

~~SECRET~~
CONTROLLED DISSEM
NO FOREIGN DISSEM

1 copy
SNIE 85-68 *S*
27 June 1968 *12*
Cy # 2 - Powell

LBJ LIBRARY
Mandatory Review
Case # NLJ 94-29
Document # 12

SPECIAL

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 85-68

(Supplements NIE 85-67)

Cuba: Castro's Problems and Prospects Over the Next Year or Two

Submitted by

Richard Helms

DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the

UNITED STATES INTELLIGENCE BOARD

As indicated overleaf

27 June 1968

Authenticated:

James A. Layton Jr.
EXECUTIVE SECRETARY, USIB

~~SECRET~~
CONTROLLED DISSEM
NO FOREIGN DISSEM

Nº 1

APPROVED FOR RELEASE

MAR 2000

~~SECRET~~

The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and NSA.

Concurring:

Dr. Edward W. Proctor, for the Deputy Director of Central Intelligence

Mr. Thomas L. Hughes, the Director of Intelligence and Research, Department of State

Lt. Gen. Joseph F. Carroll, Director, Defense Intelligence Agency

Dr. Louis W. Tordella, for the Director, National Security Agency

Abstaining:

Dr. Charles H. Reichardt, for the Assistant General Manager, Atomic Energy Commission and Mr. William O. Cregar, for the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

~~WARNING~~

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.

~~GROUP 1
Excluded from automatic
downgrading and
declassification~~

~~SECRET~~

~~SECRET~~

CONTENTS

	<i>Page</i>
CONCLUSIONS	1
DISCUSSION	2
I. THE KEY PROBLEMS OF THE REVOLUTION	2
II. THE GOVERNMENT AND THE PEOPLE	4
III. THE SOURCES OF CASTRO'S STAYING POWER	6
IV. OUTLOOK AND IMPLICATIONS	7

~~SECRET~~

~~SECRET~~

CUBA: CASTRO'S PROBLEMS AND PROSPECTS OVER THE NEXT YEAR OR TWO

CONCLUSIONS

A. Castro's problems have taken a turn for the worse over the past year. A severe drought has depressed sugar production and agriculture generally. Living conditions have become more stringent because of reduced food supplies and a variety of other factors, including new attempts by Castro to overcome his economic problems by forcing the population to work harder. There has been an increase in popular discontent and in the number of small, local disorders.

B. Nonetheless, we see little prospect that economic adversity will significantly weaken Castro's position over the next couple of years. A return of more favorable weather, already in prospect, would in itself somewhat relieve domestic pressures. Even if economic conditions were to deteriorate further, Castro would still have the advantages of charismatic appeal, political skill, and ultimately, a formidable military-security apparatus.

C. Although there probably will be fluctuations in the level of future Soviet aid to Cuba, we think it unlikely that the USSR will permit the Cuban economy to approach a critical condition. This will be so even if Soviet-Cuban tensions continue to develop.

D. We doubt that either Castro's economic difficulties or his contentious relationship with the USSR will cause him to turn toward the US. He will, however, seek to expand his trade with other non-Communist countries. There will be an increasing reluctance by such countries to maintain Castro's diplomatic and economic isolation, though his limited financial credit will restrict his trade with them.

~~SECRET~~

~~SECRET~~

DISCUSSION

1. In our last estimate on Cuba,¹ we noted the ability of the Castro regime to retain a strong hold on power despite economic adversity. Now, in the regime's tenth year, conditions have taken a turn for the worse. There has been a further decline in living conditions and an increase in grumbling and minor manifestations of discontent.

~~_____~~ He has placed new demands upon the people, while subtracting from their lives diversions and services which have been part of the Cuban culture. The genesis of these events and the meaning for the Castro Revolution and for US interests over the next year or two are considered below.

1.5(c)(d)
3.4(b)(1)(6)

I. THE KEY PROBLEMS OF THE REVOLUTION

2. Cuba's current problems stem in large measure from the ragged performance of the economy. In the early days of the Castro regime, the US economic denial policy—particularly the elimination of the Cuban sugar quota and the embargo on spare parts for US-built machinery—was clearly harmful to the Cuban economy. The much-heralded plan for forced industrialization was abandoned, and the swing back to concentration on sugar and agriculture in 1964 lowered and simplified the regime's economic objectives. Nonetheless, continued balance of payments problems, coupled with recurrent problems of bad weather, poor planning and management, shortages of agricultural labor, and low labor productivity, have meant that the economy has grown little since Castro took power.²

3. Production of sugar remains a key determinant of overall growth, but Castro's efforts to expand output have foundered repeatedly. Although he clings to his goal of producing 10 million tons of sugar in 1970, this year's output of a little more than 5 million tons will be well below last year's, and somewhat smaller than the average during the past 20 years. (See Table 1.) The severe drought of the past year, one of the worst in Cuban history, has been the single most important factor limiting current production. But even with the return of good weather, Cuba could probably not harvest enough cane to produce more than 7 to 8 million tons of sugar in 1970, because of labor shortages and the slow pace of mechanization.

4. Agriculture is the foundation of the Cuban economy not only because it supports most other domestic sectors, but also because sugar provides 85 per-

¹ NIE 85-67, "Key Issues and Prospects for Castro's Cuba," dated 2 March 1967, SECRET, CONTROLLED DISSEMINATION.

² We estimate that Cuba's gross national product in 1967 was some 15 percent higher than in 1957, the best pre-Revolution year, but in 1968 it probably will decline nearly to the 1957 level. Cuba's population, which is now about 7.6 million, has grown some 20 percent since 1957.

~~SECRET~~

~~SECRET~~

TABLE 1
CUBAN PRODUCTION OF RAW SUGAR
1948-1968
(In Thousand Metric Tons)

<u>YEAR^a</u>	<u>PRODUCTION</u>	<u>YEAR^a</u>	<u>PRODUCTION</u>
1948	5,877	1960	5,860
1949	5,074	1961	6,765
1950	5,560	1962	4,815
1951	5,760	1963	3,820
1952	7,225	1964	4,400
1953	5,150	1965	6,050
1954	4,890	1966	4,455
1955	4,530	1967	6,100
1956	4,740	1968	5,100 ^b
1957	5,670		
1958	5,780		
1959	5,965		
Average 1948-1959	5,518	Average 1960-1968	5,263

^a Crop year ending 30 June of year shown.

^b Estimated.

cent of Cuba's export income. In bad crop years, or when sugar prices are low, Cuba's ability to finance through its own exports the purchases of industrial raw materials, semifinished goods, fuels, machinery, and certain foods necessary to economic development and popular well-being is severely limited. Under Castro, export earnings have remained below the 1957-1958 average, and Cuba has incurred at least \$1.5 billion of foreign debt, mostly with the USSR and mostly to finance imports. Agricultural and transportation equipment of US origin has largely been replaced by substitutes from Communist countries or Western Europe, and new power, shipping, and industrial facilities have been added. Shortage of convertible currencies has, however, limited access to spare parts for other US equipment in mining, sugar milling, and industry, and has restricted purchases of desired foods, chemicals, and new equipment. Thus, Cuba's adoption of a radically different economic system since 1959 has not relieved its need for international relationships which guarantee the economic support of the regime. Indeed, a major source of frustration for Castro is his economic dependence upon the Soviet Union: In 1967 the USSR and other Communist countries furnished nearly 75 percent, and the Soviets financed by subsidies and credits nearly 40 percent, of total Cuban imports.

5. The fact of his dependence is doubly frustrating for Castro because he has tied himself to a partner with whom he cannot agree on many issues. He refuses to accept Soviet experience or advice on questions of economic policy, as illustrated most recently by his increasing emphasis upon "moral" rather than material incentives for workers. Furthermore, he tries to equate Cuba's role in Latin America with that of the USSR in Europe and of China in Asia. Castro's denigration of the Communist Party's role in the revolutionary process

~~SECRET~~

~~SECRET~~

irritates both the Soviet Union and China. His diehard promotion of violent revolution in Latin America is a major cause of tension with the Soviets, who believe that under present conditions violence is not the most effective vehicle for an expansion of their own influence. Instead, they are trying to increase their diplomatic and commercial ties with Latin American governments and to enhance the respectability of pro-Moscow Communist parties.³ They are embarrassed in these efforts by Castro's policy, and by the contentious fashion in which he makes his disagreements known. Castro has bitten the hand that feeds him by declaring that the USSR's tactics illustrate the impurity of its socialism and the insincerity of its interest in the fundamental needs of the Latin American people.

6. Though the Soviets apparently are increasingly bothered by Castro's behavior, total Soviet aid to Cuba (including some refinancing of past deficits) will probably increase substantially in 1968 over 1967. It also appears, however, that they are pressing Cuba to maintain sugar exports to them at a level at least approaching the 2.5 million tons of last year. Probably only about 1 million to 1.5 million tons of this sugar will be used within the Soviet Union. It is not clear how much this demand is motivated by economic and how much by political considerations; yet, at a time when drought has limited sugar production, it will force Cuba to cut significantly its exports to non-Communist countries. Cuban trade will be further restricted by other Soviet actions, such as the reduction of the amount of credit which Soviet banks in Western Europe will extend to help Cuba finance imports from hard-currency areas. Cuban efforts to obtain a three-year aid and trade commitment from the USSR were rejected by the Soviets in early 1968, to Castro's evident disappointment. He almost certainly finds such Soviet pressure oppressive, and it is probably a major factor in his imposition of policies which have the effect of complicating his position at home.

II. THE GOVERNMENT AND THE PEOPLE

7. At first, the Castro Revolution brought an improvement in the living conditions of most Cubans. Though drastic changes in the distribution of personal income deprived the upper and middle classes of their luxuries as well as their privileged status, the poorer classes benefited from such things as improved housing and diet, and a significant expansion of education and medical care. Since 1961-1962, however, population growth and economic stagnation have caused a general decline in the level of living of nearly all Cubans, especially in the towns. Shortages of food and clothing have become common, in part because of production failures and inefficiency of distribution, and in part because of a widespread rise in purchasing power. Campaigns of "volunteer" labor in agriculture have forced the urban population to work harder than ever before, and have proved upsetting to the traditionally close Cuban family life.

³ In the past the Soviets supported the violent path to socialism in Latin America when the opportunities looked promising (e.g., in Venezuela and Guatemala), and they may do so again if a future situation seems to favor such an approach.

~~SECRET~~

~~SECRET~~

Yet, at least until recently, many Cubans—certainly the many thousands of students supplied with lodging, food, clothing, and other needs by the state—still were better off than before the revolution.

8. During the past year, a variety of factors has made living conditions more stringent. The drought affected not only sugar, but other crops as well. The production of food may also have been depressed by the reaction of private farmers to new government pressures to sell all their produce to the state rather than reserve some for sale on the private market.⁴ The effects of lower production on the food supply probably have been compounded by some deterioration of the distribution system over the past six months or so. The campaign to conserve fuel, and the increased efforts to draft labor from nonagricultural occupations for farm work, appear to have caused some dislocation of the chronically strained and inefficient transport and distribution networks. The situation may have been affected further by some hoarding and by the scare buying of foods which normally have been freely available. All these factors have added appreciably to Cuba's food shortages, despite the substantial increase in food imports that apparently has occurred over the past year. Thus, more often than in the recent past, Cubans in the towns find that their full ration is unavailable.

9. Since the start of 1968, Castro has launched a series of measures which, coupled with worsening food supplies, have caused some open discontent and small, local disorders. The first of these new moves was the rationing of vehicular fuels, an action which has not only limited the public distribution of commodities, but has also restricted individual mobility. Once again, many thousands of "volunteers" were conscripted to bring in the cane harvest, but this year the campaign seems to have been more disruptive both of family life and of nonagricultural production. More workers were conscripted and sent long distances from home, the working conditions of the harvest have been more onerous, and the pressure for greater revolutionary commitment and sacrifice has intensified.

10. In March, Castro decreed a number of restrictions which he labeled a "revolutionary offensive against the last vestiges of capitalism and materialism." They were, in effect, a continuation of the assault against the traditionally easy-going Cuban style of life. He nationalized some 60,000 small businesses; he then closed some of them (including most bars) which had provided much demanded services and diversions for the populace. In addition, Castro ended cockfighting and the national lottery, charging that they were breeding grounds for greed, and he imposed some forms of military discipline at Havana University, where he had previously tolerated some "mod" habits and laxness of behavior among students. Paralleling these changes has been an increased emphasis upon "moral" rather than material incentives for workers. Although the material incentive program had never been developed so that it had an

⁴ About 40 percent of Cuba's agricultural land still is in the hands of private farmers, who produce the great bulk of crops other than sugar.

~~SECRET~~

~~SECRET~~

important positive effect on production—largely because of shortages of consumer goods—discussion of its removal has probably made many Cubans feel that something will be lost while more is expected of them.

11. We judge that Castro's new demands are in part manifestations of his "puritanical Marxism," as well as reactions to repeated economic reverses and dependence upon the Soviets. Castro has always proclaimed his belief that harder work and increased sacrifices are essential to the progress of the Revolution. Yet the main effect of his recent actions has probably been to increase the drabness and inconvenience of everyday life rather than to inspire new dedication.

[REDACTED]

1.5(c)(d)
3.4(b)(4)(6)

III. THE SOURCES OF CASTRO'S STAYING POWER

12 [REDACTED]

His regime offered the poorer people a sense of personal dignity and a chance to participate in the making of a new, revolutionary society, supposedly for their ultimate benefit. The promised benefits have been painfully slow in coming, and popular enthusiasm for the Revolution has waned. But Castro's personal popularity as a revolutionary caudillo has proved durable even when his regime has used repressive measures against elements of the population. In any case, most Cubans probably see no alternative to the Revolution. The prevailing attitude seems to be one of acceptance, but this may mask all shades of opinion from passive support to helpless resentment.

13. Castro has displayed impressive political instinct in keeping a firm hold on power. He has regularly briefed the Cuban people on the objectives of the Revolution, and on its failures as well as its successes. Thus, he has generally avoided the kinds of outbursts which might have been based on surprise or sudden disappointment. So far he has succeeded in focusing discontent with internal progress on external causes, and in institutionalizing the belief that Cubans are a beleaguered people fighting against malevolent forces. Nonetheless, the effectiveness of these tactics as a diversion from mounting personal dissatisfaction with the fruits of the Revolution probably has begun to diminish.

14. Through the organization of a repressive force which is recognized by all Cubans as proficient, Castro has discouraged both impulsive and organized dissidence. Perhaps 10,000 to 20,000 of the somewhat bolder disaffected are still in Castro's political prisons; some thousands more are in rehabilitation camps. Unlike most Communist dictators, Castro has made no move to prevent large-scale emigration, though the drain on Cuba's qualified professional and

~~SECRET~~

~~SECRET~~

managerial manpower has been severe. Some 400,000 Cubans, a number equal to five or six percent of the 1959 population, have settled in the US alone, and a large backlog awaits assignment to the two daily flights for Florida. Thus, both the harsh penalties for opposition to the Revolution and Castro's liberal emigration policy have diminished the prospects for resistance.

15. Finally, Castro has surrounded himself in the regime almost entirely with former 26th of July partisans who recognize that they owe their commanding positions and well-being to him. This year he purged the so-called "microfaction" from the Cuban Communist Party for their criticism of his domestic policies and of the "export of revolution." He thereby not only removed a group of relatively ineffective critics, but also warned members of the regime to sustain their loyalty. Thus, to the top echelons of the regime he remains the undisputed leader, and he retains his power to establish both the aspirations of the Revolution and the methods of their achievement.

IV. OUTLOOK AND IMPLICATIONS

16. Some improvement over this year's economic performance is likely. The prospects are that favorable weather, already evident in May-June 1968, will lead to an increase in production of sugar and food over the next year, and this fact alone would somewhat relieve domestic pressures. Gains may also occur in industry and construction, in which there has been no significant recent downturn. Export earnings may improve, especially if an international sugar agreement, which would raise world sugar prices, should be successfully concluded. For the first time Castro is interested in such an agreement, and his demands for a quota on the order of 2.4 million tons have received backing from a number of other exporters. A new Sugar Council meeting may convene in September, and while many obstacles remain, the prospects for an agreement are better than at any time since 1961.

17. Because of Cuba's dependence upon agricultural development, which can proceed only slowly, and upon Soviet aid, which is unlikely to keep on increasing, Castro's Revolution almost certainly will not begin to prosper over the next few years. A successful sugar agreement would improve Castro's prospects for importing from the non-Communist countries, and would lessen his dependence on the Soviets. Failing this eventuality, however, the outlook is for continued severe economic difficulties. If a significant increase in agricultural export did occur, the USSR probably would adjust its Cuban aid slightly downward, as it has tended to do in the past, in order to move toward a trade balance with Cuba. (See Table 2.) In no case, however, is it likely that the Soviets will allow the Cuban economy to approach a critical condition, if only because they wish to avoid being associated with the failure of an enterprise in which they have invested so much.

1.5(c)(d)
3.4(b)(1)(6)

~~SECRET~~

~~SECRET~~

TABLE 2

CUBAN FOREIGN TRADE
1962-1968
(Million US \$)

	1962	1963	1964	1965	1966	1967	1968
						ESTIMATED	PROJECTED
EXPORTS	<u>521</u>	<u>545</u>	<u>714</u>	<u>686</u>	<u>593</u>	<u>715</u>	<u>650</u>
Communist countries ..	407	343	422	536	483	570	540
USSR	(220)	(164)	(275)	(322)	(275)	(370)	(370)*
Free World	114	202	292	150	110	145	110
IMPORTS ^b	<u>759</u>	<u>832</u>	<u>1,019</u>	<u>865</u>	<u>925</u>	<u>995</u>	<u>990</u>
Communist countries ..	629	704	692	658	732	755	810
USSR	(411)	(461)	(410)	(428)	(515)	(540)	(600)
Free World	130	128	327	207	193	240	180
TOTAL DEFICIT	<u>238</u>	<u>287</u>	<u>305</u>	<u>179</u>	<u>332</u>	<u>280</u>	<u>340</u>
Deficit with the USSR financed by Soviet aid	(191)	(297)	(135)	(106)	(240)	(170)	(230)

* According to the 1968 Cuban-Soviet trade protocol, planned Cuban exports are about \$400 million. Because of Cuba's poor sugar harvest, however, actual exports will approximate \$370 million.

^b These figures include cost of delivery.

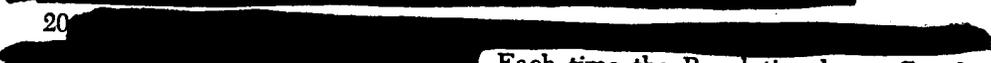
18. Castro's failure to reach his unrealistic goal for sugar production would not by itself endanger his hold, particularly if a price-supporting sugar agreement should come into effect. But the continued sacrifice which he will presumably attempt to extract from the Cuban people in trying to meet it might further decrease his popularity. At best, the prospect for the next several years is for additional demands for sacrifice and for the performance of arduous agricultural tasks.

19.



1.5(c)(d)
3.4(b)(4)(6)

20.



Each time the Revolution has suffered some setback, Castro has made new demands upon the population, but his popularity and political skill have mitigated the negative consequences for his regime, and his pragmatism has kept him from pushing the population too hard at any one time. The men around him have a crucial stake in the survival of his re-

~~SECRET~~

~~SECRET~~

gime. Furthermore, the Soviets probably see no potential alternative to Castro in whom they could have confidence. These advantages will not necessarily endure for many years: [REDACTED]

[REDACTED] But the repressive apparatus of the state has been used to silence opposition, and this will certainly continue to the extent Castro considers it necessary. We believe that some combination of these factors—including the possible restoration, albeit under state auspices, of some recently proscribed diversions and services—will prevent the development of any major and threatening dissident movement in Cuba. In short, Castro will probably continue to dominate the Cuban scene at least for the period of this estimate, even though the level of discontent may continue to rise.

21. In the unpredictable event of Castro's death or incapacitation, we believe that the most likely outcome would be some form of collective leadership centered on Raúl Castro. [REDACTED]

22. In recent months, Fidel Castro—perhaps because of the harsh economic developments in Cuba and the loss of his companion Che Guevara in the fiasco in Bolivia—has shown little interest publicly in the “export of revolution” to the rest of Latin America. There is good evidence that would-be revolutionaries continue to receive some training and moral support from Cuba, however, and the propagation of revolution remains a basic tenet of Castro's philosophy. It is possible that he might try to develop a new approach to revolution in Latin America within the next couple of years.

1.5(c)(d)
3.4(b)(1)(6)

23. We believe that neither a troubled economy nor Soviet economic pressure will drive Castro toward the US for assistance or trade. Rather, he will seek to expand his trade with other non-Communist countries. Decisions by their governments about trade or diplomatic relations with Cuba will increasingly tend to be based upon their appraisal of Cuba's credit-worthiness or their own direct domestic and international political interests, [REDACTED]

24. Recently a number of prominent Latin Americans have speculated on the possibility of their governments' eventual recognition of Cuba; one notable exponent of this possibility is the Foreign Minister of Brazil. Such talk does not mean that any Latin American government will reverse its policy toward Cuba over the next year or two, but it does indicate that the subject is becoming [REDACTED]

[REDACTED] In recent weeks, a number of Latin American countries were influential in bringing about the election of Cuba to a commission of the UN Economic

~~SECRET~~

~~SECRET~~

and Social Council; this appears to reflect an interest in reducing that country's diplomatic isolation.

25. It seems most unlikely that Castro will unilaterally seek rapprochement with the US, or that he would be responsive to direct overtures by the US on any significant issue except gradually over a long period. One of the possible opportunities for change in the relationship would arise, under certain circumstances, from an international agreement on sugar. Castro will probably continue to be interested in a sugar agreement, and be willing, with a favorable share of the international market and a significant price increase, to sign one.

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This document was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, Department of the Army, for the Department of the Army
- d. Assistant Chief of Naval Operations (Intelligence), for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, USAF, for the Department of the Air Force
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Director of NSA, for the National Security Agency
- i. Director of Central Reference, CIA, for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text should be classified: ~~TOP SECRET~~ FOR OFFICIAL USE ONLY

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Atomic Energy Commission
Federal Bureau of Investigation