

VNO 822909

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Tab 9

1/5/c

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File Designation 737.00 (w) / 6-151
Resp. 2391
 Date 1 June, 1951
 From Am Emb, Habana
 To State

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FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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TO : Department of State

737.0001 Assigned to *Vincent*
NAVY

JUN 9

FROM : HABANA 2392 June 1, 1951

Action Taken *File*
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6-14-51

SUBJECT : WEEKA No. 22 FOR STATE, ARMY, NAVY, AND AIR DEPARTMENTS
FROM SANA

Action Office Symbol *190*

Name of Officer *Vincent*

File

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SECTION II

ECONOMIC

The 1951-52 Cuban budget was finally passed by the Lower House on May 30 by a vote of 83 to 19. It now goes to the Senate, which has been convoked for a special session to open on Monday, June 4, to devote its full time to the budget, which must be passed before July 1. It is not anticipated that any particular difficulty will be encountered in the Senate, and it is expected that the full amount of appropriations, just short of 300 million dollars, will be approved.

The problem of the new special tax law has already made itself felt with the announcement by the Finance Minister that, in his judgment, the new regulation became partially effective May 22. The full regulatory law has not been promulgated and the rather arbitrary decision of the Finance Minister to make effective immediately the revised capital gains tax, while leaving in suspense for the moment the new regulations as regards dividends and personal income taxes, has resulted in some confusion and considerable criticism. Some Cuban firms are now being faced with the problem of calculating their capital gains for 21 days of May at one rate and for the remainder of the month at another.

The Cuban National Economic Council has published its analysis of the Torquay GATT negotiations. In very large part this analysis is rather superficial but it does take the line that has already been established by the Ministry of State and by President PRIO that the negotiations resulted in wide benefits for Cuba and will be conducive to greater economic independence for the country. In addition to the protection afforded the local textile industry through higher customs duties as a result of the Torquay negotiations, the Government during the week issued a resolution under Decree 2144 which will give duty-free entry privileges to Mayabeque and Victoria textile mills. These privileges presumably will apply particularly to the importation of machinery and will encourage their being placed in full production and operation within the near future, thereby giving employment to some 3,000 more workers.

DGClark:eam

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737.00 (W) / 6-151

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For the most part the local notice of protest in the United States against the Torquay textile renegotiations has largely dissipated itself. As an interesting contrast, some critical comment has now appeared in regard to the plans of the Hedges family to establish a textile manufacturing plant in Jamaica. It is not clear whether the Cubans object to this development because they feel that the Cuban industry could establish exports to that British area or whether the criticism is more directed towards the investment of Cuban industrial capital outside the country while it is badly needed here.

The feature of the labor picture during the week has been the Seventh National Labor Congress which closed on the evening of May 31 and was marked by the reelection of Eusebio MUJAL as the Secretary-General of the CTC. The new Executive Committee of this organization was reportedly approved by the majority of the delegates, including telephone and electrical federations. The congress was perhaps best featured by a large demonstration of maritime workers before the Presidential Palace, a demonstration which presumably was intended to force a decision on the demand for higher wages as well as certain unpaid subsidies amounting in a total to something like 1 million pesos. The stevedores' leaders claim that President Prío has already promised a 15 percent wage increase for workers handling sugar cargoes and a 10 percent increase for those handling general cargo, but an effective date has not been set.

It is reported that agreement has been reached regarding a revision in the labor contract between the union and the Nicaro Processing Corporation. It has been indicated that the negotiated agreement includes the recognition of the union and the establishment of working conditions and wages. There has been little development in the United Railways problem although the campaign for nationalization is being maintained by speakers for the railway union. As a reflection of this issue and other similar developments, including the oft repeated demands by Mujal that all public service corporations should be taken over by the Cuban Government, it is interesting to note that a confidential report dated May 11 and written by the Chairman of the National Economy Board, Gustavo GUTIERREZ, has "leaked". Gutierrez is supposed to have reported to the Government that foreign capital is reluctant to enter Cuba due to labor's wage and security demands and particularly to the tendency on the part of labor to attempt pressure to solve demands outside established legal procedures.

The week has witnessed an intensification of Cuban interest in reports from Washington that the 1948 sugar legislation may be revised this year. A special delegation of Cubans left for Washington early in the week and presumably were instructed by the Cuban Government to resist any proposals that might mean Cuban sacrifices and increases for such competitive producers

as Puerto Rico, Santo Domingo and Peru. Reportedly the Cubans are prepared to make some sacrifices if, in return, they can obtain assurances of a stable demand for the next few years. Their attitude has been at least partially firmed by the signature of the Canadian agreement and continued favorable reports on the negotiation of similar agreements with the United Kingdom and Germany.

As of May 30, 141 sugar mills had finished grinding with an increase of 3.58 percent over 1950. If this percentage ratio is maintained by the remaining 20 mills which are still in production, the 1951 sugar production for Cuba will equal approximately 6,345,000 short tons or about 5,585,000 Spanish long tons. Continued lack of general rains, which has permitted many mills to continue grinding, and the current high price of sugar, are largely responsible for the increase in the 1951 sugar estimate from about 5,530,000 Spanish long tons to approximately 5,585,000 Spanish long tons. Another factor is the Cuban Government Decree No. 1376, published on April 19, 1951, which requires each sugar mill to make a minimum payment of 6 days' wages to sugar workers as "superproduction" pay. Therefore, the more bags of sugar a mill can produce the cost per bag of the compulsory 6 days' pay is reduced proportionately.

Apparently valid but as yet unconfirmed rumors indicate extra large plantings of fall and spring sugar cane for harvest in 1952. With normal growing and harvesting conditions the 1952 sugar crop is expected to be unusually large, possibly exceeding the record crop of 1948 when 5,876,761 Spanish long tons of sugar were produced.

The long debated coffee issue has now been referred to the President and it is understood that the proposal liquidates the Cuban Coffee Stabilization Institute and will increase coffee prices as of December 31, 1951. The duty-free importation of up to 250,000 quintales of green coffee is provided for, a tax of \$4.00 per quintal will be levied on domestically grown coffee, and apparently the new regulation will set a retail ceiling price of 85 cents per pound.

It is understood that a further shipment of 16 million pesos in Cuban silver is on its way to the United States to be sold for its metal value, the proceeds to be utilized for the purchase of gold from the United States Federal Reserve System as additional coverage for Cuban currency. This brings the total of such silver sales by Cuba to 58 million pesos and it is understood that an additional lot valued at 22 millions will be made some time this year. This will complete the disposal of Cuba's entire silver reserves, which at one time amounted to 80 millions.

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The so-called summer working week became effective June 1 and will extend through the month of August. This provides, in addition to the usual week ends, a half holiday for commercial workers on Tuesdays and Thursdays.



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