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CUBA

An Economic Report for the Year 1962

I. GENERAL

1. 1962 was designated the "Year of Planning" and although references had been made by Fidel Castro at the end of 1961 to the plan for 1962, no such plan was made public. However, a number of sections of a plan were circulated within the various ministries at times during the year, by which the purchases abroad of certain of the state monopolies were regulated, although modified to a large extent in view of the shortage of foreign exchange.

2. The economic situation generally had deteriorated in the latter half of 1961 and on February 16 a three man commission was established with the title of Direction of National Economy. It consisted of President Dorticos, Guevara, Minister of Industries and Carlos Rafael Rodriguez, head of the National Institute for Agrarian Reform (INRA), and its purpose was to improve economic activity at all levels.

3. The food situation continued to worsen in the early part of the year and in March it was found necessary to introduce a system of rationing which still remains in force. The distribution of supplies was at first somewhat uneven, leading in one case to public disturbances, but improved during the year. The shortage was to some extent alleviated by supplies which came from the Soviet Union and which were negotiated in a special additional agreement in the summer of 1962. At the year's end the food situation tended to vary from place to place and was usually better in the towns, particularly Havana, than in the provinces.

4. The worsening of the food situation was due partly to lack of local produce as well as imported food, and the need to improve local production led to additional measures being taken in the agricultural field. The most significant step was to allow more freedom of action to the small farmer operating in the private sector. Medicines were also in short supply, but the situation was considerably improved by the provision by groups in the U.S.A. of medicines to the value of \$60 million in exchange for prisoners in Cuban hands.

5. In the early part of 1962 further changes were made in the organisation of those departments concerned with foreign trade. The existing three major state enterprises were broken down into 12 autonomous departments each dealing with a particular branch of import export trade: these were expanded in December by the addition of a further three.

6. At the end of the year the President declared that the previous four-year period had been the stage during which conditions had been created for the construction of socialism in Cuba. The situation had been reached in which 90% of

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industrial production came from the state sector; about half the arable land was farmed by a socialist system; foreign trade was channelled through state monopolies; and the majority of large scale internal commerce was in the socialist sector. He also declared that in the four years since 1958 the economy had expanded by 30% representing a yearly increment of between 6 and 7%. At the same time unemployment had been reduced by over 50% to a figure of 220,000.

7. The President also declared that it was still the aim to transfer the Cuban economy from one which was basically agrarian to one which was agrarian-industrial. He did not envisage that this could be done within the next three years, but he regarded as a major task the need to increase agricultural production both to ensure sufficient food for national requirements and to make some produce available for export.

8. By the end of 1962 there was nothing to suggest that, providing bloc aid and technical assistance was forthcoming, the country was in any way near to economic collapse. For some people the deterioration meant a relative reduction in standards which at the same time remained much higher than in many Latin American countries. Certain sectors of the population, particularly the youth and the Armed Forces, were better off, or thought they were, than their counterparts in pre-revolution days. Supplies of equipment, particularly tractors, could be seen arriving in large quantities, giving an impression that a set-back was liable to be temporary only. The greatest shortage remained that of technical skill of even modest scale: a situation which the Government is tackling energetically by a widespread educational programme and the introduction of a basic "minimum technical" standard.

II FINANCE

9. National Budget.

The budget for 1962, announced on January 2, was described as being a balanced budget and allowed for income and expenditure of 1,853 million pesos. The breakdown of the budget did not fully account for all expenditure, particularly in the military sector, which must have been high. The largest items were \$696 million for the development of the national economy and \$551 millions for cultural and social services. The income to meet this expenditure was to be derived principally from state trading organisations (1,045 million pesos). It seems unlikely that this budget was indeed balanced, since at the end of the year the President spoke of the deficitary nature of the national budget, due to heavy expenditure. He also referred to the low return from state enterprises which, as shown above, were to provide the major income for the budget. The President also said that current economic development, and that for years to come, will be based principally on external finance, not only by long-term credits but by commercial imbalance. By this he meant credit of one form or another from the countries of the communist bloc.

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10. Cost of Living.

An inflationary situation has existed throughout 1962, although public services and rents have been reduced by Governmental decree. This inflation has been described as a "problem of supplies" and has been declared officially to be due to the reduction in the number of unemployed, the increases in wages and the reduction in the cost of living in other sectors mentioned above. State expenditure has been directed on education, public health and defence and the import consumer goods for sale to the public has been severely limited. The shortage of food led to a rise in prices of the unrationed foods (except for those at controlled prices) and the cost of meals in restaurants generally rose. Prices rose also in the clothing sector until the nationalisation of these shops in December. There is concealed inflation in virtually all sectors in the reduction in quality of goods.

11. The Government also announced the successful culmination of the savings campaign. It was stated that at the end of the year deposits would stand at 524 million pesos, representing an increase of 206 million pesos. One of the aims of this savings campaign is to combat the inflation referred to above.

12. Figures for note circulation and currency reserves are not available. However, the Cuban National Bank has still not repaid a loan of \$25 millions from the International Monetary Fund, due in 1959, and has requested a further period of grace extending to 1964.

13. During March silver coins of 1 peso, 60 cts. 40 cts. 25, 20 and 10 cts. were withdrawn and replaced by copper-nickel. Figures of coinage affected were not published.

III AGRICULTURE

14. In January Fidel Castro resigned from the Presidency of the National Institute for Agrarian Reform (INRA) which occasioned comment at the time since he had personally been closely identified with the land reform, which had been the main platform of the revolution. He was succeeded by Carlos Rafael Rodriguez.

15. It was not a good year for Cuban agriculture, at least as far as production was concerned. Government officials concerned with agriculture acknowledged that agricultural yield was very low: the sugar yield being one of the lowest among sugar producing countries, and that in maize and beans equally poor. The reasons given included the drought, lack of labour, lack of technical knowledge, shortage of trained and skilled farmers, faulty techniques, insufficient pest control and incorrect use or lack of fertilisers. In addition the Government referred to lack of socialist organisation and a tendency to believe that it was enough to draw up a plan and that it would then fulfil itself.

16. The political aspect of the problem was described by the President as being the most significant. He declared that the adverse effect of the drought should not be exaggerated: more

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important were the organisational problems of socialist agriculture and the relationship with the private sector. The lack of organisation was attributed to lack of political direction, which thus contributed to the reduction in productivity.

17. The drought in the early part of the year was certainly severe. It was later announced that a group of Russian water engineers were surveying the country to advise on water conservancy. Subsequently a Hydraulic Institute was set up, and also an Institute for the study of soils.

18. One cause of low production was the repression exercised by provincial authorities on small farmers still working in the private sector, and representing 55% of agricultural land-holding. To encourage the small farmer, who is organised in the National Association of Small Farmers (ANAP) a relaxation of measures regarding the killing of animals on a small scale, and disposal of produce was introduced. The measures were regarded as a temporary expedient only, and the aim to socialise all agriculture remains. Nevertheless, it is recognised within the Government that the lack of incentives is at the root of the problem in the private sector, but there are differences of opinion in the way the problem should be solved. The co-operatives were declared as having been a failure and it was announced that they would be converted into people's farms. At the same time steps were announced to put all state farms on a sound financial and economic basis.

19. Agriculture - Sugar.

The year began with a gloomy forecast by the Minister for Industries that the sugar crop for 1962 would be poor. He spoke of the labour shortage in the industry, particularly of cane cutters, and his remarks preceded the formation of voluntary brigades to do this work. All senior Government officials from Fidel Castro downwards subsequently spent some time in the fields cutting cane. On the completion of the sugar crop the grinding went on for approximately a month longer than usual owing to the severe drought in April and May, and it was finally announced that a production of 4.8 million tons had been achieved.

20. In December, the Minister of Industries again spoke frankly about the situation in the sugar industry and declared that the crop for 1963, for which preparation had been made during 1962, would be poor. The major causes were again the shortage of labour, particularly cane cutters. He said that designs for cane cutting machines had been completed and targets for the construction of large numbers of these during 1962 had been set, but it was now clear that these targets were unattainable. He also indicated that enthusiasm of voluntary workers did not make up for their lack of skill; indeed inexperienced workers could cause damage which would take years to repair. Because of this he proposed that in future voluntary workers should work behind the cane cutter and not alongside him, i.e. in less skilled jobs. Considerable new planting had, the Minister added, been unnecessary in 1962 as no serious replanting had taken place for 10 years.

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21. Agriculture - Cotton.

The first planting of cotton on a significant commercial scale took place in 1962 following pilot schemes in preceding years. The harvest was commenced in November and it had been completed by the end of the year. It was officially stated that the crop would yield 20,987 metric tons of raw cotton or about 7,555 metric tons of fibre. It was hoped that this would cover about 40% of national requirements and that it would make a saving of some 12 million pesos in import costs.

22. Agriculture - Coffee.

Final production has not been stated but it was estimated by the government to be 1.3 million quintals of which over one million had been harvested.

23. Tobacco.

Figures are not available but the crop has been described by an official as "poor". This applies particularly to the production in the province of Pinar del Rio, where most of the wrapper leaf is grown.

IV FISHERIES

24. Under the terms of an agreement signed on September 25 in Havana, a fishing port is to be constructed in Havana to serve the Soviet fishing fleet and Cuban fishing vessels. The cost, between 12 and 13 million pesos will be borne by the USSR and repaid in the form of services by Cuba. The Russian vessels were to supply 2,000 tons of fish during 1962 and 15,000 tons in 1963.

V SHIPPING

25. In February the cargo vessel Sierra Maestra of about 10,000 tons arrived in Havana to join the Cuban fleet. The vessel had been built in East German yards.

VI INDUSTRY

26. Figures for industrial out-put and capacity are not available and it is a matter for speculation whether the decrease arising from lack of spare parts, technical knowledge and apathy, are significantly outweighed by, or even offset, such new development as is being achieved.

27. Most new factory development lies in the future, but a mill for processing Kenaf, thus reducing the need to import jute for sacks in the sugar industry is being brought into production. Factories now being prepared in the communist countries include a diesel engine factory in Czechoslovakia, cement and sewing machines in East Germany; textile mill - China; bottles, plate glass, steel and tools - Poland. The Soviet Union will construct a factory to make spare parts not available as a result of American restrictions, and have agreed to supply a new steel mill for construction in Oriente province.

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28. Industry - Mining.

Information on the production of minerals is lacking. Production of manganese for metallurgical purposes and manganese dioxide is carried out at Bucycito near Bayamo, Siguaní, and Cambute. Three mines at Quinto, Boston and Tordera are known as the El Cristo unit. Production at Bucycito is 30 tons daily, and a laboratory, workshops and warehouse are being constructed there. Chronite is produced at Cayo del Medio and is exported without being processed. Pelspar and Kaolin are produced at Holguín and Victoria de las Tunas respectively. Production is for internal use only.

VIII OIL

29. The Cuban Government announced that by the end of November 3,250,000 tons of crude oil had been processed, to which a further 400,000 would be added by the end of the year. A refining plant with a capacity of 4,200 gallons daily was completed in November on the outskirts of Havana. It will refine home produced oil.

30. It is the intention of the Cuban Government to mine oil in Cuba, and an exhibition of Rumanian equipment was held in the summer. Whilst such production might prove too uneconomic by western standards, the Cuban Government are believed to favour it as a means of reducing expenditure abroad.

IX FOREIGN TRADE

31. A further reorganisation of the Departments of the Ministry of Foreign Trade was carried out in January and February. The existing three state enterprises handling imports, exports and transport and freight were superseded by 14 organisations to which at the end of the year a further 3 were added. Thus, all aspects of foreign trade, both import and export, are now handled by state organisations each dealing with different commodities.

32. During the year Cuban trade with Western countries continued to fall off. The reasons were political in that the Cubans prefer whenever possible to deal with the countries of the communist bloc and financial due to the acute shortage of foreign exchange which lasted throughout the year and which became more acute towards the end. In some cases the Cubans have been obliged to deal with the Western countries either because the goods are not available in the communist bloc or, as is frequently the case, delivery dates are unacceptable. There is also evidence that to conserve foreign currency the Cubans have occasionally been obliged to pay a higher price for an article of poorer quality from a bloc country and at the same time to accept slightly less favourable delivery terms.

33. The reduction in trade was not only due to Cuban initiative. In February, President Kennedy announced the cessation of imports from Cuba to the United States which

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affected particularly the Cuban tobacco industry whose exports had previously been running at about 34 million dollars per year. The American discouragement of shipping to Cuba further inhibited trade, affecting particularly the Japanese. The precise form of the restrictions which the Americans intended to impose had not been determined by the end of the year. An important effect of these restrictions came with the political crisis at the end of October when cargoes en route to Cuba were, in many cases, discharged in ports elsewhere in the Caribbean.

34. Trade protocols were signed during 1962 with the Eastern European-bloc countries and with North Vietnam and North Korea. Precise figures of these trade agreements were given in the case of the USSR which began at 700 million dollars, but which in the summer was increased to 750 millions. This presumably included supply of extra food for Cuba. Others included Hungary 20 millions and Bulgaria 24 million pesos. Trade agreements were also signed with Spain and Chile, in the latter case involving a barter deal against 50,000 tons of sugar.

35. There is no satisfactory explanation in the trade agreements for the large volume of military equipment which was delivered to Cuba during 1962 and included missiles of various types.

36. Trade with the United Kingdom.

The agreement with the United Kingdom was allowed to lapse on our initiative on the grounds that it was unrealistic to continue it in present trading conditions. In practice, the existing quotas for the import of Cuban products were maintained and to this extent the trade agreement continued to remain in force.

37. The Cubans were apparently unable to fill their run quota and this has now been merged with the dollar quota available to other exporting countries, particularly Mexico. Figures for the first ten months of the year show that compared with the corresponding period of 1961 United Kingdom exports dropped by 40% and imports rose by 50%. The actual figures are:-

	<u>1961</u> To October 31	<u>1962</u> To October 31
U.K. exports	£3,684,986	£2,214,372
U.K. imports	£4,319,304	£6,712,935

The increase in United Kingdom imports is accounted for largely by sugar and sugar preparations, amounting to some £2½ million in the figures given above.

38. It appears to be the Cuban desire to place their trade with a given country in balance and their trade agreements with Eastern bloc countries are expressed in these terms. In practice they are receiving from the socialist countries credits in the form of commercial imbalance of trade and, under the terms of multilateral payment agreement are allowed a credit of 11,405,000 pesos. This agreement was signed in 1960 and

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published in Cuba in 1962. It involves Bulgaria, Hungary, East Germany, Mongolia, Poland, Rumania, USSR and Czechoslovakia.

X INTERNAL TRADE

39. Throughout the year the process of taking over private companies continued. Some firms were able to apply for closure owing to lack of supplies and were able to liquidate in the normal way. Others passed into state control through "intervention", in which a Government appointee took charge. A further major step towards placing all trade in the hands of the state was taken in December when retail shops dealing in shoes, clothes and hardware were nationalised. The major part of internal trade is now in the hands of state controlled organisations.

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BRITISH EMBASSY,
HAVANA.

February 7, 1963.

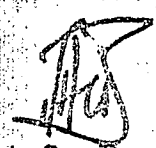
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I enclose a brief summary of an interview published in Revolution of January 21 with José Matar the National Co-Ordinator of the Committees for the Defence of the Revolution.

2. This article gives an interesting picture of the widespread and comprehensive nature of the activities of these Committees, though Sr. Matar's enthusiastic description sounds a little comical in parts ("We are working fundamentally in recreation. We have organised sack races . . ."). The Committees are, as you well know, an all-pervasive organisation, and possibly the most effective of the various mass organisations as a means for keeping the people in line behind their leaders. The individuals who comprise them wield considerable power at the grass roots level and it is not unusual to see letters in the complaints columns of the newspapers stating, for example, that a Committee had refused to issue the necessary paper sanctioning a doctor's recommendation for extra milk or food supplies for an invalid.

3. For some time one has heard the figure of one Cuban in twelve mentioned as being a member of one or other of the mass organisations, but if Matar is to be believed membership of the Defence Committees alone accounts for more than one Cuban in six. He states that there are 102,500 Committees, comprising 1 1/2 million people. You will also note that the organisation of the national structure of Defence Committees is being overhauled by a process rather similar to that which is in use for the selection of members of the new United Socialist Party: i.e. starting with group meetings at the bottom of the scale and working upwards. The article gives no indication as to how, or whether, the Committees of Defence are to be integrated with the new United Party when the latter comes into being. As a watch-dog organisation they perform a rather different function from that of the party, but they seem to be extending their activities to the point where some overlap between the two bodies looks likely to occur. In the Havana municipal area at least, they have acquired so many administrative functions, particularly in connection with the rationing scheme, that they cannot be dispensed with unless there is some other organisation equipped to take over their role. Obviously Matar intends to press ahead with his plans for 1963, the Year of Organisation.

4. I am sending copies of this letter to Sutherland in Washington and Clissold in Research Department.



(R.A.C. Byatt)

J.M. Brown, Esq.,
American Department,
Foreign Office.

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Summary of an article in "Revolución" for January 21st 1963 based on an interview with José Matar, National Co-ordinator of the Committees for the Defence of the Revolution

The creation of the Committees was proposed by Fidel Castro on September 28, 1960. The role of the Committees in the detention of suspects at the time of the Playa Girón invasion confirmed their work and led to a decision to expand them.

The Committees are an invention of the Cuban Revolution and unique in the entire world. They resemble a gigantic united patriotic front for the defence of the Revolution and their composition is not limited by questions of origin, occupation, sex, race or age. "It is a heterogeneous organisation which has fitted perfectly into the Cuban character".

1962 was the year of reorganisation of the Committees. 86,151 were treated in this way. Weak elements and sectarians were removed and working methods improved. 1,000,000 people attended the meetings at which the reorganisation was discussed and 437,000 new members resulted from these meetings.

The organisation now consists of a National Directorate and 6 Provincial Directorates; 147 District Directorates; 3,218 Sectional Directorates and 102,500 Committees of Defence, with 1,500,000 members. Membership of Directorates above the Committee level is 50,000. (At the time of Playa Girón there were only 7,000 Committees in Cuba).

DESCRIPTION OF ACTIVITIES - REVOLUTIONARY INSTRUCTION:

There is a National School for Committee cadres, where 215 persons are at present studying. The Committees have 7,029 Study Circles, with 67,750 participants. There are also 945 Circles of Revolutionary Instruction with over 16,000 attendance.

URBAN REFORM:

The Committees have played a large part in the census of urban housing. Up to December 18th, they had dealt with some 949,000 houses throughout the Island.

The Committees are responsible for reporting to the Police houses which are abandoned by their owners. With the Police and the Department for Recovery of State Valuables they have to be present when the contents of such houses are listed. The keys are then handed to the Committee, who are responsible for the house until it is allocated for official use. They are also responsible for the security of empty houses sealed by the Urban Reform.

PROPAGANDA AND CULTURE:

The Committees played a large role in the preparatory discussion of meetings throughout the country before the National Cultural Congress in December. They have also organised wide range of cultural activities.

The Third Congress of Municipal Education Councils gave the Committees the task of carrying out the census of matriculation in primary education. This is nearly completed and has covered 720,000 children.

42% of all.../

