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### Special Analysis

CUBA:

#### Economic Realities Prompt Policy Changes

*Cuba's mounting economic problems and Soviet criticism of Havana's economic management probably are behind Fidel Castro's recent emphasis on reducing tensions with the US, on securing greater access to Western markets, and on carrying out austerity measures at home. The punitive action taken last month against two high-ranking party hardliners, presumably for opposing Castro's policy shifts, is another sign of a resurgence by the pragmatists in the Cuban leadership. These leaders may counsel Castro to reduce his support to foreign radical groups and to reduce tensions with the US, but his recent public statements indicate that he remains unwilling to modify his ties to Moscow or renounce his commitment to armed revolution.*

Havana gambled last year that a burst of spending on imports and government construction projects would stimulate sustained economic growth. Although moderate growth was attained, it became clear by the time of the CEMA meeting in Havana last October that Cuba could no longer afford to stimulate the economy through increased imports without concurrently expanding exports to earn hard currency.

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Moscow has been critical of Havana's economic performance and has indicated that it will not increase economic aid to Cuba beyond current levels. the Soviets complained that Cuba's development plans for last year were unrealistic and too costly. They accused Havana of wasting Soviet petroleum and frittering away scarce hard currency by buying goods from the West that are available from CEMA.

#### Castro Declares Economic War

Following the CEMA meeting, Castro convened a meeting of the top leadership to review the country's economic difficulties and revise the 1985 economic plan quickly. He called on all Cubans to wage an "economic war" against waste and inefficiency, and warned them that they will face hardships for at least another 15 years.

The thrust of the new economic policy—increasing exports to the West, meeting trade commitments to Communist countries, and limiting imports of consumer goods—reflects Cuba's need to save foreign exchange. The new focus on austerity and conservation measures, however, probably will result in declining real growth.

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Energy rationing and cuts in construction and social service projects are likely to cause Cuba to fall far short of its 5-percent growth target for this year. [REDACTED]

#### **Implications of Policy Changes**

Castro's economic battle plan suggests he is heeding the USSR's implicit warnings about future levels of assistance. He appears increasingly receptive to advice from those in the Cuban leadership who argue for more pragmatic policies that require improved trade relations with the West. These factors may explain why Havana is emphasizing diplomatic, commercial, and cultural ties to a variety of European and Latin American countries. [REDACTED]

Castro's recent efforts to appear responsible and moderate probably form the cornerstone of a new campaign to reduce Cuba's isolation, to deflect US pressure, and to open up new markets for Cuban exports. [REDACTED]

Cuba's new propaganda emphasizes its willingness to negotiate with the US and highlights the emigration agreement reached with the US last November as presaging a general improvement in Cuban-US relations. [REDACTED]

Castro's need to ease political tensions with the US and open his economy more to the West, however, does not portend any intention to disassociate himself from the USSR. Indeed, Soviet pressure on Havana to address its economic problems appears to be largely responsible for the Cuban policy shift. [REDACTED]

The Cuban leader wants to promote a continuing dialogue with the US on bilateral issues of mutual concern, such as sea rescue and fishing rights, in an effort to convince a broad international audience of his willingness to compromise and reduce tensions. Pressures on Castro also may cause him to be more flexible on multilateral issues such as Central America and Angola, but he will not alter his basic distrust of and hostility toward the US. [REDACTED]

Even in Castro's most recent public statements, in which he exerted himself to appear conciliatory, the Cuban leader reiterated his unwillingness to renounce either his broad commitment to revolution or his specific support for the Sandinistas and the Salvadoran insurgents. [REDACTED]

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