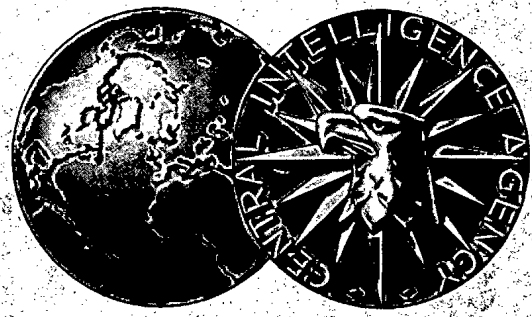


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CUBA



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SR-39

CUBA

TABLE OF CONTENTS

SUMMARY

CHAPTER I—POLITICAL SITUATION

1.	GENESIS OF THE PRESENT POLITICAL SYSTEM	1
2.	STRUCTURE OF THE PRESENT GOVERNMENT	2
	a. The Executive Branch	2
	b. The Legislative Branch	3
	c. The Judicial Branch	3
	d. Local Government	3
3.	POLITICAL PARTIES	4
	a. Cuban Revolutionary Party (Auténticos)	4
	b. Republican Party	5
	c. The Liberal Party	5
	d. Democratic Party	6
	e. Cuban People's Party	6
	f. Popular Socialist Party (Communist)	6
4.	OTHER INFLUENTIAL GROUPS	7
	a. Confederation of Cuban Workers (CTC)	7
	b. Federación Estudiantil Universitaria (FEU)—University Student Fed- eration	7
	c. Socialist Revolutionary Movement (MSR)	8
	d. Acción Revolucionaria Guiteras (ARG)	8
	e. Other Politico-Terroristic Groups	8
5.	CURRENT ISSUES	9
	a. The Racial Problem	9
	b. Failure to Develop Rural Areas	10
6.	STABILITY OF THE PRESENT ADMINISTRATION	10

CHAPTER II—PRESENCE OF SABOTAGE AND SUBVERSIVE ELEMENTS IN CUBA

1.	COMMUNIST	12
	a. Juan Marinello	12
	b. Blas Roca	13
	c. Lázaro Peña	13

SECRET

SECRET

d. Fabio Grobart	13
e. Carlos Rafael Rodríguez	13
2. NON-COMMUNIST	14

CHAPTER III—ECONOMIC SITUATION

1. GENESIS OF THE PRESENT ECONOMIC SYSTEM	15
2. PRESENT ECONOMIC SITUATION	17
a. Agriculture	17
b. Mining	20
c. Manufacturing	20
d. Domestic Commerce	21
e. International Trade	21
f. Transportation	22
g. Public Utilities	23
h. Public Finance	23
3. ECONOMIC STABILITY	24

CHAPTER IV—FOREIGN AFFAIRS

1. GENESIS OF THE PRESENT FOREIGN POLICIES	25
2. OPERATION OF PRESENT FOREIGN POLICY	26

CHAPTER V—MILITARY SITUATION

1. GENESIS OF PRESENT MILITARY POLICIES	29
2. STRENGTH AND DISPOSITION OF THE ARMED FORCES	29
a. Army	30
b. The National Police	31
c. The Navy	32
3. WAR POTENTIAL	32
a. Manpower	32
b. Natural Resources, Finance, Industry, and Science	33
4. MILITARY INTENTIONS AND CAPABILITIES	33

CHAPTER VI—STRATEGIC CONSIDERATIONS AFFECTING US SECURITY	35
---------------------------------------------------------------------	----

CHAPTER VII—PROBABLE FUTURE DEVELOPMENTS	37
----------------------------------------------------	----

APPENDIX A—Topography and Climate	39
---------------------------------------------	----

APPENDIX B—Population Facts	40
---------------------------------------	----

APPENDIX C—Biographical Data	41
----------------------------------------	----

APPENDIX D—Statistical Data	44
---------------------------------------	----

Map of Cuba

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SECRET**SUMMARY**

The fundamental importance of Cuba to the US derives primarily from (1) its ability to fill US sugar requirements, and (2) its tactical relationship to US plans for defense of the Panama Canal and the US itself. Any state at war with the US can expect concurrently to be at war with Cuba. Since Cuba is physically incapable of protecting itself from any such potential enemy, and since the US cannot afford adequate protection to the Panama Canal and its Caribbean interests without the assurance that Cuba is friendly, the two countries have, through the years, by treaty and informal relationship, closely bound themselves to one another.

The two countries are also most intimately linked by their economies. Twenty-eight percent of Cuba's national income is derived from the sale of sugar to the US. In 1947 the US took 92 percent of Cuba's exports and supplied that country with 84 percent of its imports. Cuba's prosperity depends almost entirely on the demand for sugar in the world market in general and in the US in particular.

The Cuban Government consists of a superstructure modeled principally on US political institutions and rests on a foundation of Roman law and procedure inherited from Spanish colonial times. At present, the Cuban Government affords the people a relatively high degree of democracy and, aside from a certain amount of endemic corruption, it constitutes, by Latin American standards, a relatively adequate instrument for the execution of public policy.

Cuba's international position, as a result of the close ties with the US and as a result of the basic fact that Cuba is small and weak and the US large and powerful, is subordinate by force of circumstances to that of the US. It is this situation that forms the basis of all problems inherent in fundamental relationships between the two countries.

Cuba's spirit of nationalism now requires that any government in office—if it is to survive politically—must (1) deny any inference of inferiority to the US and (2) strive to promote its position as a sovereign and completely independent country within the family of nations. Cuba is well aware, however, of the benefits derived from especially close ties with the US and is consequently reluctant to press its independence beyond the point which might jeopardize the support and benefits for which it must depend on the US. A consequent ambivalence in Cuba's attitude toward the US results, which makes it the more difficult for each administration in Cuba to formulate its basic policy somewhere between the urge to assert sovereign rights and the expediency of recognizing the realities of Cuba's relationship to the US. Since the opinion which particular Cubans and individual political parties and groups adopt toward the problem varies, the relationship between the two countries is not constant,

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

The information herein is as of 1 September 1948.

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but continuously subject to re-examination and reorientation according as one or the other of the two objectives seems more relevant.

Cuba's military establishment has limited potentialities and is concerned primarily with maintaining domestic law and order and serving as a final arbiter in matters of major political importance. Within this limited scope it is capable of performing its duties with relative efficiency and is a protection against extensive sabotage by Communists or other subversive groups. In the event of a joint US-Cuban war against the USSR, the Cuban Army would probably need little help from the US in controlling an integrated program of sabotage by Cuba's 150,000 Communists.

The regime of President-elect Prío should enjoy relative stability for the next two years, and can be expected fully to support the US in its anti-Soviet policies. In other matters, however, US-Cuban relations will probably become embroiled in a series of vexatious disputes arising from President-elect Prío's and his associates' desire to assert Cuba's sovereign rights rather than accept the more expedient course of deferring to the US.

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CHAPTER I

POLITICAL SITUATION

1. GENESIS OF THE PRESENT POLITICAL SYSTEM.

Cuba, the last of the Spanish colonies in the New World to gain independence and the only one to obtain it by virtue of direct US help, became a republic in 1902. After nearly four centuries as a Spanish colony (1511-1898), Cuba was closely bound to the US as a result of the joint war against Spain and the subsequent four-year period of US military government. Until the abrogation of the Platt Amendment in 1934 Cuba was, to all intents and purposes, a quasi-protectorate of the US. The Platt Amendment gave the US intervenient rights "for the preservation of Cuban independence" and "the maintenance of a government adequate for the protection of life, property, and individual liberty." Cuba was further estopped by its terms from entering into treaties detrimental to its independence and from incurring foreign debts that could not be amortized from "normal current revenues." Cuba further granted the US military bases on Cuban territory. The peculiar political bonds then existing between the two countries were further tightened by an exclusive agreement reducing tariffs on each others' products 20 percent or more below standard rates.

Between 1902 and 1933 the US intervened in Cuba three times. On two occasions the newly established democratic institutions were unable to function at election time, and on one occasion racial animosities became so aroused as to require forcible repression. In 1933, when the Cuban people rebelled against President Machado, the US offered its mediation in an effort to forestall bloody revolution. Nevertheless, there were extensive disorders until a strong leader—Sergeant Batista—emerged from the confusion and seized control of the government, which he held until defeated in fair elections by Grau San Martín in 1944.

A significant element in the 1933 revolution was the rising tide of Cuban nationalism. The US recognized this and, as a consequence, agreed to the abrogation of the Platt Amendment in 1934 and thus allowed Cuba to assume a more independent role among the family of nations. Despite this technical abolition of political ties between Cuba and the US, the principle of special economic treatment for Cuba by the US continues—its latest expression being an exclusive trade agreement effective 1 January 1948.

The unique US-Cuban relationships since 1902 have produced important effects on the government of Cuba as well as on its national character and international attitudes. The following are significant:

a. The possibility of US intervention, prior to 1934, limited the revolutionary disorders that otherwise would have developed from inherent political rivalries and gave Cuba a false sense of political stability.

b. Many Cubans developed a tendency to hold the US responsible for the welfare of Cuba and obligated to initiate action in order to correct unfavorable conditions.

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c. A large number of Cubans, as a result of their reaction against US domination, developed an exaggerated sense of nationalism which, when translated into political and economic programs, has been harmful to basic Cuban as well as US interests.

d. Cubans have developed an exceptional knowledge of US Government and institutions. This enables Cuba, probably better than any of the other American republics, to understand the US and has, as a consequence, engendered in many Cubans a feeling of hopelessness before the task of raising Cuban economic and political standards to those of the US. The inferiority complex, thus induced, has produced a great variety of attitudes toward the Cuban Government—as well as toward the US—that has resulted in a marked degree of inconsistency and conflict.

2. STRUCTURE OF THE PRESENT GOVERNMENT.

The Cuban Government consists of a superstructure modeled principally on US political institutions but rests on a foundation of Roman law and procedures inherited from Spanish colonial times. There have been two constitutions. The 1901 constitution provided for the familiar division into executive, legislative, and judicial branches and for autonomous municipal and provincial government. The centralizing tendency inherited from Spain reduced the power of the local governments and increased the powers of the executive beyond that of the US. In 1928 the Machado regime amended the 1901 constitution to permit a six-year presidential term instead of four. After Machado's fall in 1933, government was by "constitutional laws" until the adoption of the present constitution in 1940.

Although this constitution maintains the Spanish tradition of a strong executive, reaction to the despotism of Machado led to the inclusion of a "semiparliamentary" cabinet appointed by the President but removable on a vote of lack of confidence by either house of Congress. Local government remains autonomous in theory. Many advanced social and economic concepts with national agencies for their implementation are propounded in the new constitution. The governmental branches are:

a. *The Executive Branch.*

The President, who must be a native Cuban at least 35 years of age, is elected for a single four-year term and cannot be a candidate again until eight years have elapsed since the end of his first term. Nominating and electoral procedures have been complicated to an extraordinary degree in a vain effort to reduce political corruption. The power of the Chief Executive greatly exceeds that of the legislature and the judiciary, and is derived from extensive control of patronage, the right to issue decrees, the right to initiate and to veto legislation, and the power to declare states of national emergency in which presidential power is supreme. The Executive also has the power, when government income exceeds budgeted expenditures, to disburse all excess funds without congressional approval. The Vice President is of no importance whatever except in the event of the President's death.

A council of ministers consisting of a prime minister and other ministers are appointed by the President to aid him in his executive duties. Some assume charge

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of specific executive departments; others are without portfolio. The constitution provides that all ministers shall be subject to interpellation by the Senate or House of Representatives and may be forced to resign, individually or as a body, by a vote of lack of confidence of either house.

b. The Legislative Branch.

The Cuban Congress, like that of the US, consists of a Senate and a House of Representatives. There are nine senators from each of Cuba's six provinces, and they serve a four-year term. The anti-militaristic tradition in Cuban political life is evidenced in a constitutional provision that declares ineligible candidates for the Senate who have served in the armed forces within two years of the time they seek office. The Senate, like that of the US, besides its regular legislative duties, ratifies treaties, and approves the nomination of chiefs of diplomatic missions and other high officers. It serves as a court in impeachment proceedings against the President or provincial governors.

The House of Representatives consists of 136 members; one for each 35,000 of the population. Half of the members are elected every two years for a four-year term. A system of proportional representation assures the more significant minor parties seats in the Congress.

c. The Judicial Branch.

The administration of justice in Cuba is primarily a federal function, and provincial governments are denied virtually all judicial power. There are a Supreme Court and inferior federal courts, including superior provincial courts and subsidiary civil and criminal courts. The judiciary, in its methods and its philosophy, retains its essentially Spanish colonial character. The new Cuban constitution, in an effort to modernize the judicial process, provides for special courts of final jurisdiction, such as a Court of Constitutional and Social Guarantees. These additions to the traditional system, however, remain largely theoretical. Only the Superior Electoral Court has been established, and such other plans for modernization as were enunciated in the new constitution exist only on paper.

d. Local Government.

The national constitution expressly guarantees to the Cuban people the right of provincial and municipal self-government and establishes three alternative forms for the latter. The federal judiciary enjoys the right of review over local regulations and has power to remove provincial and municipal elected officers. Each province elects a governor and a provincial council; the latter enacts provincial administrative regulations within the limits set by the national constitution. (There are no provincial constitutions.) Each province is divided into a number of municipalities that include both urban places and the surrounding countryside.

Although the theory of the constitution—save for new social and economic principles that have not yet been implemented by law—is respected in practice, constitutional government is not on a firm footing in Cuba. The Cuban people do not

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place so high a value on observance of the law as do Anglo-Saxons. Furthermore, there is an influential group within Cuban political life that rejects authority and subscribes to anarchism. Political bickering and graft are traditional in Cuba and continually subject to trial the constitutional life of the Republic.

Freedom of assembly, of speech, of the press, and of religion are guaranteed by the constitution and observed for the most part by the government. Freedom of assembly is curtailed on occasion by police regulations; but freedom of speech and of the press are enjoyed to a degree unusual in any part of the world.

The Cuban constitution in effect rejects the doctrine of *laissez faire*. The "inalienable" right of the individual to work is protected. There are also constitutional provisions for social security, the eight-hour day, the right of workers to organize and strike, and the prohibition of child labor. The state sponsors the organization of professional societies, membership in which is a prerequisite to the practice of nearly all professions; Cuban citizenship is usually a requirement for membership.

3. POLITICAL PARTIES.

Both the composition and the alignment of Cuban political parties have undergone constant change since the downfall of the Machado regime in 1933. Division and recombination continue. The ease with which parties may be organized under the electoral code, Spanish-American personalism, and the inability of the two traditional parties to readjust to post-Machado conditions have caused the development of a multi-party situation. At the present time, it is possible to identify six national political parties.

a. *Cuban Revolutionary Party (Auténticos)*.

As the major political support of the Grau (and the forthcoming Prío) administration, the *Auténticos* regard a program of economic nationalism and social reform popularly known as *Cubanidad* as the embodiment of their guiding principles. Born of the struggle to overthrow Machado, this party emerged from the revolution as a loosely knit combination of semi-independent groups of students and workers. Some were anarchist-terrorists who masked criminal activities by avowed allegiance to popular, anti-Machado political and social beliefs. Others were idealists honestly seeking a solution of their nation's problems. In the revolutionary period and after, a complex of nationalistic aspirations was developed. It was during his four-month term as provisional President after the fall of Machado that the *Auténtico* Dr. Grau San Martín formulated these aspirations into the program of *Cubanidad*. As a result, Grau became the symbol of the new revolutionary movement and its nationalist aspirations, though minor leaders maintained control over the various sectors of which it was composed. *Cubanidad*, plus Grau's personality, provided enough appeal to hold the party together and bring it to a triumph in the 1944 elections after a decade of suppression at the hands of General Batista, and was a source of popular appeal in 1948.

Four years as the government party, however, have been more disastrous to the *Auténticos* than ten years in opposition. Rivalries for personal advantage and for

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the party's presidential nomination have split the party into three main factions. Eddy Chibás, senator and popular radio commentator, at one time Grau's spokesman, led a personal following out of the party in 1947 and joined with a non-*Auténtico* revolutionary group to form the "Cuban People's Party." Disagreement during the *Auténtico* national convention in 1948 precipitated the withdrawal of a third of the delegates, who unsuccessfully endeavored to make a deal with various opposition groups and finally returned to the fold after winning concessions from the *Auténtico* leaders. The remaining group includes within itself a tightly organized patronage coterie, the BAGA, made up of former Minister of Education Alemán, his protector Paulina Grau Alsina—the Cuban "First Lady"—and her relatives and palace associates. The future of this group under the forthcoming Prío administration is in doubt.

But whatever may be the final results of *Auténtico* schism and recombination, the ideals of *Cubanidad*, with its stress on nationalistic legislation designed to protect the Cuban masses and middle class from foreign competition and foreign interests, will remain to play a lasting part in Cuban politics and, because of their popular appeal, will no doubt be used with frequency and intensity. As the political party in power, the *Auténticos* are the most influential party in Cuba. Their leader is President-elect Carlos Prío Socarrás. The party registered 793,115 votes for the 1948 elections.

b. Republican Party.

This is the personal party of Vice-President-elect Alonso Pujol and other of his close associates who cynically trade votes for a good share of important electoral offices. Its views on issues rather than personalities have never been formulated. The party was founded in 1944 by a group of dissatisfied members of the older Democratic Party who preferred to join with the *Auténticos* and support Grau rather than continue collaboration with Batista. They gave as the reason for their shift Batista's coalition with the Communists. With 284,914 members registered for the 1948 elections, the Republicans are essentially a politically opportunistic group without distinct convictions.

c. The Liberal Party.

The Liberal Party, sole survivor of the pre-Machado parties, is second only to the *Auténticos* in numbers, and has a well-disciplined provincial and local organization. Its association with Machado and its traditionally conservative and retrospective outlook, together with its lack of a popular program that appeals to young people, cost it membership after 1933, but it still plays an important part in affairs and seeks to become dominant by obtaining the support of minor opposition parties and/or disillusioned or disgruntled followers of *Cubanidad*; it has been unable to accomplish this purpose. It stands for stability and sound business methods in government. It registered 358,881 members for the 1948 elections and is under the command of Ricardo Núñez Portuondo, an uninspired but highly respected leader whose honesty and personal integrity are admitted even by his political enemies who consider the Liberal Party the bulwark of conservatism in general and the sugar magnates in particular.

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SECRET*d. Democratic Party.*

This is a smaller political party which bases its appeal to the voters in terms indistinguishable from those of the Liberal Party but which has refused to join with the latter in a permanent coalition for historic reasons, despite the seeming logic of such a decision from the standpoint of identity of platform. Saladrigas, who was backed by Batista for the presidency in 1944, is a leading member as is vigorous young Raúl Menocal, ex-mayor of Havana and son of a former President. The 193,700 registered members represent primarily business and middle-class interests and the political tradition of the Menocal Conservative Party—one of the two pre-Machado political parties.

e. Cuban People's Party.

This party, still lacking adequate organization, was formed by Senator Eddy Chibás when he bolted the *Auténtico* Party in 1947. It originally comprised his personal following, plus several disparate groups that joined the new party for reasons of political strategy. Chibás, despite internal differences that threatened the existence of the new group within a few weeks of its creation, refused to compromise with dissident factions and maintained his view that the People's Party should not combine with the traditional enemies of the *Auténticos* but should stand for pure and uncorrupted *Cubanidad* and integrity of administration. His surprising success in attracting votes in the 1948 campaign indicated that a large segment of the Cuban population approved his position. Success at the polls has guaranteed Chibás' political future, whether in the continuance of the People's Party or by its reincorporation with the parent *Auténtico* Party. The People's Party registered 165,000 voters for the 1948 election and, although double that number actually voted for Chibás, most of the additional voters were *Auténticos* without permanent loyalty to the new party.

f. Popular Socialist Party (Communist).

The Communist is the smallest Cuban party in point of numbers, but its discipline, influence, and international connections make it important. The party follows the usual practice of making propaganda in the language of economic determinism and the class struggle on behalf of themes fashionable in Moscow. Because of large US investments in the Cuban sugar industry, this policy commits it to noisy apprehension over the fate of the Cuban sugar workers who, it argues, endure a miserable existence because of the machinations of US capitalist-imperialists. In an effort to attract national support, the Communists also propagandize in favor of national control of foreign investments, a merchant marine, and independence for Puerto Rico. Batista allowed the Communists to establish a legal political party in 1939 and used it as a counterforce to the *Auténticos*, who were his consistent opposition after 1934. Communist control over the major labor federation (CTC) down to 1947 provided the Communists with an influence in Cuban affairs beyond that which their numbers deserved. The chief leaders of Cuban Communism—Blas Roca, Lázaro Peña and Juan Marinello—have held positions as representatives, senators, and even, on one occasion, a cabinet post. The Cuban system of proportional representation and favor-

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able political alliances enabled the Communists to place a sizeable delegation in Congress in 1946 (three senators, nine representatives). The registration of the Communists for the 1948 elections was 158,755. Their actual vote in 1948 was, for the first time, less than the registered number of party members, and today, as a result, the Communists have nine representatives only, having lost their three senators and their favorable relations with the government parties. This will necessarily reduce the party's influence on Cuban political life.

4. OTHER INFLUENTIAL GROUPS.

The following organizations, though not primarily political, are sufficiently influential to merit attention in any survey of Cuban political life.

a. *Confederation of Cuban Workers (CTC).*

From 1925, the year of its founding, until 1947, the Cuban workers' confederation was dominated by Communists who used it for political purposes and who are thus able to claim for themselves credit for many of the economic benefits the CTC won for the workers. Communist control of the confederation was contested from the moment it was organized by *Auténticos* who sought to use the organization for their own political purposes. This rivalry ultimately resulted in a split early in 1947 into Communist and *Auténtico* factions, both of which maintain the use of the CTC name, and claim to be the legitimate representative of the workers. The government, however, has recognized the *Auténtico* faction as the official one and thus has given it the advantage over its Communist rival.

The two rival CTC factions claim a total membership of over 500,000. The component unions include such important groups as the sugar workers and long-shoremen. The strength of the organization, combined with a sympathetic attitude towards it by the Grau regime until the 1947 split, resulted in genuine economic gains for many types of workers. The average wage of sugar workers, for example, has more than doubled since 1944. The total wages paid in private industry increased 32 percent from 1946 to 1947. In general, organized labor in Cuba has been able to maintain or improve standards of living and real wages in the face of rising prices for consumers' goods. The success of the CTC in bringing this about has also increased its political influence and, regardless of any ultimate decision concerning the present split in the ranks of labor, the authority of unions organized on a national scale will continue as one of the basic realities of Cuban economic life.

b. *Federación Estudiantil Universitaria (FEU)—University Student Federation.*

This highly influential group is the semi-autonomous student government organization in Cuba and is composed of representatives from all the departments and delegates from each academic course of the National University. It maintains close contact with similar organizations in the secondary schools. The effective political activity of university students in the 1933 revolt and thereafter made this organization an important political force which, by means of demonstrations, strikes, and disorders has frequently influenced government action. Its leaders, unlike those of similar

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organizations in the English-speaking world, are not only students but full-time professional organizers and politicians who, by one device or another, have won a personal following among the highly inflammable and politically conscious student body. The organization reflects—and to a great degree shapes—the political thinking of the nation's future professional men whose increasing measure of control over affairs begins while they are still in school. There are relatively few Communist students in the University, but several of the leaders of the FEU are party members, and they have exploited the nationalist-patriotic tendencies of the students to steer them into programs that embarrass US interests. Meetings have been inspired on behalf of Puerto Rican independence and propaganda lines such as "Get the Americans out of Guantánamo", "Prevent US economic oppression of Cuba", are repeated with monotonous frequency. These themes cannot, of course, be called exclusive Communist property, but they are actively supported by the Communists, and the protests they produce among the excitable student body are not without effect on Cuban official policy.

c. *Socialist Revolutionary Movement (MSR).*

A unique feature of Cuban political life is the Socialist Revolutionary Movement, popularly known as the MSR. Although claiming five to ten thousand adherents, the MSR is in reality a far smaller organization dominated by militant anarchists and student gangsters who first won political influence by their participation in the violent overthrow of the Machado regime. This group has maintained its original organization in order to perpetuate this power. Organized extortion and strong-arm methods are frequently employed. The MSR is now closely associated with certain *Auténtico* leaders and aspires to be an independent political party. It has given a socialistic slant to parts of the original *Cubanidad* doctrine and is now waging a bitter attack on the Communists who are, they claim, a perversion of true Socialism, and the mere agents of Russian imperialism, a development as dangerous to Cubans as US imperialism. Former Communists and Trotskyites are active in the MSR, but the real control remains among the old student gangsters who received their baptism of fire in the 1933 revolution. Its most ambitious recent project was participation in the much-publicized Dominican invasion attempt.

d. *Acción Revolucionaria Guiteras (ARG).*

A revolutionary group, formed originally to oppose Batista, the ARG has become actively anti-Communist and thus able to enlist a measure of support from individuals who previously looked askance at it because of its terroristic activities. Still largely composed of gangster elements, the ARG is endeavoring to infiltrate the labor unions dominated by Communists and favors the forcible liquidation of the Communist leadership of Cuba by strategic assassinations or other use of violence.

e. *Other Politico-Terroristic Groups.*

The "revolutionary" sanction of recent years has permitted groups of men who in other countries would be regarded purely as brigands to carry on their illegal activities without interference so long as they propagandize in behalf of their political

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rather than their personal criminal intent. Among these is the MSR's rival the UIR (Insurrectionary Union), also originally a student group which vies for advantage with the MSR by means of assassinations and machine-gunning. Ideology is but the cloak for the desire for gain on the part of its leaders, who measure their success in terms of either the number of political sinecures they obtain or their return from protected rackets and extortion. Even such ostensibly plausible groups as the "Anti-Communist League" are basically this type of organization and have on occasion imitated the strong-arm and predatory tactics of their better-known rivals.

5. CURRENT ISSUES.

Cuba's postwar prosperity has precluded the development of serious economic issues. Scarcities, high prices, black-market operations, a general decline in the efficiency and dependability of labor, coupled with extravagant wage demands by some unions, have been a source of controversy and partisanship, but the unparalleled increase in national income has been distributed to all sectors of the population well enough to make it possible for the effects of these conditions to be absorbed without overwhelming difficulty. Political pressure, therefore, from dissident elements has been slight.

Issues stated in the 1948 election campaign were superficial and ephemeral. The rapid shift in political alignments with little reference to ideology made it impossible for basic issues to emerge. The *Auténtico* administration, now in power, was under attack for its more obvious shortcomings, and intuitive popular disappointment in a government from which so much was expected and so little accomplished, led to cynical appraisal of all campaigners who spoke in terms of progress and reform. Because of the lawlessness and disorder that the Grau government permitted, opposition to the government spread from those who originally for one reason or another opposed it to a large number of the middle and lower classes from which it once drew its greatest support. Instead of capitalizing on these defections, however, the opposition parties were content to conceal their lack of a stated program with oratorical bows to the precepts of *Cubanidad*. Only the Liberals, since for them it would have been manifestly absurd, sought to avoid the well-worn phrases of "progressive", "revolutionary", and "Cuba for the Cubans." Consequently, they hoped to gain the most from votes of protest against *Cubanidad*.

Several basic issues are connected with the economic and political relations that exist between Cuba and the US and will be discussed in Chapter IV, *Foreign Affairs*. Other problems implicit in the situation did not become open issues in the 1948 elections. These are:

a. *The Racial Problem.*

The percentage of colored population of Cuba is from 25.6 percent (Cuban census 1943) to 50 percent, depending on the source reporting and the criteria used. Although surface aspects of racial discrimination are much fewer than those observed in the US, complete harmony does not exist. Colored people are endeavoring to obtain a more equitable share of all jobs, especially governmental. Commercial and public

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racial discrimination is prohibited by law, but the whites, especially of the middle and upper classes, employ various expedients and indirections designed to deny the blacks equal rights. The Communist Party has endeavored, with some success, to capitalize on the colored people's feeling of discrimination for the purpose of creating unrest. Other parties make every effort to show complete impartiality. Although the other parties would openly deny discrimination, the fact remains that they have never gone so far as the Communists in advocating measures for the advancement of the colored people. The Morúa law, enacted after a negro revolt in 1912, prohibits political organization on the basis of race, so that the various social organizations for negroes, including some founded by the Communist Party, are the main channels for the drive of the colored people to improve their relative economic and social status.

b. Failure to Develop Rural Areas.

Neglect of the country and the provincial cities by successive national governments has created dissatisfaction among the country people, who point to heavy government spending in Havana and other urban areas as evidence of discrimination against them. Although recent agitation by various provincial towns, protesting their neglect, appears on the surface to be merely an expression of exaggerated local pride, it is in fact indicative of the failure to plan governmental spending in relation to the real needs of the country. All parties recognize this around election time, but poor organization makes the protests of the peasantry ineffective and the victorious party soon forgets all about agricultural improvements, rural sanitation, farm-to-market roads, and many other measures that would promote the prosperity and well-being of the entire nation. The peasantry, sunk in poverty and ignorance, remains politically impotent and consequently unable to inject its problems onto the national political scene to the degree necessary to guarantee their solution.

6. STABILITY OF THE PRESENT ADMINISTRATION.

The election on 1 June 1948 of the *Auténtico* candidate Carlos Prío Socarrás and a substantial majority of his followers to both houses of Congress will probably assure Cuba a stable government for the next two years. The popularity of the *Auténtico* candidates at the polls is believed indicative of the basic strength of their present position in Cuban political life, and it is not expected that such popularity as they now enjoy will diminish within the next two years to a degree sufficient to permit individuals or groups hostile to the regime to oust them from power by illegal means. In the past it has been believed by many that General Batista is the greatest single threat to the stability of an *Auténtico* regime, and this may still be the case. It is doubted, however, that even he, whatever may be his personal motives and ambitions, would endeavor to overthrow the present government by illegal means with the popular mandate that the *Auténticos* received at the polls still so fresh in people's minds. Admittedly, the *Auténticos* received fewer votes than the total vote of the opposition, but no analyst of Cuban election results can avoid the basic fact that many of the opposition votes were in fact an endorsement of the tenets of the *Auténticos* even though they clearly implied criticism of individual *Auténtico* party leaders. General Batista has always

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been too much the opponent of the *Auténtico* party program to derive direct benefit from such sentiments.

In 1950, the *Auténticos* will be faced with a congressional election at which they will seek popular endorsement of their conduct of Cuban affairs. At such a time Cuba may be faced with serious economic problems resulting from a decline in the price of sugar. If the *Auténticos* have failed to meet such problems boldly and if, as many people believe, they also will have been guilty of gross dishonesty and corruption, it is possible that they may receive a sufficient setback at the polls to endanger their control of the executive branch of the government. For under such conditions many of the elements now unwilling to risk the penalties of frustrated subversive action against them may well come to feel that, either individually or by combined action, the possibilities of success are too great to forego the gambit especially since, under such conditions, the *Auténticos* could not count on continued army support.

Such opposition could develop from the following elements in Cuban political life:

1. The conservative forces including General Batista and his personal following in the army.
2. The Communists.
3. Certain of the dissident extreme nationalists alienated from the *Auténticos* by their corruption.

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SECRET**CHAPTER II****PRESENCE OF SABOTAGE AND SUBVERSIVE ELEMENTS IN CUBA****1. COMMUNIST.**

Because of its wealth, size, and power, Cuban Communism (cf. Chapter I, pages 6, 7) constitutes the most significant sabotage threat in Cuba to facilities vital to the US in case of war with the USSR. Most important of these facilities are the means of production and shipping of sugar, the US naval base at Guantánamo and military bases in Cuba that would be made available to the US in the event of war, and chromite, nickel and manganese mines. Vital for effective operation of the foregoing are the highways, railways, bridges, ports, and installations for the supply of fuel, water, food, and power.

For sabotage activities in Cuba, the USSR will count on the various Cuban Communist organizations now in Cuba. Besides the Communist Party (*Partido Socialista Popular*) with its official registration of 158,755 members, there are the Communist-dominated labor unions (200,000 members), as well as various "front organizations" that support USSR-inspired or -directed activities. In July 1947 the Executive Committee of the Communist Party is reliably reported to have resolved to take action in favor of Russia in the event of armed conflict between that country and the US. Since, however, Communism in Cuba is a mass movement rather than an integrated and disciplined organization of selected pro-Soviet revolutionaries, it is estimated that the Party itself does not expect, in the event of a US-USSR conflict, complete cooperation from its whole membership. Article 77 of the Communist Party statutes carefully distinguishes between "militant" and associate or intellectual Communists. The Article specifically defines "militant socialists" as those "who work regularly in the party, who actively take part in the carrying out of the tasks set out by the Assemblies and Committees, which create propaganda for the party line, its ideals and program, and who try to apply its principles in an effective manner." CIA estimates, therefore, that it is from these "militants", rather than from associate or ideological members that saboteurs will be recruited. There is no reliable information available at present as to the total number of "militants" in Cuba. The figure 50,000 has been reported, but CIA estimates that this is somewhat high. Neither is there reliable information that describes the covert organization of the militant saboteurs and the methods used to correlate their activities in Cuba, one with another, and with the overt Communist organizations in Cuba.

The principal leaders of the Communist overt organizations are:

a. *Juan Marinello*, president of the *Partido Socialista Popular*—poet, intellectual, and a presidential candidate in 1948. As member of the Cuban Senate, and, for a while, of the Cabinet, Marinello serves as a propagandist and intellectual leader frequently called on for lectures and speeches in other Caribbean countries.

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b. *Blas Roca*, Secretary General of the *Partido Socialista Popular*, the most important political official. He has been a member of the Cuban Congress since 1940 and is the author of a book used as a text for the indoctrination of Cuban Communists.

c. *Lázaro Peña*, labor union leader who dominated the Cuban labor confederation from 1935 to 1947. Peña is vice president of the Latin American Confederation of Labor and is influential in labor circles in Cuba and in the Caribbean in general. (See also Appendix C.)

d. *Fabio Grobart*, a Polish immigrant, reportedly a liaison agent between the USSR and Cuban Communists, assigned to Cuba to organize Cuban Communists.

e. *Carlos Rafael Rodríguez*, director of propaganda agencies and activities.

All of these men enjoy great influence and prestige, not only in Cuba, but throughout the Caribbean and have made their party the model and guide for Communism in many of the other Latin American republics.

Despite reports listing various residents of Cuba as covert USSR sabotage leaders, CIA estimates that, in the events of war with the USSR and a Communist decision to resort to sabotage, it is likely that none of the known leaders will have direct control over this branch of Communist operation, and that the operation will take two forms: (1) destruction of special facilities vital to the US—the sugar industry, Guantánamo, mines of strategic or critical minerals; and (2) that made possible by control of labor such as strikes, sit-downs, and slow-downs. The Cuban Government at present believes, and CIA concurs in this estimate, that Soviet agents to direct or participate in the destruction of special facilities vital to the US will filter into Cuba prior to the outbreak of hostilities while over-all plans and programs for sabotage will, for the most part, be established by Cuban Communist leaders, in agreement with USSR directives, prior to hostilities. The Communist-dominated Latin American Confederation of Labor, of which Peña is vice president, has already labeled sugar—Cuba's principal export to the US—at the No. 2 strategic material which labor must strive to withhold from the US in the event of a US-USSR conflict. But who the sabotage experts will be who would endeavor to withhold sugar from the US in the event of war remains unknown.

Communist ability to impair industrial activity through action of the unions, in contrast to sabotage activities designed to destroy special facilities vital to the US, has been reduced considerably since the labor movement split into Communist and anti-Communist factions in 1947. Communist labor leaders, however, are experienced; and because of the economic gains they have won for labor, they still have great influence over many workers. Besides their direct control of a large number of the labor unions, the secretary of the Communist federation has instructed the members to infiltrate the anti-Communist unions. Their future influence over the labor movement will depend on their success in this infiltration and in reuniting the labor movement—at least for specific strikes or other labor objectives. Their chances of reuniting labor have been reduced by the electoral victory of the *Auténtico* Party—the party which forced the split and strengthened the anti-Communist faction with political help.

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SECRET**2. NON-COMMUNIST.**

Sabotage agencies and possibilities in Cuba are not restricted to those under Communist control—though only these are highly significant from a strategic standpoint. The terroristic organizations mentioned in Chapter I, page —, frequently resort to sabotage to further their political, criminal or economic purposes. Since 1930 many Cubans, as students or revolutionists, have mastered the techniques of making and using bombs, burning canefields, or disrupting transportation. The resort to malicious violence is a common measure by which individuals or groups attempt to attain their ends. Few months go by in Cuba without the bombing of a store or plant or the assassination of some business or political leader who has incurred the enmity of some individual or group. Most of this is unimportant to the US while, as at present, the majority of Cubans are sympathetic to US aims, but the propensity to violent action and the existence of secret groups devoted to such activities increase the sabotage potential in the country by providing a reservoir of experienced saboteurs and can, from this standpoint, be dangerous to US interests.

As a protection against extensive sabotage, whether by Communists or non-Communists, stands the Cuban Army, which—under its present Chief of Staff General Pérez Dámera—appears able to control the situation and is increasingly aware of the dangers involved. Although General Pérez appears to be more concerned with Communist activity than with the terroristic acts of peripheral members of the party in power, the increasing authority he has assumed (since late 1947) and the high morale and discipline of the army are strong factors tending to contain and control the operations of the various sabotage agencies existing in Cuba. It is estimated that once Cuba and the US are allied in a common war effort, the present Cuban Army would need very little help from the US in controlling the sabotage efforts made in that country. It is also estimated, however, that in spite of awareness of this danger on the part of the present Cuban Army command the period prior to open hostilities, though somewhat less important from a strategic standpoint, presents greater sabotage opportunities to subversive agencies than the war period itself.

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SECRET**CHAPTER III****ECONOMIC SITUATION****1. GENESIS OF THE PRESENT ECONOMIC SYSTEM.**

Cuba has a highly developed money economy based primarily on the production of raw sugar that is sold in one principal market—the US. The sugar industry gives direct employment to about a third of the working population, and sugar and other cane derivatives normally comprise three-fourths to four-fifths of the value of all exports. The US since 1938 has bought from 64 percent to 92 percent of Cuba's sugar exports. Cuba's sugar industry developed rapidly after the 1903 reciprocal treaty under which the US granted tariff preference of 20 percent or more on all Cuban products. The highest annual sugar production prior to 1898 (in 1894) was doubled by 1912 and doubled again by 1920. This growth—disproportionate to that of other Cuban industries—has created the pattern of monoculture that makes the Cuban national economy subject to the vagaries of the foreign and world sugar market and thus to conditions largely independent of the Cuban economy itself. Awareness of the risks inherent in this pattern of productive activity has inspired efforts in behalf of diversification designed to reduce the relative importance of sugar in the national economy. But these become general only when sugar is relatively cheap and the attempts to develop secondary crops die down when sugar prices are generally profitable. Sugar continues to dominate the economy of Cuba despite the fact that Cuba has enough land to accommodate a wide range of other crops without detriment to the maintenance of a large sugar industry. Whatever the outcome of these efforts, a certain amount of war-born mining and manufacturing activity will remain and will partially cushion the shock that will result from the world sugar glut that many believe inevitable.

A distinguishing feature of the Cuban economy is the large proportion of properties either owned by or mortgaged to US interests. US investments increased with particular rapidity after 1903 and especially during World War I. The 1914-1920 sugar boom stimulated extensive US purchases of sugar mills and large loans to finance expansion of the productive plant. This boom ended in bitter depression during the early 1920's. The resulting bankruptcies, foreclosures, forced sales, and reorganizations increased the US share of ownership of sugar-manufacturing facilities. By 1934 over 68 percent of Cuban sugar was produced in US-owned mills. Prior to 1939, this trend alarmed Cuban nationalists and inspired consideration of protective legislation. Nothing was actually done, however, to reduce the extent of US control of the industry. The World War II sugar boom reversed the trend, and has permitted an increase in the percentage of the industry owned by Cubans (from 28 percent in 1939 to 45 percent in 1946). Should the present boom be followed by a slump comparable to that following World War I, however, the accompanying bankruptcies and foreclosures by US mortgage holders would probably stop the trend toward Cuban ownership.

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Sugar will remain "king" for some time to come in Cuba despite restrictions on imports by the major sugar-producing countries. Natural advantages plus modern technology still enable Cuba to compete effectively in world markets. The US Sugar Act of 1948 gives Cuba the largest quotas granted any non-US producer and Cuba now supplies approximately 42 percent of US ordinary requirements, or about three million tons. Although this is a severe cut from the 5.725 million tons sold the US in 1947, the remaining portion of the 1948 bumper crop (6.7 million tons) will probably be purchased with US dollars under the Economic Cooperation Administration or otherwise.

Although Cuban modern thinking agrees with the Spanish colonial tradition in rejecting *laissez faire* and accepting the authority of the state as absolute in all fields, systematic government control of the economy has been even less pronounced in Cuba than in the US. The 1940 Cuban constitution establishes the norms for centralized and systematic control of economic life by government. To date, however, specific legislation has been largely limited to efforts to protect Cuban labor and capital from foreign competition, and business operations have been relatively free of direct government controls and taxation. Instead, the major industries—sugar, tobacco, and coffee—have evolved a system of joint industry-government control boards that implement the terms of international agreements negotiated by the government on behalf of the producers of these commodities. In the case of sugar, a control board known as the Cuban Institute for Stabilization of Sugar apportions production quotas among the Cuban producers, acts as agent for global sales of Cuban production, and supervises the fixing of wage rates in relation to sugar prices. In the case of tobacco, the board attempts to stabilize production and farmer income by buying and storing tobacco when foreign markets decline. The object of the coffee board is to stimulate domestic production to meet domestic demand, importing and distributing foreign coffee only in the amount necessary to cover deficiencies of local production.

Despite the present nature of these control boards, the acceptance by Cubans of a legal and social philosophy that recognizes the right of the state to seize, operate, and control the means of production whenever considered necessary for the general welfare represents, because at any time it can be put into practice, a constant threat to US commercial interests in Cuba and is a source of vexation in their activities. This theory of economic statism also creates difficulties for any Cuban government that desires to encourage development of national resources. Foreign private capital is necessary to Cuba if its full potentialities for the production of wealth are to be realized. And venture capital cannot be attracted without guarantees that would run counter to existing economic policies. As a matter of practical politics, pressure organized by proponents of *Cubanidad* constitutes an almost insuperable obstacle to any Cuban government that would seek to insure a favorable climate for foreign investment capital. Meanwhile, Cuban capital is not sufficiently concentrated to finance major projects, and Cuban disinclination to enter corporate businesses in Cuba in the role of minority interests causes available Cuban capital to flow principally into local real estate or foreign investments.

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2. PRESENT ECONOMIC SITUATION.

The present cold-war heavy demand for sugar at high prices has made Cuba very prosperous. Total 1947 exports of all products (92 percent of which were sent to the US) were valued at 746.5 million dollars in contrast to imports valued at 520 million dollars. Five years of highly favorable payments balances have permitted Cuba to accumulate gold holdings and short-term dollar assets of 831 million dollars, which, in relation to Cuba's population of approximately five million people, is an enormous amount.

The Cuban national debt is less than the value of gold deposits to Cuba's account in the US and is considerably less than the governmental income for 1947. Furthermore, the funded Cuban debt is 90 percent in Cuban hands.

Employment is high, and wage scales have advanced in terms of purchasing power since 1939. Cuba's terms of trade with the US appear reasonably favorable, and notable increases in Cuban wealth in nearly every category have been registered since 1941. Individual Cubans have made substantial investments in US properties and securities.

Although US investments in Cuba amount to approximately one billion dollars, this figure does not appear undesirably high in terms of Cuba's present capacity to trade on favorable terms.

Despite all these favorable factors, however, a sudden and precipitous decline in the price of sugar would soon create severe imbalance in Cuban economic life.

a. *Agriculture.*

Cuba does not produce its own food because of present emphasis on sugar production. Potentialities exist for self-sufficiency except for small requirements of certain temperate-zone bread grains. About one-third of all Cuban soil is arable, but less than one-sixth is actually cultivated. Of this, 57 percent is devoted to sugar culture. Principal food staple imports in 1947 were rice, wheat, lard, and beans. Except for wheat, all could be produced in Cuba; but at present Cuba imports 85 percent of its rice requirements, and 64 percent of its bean requirements. Even poultry and eggs have been among recent imports from the US. Practically all lard is imported. By necessity, and with the efforts of US and other companies, locally produced peanut oil has replaced high-priced and highly regarded Spanish olive oil in the Cuban kitchen.

While fruit and vegetable products in wide variety supply part of the local demand, they are usually inefficiently produced on a small scale. Winter tomatoes, pineapples, and truck produce are exported from a few intensively developed and specialized farms. Some attempt has been made recently to export some produce in frozen form.

The principal reasons for the lack of domestic food production are the profitability of sugar, the Cuban preference for urban life, and the system of rural land-holding. The sugar harvest hands—the largest single agricultural labor group—remain in the country only for the harvest, returning to urban centers for the rest of the year. While most sugar mills encourage the growing of food crops, the effects of this effort reach only the permanent mill staff. Tobacco and coffee growers, though

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resident in the country, tend to follow a similar one-crop system of farming and buy their food rather than grow it themselves. Both the Batista and Grau governments have made efforts to distribute farms to landless rural workers, but these moves have failed because the workers were not prepared to undertake subsistence farming.

Sugar is grown in all Cuban provinces, but half the production is in the two eastern provinces of Oriente and Camaguey, principally in the former. The 161 operating mills are large-scale enterprises, valued at from 2 to 5 million dollars each. The average sugar *central* resembles a small town with adjoining houses for the permanent staff, barracks for the hands who are there for the harvest only, independent electric and water facilities, commissaries, and other services—in some cases, its own port—and the mill complex with an average of 100 miles of railway trackage to the cane fields. Less than a third of total Cuban cane is grown on company land—"administration cane"—and the balance is cultivated by *colonos*—growers who sell their cane to the mill for the equivalent of about half the sugar product. This gave the *colonos* a gross return of about \$116 an acre in 1947 and company growers about \$235 an acre. The Cuban Government assures a definite share in the total production to the *colonos*, who thus cannot be displaced by increases in "administration cane." In addition to permanent staffs, both at the mill and in the independent farms, over 500,000 transient workers go to the country for the sugar harvest, which usually takes place in the first four months of each year. The dates for commencing and terminating the grinding of cane are rigidly controlled by the sugar control board. Wages were tied by law on a sliding scale to the average market price of sugar. In 1948, however, wages were kept fixed on the basis of the 1947 price of sugar in order to prevent their falling in proportion to the decline of sugar prices. Tax concessions were granted the mill owners to compensate them for the loss caused by failure to lower the wage scale.

Sugar is grown with great ease. The same planting can produce from five to twenty successive crops and only a little cultivation is required. With present prices, and the fertility of the Cuban soil, it is a very profitable crop. To date income of the *colonos* has been sufficient to maintain them as a rather stable rural middle class assured of the political influence necessary for the protection of their position.

Despite the present prosperity of the Cuban sugar industry, there is resentment over US determination to limit the importation of refined as opposed to raw sugar from Cuba. Cuba would be greatly benefited, it is claimed, were it permitted to refine the great bulk of its sugar production before export to the US. The 61 million dollars worth of refined sugar that Cuba sold the US in 1946 is regarded as but a small portion of what could be sold if there were not a US quota of 375,000 tons for refined sugar.

The raising and processing of Cuban tobacco, known throughout the world because of the fame of "Havana" cigars, is a moribund industry. There has been a downward trend in its importance in relation to sugar for some time, but the present depressed state of the industry is due to the shortage of dollars among the European nations where a large part of total production was formerly sold and to the sudden termination of US military purchases. Formerly about 60 percent of production was exported, and the remainder consumed locally in the form of cigars and cigarettes. With the large German, Dutch, and British markets now gone, the US becomes the only

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important customer for Cuban tobacco. Spain, Canada, and Switzerland buy only small amounts. Furthermore, the cigar industry has been handicapped by the US tariff policy which favors the importation of unmanufactured tobacco.

Faced with an inability to market the present tobacco crop, the stabilization board decreed a ceiling on 1947-48 production and administers a fund to purchase, store, and ultimately, it is hoped, sell excess tobacco. Future prospects are not good, though Cuba looks hopefully to ECA as a means of enabling European nations to buy more Cuban cigars.

Coffee is grown in Cuba, though at greater cost than in Brazil and other Latin American countries. A protective tariff policy inaugurated in 1930 stimulated production. Though the 1947-48 crop was one of the largest on record, increased Cuban purchasing power caused the supply to be insufficient, and Brazilian and Dominican coffee was imported. Importation and distribution of imported coffee are controlled by the government to prevent competition between imported and domestic coffee. Production for 1947 was 589,000 bags (132.276 lbs. per bag) as compared with 381,000 in 1946.

As a result of wartime scarcities, as well as the intermittent search for new industries in Cuba, efforts have been made to grow various plants as possible sources of fiber for cordage. Most successful to date has been henequen, to which 38,000 acres have been planted. Production reached a peak of over 30 million lbs. in 1946, but declined slightly in 1947. A US cooperative fiber research project has endeavored to develop the growing of *kenaf* as a material for the making of sugar bags. Prospects for commercial operation are considered good. Ramie and other plants have been tried without much success.

Bananas and plantains, though important to the domestic food supply, are of minor importance in Cuba's international trade. Plantations for organized export exist in Oriente province. In 1947, 4.2 million bunches of bananas were exported, valued at \$2.7 million. One and three-tenths million lbs. of plantains were exported also, valued at \$26,000.

Root crops such as *yuca* and *malanga* constitute important items of the Cuban diet but are rarely exported in any form. *Yuca* is also an important source of commercial starch.

Peanuts have become an important field crop. Peanut oil is now used as a substitute for olive oil, formerly imported.

Cattle-growing has always provided a large share of Cuban agricultural income, though exports are insignificant. Normally, the number of livestock per capita in Cuba is exceeded only in Australia and Argentina. Meat production, however, has barely met domestic requirements for years, leaving scant margin for export. Higher prices for cattle in the early years of World War II stimulated export so that the total number of cattle in Cuba was reduced. This fact, plus the reluctance of growers to sell at the unrealistically low ceiling prices imposed by the Cuban government, has led to periodic meat shortages in Havana and to the importation of \$2.7 million of meat products in 1947. Cattle growers have received little technical aid or advice from their

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government. Much could be done to improve breeds, pasturage, types of food, and methods of distribution. Dairying is also deficient and underdeveloped. These two related fields constitute one of the most promising areas for development to stabilize and improve the Cuban economy.

b. Mining.

Mining plays a small part in Cuban economy, and its importance as an industry is derived largely from the strategic value to the US of the products exported. All production is exported. The total value of mineral exports in 1946 was \$26.2 million, only 5.2 percent of the value of total exports in that year. Principal minerals mined in 1946 were nickel, manganese, copper, and chromite.

Most Cuban mines can be economically operated only in periods of high prices resulting from wars or other unusual conditions. Cuba became, during World War II, the principal Latin American producer of chromite—necessary for armor-plate production—and was second in Latin America in the production of manganese and nickel—also strategic metals. Nickel mines in Cuba were closed in March 1947 at the conclusion of US Government purchases. Both manganese and chromite production declined in 1947, but increases in copper production, combined with high prices, held up the total value of mineral exports. Many other minerals—including gold, lead, light-gravity petroleum, barite, stone, salt, and asphalt—are also extracted. Extensive iron deposits exist in Cuba, but they are not exploited because of their low quality and divergence from the type usually processed in the US. The primary importance of Cuban minerals is their variety and their proximity to the US for emergency use in case of wartime interference with normal sources of supply. For example, of US imports of minerals in 1939, the following percentages came from Cuba: manganese, 15 percent; chromite, 16 percent; and nickel, none. In 1943, the corresponding percentages were 20 percent, 25 percent, and 10 percent, respectively.

c. Manufacturing.

Despite increases since 1941, manufacturing in Cuba is a secondary activity, and employs but one-eighth of the total gainfully employed labor force. Aside from processing of the two major agricultural products—sugar and tobacco—significant manufactures include textiles, cement, boots and shoes, beer, soft drinks, dairy products, and canned and processed foods. Nearly all Cuban manufacture, save sugar and tobacco products, is for domestic consumption for which it is in most cases insufficient. War conditions stimulated manufactures, though some of the development seems destined to succumb to postwar competition. Production of textiles, including both rayon and cotton goods, provides a living for over 6,000 Cuban families. The number of spindles—30,000—is small even by Latin American standards, but tariff protection has been extended, and it is possible that this industry will be able to survive postwar readjustments. Cement production from local stone increased to meet the building industries' wartime demand but the arbitrary imposition of high taxes has handicapped operations during the past year. Manufactures, in general, if unsupported by special tariff protection, will have difficulty surviving postwar competition. The only type of

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manufacturing likely to continue and expand is the finishing of raw and semi-manufactured materials for local consumption. Cuba cannot at present compete on a price basis in the manufacture of semi-processed goods—other than sugar and tobacco—even for its own domestic market. Despite this fact, the extent to which Cuba in the past has depended on imports of fully finished consumers' goods provides a wide area for the profitable expansion of manufacturing activities.

d. Domestic Commerce.

One-tenth of all Cubans gainfully employed are occupied in the distributive trades. Spanish-born and their first generation descendants dominate trade and they are rivalled only by Chinese and more recent European immigrants. The Spanish concept of retail merchandising involves small turnover, high mark-ups, and quickness in capitalizing on goods shortages. The result is an expensive system of distribution that lowers the real wages of the Cuban consumer. At the same time, shopkeeping has supported and enriched most of those who comprise the substantial middle class in Cuba who, as a result of these profits, have become the owners of most urban real property and investors in many other enterprises. Attempts to establish US distribution techniques would not only run counter to established patterns of buying but would be opposed by the middle class, which has great political power. Another obstacle to any change is the fact that labor difficulties, which are not a problem to small family-operated neighborhood stores, would have to be faced by large-scale enterprises. The Cuban Government has given some encouragement to consumer cooperatives among rural workers, but the idea has won no great success as yet.

e. International Trade.

As is the case with all countries that devote their major economic effort to the production and marketing of a single commodity, foreign trade is of paramount importance to Cuba. Cuba's exports in 1947, 90 percent of the value of which were sugar and derivative products, amounted to nearly 40 percent of the value of gross national production. The US took 88 percent of the total Cuban sugar production and the sugar industry provided a living for over one-third of those gainfully employed in Cuba. It is thus clear that foreign trade in general, and sugar sales to the US in particular, constitute the most important single factor in Cuba's economic life. As a corollary of this situation, any debate in the US Congress and any consideration given by the Executive Branch of the US Government to the position of Cuban sugar in the US market is followed in the greatest detail by the Cuban Government and its citizens, whose welfare is dependent in such large part on decisions which the US makes regarding its imports of Cuban sugar.

The US Sugar Act of 1948 is the latest in a series of attempts during the last 30 years both by the Cuban and US governments to control and stabilize non-US and US sugar markets. After World War I, sugar-consuming countries imposed restrictions on imports, and, as a result, Cuba's war-expanded sugar industry could not dispose of its total production. In an effort to solve the problem of the then-existing sugar glut, the Cuban Government first placed limits on its production of sugar and later adjusted

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this production quota to (a) the amount of sugar it could sell in the US plus (b) the amount of sugar it could market in other countries in accordance with international agreements. Three international sugar arrangements were tried with varying success between 1928 and 1942, the last being the 1937 International Sugar Agreement. Meanwhile Cuba's position in the US market was improved by lower tariffs and favorable quota treatment. World War II caused the suspension of all previous sugar quota arrangements, and Cuba agreed to sell to the US its entire crop. This arrangement was repeated during six years (1942-47); production restrictions were removed, and the total crop reached an all-time high.

By the 1948 Sugar Act the US prewar quota system was reimposed on Cuban sugar. US producers—continental and non-continental—as well as the Philippines were given tonnage quotas greater than their previously demonstrated capacity to produce. At the same time, Cuba was given a quota of 28.6 percent of estimated US consumption, plus a share of the amount by which other areas may fail to meet their quotas. In effect, Cuba was given permission to market larger amounts of sugar in the US if US consumption estimates should be adjusted upward or if, as appeared likely, other producers should not fill their quotas. Cuba's 1948 share of the US domestic market amounts to 2.8 million tons as compared to 5.7 million tons it sold the US in 1947. While a drastic readjustment might have been involved, Cuba has been able to place a total of 5.6 million tons this year by virtue of sales to the US Government for use in Europe (1.3 million tons) and direct sales to other nations (1.5 million tons). Cuban production in 1948, however, was greater than in 1947 so that an unsold surplus will be carried over to 1949. Although ECA plans call for continued heavy sugar purchases from the Western Hemisphere, Cuba's task of selling future crops may become increasingly difficult unless new limitations of production are placed in effect.

(A detailed statistical study of Cuba's foreign trade and Cuba's sugar sales to the US which constitute so important a factor in over-all Cuban economic relations will be found in Appendix D.)

f. Transportation.

Transportation within Cuba is provided by air, railway, and highways. The 8,700 miles of Cuban railways include both common carriers and lines maintained by sugar *centrales* to provide connections with ports. The largest of 22 public-service railways is the British-owned United Railways, which is in poor financial and physical state. (It lost nearly six million dollars in 1946.) The other railways are owned by Cuban and US capitalists. Five of the nine largest railways showed losses for the latest fiscal year reported. Bus and truck lines, making use of the central highway system, transport an increasing share of passengers and freight, though most of the sugar still moves to port by rail. An increase in rail rates was allowed in March 1947 to apply to passengers and certain categories of freight. Results have not been reported yet, but standards of service and equipment on most railways in Cuba are so poor as to require more extensive changes than even the higher rates will permit. Expansion of highway construction by the state, already initiated by the government, seems the only practical solution at present to Cuba's problem of inadequate internal transportation facilities.

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Cuba has, by Latin American standards, a large number of automotive units, and development of travel and transport by motor has been notable in the last decade. Urban public transportation in Havana—both streetcar and bus—has deteriorated since 1941.

g. Public Utilities.

The principal electric and telephone services in Cuba are supplied by US-owned companies. Public utilities have been made a political issue by the nationalists who seek to make political capital out of the rates, high as compared with those of the US, and the indifferent services. One of President Grau's first acts as provisional President in 1933 was to force a cut in electric and telephone rates. At present a campaign is being waged in the press and courts against the US-owned power company. Rates are, indeed, much higher than those of most US cities, but the cost of higher production and the unstabilized "peak" loads may justify the difference in rates. There is, however, a strong undercurrent of hostility to the electric company that will become even more significant in a period of economic stringency. US investments in Cuban public utilities and railways total more than 300 million dollars.

Inadequacy of municipally owned water and sewage plants is a perennial public scandal in Cuba, and President Grau's reported refusal to allow foreign capital to be used in improving the Havana water system was followed by the suicide of the last-elected mayor, who had been publicly jeered because of his failure to provide a new water system.

Domestic telegraph service is a state monopoly under the Department of Communications, with low levels of service, but rates less than those charged in the US.

h. Public Finance.

Government finances have been so managed that a modest surplus has been shown at the end of each of the past several years. Revenues in 1947 were \$303,544,127, an increase of 25 percent over 1946. An additional \$4,500,000 in proceeds of the national lottery was deposited in pension fund accounts or given to charity. While official figures are not yet published, expenditures in 1947 were about 290 million dollars. Two hundred million dollars constituted funds drawn from the regular budget. Because the Cuban Congress has failed to enact a new budget since 1938, that budget has been extended annually as the "regular" budget, and additional revenue, depending on availability of funds, goes into an "extraordinary" budget established and expendable by executive decree. Main sources of revenue are excise and land taxes, 19 percent; customs revenues, 16 percent; gross sales tax, 15 percent; and lottery profits, 14 percent. Principal items of expenditure are education and national defense. In spite of the fact that President Grau promised a budget before taking office, none was approved during his incumbency, and public spending, though on a vast scale, has remained unplanned and without legislative approval.

The Cuban public debt, as of 31 December 1947, consisted of outstanding bonds in the amount of \$91,551,220; \$12 million owed to the US Export-Import Bank, and a 50 to 90 million dollar "floating loan" (non-funded obligations contracted by previous

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administrations). The funded debt is 90 percent held by Cuban owners and is subject to amortization in accordance with statutory requirements. The Cuban peso is pegged to the US dollar at one for one. Currency is 98 percent covered by gold bullion and US dollars, exchanging freely at par for US currency within the country. No Cuban paper money was issued until 1935; as a result, the amount of US currency in circulation in Cuba usually exceeds that of Cuban currency, as many prefer US currency for saving and hoarding.

3. ECONOMIC STABILITY.

Cuba's present cash and credit position is sufficiently sound to withstand, for at least a year, a fairly severe decline in sugar sales and prices. Were a decline in the price of sugar to be extended beyond that time, however, severe economic distress would result, especially if, as is likely, a decline in the price that Cuba pays for its imports should lag behind sugar prices. This would immediately affect Cuba's terms of trade adversely, and cause a decline in the real income of a substantial majority of Cuban people.

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SECRET**CHAPTER IV****FOREIGN AFFAIRS****1. GENESIS OF THE PRESENT FOREIGN POLICIES.**

Cuba's foreign policy is essentially a compromise between its desire to obtain maximum benefits from its special relationship to the US and the increasing desire of the Cuban people for international prestige and a freer exercise of sovereignty than the nature of their dependence on the US permits.

Under the Platt Amendment the US prevented Cuba from signing treaties with foreign powers which might impair Cuban independence and from incurring excessive debts. These restrictions, plus the grant to the US of a permanent lease for a naval base and the basic economic relationships established between Cuba and the US, made Cuba a quasi-protectorate of the US. Cuban public opinion originally accepted this situation for the sake of the benefits it conferred.

Dissatisfaction with what the Cuban regarded as their "semi-colonial" status grew slowly and did not become a positive political force until 1920. This discontent, particularly acute during the post-World War I slump, tended to be forgotten when President Machado's US-financed public works program alleviated existing economic distress. The world-wide economic crisis of 1929 and the resulting cessation of US loans to Cuba, however, reawakened the latent dissatisfaction which was in turn aggravated by the repressive practices of the Machado regime. There was thus generated among the Cuban people widespread and bitter hostility, not only to the regime itself, but also to the ties that, in their opinion, made Cuba so dependent on the US that a change in the latter's tariff policy could plunge Cuba into poverty and suffering. Thus to many Cubans the revolution against Machado in 1933 was not only designed to put an end to a tyrannical domestic regime, but also to terminate Cuba's economic and political subservience to the US of which Machado was regarded as the principal symbol. The abrogation of the hated Platt Amendment in 1934 represented to the successful Cuban nationalists a substantial, but only partial, attainment of objectives.

Consequently Cuban nationalists have not been content with this important gain but continue to exploit every opportunity at international and inter-American conferences to make patent Cuba's sovereignty and to try to win for Cuba enhanced international prestige by initiating independent, and sometimes anti-US moves. Majority opinion in Cuba, however, opposes this conduct whenever it threatens US relations from which Cuba derives so many obvious economic benefits such as favorable tariff and quota treatment. The resulting conflict of interests has thus turned Cuba toward nationalistic domestic regulations as a device by which to demonstrate complete sovereignty.

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SECRET**2. OPERATION OF PRESENT FOREIGN POLICY.**

Despite the anti-US aspects of Cuban policy mentioned above, Cuba would align itself solidly with the US in case of war with any possible group of states led by the USSR. It will also support the US position in any serious situation short of war. This attitude is determined by Cuba's basic economic interests, its location, and the convictions of the vast majority of its people. The Communist minority cannot maneuver pro-Cuban nationalists, who in foreign policy are its logical allies, into a position where they would support the USSR against the US, though there are many intermediate positions where anti-US policies would be acceptable as "the legitimate defense of Cuban interests."

Cuba, next to the special US economic ties which make possible its prosperity, is most interested in developing bi-lateral and multi-lateral relations with other American states. It is one of the leaders in the inter-American movement because it thus gains a measure of international prestige and develops a counterbalance to complete dependence on the US. The United Nations has had little practical effect on Cuba but serves as a useful forum before which to ventilate Cuban protestations of equality and independence vis-à-vis the US. Cuba is certain to remain an active participant in the UN; but it will continue to rely for its security upon the armed forces of the US.

Spain, because of the traditional and cultural ties of *Hispanidad*, is the only nation that could become a strong competitor with the US and other American states for Cuba's sympathy. Close ties are, however, at present impossible because of the contempt which most Cubans have for the Franco regime. Spanish Republican intellectuals who are refugees in Cuba maintain the prestige of Spanish culture although, at the same time, they reinforce the sentiment against Franco and dictators in general. The appeal of Franco-led *Hispanidad* is thus limited to a minority composed of the wealthy and the ultra-montane. This group, although anti-US during World War II, now favors the US because of its present attitude toward the USSR.

Cuba's opposition to "dictators" also influences its position within Caribbean balance-of-power alignments. Both the present Cuban Government and a majority of public opinion are opposed to the Trujillo regime in the Dominican Republic. Though less interested in Central America, Cubans also oppose Somoza of Nicaragua and Carias of Honduras. Their sympathies, less strong than their antipathies, are with the present governments of Venezuela, Guatemala, and Haiti. In the event that the present division within the Caribbean area continues, Cubans can be expected to maintain their hostile attitude toward the present governments of the Dominican Republic, Nicaragua, and Honduras and to support jointly with Venezuela, Costa Rica, and Guatemala conspiratorial and propaganda activities designed to overthrow the "dictatorships" and embarrass their leaders. To date no formal alliances or agreements have been made to implement this policy which will probably be continued on the basis of informal understandings among the leaders of the "democracies."

Cuban aversion to "dictators" also makes it difficult for Argentina to gain converts in Cuba to its "third position," though Cuban anti-US ultra-nationalistic sectors would otherwise be attracted to such an idea. To the highly individualistic and emotional

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Cuban, absolute rule by a majority represents a tyranny equally as repugnant as that of a repressive government by an organized minority. Cuba's own experience as a Spanish colony, exploited, taxed, and persecuted at the hands of a corrupt metropolitan power, has been the major factor in determining its attitude toward European possessions within the Western Hemisphere. It opposes the continuance of European sovereignty over such areas. There is also much sentiment in Cuba for political independence for Puerto Rico. As a consequence, Communist propaganda in behalf of Puerto Rico independence, no matter how inaccurate, is effective in creating anti-US sentiment among the ebullient Cuban youth.

Recently, Cuba has evolved a "doctrine" for international relations which seems to satisfy both aspects of its foreign policy—a demand for favorable treatment in the US market, and a desire for an international reputation for leadership and independence. The US Sugar Act of 1948 provided that the US could withhold or withdraw increases in sugar quotas, as provided in that act compared with the 1937 Sugar Act, from "any nation that denies free and equitable treatment to the nationals of the US, its commerce, navigation or industry." Guillermo Belt, Cuba's Ambassador at Washington, charged that this represented "economic aggression" and proceeded to campaign at subsequent international conferences in favor of an agreement that would prohibit such "aggression." As a result of his efforts, a variant of this so-called "Grau Doctrine" was adopted as Article 16, Chapter III of the new Charter of the Organization of the American States. It provides that "no state may use or encourage the use of enforcement measures of an economic or political character in order to force the sovereign will of another state and obtain from it advantages of any kind." This appears to have been primarily an attempt to circumscribe the US in its use, for political ends, of the economic power it derives from its dominant position in the Cuban economy. It is also significant as a projection of the aims of the Cuban ultranationalist groups into inter-American and international affairs, and as an indication of the type of maneuver that is to be expected in the event that Cuban-US economic relations become less favorable to Cuba than they are at present.

Cuba's foreign policy is in such delicate balance between nationalism and dependence on the US that it lacks both stability and consistency and is peculiarly subject to changes in international conditions and Cuban public opinion. Reduced economic activity and difficulty in economic relations with the US stimulate nationalism since, to Cuban public opinion, the immediate gains to be derived from ultranationalistic moves rather than the long-term gains derived from economic cooperation with the US, seem the greater when trade relations with the US decline in value or become unfavorable to Cuba. Furthermore, control of the government by the political parties partial to nationalism rather than cooperation can swing Cuban foreign policy toward a nationalist viewpoint even when economic conditions are favorable to cooperation.

Cuban-US relations are so close that the task of maintaining US interests in Cuba can be made more difficult and complicated if Cuba merely fails to cooperate willingly and wholeheartedly. Though Cuba is not likely, within the near future, to adopt foreign policies seriously adverse to major US interests, the degree of cooperation could decrease rapidly if a radically nationalistic government came to power in Cuba or if

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US-Cuban economic relations declined in value and advantage to Cuba. In such a case the cost of maintaining US interests in Cuba would increase proportionately. For example, lessened demand for Cuban sugar in the US market, with consequent depression in Cuba, will stimulate nationalistic agitation to expropriate foreign-owned properties and will cause onerous controls to be imposed on foreign economic activity.

The most extreme and unfavorable turn Cuban policies could take, from the standpoint of US interests, would be to oppose continuance of the naval base at Guantánamo or to refuse additional bases in case of an emergency. Both Communists and ultra-nationalists advocate the termination of the base lease. As early as 1935 the US Foreign Policy Association took account of Cuban popular sentiment to this effect and suggested that the US give up Guantánamo. Though events since that date have convinced both Americans and the majority of Cubans of the necessity for the base, as well as other bases in time of war, anti-US forces in Cuba seize on the theme of lease-cancellation as a means of embarrassing the US. Any rise in anti-US feeling, however produced, may be reflected in greater efforts to force the removal of the US base from Cuban soil. It is estimated, however, that in the foreseeable future, anti-US feeling in Cuba will not increase to the point of depriving the US of these necessary privileges, though it could reach the point where it would become necessary for the US to grant Cuba concessions of one type or another in exchange for Cuba's continued cooperation in this respect. This would especially be true in a period prior to a war in which the US would be engaged, rather than during hostilities themselves.

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SECRET**CHAPTER V****MILITARY SITUATION****1. GENESIS OF PRESENT MILITARY POLICIES.**

Cuba's armed forces have never served away from home. Their proudest military traditions derive from their bloody guerrilla-type struggle for independence from Spain between 1868 and 1898 and the subsequent early days of the republic during which the claim of military leaders to political power was confirmed. Although Cuba promptly followed the US lead in entering both World Wars, its military action was largely confined to cooperation with US forces in anti-submarine patrol of the Cuban coasts and adjacent waters.

The Cuban Army, though now large and well trained by Latin American standards, was organized by its founders for the purpose of maintaining domestic law and order and serving as a final arbiter in matters of major political importance. Its efficacy for these uses only was emphasized during World War II when General Batista, elevated to the presidency solely through his army connections, frankly stated that the Cuban Army was unable to repel any but the most mediocre of invasion forces. Recent Caribbean tension has forced Cuba for the first time to consider its armed strength in relation to its Latin neighbors. There is no evidence, however, that this has become a serious strategic consideration. The Cuban armed forces are primarily designed to meet the specific needs of an island republic close to the protection of a friendly major power — the US — but subject to an endemically difficult domestic political situation. Any attempts, therefore, to establish a completely professional Cuban Army, Navy, or Air Force divorced from domestic political decisions is contrary to Cuban traditions and is therefore unlikely as a permanent achievement.

As an armed force, the value of the Cuban establishment cannot be judged from the standpoint of its ability to wage an aggressive war. The appropriate standards are those of a Latin American island republic and from that point of view the question is, can it, on the basis of existing training, organization, and equipment, and through its control over all arms and weapons, maintain law and order in normal conditions, and "protect the established Government" in times of stress. The military estimate in the following paragraphs is made from this standpoint:

2. STRENGTH AND DISPOSITION OF THE ARMED FORCES.

As of 1 July 1948, the Cuban Armed Forces — Army, Navy, and National Police — had an estimated strength of 27,181 officers and men. Air forces, connected with the army and navy, are included in this figure. The separate services are as follows:

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SECRET*a. Army.*

The ground forces of the Cuban Army include 1,392 officers and 14,200 enlisted men — a total of 15,592 personnel. There are one infantry regiment, one artillery regiment, and seven “rural guard” cavalry regiments. The first two regiments are known in Cuba as the “regular army” and are stationed in Havana together with the General Staff and the specialized services — constituting together 26 percent of the army ground forces. These units, stationed as they are in the center of the Cuban political power, constitute the nexus between the military and the civilian establishment and exert a pervasive influence over the civilian political scene. The seven “rural guard” regiments are stationed in small detachments throughout the interior of the Republic where they perform the functions of rural police. Only in Santiago, Cuba’s second city, is there any large unit of the “rural guard” in one garrison.

The Havana-stationed “regular army” is considered to be good, the “rural guard” regiments inferior. The quality and training of Cuban Army personnel in general are adequate. Equipment and armament are obsolescent and insufficient for purposes of combat against a US or European army of comparable size, but are adequate for the police and political functions of the Cuban Army. Maintenance of equipment and training in its use are sufficient. Present armament includes 20 light tanks (12 M3A1), 23 Schneider 75’s (1909 Model), 5 88-mm. anti-aircraft guns, 6 antiquated field guns, and 4 15-cm. Ordóñez Coast Defense guns. Infantrymen and rural guards are normally equipped with Springfield rifles and/or Colt automatics of which there is an ample supply. Artillery and special service units are also equipped with Colts.

In spite of the traditional political pattern of the Cuban Army, the present Chief of Staff has endeavored to make the army a non-political force and has emphasized law enforcement functions. In line with this policy, a large proportion of the officers have received US training, and a genuine attempt has been made to instill professional pride throughout the army. Graft has been reduced. It is estimated, however, that these disciplinary achievements are temporary. The army’s political potential is so high that despite several years of reform, the army will undoubtedly be drawn into politics. President-elect Prío is already reported to be looking about for a new Chief of Staff who can the better assure him of army support.

Cuban army officers and enlisted men are drawn primarily from the rural regions of Cuba where the peasants consider the army a career more promising than any they could expect at home. Though one-year enlistments are legally possible, most enlistments are for longer periods, and there is a high proportion of re-enlistment. As a result, a majority of the army are veterans with 5 to 20 years service. Most of the officers are former enlisted men who obtained their present rank as a result of the reorganization of the army that stemmed from the 1933 revolution. Both officers and men, consequently, come from the same general social stratum. In contrast to other Latin American republics, in Cuba few of the upper classes now elect army careers. Since the total army strength has been reduced since 1943, the year of peak war strength, the present army — except for officers named by the Grau regime and replacements in the ranks — is substantially the army General Batista turned over to his

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successor in the presidency. Places in the regular army are so eagerly sought that there is rather rigorous selection, and new recruits are far superior physically and educationally to existing personnel.

Training for recruits, as well as for non-commissioned officers and officer candidates, is given at an army school established at Managua, Havana Province. This school—apparently well-equipped and well-managed—has a present enrollment of 76 cadets and over 500 in the other categories. The officer in command, a deserter from the US Army during World War II, is proving to be an excellent commandant. Many Cuban officers have taken advantage, at one time or another, of courses in US Army service schools, and the effect of this training in improved efficiency is noticeable throughout the Cuban Army.

The air corps of the Cuban Army is relatively less efficient and useful than the ground forces, though improvement has been noted in the past two years. The air forces have not, as yet, established the character of the service they may render, in relation to the ground forces or to the republic at large. They have the double problem of training personnel and fitting the corps' functions into those regarded as the normal functions of the ground forces. The present air forces have 446 officers and men organized into three squadrons (fighter, bomber, and maintenance). There is a total of 72 aircraft of which all but 25 can be classified as training and liaison planes with little tactical significance by US standards. The 25 include 5 B-25's, 6 P-38's, 1 B-24, and several B-34's and transport planes. Since the proper role of the air corps in the Cuban scene has not been determined, the relative value to Cuba of different types of planes cannot be estimated. Although a proposed US Air Mission will aid greatly in technical proficiency, neither it nor any foreign air mission can be expected to solve for Cuba the fundamental problem of what an air corps can do for a country where the military establishment is used primarily for political and police purposes.

b. The National Police.

The national police with a total strength of 7,231 men is second in importance only to the army with which it is closely associated. The commander of the national police must be selected by the President from among the senior officers of the army and occupies, by virtue of his position, a sub-cabinet post. A large proportion of the personnel are former soldiers. The organization is military in character and is divided into seven divisions, of which the most important is stationed in the city of Havana. This division is split into 14 units, each with separate motorized equipment. The other divisions are stationed in the smaller cities of the interior where their work is supplemented by that of local municipal police who have only subordinate authority. The national police, through their commander, is subject only to the orders of the President of the Republic.

The national police now includes gangsters, who in the guise of sincere revolutionaries primarily fought the repressive police of Machado and Batista, and use their present position under the *Auténticos* to extend immunity or actual protection to malefactors of all kinds. Recent shooting frays in Havana reveal that gangster rivalries have thus penetrated the national police, and its members, because of their intimate

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personal connections with rival gangs, have factionalized the force to the point where its groups are prepared, on occasion, to engage in bloody combat with one another.

Following a particularly spectacular battle in a residential suburb of Havana, a new commander of the police was appointed who, it was hoped, would put an end to the lawless activities of the police. The hoped-for reforms have not been accomplished, so that the police does not honestly perform its prescribed function of enforcing the laws of the Republic. Despite these faults, however, the national police would, in time of national emergency, make a definite contribution toward defending the Republic itself.

c. *The Navy.*

Cuba maintains a navy principally because it feels that one is necessary to its national prestige. The navy is seldom used for any practical purpose, and Cuba does not regard its presence as a necessary protection against naval attack by any of its neighbors. There are 41 vessels, including 7 gunboats, 13 modern submarine chasers, and 14 vessels acquired from the US during 1947 (3 PF's, frigates; 2 ATR's, ocean tugs, rescue; 5SC's, subchasers 110'; 2 PCE's, patrol vessel escort 183'; and 2 PT's, motor torpedo boats). The operating condition of all units — except those recently obtained from the US—is uniformly low, and most vessels spend months and even years anchored in one place. The terminated US Naval Mission (21 September 1946) accomplished little during its tour of duty in Cuba. The mission was utilized principally by the Cuban Navy as a means of acquiring vessels and equipment during the war period, and when the submarine menace declined, the Cuban Navy resumed its accustomed indifference toward progress and improvement. The 3,755 naval personnel, under the command of a Commodore, the highest officer in the Cuban Navy, are subject to political influences similar to those that corrupt the police force. Though greatly inferior in numbers and importance to the army, the navy is not directly controlled by the army and at times pursues an independent course. Since the Cuban Navy does not serve any well-defined peacetime purpose and since its wartime role is indefinite, it would appear to be difficult to establish proper discipline and efficiency. Cooperation with the US forces on submarine patrol during World War II and anti-submarine training received at Miami by some of the personnel were excellent morale builders for which there is no corresponding peacetime activity.

The Navy Air Arm, consisting of 19 planes and 144 men, is considered to be "largely inoperative" at the present time, and is inferior in every respect to the army air forces.

3. **WAR POTENTIAL.**

a. *Manpower.*

The present armed forces of Cuba constitute 1.5 percent of the total population. It is estimated that Cuba could mobilize 30,000 additional men within 180 days of the beginning of mobilization. An Emergency Military Service recruitment system is in effect for which all males register in the month of August following their twentieth

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birthday, thereby entering military Class One (ages 20 to 24), subject to conscription. No conscripts are being added to the army at this time though there are plans to select 6,000 from the 16,000 who registered in the fall of 1947 and give them six months' training. Army reserves consist of those who have completed emergency military training and who are still in Class One by reason of age (20 to 24). The laws provide that Classes Two (ages 25 to 34) and Three (ages 35 to 50) also constitute reserves, though no conscription has been applied to these classes. The full quotas needed by present training plans are met by those in Class One who volunteer for service. No training is now given the various reserve classes. In view of the relatively favorable career offered by the Cuban Army, there is no difficulty in filling present quotas with satisfactory volunteers. For this reason, the present Cuban Army is considered above the Latin American average in regard to physical condition and education.

b. *Natural Resources, Finance, Industry, and Science.*

From the standpoint of natural resources, it is improbable that Cuba could maintain its own defense forces even if it decided to make the attempt. Although its budgetary position would probably permit large-scale acquisition elsewhere, its industry could not, within the foreseeable future, supply the necessary weapons and equipment. Similarly, the level of both scientific research and production are such that no significant war service in this respect could be rendered by Cuba.

4. **MILITARY INTENTIONS AND CAPABILITIES.**

As an armed force, the Cuban military establishment is capable of making a contribution in any struggle in which Cuba finds itself allied with the US against the USSR. There is no evidence of extensive Communist infiltration in the army, the national police, or the navy. Such limited infiltration as has occurred is under the close scrutiny of the military chiefs who can be counted upon to suppress it with vigor immediately upon the outbreak of hostilities. Consequently, the military establishment can be expected to serve as (1) an effective device to prevent such Communists as are at present in Cuba from obtaining control of the government and (2) as an adequate police force to assure ultimate production and delivery to Cuban ports of such strategic and critical materials as Cuba is capable of supplying. It could not, however, prevent temporary dislocations of production and delivery. In a period prior to the outbreak of hostilities, the military establishment can be counted on to give maximum support to any program which the government might adopt for the surveillance or suppression of Communist activities, although it would not, so long as the Communists enjoy the benefits of Cuba's democratic tradition, independently attempt to suppress the Communists.

The political influence of the Cuban military establishment on the government has for the present been reduced. It is axiomatic, however, that it will again become a determining factor in a period of stress. At such a time, tendencies toward division within the army into pro-Batista and pro-*Auténtico* factions would not, it is estimated, be sufficient to neutralize the army as a political force. On the contrary, in a time of stress, one of the two factions would emerge ascendant and would, by open espousal of particular issues, win for itself sufficient support from the Cuban civilian population

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to enable it to take control of the government. Such a situation, it is estimated, could evolve from disputes over domestic rather than foreign issues. No matter which army faction came to power, it would probably not be anti-US but more favorable to the US point of view than the present majority of Cuban civilian politicians. At present the *Auténtico* faction, backed as it is by the high command of both the civilian and military establishments, is in the ascendancy. It can be expected to maintain its position for another two years when a new election, changed economic conditions, and the results of General Batista's present political maneuvers in Cuba may bring about a shift in relative positions.

Although the functions of the Cuban military establishment are now limited to the maintenance of law and order in normal times and the "protection" of the government in times of stress, other contributions would be possible during a joint war with the US against the USSR. With the appropriate US direction and equipment, the military establishment could be counted upon to assist in the aerial and surface patrol of Caribbean waters and could dispatch to Europe or Asia a small land and/or air expeditionary force, as well as garrison units. The combat abilities of such expeditionary forces as Cuba might contribute, would be strictly limited. They would, however, serve as an important morale factor within Cuba and would indicate Hemisphere solidarity and inter-American unity of action against the designs of a non-American power.

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SECRET**CHAPTER VI****STRATEGIC CONSIDERATIONS AFFECTING US SECURITY**

Because of the role of Cuba in the defense of the Panama Canal, in the protection and patrol of US lines of communication, and as a source of strategic materials, Cuba and thus Cuban foreign policy are of importance to the US.

In general, Cuba's constitutional democratic system of government, its Western cultural orientation, and its well-defined political and economic ties to the US render very unlikely any Cuban political development unfavorable to US security.

Specifically, there are, however, two elements at work in the political life of Cuba that could conceivably impede the ability of the US to meet its strategic requirements by (a) making of Cuba a base of operations for Communist groups which the Cuban government could not control, and (b) causing Cuba to deny in a period preparatory to conflict between the US and the USSR, air bases and expanded naval facilities deemed necessary by the US. These two elements are the Popular Socialist Party and anti-US nationalists. In this connection, the relevant problems are whether either of them, acting independently or together, could (a) lessen the Cuban government's degree of cooperation with the US and impede its capacity to associate with it, in support of the US, a substantial majority of the Cuban people, and (b) reduce Cuba's ability to maintain public order.

The Popular Socialist Party — the Communist Party of Cuba — is inimical to US strategic interests in the area. Although, at present, it does not have sufficient strength at the polls to capture control of any branch of the government, Cuba's republican form of government and multi-party system, in combination with Cuban traditions of purely fortuitous and expedient political alliances and "deals" are such as to afford the Communist Party an opportunity to influence Cuban policy to a degree beyond that which its numbers or its popularity at the polls might warrant. Furthermore, much of the Communist propaganda in Cuba is presented in terms of nationalism and consistently attributes Cuba's misfortunes to its subservience to US commercial and political interests. The appeal of propaganda of this nature is not confined to those in Cuba who are communistically inclined, but also to the anti-US nationalists who, no matter how strongly they may reject the philosophy of economic determinism and the class struggle, find, on individual issues at least, that they are on common ground with the anti-US Communists. For this reason there is, in Cuba, always the peacetime possibility of the combination of these two political forces for reasons of expediency. The existence of such a possibility thus enhances the Communists' opportunity to lessen US-Cuban cooperation and Cuba's support of US foreign policy. Accordingly, a substantial increase in the number of adherents of the Communist Party, even if less than that necessary to afford the party a majority at the polls, could jeopardize US interests by impeding the ability of the Cuban government to associate with it, in support of the US, a majority of the people.

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(From the standpoint of the ability of the Cuban government to control the revolutionary aspects of Communism, see Chapter II, Presence of Sabotage and Subversive Elements in Cuba.)

Anti-US nationalists—particularly numerous among the adherents of *Cubanidad*—favor ambitious schemes to reduce Cuba's economic dependence on the US. Because of the peculiarly close economic ties between the two countries, they pose many vexatious problems for US-Cuban relations. Since there is general confusion in the minds of Cubans as to the difference between US commercial and strategic interests in Cuba, the anti-US nationalists thus interrelate the two to a degree beyond that which the reality of the situation deserves. The expediency of terminating US ownership of a utility company, for example, despite all logic, becomes involved in general discussion of the expediency of terminating all US special interests in Cuba. Although it is most unlikely that, in the event of an armed conflict between the US and the USSR, the nationalists would oppose the US, it is a fact that they have in the present period prevented cooperation from running relatively smoothly and have demonstrated their ability to impair US-Cuban relations by a series of acts or group of circumstances each unimportant in themselves. And in a period preparatory to a US-USSR conflict, the gravity of which would escape anti-US Cuban nationalists who would remain preoccupied with the superpatriotic precepts of *Cubanidad*, the anti-US nationalists, acting alone or even in combination with the Communists, might cause Cuba to deny additional military installations to the US.

Cuba's principal contribution to the US is cheap sugar. Advanced technology, in combination with natural advantages, has made of Cuba the greatest single sugar producer in the world and the only country capable of meeting US wartime requirements. Cuba is also capable of supplying the US with important quantities of nickel, manganese, copper, and chromite. Other minerals, including gold, lead, light-gravity petroleum, asphalt, salt, barite, stone, and iron ore, are present in Cuba and available for emergency use. A limiting factor in their utility to the US, however, is relatively low quality and, in the case of iron ore, divergency from the type usually processed in the US.

At present Cuba has a joint industry-government system of control over sugar production. This system enables the US—in the event of an emergency—to negotiate and regulate the flow of sugar to the US with greater facility than would be the case if it were necessary to deal with a multiplicity of nonintegrated, individual producers. For this reason, it is estimated that US security interests would not be jeopardized even if Cuba acted to increase state control of its economic life as is possible under the provisions of its present constitution which expressly rejects the principles of *laissez faire*.

The Cuban armed forces, including the national police, are at present capable of keeping under observation, and containing during a US-USSR shooting war, most elements within the Cuban population regarded as hostile to basic US interests. As such, they make a contribution to US security interests. They are not capable, however, of protecting Cuba from invasion by any major power or of contributing substantially in any joint US-Cuban effort against a common enemy.

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CHAPTER VII

PROBABLE FUTURE DEVELOPMENTS

Cuba's economic and political future will be determined principally by a factor over which Cuba itself has little control — the condition of the world sugar market. Prospects for good prices and disposal of large proportions of the Cuban production are far less promising now than they were at the close of hostilities. The majority of Cuban sugar experts foresee a further decline both in the amount of sugar Cuba will be able to sell as well as in the price. They are thus much concerned over the necessity for downward readjustments in wage levels and reduced production goals. To date no real progress has been made in this direction. But if sugar prices continue to decline, these readjustments will become a compelling necessity which the government of President-elect Prío will have to face.

Since Prío's announced program calls for increased economic self-sufficiency for Cuba and a vigorous defense of the Cuban worker's standard of living, there are only two principal means by which these objectives can be attained in the face of a further decline in sugar prices: diversification of production with emphasis on food products, and increased demands on foreign-owned enterprises in Cuba. The first will be extremely difficult to accomplish, and the second will have limited practical value because excessive government impositions would cause foreign corporations to resort to measures costly to Cuba. A theoretical third solution of the difficulty, borrowing money from the US in order to subsidize Cuba's present level of employment and prices, would not be easy for Prío to adopt since it would be contrary to his publicly espoused goal of economic self-sufficiency.

Despite any difficulties that might arise from a decline in sugar prices, popular support and the state of disunity of the opposition will probably enable the Prío regime to survive for two years at least. By 1950, however, the opposition might be able to join forces sufficiently to defeat him in the scheduled by-elections. Were this to happen, it might well be the first step toward more direct efforts to overthrow the government since it would be irrefutable evidence that the *Auténticos* had lost their mandate from the people. In such a period, the principal threat to the Prío government would be the conservative opposition which might combine under a strong leader like Batista.

President-elect Prío is supported by a substantial majority of the Cuban people in his pledge to support the US against the USSR and to give all possible aid in the event of a war. The Prío administration's preoccupation with policies that tend to increase Cuba's independence, however, will influence its relations with the US in matters not directly connected with US-USSR rivalry so that cooperation will not be continuously smooth. Difficulties will become proportionately greater if Cuban-US commerce declines and it appears to the Cuban Government that there are more immediate advantages in anti-US nationalistic moves than in long-term economic cooperation with the US.

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Cuba's nationalistic urge to assert its independence can be expected to be especially strong at international conferences and congresses. Such a course would not be dictated by obstructionism, since Cuba wholeheartedly supports the UN and inter-American organizations, but rather by a desire to show that Cuba is not subservient to the US.

Cuba will probably continue to oppose the Caribbean "dictatorships." Since both the US Government and the provisions of inter-American agreements are opposed to one republic's interference in the domestic affairs of another, Cuba's efforts will probably be confined to (a) surreptitious aid to and tolerance of the activities of revolutionary groups, and (b) the further development of friendly relations with the Caribbean "democracies" with the end in view of jointly pursuing a hostile policy toward the "dictatorships."

Prío's past performance as Secretary of Labor and his statements as President-elect indicate that his government will continue to repress Cuba's Communists. As long as he is in power, therefore, it is estimated that Communist strength will decrease politically and within the labor unions. Only if Prío were to abandon his stated program of defense of the Cuban worker could the Communists hope to gain strength, and this is considered extremely unlikely because it would signify the reversal of all Prío's major policies and would alienate the very group on which the government depends for support.

Two other domestic problems have been mentioned as major in Cuba: the racial problem and the need to develop rural areas. The government under Prío—one of the most liberal members of the *Auténtico* Party—will be in an excellent position to win the confidence of the colored people, and it can be expected to strive to reduce racial discrimination in Cuba. Efforts in this direction should be helpful in forestalling Communist attempts to win additional negro support.

In public statements, Prío has recognized the need to develop rural areas and has already proposed the construction of farm-to-market roads as a step toward its solution. His ability to devote a significant amount of money to these purposes, however, will be greatly limited if sugar markets decline. Furthermore, his corrupt associates can be expected to divert a considerable portion of such funds as may be appropriated to other purposes. It is estimated that little will be accomplished to solve the rural problem.

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SECRET**APPENDIX A****TOPOGRAPHY AND CLIMATE**

Cuba, an island republic, is over 700 miles long with an area equivalent to that of Pennsylvania. In form, it is a great shallow crescent, one horn of which partially closes the entrance to the Gulf of Mexico, while the other extends southeastward to the Windward Channel. The northern coast of Cuba begins at Cape San Antonio, some 150 miles off Yucatán, curves northward to within 90 miles of Key West, Florida, then curves southeastward continuing in this direction more than 400 miles to end in Point Maisí, about 50 miles from Haiti. The concavity of the south coast includes the shallow waters of the Gulf of Batabanó, the Isle of Pines, and myriad islets. Both northern and southern coasts of Cuba are fringed with coral reefs in most places, making access by sea difficult except from the west or through a few safe passageways. There are, however, several excellent natural harbors—Guantánamo, Havana, and Santiago.

With an average width of 60 miles, Cuba has no significant rivers or lakes, but there is, nonetheless, a wide range of types of terrain—from the swamps of the southern Zapata Peninsula to the mountains of Oriente which contain peaks higher than any in eastern US. Smaller mountain ranges in western and central parts of the island cause a high percentage of the area to be hilly or rolling. Several different types of soil are found, some maintaining their fertility for dozens of harvests without artificial fertilization. The deforestation of the island which has been rapidly advanced within the past decades is a threat to the long-range maintenance of some soils.

Although Cuba is located within the northern limits of the tropics, a combination of favorable ocean and wind currents helps create a very equable and pleasant climate. The Gulf Stream curves north of Cuba as a water barrier against the effects of cold northern winds while the eastern trade winds temper the heat of summer. The mean annual temperature is 75° F. with a difference of less than 11° in the average temperature of the coolest (February 70.6°) and the hottest month (August 81°). The most extreme temperatures ever officially recorded in Cuba were 36° and 96°. Annual rainfall varies from a mean of 40 to 60 inches. Heavier rains usually take place in certain interior areas. The greater amount of rain falls in the months from April to November, the winter months being relatively dry and sunny.

While Cuba's temperature and evenness of climate disqualify it as one of the areas regarded as stimulating to human achievement, the more harmful secondary effects of the tropics—diseases, etc.—are controlled to a remarkable degree for a tropical country by public health and sanitation measures. Cuba's leadership in this field has continued since the notable work initiated there by Americans during the war with Spain. While malaria and intestinal parasites are still common in Cuba, yellow fever, cholera, typhus, smallpox, and various other diseases are effectively controlled. Complete eradication of many of these is scientifically, if not economically and politically, feasible.

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SECRET**APPENDIX B****POPULATION FACTS****POPULATION OF CUBA, BY PROVINCES, IN 1903, 1933, AND 1943**

	1943 ¹	1933 ²	1903 ²
Pinar del Río	398,794	346,667	181,604
Habana	1,235,939	961,905	440,523
Matanzas	361,079	343,775	211,650
Las Villas	938,581	826,386	375,742
Camaguey	487,701	414,187	95,049
Oriente	1,356,489	1,071,946	353,746
TOTAL CUBA	4,778,583	3,964,866	1,658,314

The 1943 figures indicate a population density of 108 per square mile.

The Cuban population is 54.5 percent urban, 91.8 percent native born, 78 percent literate, and the average age is 24.9 years. The percentage of white population, according to the 1943 census, is 74.4 percent. Of the working population, 42.23 percent are employees while 57.77 percent are self-employed.

¹ Cuban census of 1943.

² Cuban Department of Public Health.

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APPENDIX C
BIOGRAPHICAL DATA

CARLOS PRIO SOCARRAS, President-elect of Cuba, is a product of the revolutionary movement which overthrew Machado but did not gain full control of the government until ten years later in 1944. Prío was born in Pinar del Río, Cuba, in 1903, of middle-class parents, and went to the University of Havana where he had a distinguished record as a student politician. He became a leading member of the famous revolutionary committee of 1930 and took an important part in the formation of the *Auténtico* Party. Exiled by Batista in 1935, Prío later returned to Cuba to participate in the Constitutional Convention and was elected to the Senate in 1940 where his personality and youthful vigor won for him an influence beyond that of his associates. Prío served as Prime Minister under President Grau from October 1945 to April 1947. Later he became Minister of Labor and gained prominence by forceful measures that eliminated Communist control of the officially recognized confederation. Despite the fact that Prío was elected President in 1948 with the support of Grau and the palace clique, and although he has long been associated with the terroristic and revolutionary elements of his party, there are indications that he may attempt to restrain the violence of former associates and give Cuba a less corrupt government. His intentions and capabilities in this respect will be subjected to severe tests when he takes office 10 October 1948 and on the outcome, to a large degree, depends the future of his regime in the event that economic conditions deteriorate to a point where sound and efficient administration become necessary.

FULGENCIO BATISTA, a former President of Cuba who long was and is possibly destined to be again the most influential person in Cuban politics, was born 16 January 1901 of plebeian parents in Oriente Province, Cuba. He received no formal education and worked at a series of lowly jobs until he entered the Cuban Army. There by virtue of outstanding initiative and self-discipline, he advanced slowly, grade by grade, until he became sergeant and typist at Army Headquarters. After the fall of Machado in 1933, Batista led a coup of non-commissioned officers who purged the army of pro-Machado officers and made him their Chief. At first, Batista coordinated his efforts with those of other revolutionary groups; later, he readjusted his position to one more acceptable to the US Embassy in Havana and to conservative Cubans. This shift caused dissension and revolt among the revolutionaries which Batista suppressed quickly and cruelly. He thus became the supreme power in Cuba and forced all branches of the government to carry out his orders, which included the impeachment of the legally elected President who had refused to be subservient. As Commander of the Army, Batista governed unofficially from his headquarters at Camp Columbia until 1940 when he sought and obtained the presidency for himself. In 1944, to everyone's surprise, he permitted the holding of honest elections, accepted defeat at the polls gracefully and

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went into voluntary exile. He plans to return to Cuba as a senator in November 1948, and probably intends to run for the presidency in 1952.

Batista has an intuitive understanding of Cuba and its people. His political astuteness is a product of this understanding in combination with great native intelligence. Upon his return to Cuba he will become a significant factor affecting the island's future. While he performed a great service in bringing Cuba from revolutionary chaos to republican stability, he appears to lack idealism or any integrated concepts for his country's future. His talent appears to lie in the conciliation of opposing forces in the interest of order, stability and the peaceful maintenance of the status quo. His political development has been in the direction of increasing conservatism, but realistic political opportunism remains stronger in him than devotion to a particular ideology.

EDUARDO RENE CHIBAS Y RIVAS, known as "Eddy" to practically everyone in Cuba, has always been a colorful figure, provocative of headlines, controversies, and duels, but only recently has he proved at the polls that his influence over a significant sector of the Cuban population is decisive. Chibás was born in 1907 in Santiago de Cuba where his father was a prominent engineer closely associated with US military government activities. Chibás' inherited wealth has enabled him to adopt the independent role he so strikingly manifests in political affairs. He became a follower of Dr. Grau during the revolution against Machado and acted as Grau's unofficial spokesman until 1947. His first important political post was as delegate to the 1940 Constitutional Convention, after which he served as representative and, most lately, as senator. The increasing popularity of his weekly radio chats and public speeches gradually created for Chibás a special following within the *Auténtico* Party. Although he is inclined to go to extremes in wringing the full publicity possibilities from each passing incident, Chibás does have certain beliefs to which his loyalty is more or less continuous. One is that the economic and political self-determination of Cuba should be advanced by all possible means. Another is that the Cuban masses should be given fair treatment by an honest government which should consistently support the ideals of the 1933 revolution. His break with Grau in 1947 came ostensibly because he felt that the Grau regime had become corrupt. Actually, the fact that President Grau did not decline renomination until a late date was a weighty though unadmitted reason for the break, since Chibás coveted the nomination for himself.

Chibás' success in attracting more than 300,000 votes in his independent presidential campaign is proof that he is a leading Cuban political figure and that he will be a principal contender for the presidency in 1952 if he is able to maintain the support of the group which voted for him in 1948. Previous to his success at the polls many Cubans considered him merely a radio commentator and publicity seeker.

GENEVEVO PEREZ DAMERA, Chief of Staff of the Cuban Army, represents a personal link between the Army and the revolutionary student groups of 1933. Born in Matanzas, Cuba, in 1910, Pérez attended the University for a short time during which he established several important friendships with those who later were student leaders. Having entered the army as a private, he became a second lieutenant as a result of Batista's

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"Sergeants' " revolt of 1933. As the friend of Dr. Grau, he was assigned to his staff as a military aide during Grau's short provisional presidency. When Grau left the presidency, Pérez was able to remain in the army under Batista, receiving one or two routine promotions in the ten years between 1934 and 1944. When Grau was elected president in 1944, however, promotions came rapidly until Pérez became Grau's Chief of Staff in 1945.

Prior to this last appointment few people—except perhaps Grau himself—took Pérez very seriously as an army officer and he was the butt of many jokes based on his obesity and his supposed lack of manly qualities. His surprisingly vigorous and determined action as Chief of Staff, however, has won him respect. Army efficiency and morale have been improved, and the army has been most effective in maintaining order during elections and in controlling Communist-inspired labor difficulties. General Pérez has developed into a key figure in Cuba. Although opposed by certain members of the palace clique, Pérez is the best military figure the *Auténticos* have produced so that, despite repeated rumors that he will be replaced by President-elect Prío, his ability to control the army is increasingly valuable at a time when opposition military men like Batista and Benítez are returning to the country.

LAZARO PEÑA. Of the publicly known leaders of the Cuban Communists, Lázaro Peña is the most popular and effective in organizing support among non-Communist groups. His efforts as secretary general of the Cuban Workers Confederation from the time it was organized until its division in 1947 won him influence among non-Communist workers and the Cuban masses in general. The fact that he is a coal-black negro has increased his popularity among the Cuban colored population. This advantage has provided a favorable background for Peña's undeniable astuteness, energy and ability as organizer and public speaker. He was born in Havana in 1911 and earned his own living from the age of ten. Despite the fact that he had held a variety of menial jobs, he was able to enter the cigar-makers union—traditional stronghold of the more elite and best-organized of Cuban workers. Later he became secretary of the Havana chapter of the union and gained the confidence of General Batista who allowed him to form the CTC. As secretary general of the new confederation he cooperated with the Batista regime politically at the same time that he increased Communist control of labor—the one was, in fact, the means to the other as Batista's political enemies were also Peña's rivals within the labor organization. At the same time that he advanced the cause of Communism, he won economic gains for the workers which probably explains his popularity with non-Communist workers.

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APPENDIX D
STATISTICAL DATA
SUGAR STATISTICS
TABLE I

YEAR ¹	CUBAN PRODUCTION ² (in 1,000 short tons)	WORLD PRODUCTION (in 1,000 short tons)	RATIO OF CUBAN TO WORLD PRODUCTION ³	US CON- SUMPTION ^{4 5} (in 1,000 short tons)	RATIO OF CUBAN PRO- DUCTION TO US CON- SUMPTION
1930-34 Average	2,847	29,919	.095	6,572	.432
1935-39 Average	3,183	34,710	.091	6,702	.475
1940-41	4,134	30,543	.135	6,763	.611
1941-42	4,516	28,489	.158	7,350	.615
1942-43	3,240	30,781	.105	6,102	.531
1943-44	5,643	28,110	.201	5,569	1.013
1944-45	3,923	26,692	.147	6,158	.637
1945-46	4,476	30,049	.148	5,107	.876
1946-47	6,448	31,984	.202	5,558	1.160
1947-48	6,674	34,147	.195	6,790	.981

¹ Crop year 1 July to 30 June.² Variability of Cuban production.³ Increasing importance of Cuban production in relation to world production and to US consumption.⁴ Relative stability of US consumption.⁵ Calendar Years.

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SUGAR STATISTICS

TABLE II

YEAR ¹	CUBAN SUGAR EXPORTS TO US (in 1,000 short tons)	TOTAL CUBAN SUGAR EXPORTS (in 1,000 short tons)	RATIO CUBAN	
			SUGAR EXPORTS TO US TO TOTAL CUBAN SUGAR EXPORTS	RATIO CUBAN SUGAR EXPORTS TO US SUGAR CONSUMPTION ²
1930-34 Average	2,055	2,978	.690	.313
1935-39 Average	2,029	2,942	.690	.303
1940-41	1,901	2,332	.815	.281
1941-42	2,884	3,586	.804	.392
1942-43	1,850	2,006	.922	.303
1943-44	3,352	4,163	.805	.602
1944-45	3,882	4,352	.892	.630
1945-46	3,813	4,475	.852	.746
1946-47	5,725	6,081	.941	1.031
1947-48	2,850 ³			.420

¹ Crop year 1 July to 30 June.

² Increasing importance of US as a market for Cuban sugar and of Cuba as a source of supply to US up to 1948, abrupt change in 1948 reflecting termination of US wartime global purchases of Cuban sugar.

³ Estimated.

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VALUE CUBAN EXPORTS

(in millions of dollars)

TABLE III

YEAR	SUGAR EXPORTS ¹	SUGAR TO US	RATIO: SUGAR EXPORTS TO US TO TOTAL CUBAN EXPORTS	TOTAL ALL EXPORTS	EXPORTS TO US	RATIO: TOTAL EXPORTS TO US TO TOTAL CUBAN EXPORTS	AVERAGE PRICE PER POUND, SUGAR (cents)
1935	89.8	74.1	.825	128.0	101.5	.793	1.98
1936	122.4	91.7	.749	154.8	121.8	.787	2.39
1937	127.2	112.0	.880	186.0	150.1	.807	2.36
1938	99.6	80.5	.808	142.6	108.3	.759	1.94
1939	105.8	82.3	.781	147.6	111.1	.753	1.79
1940	79.2	66.5	.840	127.2	104.9	.825	1.69
1941	137.8	119.0	.864	211.4	181.2	.857	2.04
1942	107.6	99.3	.926	182.3	164.1	.900	2.65
1943	226.0	181.8	.804	351.5	295.6	.841	2.65
1944	237.2	210.8	.890	433.0	379.9	.877	2.65
1945	259.2	192.8	.744	409.9	323.3	.789	3.10
1946	314.6	197.5	.628	475.8	320.6	.674	3.67
1947	609.5	398.6	.654	746.5	688.1	.922	4.96

¹ Predominance of sugar in total exports and in exports to US. Consequent significance of changes in the price of sugar as a factor affecting value of exports.

TABLE IV

CUBAN BALANCE OF PAYMENTS—1946

Gross balance, merchandise account	+ 223.2	millions of dollars
Net credit balance after interest, dividends, insurance, etc.	+ 135.9	
Capital movement (Cuban investments abroad or purchase of foreign-owned properties in Cuba)		— 71.5
Gold and silver purchases		— 34.9
Donations and payments international organizations		— 4.3
Net residue not accounted for (possibly undeclared exports US currency for investment or expenditure abroad.)		— 25.2
TOTAL	+ 135.9	—135.9

Note: Until 1946, the Cuban Government did not gather balance-of-payment statistics so that there is no basis for comparison with previous years.

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TABLE V
CUBAN BALANCE OF PAYMENTS—1947
 (figures rounded)

Exports of Merchandise	+ 780,786,179	
Imports of Merchandise	— 519,890,404	
	+ 260,895,775	
<hr/>		
I. COMMERCIAL TRANSACTIONS AND SERVICES		
Favorable merchandise balance	+ 260,895,775	
<hr/>		
1. Freight charges		— 38,215,244
2. Insurance		— 2,949,467
3. Interest, dividends and rent		— 10,429,626
4. Services and commercial, banking and professional fees and commissions	+ 18,391,599	
5. Remittances to relatives and students		— 9,856,581
6. Other personal remittances and travel expenses		— 30,942,488
7. Payment to diplomatic and consular service	+ 807,576	
8. Capital yield not expressed in interest or dividends		— 63,000,000
Sub total	+ 19,199,175	— 155,393,407
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II. GOLD AND SILVER		
9. Net gold imports		— 65,164,283
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III. UNILATERAL TRANSACTIONS		
10. Lend-lease payments		— 2,400,000
<hr/>		
IV. CAPITAL		
11. Net purchases of foreign bonds, bonds of the Republic of Cuba, stocks and other securities, and payments on public debt		— 10,143,983
12. Net increases of balances in favor of Cuba abroad and net currency imports		— 44,919,814
Net residue unexplained		— 2,073,462
	+ 280,094,950	— 280,094,950

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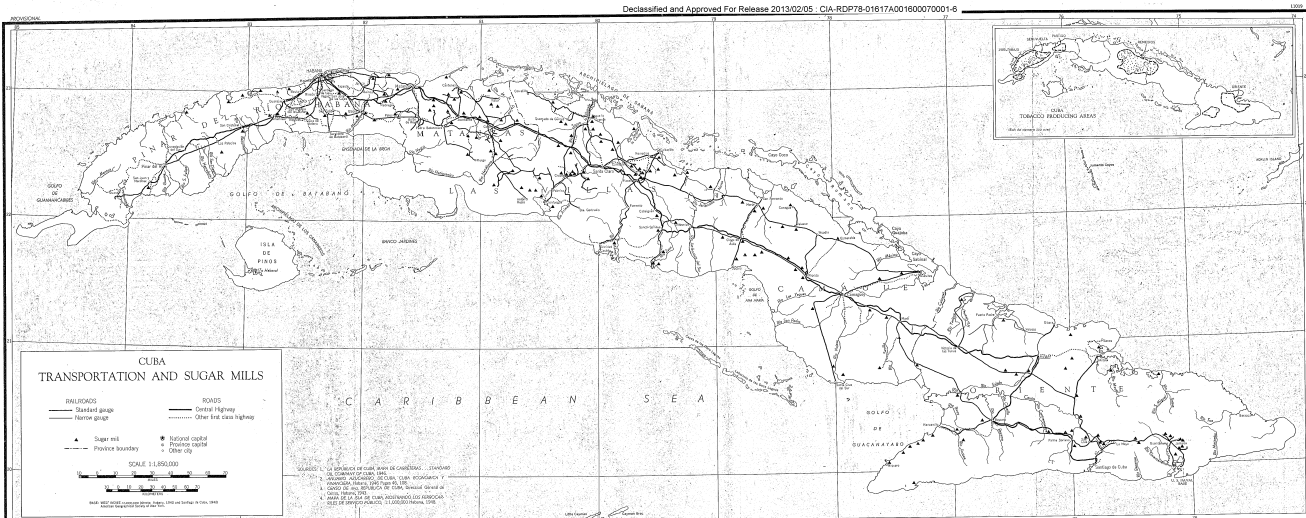
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