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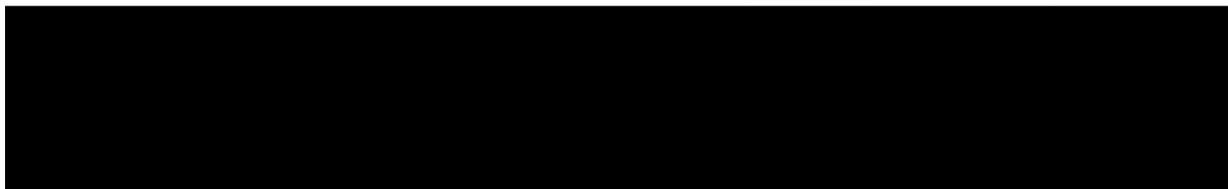
DIRECTORATE OF INTELLIGENCE

10 September 1991

Cuba: Impact of Soviet Change [REDACTED]

Summary

The collapse of Communist control in the USSR signals the end of Cuba's special economic and military relationship with Moscow and accelerates the political and economic crises Fidel Castro faces. The loss of Soviet trade subsidies and Havana's lack of similarly advantageous alternatives indicate that imports will drop precipitously in coming months, prompting a further sharp contraction of the Cuban economy. Moreover, the suddenness and depth of the post-coup reforms in the USSR have dealt a severe psychological blow to the Cuban regime. Disaffected Cubans may protest publicly for the first time, and the loyalty of the armed forces--facing even greater sacrifice because of the cutoff of Soviet military assistance--is likely to diminish. To maintain control, Castro appears almost certain to increase political repression and economic austerity in the short term. The end of Soviet support, while bolstering prospects for an end to Communist rule in Cuba, also poses some risks for Washington, such as burgeoning illegal emigration, Latin American pressure to lift the economic embargo, and the possibility that Castro might lash out at the United States in his last days. [REDACTED]



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The prompt resignation, arrest, or suicide of many of Cuba's closest friends--including KGB chief Kryuchkov, Politburo member Shenin, Army Chief of Staff Moiseyev, and Prime Minister Pavlov--greatly undercut Cuban influence in Moscow. The dominant political leader in the post-coup era, Boris Yeltsin, has publicly called for an end to aid to Cuba, presumably including trade subsidies. Russian Foreign Minister Kozyrev has said publicly that the Soviets have long needed to cut economic assistance and end military aid altogether. Castro may have at least one friend in Yeltsin's inner circle--adviser Yuri Petrov had been Ambassador in Havana until mid-August--but Petrov's influence on policy appears limited. [REDACTED]

Disintegrating Ties

inlet The demise of Communist rule in Moscow presages the end of an already declining military relationship. Deliveries of military equipment to Cuba had fallen [REDACTED]

[REDACTED] compared with the same timeframe last year, and Soviet military advisers had been reduced since 1990 [REDACTED]. These trends almost certainly will accelerate, perhaps even resulting in a complete end to military aid and the formal security relationship. If this becomes apparent, Castro might try to save face by first expelling all Soviet military and intelligence personnel from Cuba. [REDACTED]

ecr The end of Moscow's control over the republics also bodes ill for the Cuban economy. Under the 1991 trade accord, Moscow was responsible for coordinating exports to Cuba from the various republics and decentralized enterprises. Yeltsin's expropriation of Russian industries and resources could void Moscow's commitments to Cuba, including Gorbachev's promise of [REDACTED] oil in 1991. As of July, oil shipments probably were already 20 percent behind schedule, and the shift in control over the oil fields--coupled with the industry's worsening production problems--suggests a larger shortfall in coming months. [REDACTED]

At this early stage, Havana's efforts to negotiate economic agreements with individual republics have yielded mixed results, and any new agreements probably would do little to offset the loss of Cuba's former privileged status with Moscow. According to press reports, Cuban trade officials have met with representatives from Russia, the Ukraine, Belorussia, Kazakhstan, and Uzbekistan over the past year, and a few barter deals have been signed. Although details are unknown, individual republics may have agreed to a subsidized price for Cuban sugar on some contracts. Nonetheless, as the republics are freed from Moscow's commitments and face production problems and shortages at home, Cuba faces a potentially severe falloff in trade. The depressed world price of sugar--currently at 9 cents per pound compared to the 24 cents Moscow had promised to pay in 1991--suggests that Cuba would face a steep drop in its terms of trade if it tried to sell its sugar on the open market. [REDACTED]

Difficult Options

All of Castro's options at this point entail serious risks. The Cuban economy probably will decline by at least 15 percent this year and could contract an additional 10 to 15 percent in 1992 if all Soviet trade subsidies are eliminated. With few alternatives in the short term to compensate for the loss of the Soviet assistance, Castro, in our judgment, almost certainly will resort to greater austerity measures--probably the "zero option" plan developed to cope with a total cutoff of Soviet imports. Basic rations will be reduced further, more industries closed, labor mobilizations to agriculture augmented, and public services scaled back even more. [REDACTED]

Increased political repression also appears certain. Discontented Cubans--who followed the Soviet developments closely--may try to emulate the Soviet public's example in opposing the Communist regime. The collapse of Soviet Communism has undoubtedly dealt a bitter blow to mid-level Cuban cadres, and the end of Soviet military assistance--possibly including the withdrawal of the [REDACTED] remaining advisers and the [REDACTED] brigade--will almost certainly increase anxiety in the Cuban officer corps. Low morale among the elite, if serious enough, may be the catalyst that sparks open challenges to the regime. Castro probably calculates that most Cubans lack the political consciousness that has been allowed to develop in the Soviet Union. Nonetheless, he will increase repression as a preventive measure. [REDACTED]

Beyond these immediate steps, we believe Castro will have to choose from among three basic strategies for survival:

- **Tough it out.** He might reject reforms--returning Cuba to a pre-industrial, subsistence economy--and rely on still loyal and efficient security forces to maintain order. This option might allow Castro several years in power, but at the cost of increased economic shortages, massive emigration, and, eventually, civil strife.
- **Move ahead with limited reforms.** To attract international support--particularly from oil-producing Latin Americans such as Venezuela and Mexico--Castro could implement economic and political adjustments that he and other officials have hinted at publicly. For example, he could expand new pay incentives, reopen the free farmers' markets, move ahead with privatization of certain services, and increase efforts to establish mixed enterprises with foreign investors. In the political realm, Castro could separate the positions of Prime Minister and President--both of which he currently occupies--and pledge direct National Assembly elections. Although these steps probably would not threaten his control in the short term, we believe they are not sufficient to revive the economy and could lead to even

greater demands for reform. Moreover, Venezuela would insist on public pledges of more extensive political and economic reform in Cuba before committing to increased aid, in our view, while Mexico would quietly push for additional economic changes.

- **Introduce sweeping, meaningful reforms.** Castro could declare a new stage of the revolution, announce a commitment to undertake "appropriate" economic reforms, make elections more open, and embark on extensive personnel changes in the party and government. These moves would indicate a significant ideological reorientation and a "voluntary" diminution of some of Castro's powers. We believe this would be Castro's least preferred choice, because he probably calculates he would soon lose control. [REDACTED]

Despite his orthodox Communist rhetoric, in our view, Castro's instincts are swaying him toward the second option; his experimentation with political and economic adjustments in the past 18 months, in our view, indicates awareness of the need for change. Whether he continues making adjustments, however, is conditioned almost entirely on the depth of Cuba's economic plight. If Castro can somehow piece together a trade plan providing Cuba with a minimal level of oil and other necessities, he is more likely to prove amenable to reform. If economic challenges are overwhelming, on the other hand, we believe Castro would see no alternative to further austerity and repression to stay in power. [REDACTED]

Implications for the United States

The end of Soviet support significantly increases the likelihood of the collapse of Communism in Cuba and the introduction of more democratic rule. The timing of Castro's demise, however, will depend on the emergence of heretofore quiescent forces within the regime's elite and among Cuba's body politic. We believe observable splits in the armed forces and party, an increase in high-level defections, and significant popular protests--factors that we have not yet seen--would be key indicators of the system's imminent demise. [REDACTED]

The process of Soviet disengagement, however, also poses some risks for US interests. For example, illegal emigration is likely to continue growing rapidly as economic conditions deteriorate. Some 1,700 Cubans have already fled the island this year, more than four times the total for all of last year. Even if Castro opts for reform, we believe popular confidence is so low that thousands of Cubans will still try to leave the island. [REDACTED]

In addition, the increase in human suffering in Cuba may prompt greater international pressure on the United States to seek rapprochement with a regime no longer perceived to be

Moscow's client. Castro has long lobbied the Latin Americans to urge Washington to lift the economic embargo, and his appeals may at last be falling on newly fertile ground. Venezuelan President Perez and the Latin American Parliament--a regional consultative body--recently criticized US policy. If the Cuban people are seen to be victims of starvation and disease, the Latin Americans may press Washington to rescind the embargo. [REDACTED]

In his final days, Castro may lash out at the United States. As in the past, he probably will try to exploit nationalist pride to rally the populace, and he might mount large anti-US demonstrations outside the US Interests Section in Havana. In addition, Castro almost certainly will label political dissidents as US stooges and deal severely with them. If he perceives US radio broadcasts are increasingly successful in undermining his credibility and authority, he could use Cuba's massive medium-wave transmitters to jam US broadcasts as far north as Minnesota. It is conceivable--although extremely unlikely--that a desperate Castro, if facing the imminent end of his rule, would order a direct military attack on the Guantanamo Naval Base or a target in Florida, such as the Turkey Point nuclear reactor. He also could call on Latin American revolutionary groups to launch terrorist attacks against Americans in the region. [REDACTED]