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## FOREIGN SERVICE DESPATCH

FROM : AmEmbassy, HABANA

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 8, 1956

DATE

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SUBJECT: ECONOMIC SUMMARY FOR MAY, 1956 OSD-4 ARMY-4 NAVY-3 AIR-4  
XMB-3 4514-10 CL-2

The Cuban economy in general continued to prosper during May and business in most lines was reported to be very good. The 1956 sugar crop was virtually completed by the end of the month, however, and the usual seasonal let-down of the summer and early fall months is expected to start soon. Following the trend of recent months, there were further indications of expanding direct investment from the United States; plans advanced for new factories to manufacture cement, glass containers, and kraft paper and for new investments in the minerals area.

Cuba's 1956 sugar crop, restricted to 4.6 million Spanish long tons or about 4.5 percent more than that of the previous year, had been virtually completed by the end of May. Only a very few mills were still producing sugar and the Sugar Institute reported total production to have reached 4,564,015 tons on May 31. Because of the general shortage of surplus cane, less than one-fourth of Cuba's mills entered post-season production of hi-test molasses this year and total output is not expected to reach 60 percent of the 211 million gallons provisionally sold by the Sugar Institute. A few mills are also producing "green sugar" for cattle feed on a trial basis, but total production this year will probably not be more than about 10,000 tons. Sugar sales on the world market continued to be fairly satisfactory and 1956 exports had passed the two million ton mark by May 15, a volume about five percent above the corresponding date of the previous year. The final enactment of new sugar legislation in the United States caused little new comment because the results as far as Cuba is concerned had been anticipated for some time and because attention had turned to the current International Sugar Conference in New York.

On the basis of imports made through May, it now appears likely that, for the first time, Cuba will not import its full 3.25 million quintal low-duty rice quota by June 30, the end of the quota year. Increased domestic production, the new retail trade practice of holding smaller inventories, and decreased consumption in some areas have all played a part in this reduced trade.

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Final data on Cuba's 1955-1956 coffee crop show a record production of 120 million pounds, a volume more than 40 percent above that of the previous crop year. The export of about 35 percent of the 1955-1956 crop was authorized by decree and some 85 percent of this export quota had been shipped by the end of May, largely to the United States.

The importation of fruits and pulpy vegetables from Florida was prohibited during the month under review by a Resolution issued by the Minister of Agriculture. This measure, taken after the presence in Florida of the Mediterranean fruit fly was discovered, is considered necessary to insure against introduction of this pest into Cuba.

On the industrial scene, one of the major developments of the month was the announcement by the Cia. Cubana de Cemento Portland S.A., a subsidiary of Lone Star Cement, that it will build a new plant at Jaruco, 40 miles east of Habana. The new facilities, scheduled to be in production by late 1957, will add a million barrels a year to the 2.4 million barrels now being produced annually at the Company's plant in Mariel. This new production, along with that of the new nationally-owned plant at Santiago, is expected to bring Cuba's total cement production just about up to the domestic demand level. Cement imports during 1955 are estimated to have totalled 1.5 million barrels and import demand has remained strong during recent months, as the boom in private construction activity continues.

Another important development in the industrial area was the announcement by the Owens-Illinois Glass Co. of plans to build a multi-million dollar bottle and container factory at San Jose de Lajas, near Habana. Construction is scheduled to start shortly and plans call for this new plant to be in production by late next year. Yet another industrial development of importance was indicated by the announcement of W. R. Grace Co. representatives of preliminary plans to establish in Cuba a Kraft paper mill with a capacity of 30,000 tons per year, based on utilization of bagasse.

Interest in mining development remained at a high level during May with many domestic and foreign enterprises seeking new properties. A leading American company reportedly completed arrangements to acquire the most promising copper mine in Oriente Province. Exploration and promotion activities in the petroleum industry also remained in high gear during the month; a well brought in near Habana may mark the opening of a new field of some importance.

An important milestone in the development of the Cia. Cubana de Aviación was recorded on May 12 with the inauguration of direct flights to New York, using recently-acquired Super-G Constellations.

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Another important innovation in Cubana's service was made at the end of the month when the first of three recently purchased Viscount turboprops was delivered and placed in operation on the busy Miami run.

Cuba's trade relations with West Germany were further strengthened during May with the ratification of a ten-year Commerce and Navigation Treaty, following modification early in the year of the short-term trade agreement between the two countries. The new Treaty provides generally for reciprocal most-favored-nation treatment, with exceptions for stipulated special circumstances including preferences granted by Cuba to the United States.

For the Ambassador:

*Leonard H. Price*

Leonard H. Price  
Commercial Attaché

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