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CUBA

THE PROBLEM

To estimate the Cuban situation and outlook over the next year or two.

CONCLUSIONS

A. Castro's hold on power is firm; there is virtually no chance of his overthrow in the foreseeable future.

B. His regime has abandoned its ill conceived program for rapid industrialization and is concentrating on what Cuba can produce most readily—sugar. The economy is making some progress, though not enough to advance living conditions much during the next few years.

C. Recognizing that he has no alternative to further large-scale aid from the Soviet Union, Castro has moved politically closer to the Soviets and has cooled toward the Chinese Communists.

D. He no longer views all Latin America as on the brink of revolution, and will concentrate his clandestine support where revolutionaries are already active—in particular, Venezuela, Guatemala, Colombia, and Peru.

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DISCUSSION

I. PRESENT SITUATION

A. The Economy

1. After a period of marked decline, the Cuban economy leveled off in the latter part of 1963 and has since made some gains, owing chiefly to increased sugar production. Industry and basic services continue to suffer from shortages of parts and replacements, though overall output has improved in 1964-1965. Cuba remains a client economy, heavily dependent on economic assistance from the Communist camp, particularly the Soviet Union. In total availability of goods and services—including aid from the Communist countries—the economy has moved somewhat above the level reached before the Castro revolution, but this has been offset by increase in population.

SELECTED ECONOMIC INDICATORS

(In Millions of Dollars)

Note: The figures which follow are our best estimates and, in the case of 1965, preliminary estimates.

	1957	1961	1962	1963	1964	1965
Communist Economic Aid to Cuba*	None	35	240	370	260	225
Cuban Imports	895	705	730	835	995	950
Availability of Goods and Services (1957 prices)	2,885	2,915	2,860	3,000	3,220	3,220
Gross Domestic Product (1957 prices)	2,835	3,045	2,820	2,645	2,845	3,050
Population (in millions)	6.4	6.8	6.8	6.9	7.0	7.1

* Estimated on the basis of annual trade deficits with the Communist countries. Does not include technical assistance or the sugar subsidy.

2. As the economy has taken on the attributes of central direction and socialist administration, the distribution of goods and services has changed sharply. The government's share (now more than 20 percent) has almost doubled since the revolution. Much of this increase goes to the large military establishment, the extensive education program, and expanded social services. This has brought about an improvement in the economic lot of certain groups (e.g., scholarship students, party members, some of the military, and those formerly very poor). Investment expenditures also now absorb a larger share of goods and services, although the increase has not been great. Private consumption per capita is now probably 20 percent lower than in 1957. Numbers of people, especially among the urban middle class, are considerably worse off. Poor quality and shortages of many foodstuffs and consumer goods persist, and the list of rationed goods is nearly as long as ever.

3. Having drastically scaled down its overly ambitious scheme for industrialization and diversification, the Castro regime is concentrating on expanding production of Cuba's traditional agricultural commodities, particularly sugar. Sugar accounts for about 85 percent of the value of Cuban exports and represents some 25 percent of gross national product. Thus the prices obtained in any given year—along with the quantity produced—are a major determinant of the overall state of the economy. Cuba's vulnerability to low sugar prices on the world market has been reduced, though by no means eliminated, by the commitment of the USSR and certain other Communist countries to purchase large and increasing amounts of sugar at six cents per pound.¹

4. This year's sugar crop of six million tons was a notable achievement. To meet this difficult goal, however, the regime was forced to divert land and labor—often by coercion—from other production. Ironically, world sugar prices are so low that the total earning power of this harvest is no more than that of the smaller 1964 crop, and hard-currency earnings from Free World markets are considerably lower. Thus, although Cuba's overall economic performance is improving, the total supply of goods and services probably will not increase in 1965, and the economy's gains will do little to diminish consumer dissatisfaction.

B. Internal Political Matters

5. Castro's hold on power remains firm. His revolutionary party (PURS) is only beginning to take on significance at the national level; at the local and provincial levels, however, it plays an increasingly active and important role. Within Castro's entourage, Raúl Castro and President Osvaldo Dorticos have gained stature; the former controls the military and is second to Fidel in the PURS, the latter has assumed control of the Ministry of Economy and of the Central Planning Board. Early in 1965, Fidel Castro took personal control of the Agricultural Ministry (INRA), replacing Carlos Rafael Rodríguez, a leading Old Communist. Che Guevara, once the regime's number three man and

¹ Sugar Output (in million metric tons):

1957	1961	1962	1963	1964	1965 (estimated)
3.7	6.8	4.8	3.8	4.4	6.0

Cuba's internal sugar consumption is .4 to .5 million tons a year. Since 1961, Cuban exports to Free World customers have been about 1.5 million tons a year, but will be closer to 2.0 million tons in 1965. The Soviet Union and other Communist countries have taken the remainder of the crop. The regime's ambitious plans call for a steady increase in sugar production to 10 million tons by 1970. The USSR is pledged to take 2.1 million tons this year; 3 million in 1966; 4 million in 1967; and 5 million in 1968-1970—all at the fixed price of six cents per pound. All but a very small proportion of this is paid for with Soviet goods under bilateral arrangements; thus the actual amount received by Cuba is conditioned by the prices on the Soviet goods. Communist China is scheduled to take 700,000 tons in 1965; much smaller amounts of sugar will go to other Communist countries.

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revolutionary ideologue, has been out of sight since March and is no longer functioning as Minister of Industries.

6. Political infighting between the Old Communists and Fidelistas has continued, with the Old Communists clearly getting the worst of it. The demotion of Rodriguez represented a blow to old-line influence. Joaquin Ordoqui, another important Old Communist, was ousted from his party and governmental posts last November. He has been accused of treason and is being detained but has not been brought to trial. The Old Communists continue, nevertheless, to play an important role at the local and provincial levels.

7. Opposition to the Castro regime remains fragmented and feeble. Government propaganda and mass mobilization programs have had some success.

C. The Military

The great bulk of Cuba's military equipment is Soviet-supplied; for the past year shipments have not been large and have consisted mostly of replacement items, spare parts, and ammunition. Additional training has probably increased the overall effectiveness of the Cuban military. As a result of the general conscription put into effect in 1964, there now exists a growing and trained ready reserve force. Nonetheless, the Cubans lack actual combat experience. They remain dependent on the USSR for material support and advanced training. We continue to estimate that about 2,000 Soviet military personnel remain in Cuba though the number may have declined somewhat; some of them are military advisers, most are technical and maintenance personnel.

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D. Castro's View of the World Situation and Cuba's Position

10. Castro continues to be primarily a revolutionary. He is also an egotist who exaggerates Cuba's importance—and his own—in world affairs. He clearly feels that the mutual deterrence between the two great nuclear powers gives him room for maneuver and opportunity to wield influence out of all proportion to Cuba's size. In sum, Castro attempts to play three roles simultaneously: of a member in good standing of the Communist camp; of a fraternal figure among

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the non-aligned countries; and of a supporter of revolutionary movements—
Communist or non-Communist—which oppose "capitalist imperialism."

Cuban-Soviet Relations

11. Cuba's need for substantial economic assistance provides the USSR with its main leverage on Castro. We believe that the new Soviet leaders are somewhat more inclined than Khrushchev to use or threaten to use that leverage—but not to the point of actually withholding aid. Although a substantial number of Russian technicians continue to work as advisers to Cuban industry, the Soviets probably feel that much of their large investment in Cuba has been squandered by the administrative bumbling of the Castro regime. They have undoubtedly pressured Castro to straighten out Cuba's confused economic practices. Negotiations for the 1965 Cuban-Soviet economic agreement dragged on from October to February. Ultimately the Soviets agreed to a level of aid approximately as in 1964.

12. During the past year, the Castro regime has moved closer to the Soviets in the Sino-Soviet dispute. At the conference of Latin American Communist parties in Havana in November 1964, Cuba agreed to cooperate with the Moscow-oriented parties and condemned factionalism within the Communist ranks. Cuba, in what China considered yet another direct affront, also attended the meeting of Communist parties in Moscow in March 1965. In addition, Castro has criticized Peiping for the damage which its polemics have inflicted on the Communist movement. The shift toward Moscow reflects in part Soviet pressure, but it also reflects Castro's own present assessment of the situation. He has probably become convinced that China is mainly responsible for the split, and has rebuked it for divisive propaganda activities in Cuba itself. He also probably views Peiping as a competitor in Latin America for the allegiance of revolutionary forces.

Efforts to Foment Revolution

13. Cuba has continued to provide propaganda backing, training in subversion and guerrilla warfare, and limited financial aid to Communist and other Latin American revolutionaries. But, Castro now seems to believe that local elements should bear the principal burden of revolutionary effort, with Cuba playing a supporting role. He has apparently abandoned his belief that all Latin America is poised on the brink of revolution. Consequently, he is concentrating on those countries where revolutionaries are active, e.g., Venezuela, Guatemala, Colombia, and Peru. Elsewhere he appears ready to wait for targets of opportunity. Along with this change in emphasis, Castro has at least temporarily muted his opposition to the old line Communist parties in Latin America; in return they are pledged to give "active aid" to revolutionary elements in a specific list of countries.¹ They have done little to date to honor this pledge.

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Castro has assisted various revolutionary movements in Africa. Thus far, however, the Cuban effort in Africa is small, and it received a setback with the overthrow of Castro's friend Ben Bella in Algeria.

Cuba has also provided guerrilla training for a number of African nationals in Cuba and has sent some military equipment to Algeria and Tanzania.

Relations with the non-Communist World

16. Through his support of various revolutionary elements and his consistent anti-imperialist posture, Castro has had some success in increasing Cuba's influence among the non-aligned nations. Cuba has also sought closer economic ties with various non-Communist areas, primarily to expand exports and to circumvent the US economic denial program. In this Cuba's success has varied almost entirely according to its ability to sell sugar at good prices. When Cuba had money, as in 1963-1964, some European traders were willing to extend small amounts of trade credit; when Cuba's convertible exchange holdings are low—as at present—most traders in the goods Castro needs avoid all but cash dealings.

17. Castro has maintained his general propaganda attacks on the US, but, since the overthrow of Khrushchev, has not exerted pressure on a number of issues involving direct US interests. The Cubans have, for example, set aside their public and diplomatic campaign to compel the US to cease U-2 overflights of the island.

But they have not gone so far as to renew overtures for a normalization of Cuban-US relations.

II. OUTLOOK

18. For 1965 as a whole, the Cuban economy will continue to increase at about the rate of 1964. Beyond 1965, however, prospects are clouded by several factors. The efforts to expand sugar output are cutting into the cultivation of some other crops. Thus the prospects for an increase in total agriculture

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in 1966 and 1967 are limited, even though there may be further improvement in sugar production. The outlook for 1968, in particular, is dimmed by a current reduction in the supply of fertilizers. In the industrial sector of the economy, it seems doubtful that the flow of raw materials and equipment will increase significantly over the next two years. Measurable gains will probably be made in some sectors, but total industrial production will probably rise very slowly.

19. The Cuban economy could make significant progress if mismanagement and poor labor morale could be reduced. Progress in administration is slow, however, in part because so many of the most talented and best trained Cubans have left and are leaving the country. In addition, Castro has clearly emphasized revolutionary zeal over competence. Labor morale, on the other hand, may improve as a result of Castro's recent recognition of the need for material incentives. If the current economic improvement continues beyond 1965, it will probably not suffice to make an appreciable difference in living standards within the next two years. In any case, the Cuban economy will remain highly dependent upon trade with and aid from the Communist countries. Any large expansion of Cuban trade with the West is unlikely.

20. Despite sporadic frictions, the Castro regime's political and economic relationship with the Soviet Union is almost certain to remain close, at least during the period of this estimate. Castro has no practical alternative to Soviet assistance, and the Soviets have an important stake in preserving the Castro regime in power. Castro will almost certainly continue his efforts to increase Cuba's influence among the non-aligned nations, but major successes are unlikely. We believe that both the Soviets and Cubans will proceed cautiously in their attempts to undercut the US position in Latin America.

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21. Castro almost certainly believes that any dramatic improvement in US-Cuban relations is highly unlikely. Therefore, he would probably not offer any significant concessions to achieve it.

22. Castro's commitment to the "export of revolution" will remain a key policy of his regime. We believe that within his limited capabilities he will continue to provide training and some clandestine aid to active revolutionaries in several Latin American countries and to a lesser extent in Africa. He is likely to display caution in most of these efforts, though he will continue his extensive propaganda backing of insurgents. Moreover, we think that he will also give increasing emphasis to longer range political tactics, such as closer

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cooperation with Moscow-oriented Communist parties and in some countries with more moderate leftists as well. Nevertheless, we believe that Castro still regards parallel revolutions elsewhere in Latin America as his best hope of breaking out of his present isolation in the hemisphere.

23. Castro's administration of Cuban internal affairs will remain highly personal, although some political and economic decentralization is occurring.^a The institutions which he has created—the party, economic, social, and security organizations based on Soviet models—will continue to develop gradually, eventually becoming more effective and perhaps acquiring a major role in decision making. But we believe that over the next year or two they will continue to operate as Castro's personally controlled vehicles, that they will be responsive to his dictates, and that *Fidelismo* will be far more important than Marxism-Leninism in their ideology.

24. Castro's personal predominance will remain a major vulnerability of his regime. Although we see virtually no chance of his overthrow during the next year or so, there is always the possibility of his death by illness or assassination.

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^aIn this year's 26 July speech, Castro particularly stressed his intention of increasing the responsibilities of the local party organizations.