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PATTERNS AND PERSPECTIVES

## BLOC ECONOMIC AND MILITARY SUPPORT FOR THE CASTRO REGIME

Since Soviet Deputy Premier Mikoyan's visit to Cuba in February 1960, virtually all bloc countries have followed Moscow's lead in concluding bilateral economic agreements with the Cuban Government. Prior to 1960, bloc economic contacts with Cuba were limited chiefly to Soviet sugar imports and a few Czech sales to Cuba; throughout 1960, however, bloc support has mounted steadily. At present, the maintenance and expansion of trade and aid contacts with the Sino-Soviet bloc is of critical importance for the survival of the Castro regime.

Cuba continues to import foodstuffs and vital machinery and spare parts from nonbloc countries, but the new agreements concluded during Cuban National Bank President Guevara's recent trip through the bloc clearly indicate that Havana is planning to depend almost entirely on the bloc as a source of supply and as a market for as much as two thirds of its sugar crop. Bloc assistance now is an essential feature of the Cuban economy, and future plans for industrialization and expansion rest almost solely on the procurement of large-scale bloc material and technical assistance.

Trade between Cuba and the bloc has passed from the sugar-for-oil stage, reached last summer with Havana's seizure of the Western-owned refineries and the USSR's rapid moves to supply all Cuban petroleum needs. Bloc shipments now regularly include foodstuffs, motor vehicles, machinery, and other goods formerly purchased almost exclusively in the United States. The amounts still do not equal former imports from

the United States, but planned trade and aid in 1961 should provide enough goods and services to sustain the Cuban economy against any further US and other free-world countermeasures.

Shortages of spare parts for industrial machinery and equipment in Cuba were becoming severe even before the US embargo, and Cuba has been making frantic efforts to buy these items in Canada, Japan, and Western European countries. In the long run, however, both Cuba and the bloc hope to solve these problems by re-equipping the island with bloc goods and by constructing new factories to produce goods in Cuba. Moscow appears willing to make unusual efforts to accommodate Cuban needs on a long-range basis.

The Bloc and Cuban Sugar

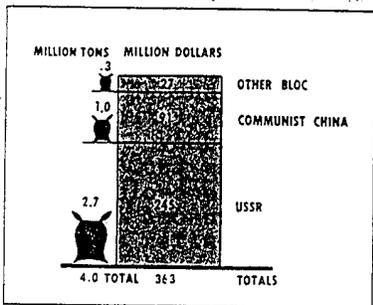
The principal feature of trade between the bloc and Cuba is the bloc's apparent willingness to take unusually large amounts of sugar in return for political advantages accruing to it from the Cuban situation. In 1960 bloc countries pledged to import nearly 2,500,000 tons of Cuban sugar--about 45 percent of Cuban exports and about six times more than the bloc's average annual purchases from Cuba in the past.

As a result of Guevara's recent tour, the bloc has agreed to take a total of 4,000,000 tons of sugar in 1961 and to pay four cents a pound for the entire amount--about 20 percent more than the present world market price but still well below the premium US price of nearly six cents. Of the total--worth \$363,000,000--the Soviet Union under its

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PROJECTED BLOC PURCHASES OF  
CUBAN SUGAR, 1961



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long-term trade agreement has signed a contract to import 1,000,000 tons in 1961 and has pledged to take 1,700,000 tons more if the United States refuses to buy Cuban sugar next year. The proposed additional tonnage is to be reduced by any amount the United States is willing to buy.

Communist China boosted the amount of sugar it was scheduled to take in 1961 from 500,000 to 1,000,000 tons--also at four cents a pound. The European satellites, being sugar exporters themselves, probably are reluctant to accept more than token amounts of sugar but, collectively, will buy about 300,000 tons, plus a variety of other products such as tobacco, minerals, and metals.

The bloc's 1960 sugar purchases from Cuba, valued at about \$150,000,000, are to be paid for chiefly in goods. While these terms severely limit the amount of foreign exchange earned by Cuba, shipments of petroleum and other goods which once required cash payments now are received from the bloc under barter agreements. How critical the problem of foreign exchange will become for Havana hinges largely on how much it needs to purchase from countries outside the bloc. It is unlikely that the bloc will agree to

pay cash for more than a small part of its imports from Cuba, as the barter terms provide a convenient method for introducing and expanding bloc influence throughout the island.

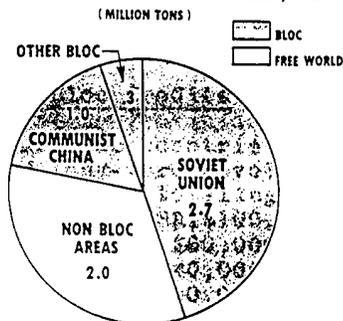
The bloc's large-scale entry into the world sugar market has raised the issue of bloc re-exports of Cuban sugar to third countries in competition with other sugar exporters. Although press reports of re-sales to third countries at less than the purchase price have been noted for some time, there is no evidence that the bloc is "dumping" Cuban sugar. On the contrary, the Soviet-Cuban agreement specifically provides for triangular transactions when the third party is not a traditional customer for Cuban sugar.

Furthermore, many bloc countries are regular sugar exporters, but their sales are confined chiefly to refined sugar, whereas Cuban exports are usually the raw product. Because of its present relatively low per capita consumption of sugar, the bloc is capable of absorbing easily all the sugar for which it has contracted.

Bloc Shipments to Cuba

When Cuba confiscated the three Western-owned oil refineries

PROJECTED CUBAN SUGAR SALES, 1961



BASED ON ESTIMATED SALES OF 6,000,000 TONS

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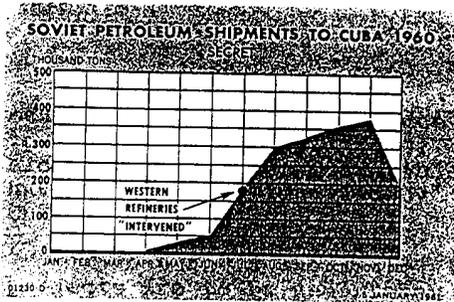
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last July, the USSR immediately stepped in to supply all of Havana's petroleum requirements. By August, Soviet shipments had reached more than 300,000 tons a month--the amount considered sufficient to satisfy the minimum Cuban demand. Shipments totaled about 1,700,000 tons by the end of November, and for a short time Cuba was forced to request a slowdown of deliveries because the amounts were surpassing its refinery capacity, which has been reduced by the corrosive effects of Soviet crude oil. This problem may be eased, as the USSR recently began shipping a better grade of crude.

The entire POL operation entailed a considerable readjustment in Soviet tanker



operations and was made possible largely by chartering Western vessels. A new contract signed recently in Havana calls for 1961 deliveries from the USSR of 4,400,000 tons of petroleum and petroleum products.

Petroleum, however, makes up only part of total deliveries. Since the summer of 1960, bloc shipments to Cuba have steadily grown in number and variety. Besides large amounts of military equipment and supplies, Soviet wheat, fertilizers, metals, chemicals, and machinery have begun arriving in quantity. Czechoslovakia, the most active of the satellites in trade with Cuba, is supplying a large number of buses, trucks, automobiles,

and even a variety of consumer goods.

Communist China, despite the problems of distance and severe domestic food shortages, has delivered most of the 100,000 tons of rice promised for 1960 and is picking up large quantities of sugar.

While there has been some delay in getting bloc shipments under way, it is now clear that the bloc has every intention of fulfilling its agreements with Cuba and is proving its ability to do so.

Even if the agreements with the bloc are carried out, however, Cuba must maintain certain economic ties with the free world in order to acquire essential goods not readily available from the bloc. Bloc shipments of foodstuffs, for instance, have been and probably will continue to be limited. In order to make up for the drastic cutback in deliveries from the United States, Cuba is turning not only to the bloc but also to other Western countries. With few exceptions most of these countries appear unwilling to undertake economic sanctions against the Castro regime. The dwindling of Cuba's foreign exchange reserves, however, keeps this trade relatively small.

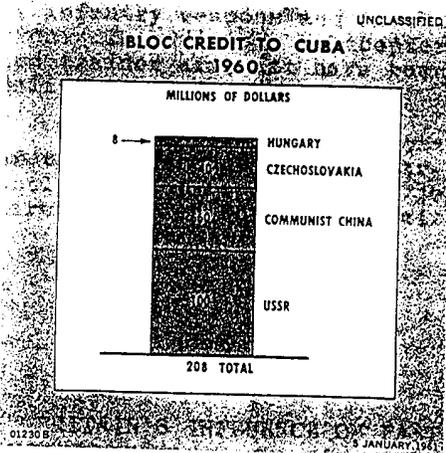
The bloc as a whole probably will account for at least 60 percent of total Cuban trade in 1961, and Cuba could become the chief nonbloc trading partner of the Soviet Union.

#### Bloc Credits

Four bloc countries have extended long-term development credits to Cuba totaling \$208,000,000: the USSR, \$100,000,000; Communist China, \$60,000,000; Czechoslovakia, \$40,000,000; and Hungary, \$8,000,000. Several other bloc countries have promised to deliver goods on credit, particularly Poland and East Germany.

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Although no bloc development projects are officially under way, extensive surveys have been made by bloc technicians, and some construction should begin early in 1961. Most of the promised "complete factory projects" are small-



scale undertakings to produce tools, household appliances, clothing, and other goods which have always been imported by Cuba.

More than 150 separate projects are to be undertaken by the bloc over the next five years, ranging from a nail factory to a steel mill. Next year, Soviet technicians are scheduled to begin oil exploration throughout Cuba and to begin work on several installations connected with the iron and steel industry. Czechoslovakia's major undertaking is a project designed to rehabilitate the Cuban motor vehicle industry between now and 1965--first shipping vehicle parts to be assembled in Cuba and later establishing factories to produce the parts themselves there. This project is to use the facilities of a former General Motors plant confiscated by the Castro government.

Communist China's \$60,000,000 credit--the largest Peiping has yet offered to a nonbloc country--is to be used to construct

some 24 factories in Cuba, including textile, chemical, and paper mills, and to provide for technical assistance in the agricultural field, notably rice-growing.

Bloc technical assistance already is being provided on a relatively large scale and will be stepped up as the aid program progresses. Reports of the number of bloc technicians present in Cuba are usually greatly exaggerated, but several hundred have been in Cuba in recent months to aid in general economic surveys, help run confiscated plants, lay plans for new industries, and supervise economic planning.

#### Bloc Military Support

Soon after the summit collapse in May 1960, Cuban authorities entered into military negotiations with both the Soviet Union and Czechoslovakia. Czech-Cuban talks in Havana during May and June were immediately followed by a trip to Prague and Moscow by Raul Castro, Cuba's minister of armed forces. Agreements probably were concluded during these negotiations for the delivery of bloc arms.

During the summer of 1960--probably in early July--at least one shipment of Czech small arms and ammunition was delivered to Cuba. Shortly thereafter, the first large group of Cuban military personnel was sent to Czechoslovakia to receive military training, including flight and artillery instruction. Further military talks during July and August probably were concerned with detailed arrangements for the delivery of Soviet bloc arms, accompanied by military technicians to provide the necessary training.

Not until September 1960, however, did major bloc shipments get under way. Between 8 September and 18 October, four Soviet vessels delivered

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at least 10,000 tons of materiel to Cuba. Other vessels have delivered partial military cargoes. These shipments consisted of a complete range of land armaments, including tanks, assault guns, field and anti-aircraft artillery, military vehicles, radar and communications equipment, and large quantities of infantry weapons and ammunition. In addition, helicopters and trainer aircraft have been delivered.

Despite persistent reports of their presence, Cuba apparently has not received bloc jet aircraft. Ten Soviet AN-2 air-

craft--a single-engine biplane--are to be delivered to Cuba in the first quarter of 1961 under a contract concluded in December.

After a two-month pause, the bloc has resumed large-scale shipments of arms. Three Soviet vessels have arrived in Cuban ports with arms cargoes since 20 December, and at least one other ship is en route from the Black Sea with a probable military shipment. Fragmentary information indicates that more tanks, assault guns, and small arms were included in at least one of the recent deliveries.

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