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17 JUN 1985



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**Special Analysis**

**USSR-CUBA:**

**Holding Tight on Economic Aid.**

*The USSR appears to be tightening up on economic assistance to Cuba, forcing Havana to reshape its economic policies, but no signs of fundamental changes in the relationship are evident.*

Soviet economic aid in the form of trade subsidies, project aid, and trade deficit financing have declined from an estimated peak of almost \$4.7 billion in 1982 to about \$4.4 billion in 1984.

Any hopes Havana may have held for increased Soviet generosity were squelched at the meeting of the CEMA heads of government last November, when Moscow said it would increase neither economic aid nor oil deliveries when the current five-year plan expires at the end of this year. The Soviets also insisted that Cuba begin meeting targets for exports to CEMA nations on which it has fallen short in recent years. To fulfill CEMA quotas for sugar this year Havana already has had to buy sugar on the world market to supplement domestic production. Meeting CEMA goals for exports will limit Havana's earnings of hard currency from trade with West.

**Outlook**

Moscow is likely to keep a sharp eye on Cuba's economic performance; the Cubans believe General Secretary Gorbachev will demand they meet strict economic requirements. Vitali Vorotnikov, the former Soviet Ambassador to Cuba and a staunch supporter of Gorbachev, undoubtedly is familiar with Cuban inefficiency. His elevation to the Politburo may presage a move by Moscow to exercise greater control over its investment in Cuba.

To head off further Soviet criticism, Havana is likely to continue to make significant policy and personnel changes in the economy before the Third Cuban Communist Party Congress in December and the start of the next five-year plan. Castro's more pragmatic advisers, who are gaining influence, are nevertheless likely to push for increased trade with the West, belt-tightening at home, and more private economic activity.

Castro, who deeply resents Soviet economic pressure, has been careful in his public statements to reaffirm Cuba's close relations with the USSR. The economic policy changes introduced by Havana this year indeed indicate that Castro is responding seriously to Soviet demands that he put Cuba's economic house in order.

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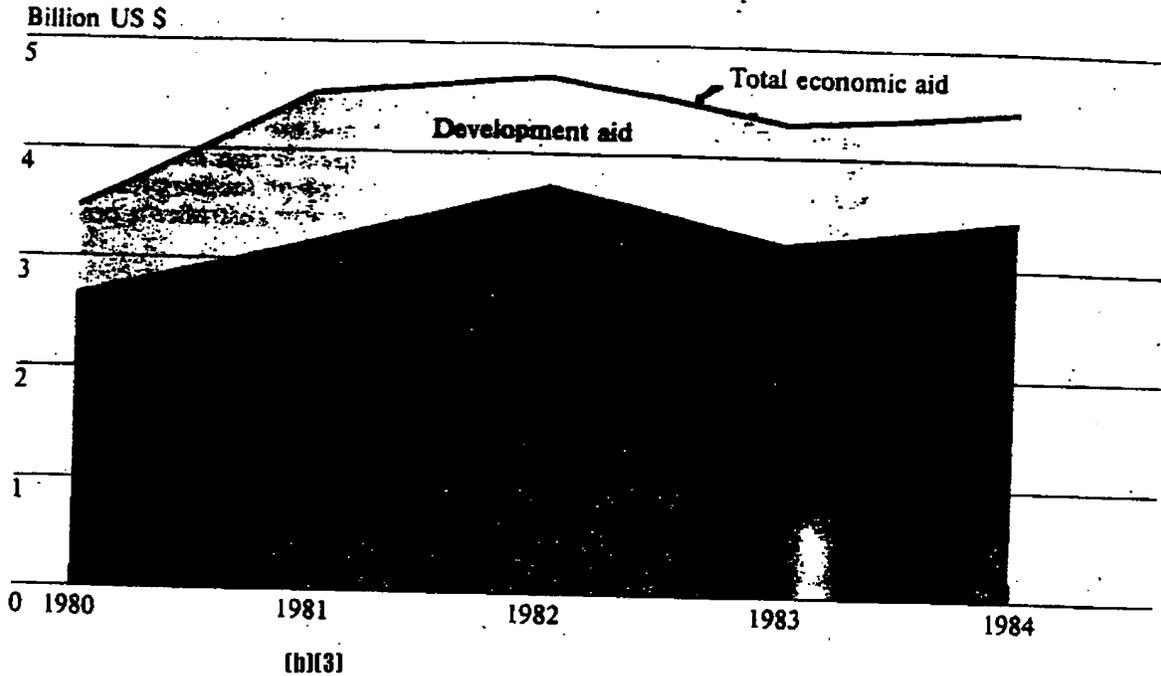
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**Soviet Economic Assistance to Cuba, 1980-85**



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