cuban Air Force to this Base.

COMMENT: This would make the Campo Columbia Airdrome, where construction of taxi-ways is continuing, available for use as a commercial airport. Several American air carriers have indicated their interest in moving to Campo Columbia from the Pan American operated Rancho Boyeros Airport near Havana.

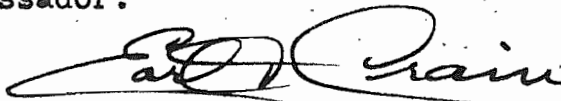
The Chief of Staff of the Cuban Army, Major General Francisco Tabernilla, announced yesterday that in the near future simulated attacks will take place against naval ships, utilizing the aircraft recently acquired by the Air Force. These attacks will take place directly out from Park "Maceo." The public will be apprised in advance in order to prevent any public alarm. This announcement was contained in a local paper dated June 6, 1952.

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For the Ambassador:



Earl T. Crain
Acting Counselor of Embassy

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SECTION II

ECONOMIC

Much of the uncertainty which has reigned during the past three weeks throughout the sugar industry and the Government has, at least for the time being, disappeared with the cumulative effects of three decisions: 1) the creation of the so-called "single seller"; 2) the appointment of an Advisory Committee to make plans for the 1953 crop; and 3) the generally satisfactory reception which has been accorded the proposal that at least 1,200,000 Spanish long tons of the apparent surplus be placed in the U.S. "Retained Quota", to be distributed over a four-year period (Weeka No. 22, May 29, 1952). The special Cuban delegation which went to Washington last week to discuss this latter proposal with U.S. authorities has returned and reported a satisfactory reception and an indication that the U.S. Government will lend its support to Cuba's proposal that a meeting of the International Sugar Committee be held in the near future. In the meantime grinding throughout Cuba has continued active with 62 mills still in operation on June 1. Undoubtedly this persistent activity can in part be traced to a desire on the part of the mill owners and cane growers to establish a statistical record which may be helpful and advantageous if it is used as a basis for the reported restriction of the 1953 crop. Sugar production as of May 31 stood at 6,689,834 Spanish long tons as compared to 5,547,632 tons for the same date of 1951 and 5,793,816 tons for the previous high on May 31, 1948. It is now freely predicted that the total production for the 1952 season may easily reach 6,900,000 Spanish long tons.

While the scheme of special distribution for the larger part of the Cuban surplus definitely presumes a restriction of the 1953 crop to about 5 million Spanish long tons, there is still no indication as to what plan or formula will be used to achieve this total and which mills and growers will have to carry the burden of the sacrifice. In some quarters it is anticipated that the cane growers will wage a campaign against the so-called "administration" cane, that is, cane owned by the mills. If this campaign should develop and be successful, it probably would work a heavy

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hardship upon American interests. In the face of the proposal to curtail the 1953 crop, which admittedly would be effective only if some form of world cooperation can be secured, a comparatively strong section of opinion in Cuba is developing that rather than restrict the crop Cuba should continue to produce a maximum of sugar and sell it on the world market (excluding, of course, the United States) at any going price. Such a plan undoubtedly would weaken prices and would in turn reduce the Cuban promedio figure and the income of Cuban sugar labor. (In 1951 the average promedio price for the settlement of salaries and wages was 5.29 cents per pound. By law an arbitrary promedio of 4.9625 cents per pound has been fixed for the 1952 crop but at the moment the general average in terms of sales made is about 4.55 cents per pound.)

In any event, if unrestricted production should be allowed, or if the crop is curtailed to 5 million Spanish long tons, one obvious and clear conclusion stands out and that is that in terms of the present situation and future prospects, the wage scale of the sugar industry cannot be maintained, serious cuts for labor are in prospect, and the general economy of the country will suffer.

Negotiations and discussions regarding the financing of the 1,200,000 tons of the so-called Stabilization reserve have continued in Habana. It is understood that financing at a rate of 3.08 cents per Spanish pound f.o.b. Cuban ports, or \$10.00 a bag, is now the contemplated loan limit, the loan to be carried by private banks at 4 percent interest per annum, the drafts to be discountable without recourse by the Cuban National Bank. With the tight money situation which now exists (it is reported that efforts to place the 35 million peso loan for the payment of pensions to veterans is encountering serious underwriting difficulties - Weeka No. 22, May 29, 1952) it is likely that most, if not all, of this financing will be carried by the National Bank. In the meantime it is reported on good authority that possibly as an effort to test the strength of the local market two offers have been received from the British, one through New York and one through Habana, for the purchase of 100,000 long tons of sugar at 4 cents per pound. Both offers have been refused. However, a purchase of 16,000 long tons of raw sugar by the Hershey Corporation was completed at a price of 4-1/4 cents per pound. The "single seller" is, therefore, definitely in business and at least for the moment uninterested in purchases at a price below the market.

The newly constituted National Economy Board in an announcement made this week has predicted that while the remainder of 1952 probably will witness a high level of economic activity for the country, 1953 undoubtedly will reflect diminishing activities. In large part this prediction is based upon the local sugar situation and the prospects for the new year. The Economy Board has recommended to the Government that plans be made immediately in anticipation of this 1953 recession for agrarian reform, low-cost housing projects, industrial developments and several other

programs, all of which can be translated into terms of increased employment and, if possible, greater independence for Cuba from foreign supplies of imported materials and equipment.

The week has witnessed in the labor field a wide area of dispute regarding the new summer working day holiday schedule. Labor interests have strenuously objected to the right of employers to keep their establishments open for six days of the week, employees to be rotated so as to permit a working schedule in observation of the summer plan. Apparently labor would have much preferred these establishments being closed for two half-days per week or one full day and, of even more significance, labor is demanding that instead of rotating present employees, replacements or substitutes should be hired. For obvious reasons the hiring of substitute employees, who at best would have to be trained and would only perform 15 or 16 days' full work during the life of the summer working day schedule, is impossible from the point of view of the employer. The plan is still under discussion and disputation but indications are that labor may have won its case as it is understood that the Labor Minister has prepared a draft decree, which will be promulgated shortly, requiring the employment of substitute workers. Editorial comment in many newspapers has been caustic to a degree of outright abuse of the Minister.

Relations between the Autobuses Modernos, S. A. and its workers have if anything worsened during the week. The company, which actually is being operated by the Government, requires an annual subsidy of some 5 million pesos, which, according to the Minister of Finance, cannot be continued. Without Government help the only salvation for the company is efficient management, which in turn means the renegotiation of its labor contract and loss in very large part of the benefits achieved some months ago, including the well known 8 hours' pay for 6 hours' work.

There arrived in Habana on June 2 from Mexico a German trade delegation which reportedly will discuss with Cuban authorities the further implementation of the Cuban-German Trade Agreement completed in 1951. It has been indicated unofficially that the German delegation may inform the Cubans that it is impossible for Germany to purchase the quantity of Cuban sugar provided for in the 1951 treaty due to decreased supplies of dollar exchange availabilities, particularly decreased ECA help to Germany from the United States. The Cuban authorities feel that no further concessions can be made to Germany and that the 1951 treaty, through the range of tariff concessions to Germany, opens the way for German exports to this country on a competitive basis which should produce sufficient exchange to permit Germany to comply with its undertakings.

It is understood that the Consultative Council will begin public hearings on June 9 on the draft decree law to establish labor tribunals

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throughout the country. Conversations regarding the extension of the Cuban-Spanish Payments Agreement, which terminates on June 30, have continued during the week. It has been announced that the Agricultural and Industrial Development Bank of Cuba has agreed to finance the Cuban coffee crop which will be harvested beginning on the first of August.

For the Ambassador:

Wayne G. Clark
Wayne G. Clark
Counselor of Embassy

Participants:

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