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Economic Intelligence Memorandum

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BLOC ECONOMIC ACTIVITY IN CUBA
1960 THROUGH JUNE 1963



CIA/RR EM 63-34

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Economic Intelligence Memorandum

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This memorandum was prepared by

[REDACTED]

1.5(c)(2)
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BLOC ECONOMIC ACTIVITY IN CUBA*
1960 THROUGH JUNE 1963

Summary and Conclusions

Economic relations between Cuba and the Communist Bloc** were initiated during 1960 by the signing of a series of trade and economic aid agreements. As a consequence, Cuba's economic ties with the Bloc developed rapidly during the 1960-62 period.

Trade between Cuba and the Bloc during this time grew from a negligible amount in 1959 to a total turnover of more than \$1 billion*** in 1962. Within this general pattern, however, the two major components of total trade followed somewhat different trends. Exports from Cuba increased through 1961 and then turned downward rather sharply in 1962 following the poor sugar harvest of that year. This decline will continue through 1963 at least, inasmuch as the fall in production of sugar in Cuba has extended into 1963. Imports from the Bloc, on the other hand, increased through the end of 1962. This growth probably will not be extended into 1963, however, and there may even be some decline during the present year.

Imports from the Bloc continued to increase through 1962 because the Bloc was willing to expand its balance-of-payments aid to Cuba. This type of assistance began in 1961, when the Bloc increased its buying price for Cuban sugar to 4 cents per pound, a price considerably above the prevailing world price. Price support yielded an indirect balance-of-payments subsidy to Cuba worth about \$200 million by the end of 1962. In addition to the price subsidy, during 1962 the Bloc also extended balance-of-payments aid by allowing Cuba to accumulate a trade deficit worth more than \$200 million.

In the field of economic development assistance, the Bloc formally extended nearly \$500 million in credits to Cuba between the beginning of 1960 and the end of 1962. Only an estimated \$50 million had been drawn by the close of 1962, however -- more than half of it to finance technical assistance.

* The estimates and conclusions in this memorandum represent the best judgment of this Office as of 1 September 1963.

** The term Communist Bloc as used in this memorandum refers to all Communist countries except Cuba and Yugoslavia.

*** Dollar values are given in terms of current US dollars throughout this memorandum.

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During 1963, some changes will appear in the Bloc aid program. Balance-of-payments credits will continue to be extended as in 1962. Sugar price subsidies have come to an end, however, for 1963 at least, as world market prices have risen substantially above Bloc prices. The Bloc probably will not extend sizable new development credits during 1963; rather, there will be a moderate increase in the rate at which older credits are utilized.

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I. Cuban Trade with the Bloc

A. Negotiations

In January 1960, First Deputy Premier Mikoyan of the USSR traveled to Cuba to open a Soviet scientific, technical, and cultural exposition. Mikoyan's visit proved to be the first step in the expansion of Cuba's relations with the USSR that has followed since then. Among the most important consequences of Mikoyan's trip was the signing, on 13 February 1960, of a trade and payments agreement that set forth the general framework for Cuban-Bloc trade during the 1960-64 period. Following the conclusion of the Soviet agreement, other members of the Bloc undertook negotiations with Cuba, and, by the end of 1960, trade and payments agreements with Communist China and most of the European Satellites had been concluded. During 1960, therefore, Cuba and the Bloc laid the formal foundations for the large growth in trade that occurred throughout the 1960-62 period.

Under the terms of these general agreements, Cuba and its Bloc trading partners have signed annual protocols that set forth the details for trade during each calendar year. The protocols for 1961 and 1962 generally called for rapid expansion in the level of trade.

In November and early December 1962, Cuba and its Bloc trading partners began negotiations concerning the trade protocols for 1963. The negotiations were evidently more difficult than usual, and most of the agreements were not signed until February. In the case of the [REDACTED] protocol, a final understanding was not reached until early April. Although the difficulties encountered probably were one manifestation of the general strain in relations between Cuba and the Bloc following the missile crisis in the fall of 1962, it appears that there were several economic issues which compounded these difficulties. These issues included the question of the repayment terms for Cuba's 1962 trade deficit with the Bloc, the problem of arranging financing to cover Cuba's anticipated trade deficit in 1963, and Cuba's request that the Bloc bring its buying price for sugar into line with rising world sugar prices. 1/*

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Throughout 1961, Cuba maintained reasonably balanced trade with the Bloc, partly because of the premium sugar price which the Bloc began to pay during that year.** In 1962, however, a substantial deficit developed, and the trade negotiations begun in the fall

* For serially numbered source references, see the Appendix.

** See III, A, p. 13, below.

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of that year undertook to place this trade debt on a formal credit basis. In addition to this problem, poor prospects for the 1963 Cuban sugar crop made it evident that Cuba would again require large balance-of-payments credits during 1963. The prospect of continued massive aid of this type probably was painful to the Bloc, but Cuba's need for it was obvious and compelling, and in due course the additional credits were negotiated.*

Although the problem of trade credits apparently was settled by the time the 1963 protocols were finally signed, the question of sugar prices evidently was not. As the world price for sugar continued to rise, however, Cuba continued to press the matter. Finally, at the close of Fidel Castro's trip to the USSR in May, the Soviet authorities announced that they would increase their buying price for Cuban sugar. Subsequently, Castro stated that the new price agreed to was 6 cents per pound, only about half the world price prevailing at the time. No evidence has come to light that would indicate that the European Satellites or Communist China have changed their buying prices, and the presumption is that they have not done so. Although the Soviet price concession was a relatively modest one, in combination with the new credit arrangements it helped further to smooth over relations with Cuba, which were still somewhat strained from the events of last fall, and Castro returned to Cuba with high praise for all things Soviet.

The contents of the 1963 protocols have never been made public except in the most general terms. Nevertheless, the public statements made in connection with them indicate that the new agreements foreshadow an important change in the pattern of Cuban-Bloc trade. In the case of the Soviet and Chinese Communist agreements, the press announcements covering them make no reference to increased trade during 1963, a sharp departure from earlier years. 2/ The press coverage of the USSR protocol in particular is conspicuous by the absence of any mention of the proposed level of trade. The agreement with [REDACTED] also fails to indicate a trade increase, and a [REDACTED] official has stated that trade with Cuba will decline in 1963. 3/ Some of the 1963 protocols, notably those with Czechoslovakia, East Germany, and Hungary, do call for significant trade increases; however, these three countries together account for only a little more than 10 percent of Cuba's total trade with the Bloc. 4/

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3.4(b)(1)(6)

B. Exports

The trade agreements signed in 1960 brought the Bloc into the market for Cuban sugar on a large scale (see Table 1**). Since then,

* See p. 14, below.

** Table 1 follows on p. 5.

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Table 1

Volume of Cuban Sugar Exports a/
1958-63

	Thousand Metric Tons					
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u> <u>Estimate</u>
Communist Bloc	<u>249</u>	<u>274</u>	<u>2,342</u>	<u>4,823</u>	<u>3,689</u>	<u>2,200</u>
USSR	188	274	1,577	3,303	2,112	1,200
European Satellites	11	0	215	456	615	500
Communist China b/	50	0	550	1,064	962	500
Free World	<u>5,383</u>	<u>4,678</u>	<u>3,278</u>	<u>1,587</u>	<u>1,441</u>	<u>1,200</u>
Grand total	<u>5,632</u>	<u>4,952</u>	<u>5,620</u>	<u>6,410</u>	<u>5,130</u>	<u>3,400</u>

a. 5/

b. Including the following exports to North Korea and North Vietnam:
for 1960, 74,000 tons; for 1961, 32,000 tons; and for 1962, 24,000 tons.

sugar exports have been one of the main foundations of Cuba's trade with the Bloc and have accounted for 80 to 90 percent of the total value of Cuba's exports to Bloc countries. During 1960 and 1961, Cuba rapidly expanded sugar exports to the Bloc, largely by reducing sales to the Free World, although increased production of sugar also was an important factor in 1961.

Since 1961, however, Cuba evidently has been reluctant to make further reductions in its exports to the Free World, and during 1962 these exports were maintained at the expense of shipments to the Bloc. The sugar harvest of 1962 fell sharply below that of 1961, a total decline of about 30 percent. Following this loss in production, Cuba was forced to cut total exports; however, by liquidating its reserve stocks, the decline in exports was held to 20 percent. Exports to the Bloc absorbed considerably more than their proportionate share of the decline, falling by 25 percent compared with a decline of only 10 percent in exports to the Free World.

The volume of Cuban sugar exports will decline again in 1963 following the poorest harvest in about 20 years and the complete liquidation of stocks in 1962. The available evidence indicates that the reduction again will be reflected primarily in exports to the Bloc, with deliveries to the Free World receiving only a relatively moderate cut.

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The record of Cuban sugar exports over the past several years appears to contradict the widely held view that Cuba has a fixed quota for sugar exports to the Bloc. Rather, it appears that Cuba attempts to confine fluctuations in the volume of its exports to the Free World within fairly narrow limits, while exports to the Bloc are adjusted through a much wider range as circumstances may dictate.

The value of Cuba's exports to the Bloc has followed closely the changes in volume of sugar exports (see Tables 1* and 2**). Price changes, on the other hand, have played a minor role in determining the value of exports to the Bloc. An exception to this occurred in 1961, when the Bloc not only increased the amount of sugar purchased but increased its buying price as well. During 1960 the Bloc had paid the market price for Cuban sugar. At the beginning of 1961 the Bloc raised its buying price to 4 cents per pound, considerably above the world market level at the time. This price was maintained unchanged throughout 1961 and 1962 and probably is still maintained by Communist China and the European Satellites.

The decline in value of Cuban exports to the Bloc that began in 1962 will continue at least through 1963. The reduction in volume of sugar deliveries will be offset only in part by the limited increase in the USSR's buying price that was announced in late May of this year. The largest reduction probably will occur in the value of exports to Communist China, while the value of exports to the European Satellites will suffer the least.

C. Imports

Following its development as the principal market for Cuban sugar, the Bloc has also become the principal supplier of Cuba's imports. A summary of the rapid growth of Cuban imports from the Bloc during the 1960-62 period is given in Table 2.**

There appears to be little or no possibility that imports from the Bloc during 1963 will continue the growth evident during the 3 preceding years. The increase during 1962 was considerably less than in 1961, and the 1962 level of Cuban imports apparently was adequate to meet the basic needs of the domestic economy. Also, it is becoming increasingly difficult for Cuba to finance additional imports from the Bloc in the face of the continued decline in income from exports to the Bloc. In fact, given the probable loss of export income during 1963, it may be impossible for the Castro government even to maintain imports from the Bloc at the 1962 rates.

* P. 5, above.

** Table 2 follows on p. 7.

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Table 2

Cuba's Foreign Trade a/
1957-62

	Million US \$					
	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
<u>Cuban Exports (F.O.B.)</u>						
Communist Bloc	40	15	15	150	480	400
USSR	40	15	15	100	310	220
European Satellites	Negl.	Negl.	Negl.	20	70	90
Communist China <u>b/</u>	Negl.	Negl.	Negl.	30	100	90
Free World clearing <u>c/</u>	Negl.	Negl.	Negl.	Negl.	35	35
Free World convertible	770	720	625	470	110	85
Total	<u>810</u>	<u>735</u>	<u>640</u>	<u>620</u>	<u>625</u>	<u>520</u>
<u>Cuban Imports (C.I.F.) <u>d/</u></u>						
Communist Bloc	Negl.	Negl.	Negl.	126	511	645
USSR	Negl.	Negl.	Negl.	80	310	420
European Satellites	Negl.	Negl.	Negl.	29	115	130
Communist China <u>b/</u>	Negl.	Negl.	Negl.	17	86	95
Free World clearing <u>c/</u>	Negl.	Negl.	Negl.	Negl.	33	20
Free World convertible	850	850	750	430	160	95
Total	<u>850</u>	<u>850</u>	<u>750</u>	<u>556</u>	<u>704</u>	<u>760</u>
<u>Total Trade</u>						
Communist Bloc	<u>40</u>	<u>15</u>	<u>15</u>	<u>276</u>	<u>991</u>	<u>1,045</u>
Free World	<u>1,620</u>	<u>1,570</u>	<u>1,375</u>	<u>900</u>	<u>338</u>	<u>235</u>
Total	<u>1,660</u>	<u>1,585</u>	<u>1,390</u>	<u>1,176</u>	<u>1,329</u>	<u>1,280</u>

a. 6/

b. Including North Korea and North Vietnam.

c. Clearing arrangements with Free World countries did not reach a significant scale until 1961, although clearing agreements with Spain were in effect before this time.

d. In converting from f.o.b. to c.i.f. values for Cuban imports, a standard factor of 10 percent of f.o.b. value for Free World countries and 15 percent of f.o.b. value for Bloc countries was applied.

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Several factors, however, will help to compensate for the loss in export income. First, Cuba will draw more rapidly against the economic development credits that the Bloc has extended, and this will provide additional financing for imports in 1963.* Second, there is some possibility that Cuba will utilize its increased export earnings from the Free World to help cover its deficit with the Bloc. Cuba will realize a substantial increase in its Free World export income during 1963 because of the dynamic rise in world sugar prices.** At this point, however, the evidence does not indicate a very large increase in imports from the Free World.*** Thus a surplus may be in making which could be used to finance some of the import surplus from the Bloc.

It will also be possible to maintain the 1962 rate of imports if the Bloc is willing to increase its balance-of-payments credits to

* See p. 14, below.

** There is good evidence concerning the terms of sale for about 680,000 metric tons (tonnages are given in metric tons throughout this memorandum) of the 1.2 million tons expected to move from Cuba to the Free World during 1963. Prices ranged from about 3.3 cents per pound to around 12.5 cents per pound, with the average being 6.3 cents per pound. Furthermore, the New York Times of 2 June 1963 has quoted unidentified sugar market "experts" as stating that Cuba sold 1 million tons from the 1963 crop at an average price of 7.2 cents per pound. The average price for Cuban sugar during 1962 was about 3.0 cents per pound.

*** Imports from Free World countries during the first quarter of 1963 were 10 to 15 percent below the average quarterly import rate for 1962. This conclusion is based on a sample of imports including those from the UK, France, West Germany, Norway, Sweden, Belgium-Luxembourg, the Netherlands, Canada, and Japan. The conclusion is also supported by evidence that the level of Cuba's outstanding letters of credit for dollar and pound sterling payments was substantially below the 1962 level during the first 4 months of 1963.

During May, however, the value of outstanding letters of credit increased rapidly. By the first of July, outstanding credits were substantially higher than the average for 1962 and still rising, although at a much slower rate than in May. The increase in outstanding letters of credit appears to indicate a substantial rise in the rate of imports from the low levels of the first 3 or 4 months of 1963. It is not yet clear whether this increase will be enough to produce a rate of import from Free World areas for the year as a whole that is significantly higher than in 1962.

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Cuba during 1963. Although new credits have been extended to help finance imports during 1963,* there is no evidence to indicate an increase above the amount of aid extended last year.

Early in 1963 it appeared that imports might not be maintained at last year's level. During the first 2 months of 1963 the volume of dry cargo arriving in Cuba from the Bloc was nearly 30 percent below that of the same period of 1962. As time passed, however, the tonnage of incoming cargo from Bloc ports increased both in absolute terms and relative to the volume of 1962. For the first 6 months as a whole, dry cargo volume was only about 10 percent below the same period of 1962. Deliveries of POL to Cuba followed a pattern similar to that of dry cargo. During the first quarter of 1963 the volume of POL imports was about 30 percent below that of 1962; deliveries for the first 6 months, however, were only about 10 percent below January-June 1962. In value terms the decline in POL probably was more than 10 percent because crude petroleum, which has a lower value than petroleum products, represented a larger share of the total than was the case in 1962.

II. Cuba's Balance of Payments, 1961 and 1962

Summaries of Cuba's balance of payments during 1961 and 1962 are presented in Tables 3 and 4.** It will be noted that the geographic distribution of Cuba's exports in these tables is somewhat different from that presented in Table 2.*** These differences reflect the fact that some sugar exports to Free World countries in 1961 and 1962 were sold on the account of various European Satellites.† Cuba received payment for these exports through its clearing account with the Satellite concerned and not in convertible currency or clearing balances in its account with the importing country. For balance-of-payments purposes, these exports have been regarded as exports to the Bloc, and the trade figures have been adjusted accordingly.

Most of the other figures in the Current Account section of the tables are fairly clear and need little comment. The Technical Services category was included because of the special importance of Bloc††

* See p. 14, below.

** Tables 3 and 4 follow on pp. 10 and 11, respectively.

*** P. 7, above.

† [REDACTED] in 1961 Cuba exported about 265,000 tons of sugar, worth \$20 million, to Free World countries on Bloc account. Information for all of 1962 is not available; however, extrapolation of data for the first quarter of the year indicates that about \$15 million of indirect sugar exports took place during the year. Thus about \$35 million worth of such exports to the Bloc took place in these 2 years. 7/

†† Text continued on p. 12.

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Table 3

Cuban Balance of Payments
1961

	USSR		European Satellites		Communist China		Free World		Total	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Current Account										
Merchandise (f.o.b.)	310	270	90	100	100	75	125	175	625	620
Freight and Insurance		40		15		11		20		86
Technical Services		5		2				30		7
Other Invisibles										30
Balance		5		27	14			100		118
Donations										
Long-Term Capital	5		2						7	
Short-Term Capital										
Changes in Convertible Currency (Debit = increase in assets)		17				3	65		45	
Changes in Clearing Balances with the Bloc (Credit = increase in liabilities)	17		25		11				31	
Changes in Clearing Balances with the Free World (Credit = increase in liabilities)										
Balance		25			14	65			76	
Errors and Omissions						32			32	

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Table 4

Cuban Balance of Payments
1962

	USSR		European Satellites		Communist China		Free World		Total	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Current Account										
Merchandise (f.o.b.)	220	370	105	115	90	83	105	105	520	673
Freight and Insurance		50		15		12		105		87
Technical Services		15		7				10		22
Other Invisibles										33
Balance		215		32		5		43		295
Donations										
Long-Term Capital										
Short-Term Capital	35		1				13		13	42
Changes in Convertible Currency (Debit = Increase in Assets)										
Changes in Clearing Balances with the Bloc (Credit = Increase in Liabilities)	190		15		5				210	
Changes in Clearing Balances with the Free World (Credit = Increase in Liabilities)										
Balance	173		10				10			
Errors and Omissions	7		25		5		20		223	
							10		17	

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technical service exports and because an offsetting entry was needed for the technical aid portion of long-term capital imports.

The Other Invisibles item in the Current Account deserves some special notice. Of the \$33 million entered under this category in the 1962 balance of payments, \$21 million was earmarked for the Ministry of the Armed Forces.* The \$30 million entry for 1961 was made on the assumption that expenditures for Other Invisibles was about the same in both of the years under consideration.

The \$13 million under Donations in 1962 represents US ransom payments.

The entries under Long-Term Capital reflect drawings against Bloc economic development credits. For a discussion of these items, see III, B.**

The entries in the USSR column under the Convertible Currency category reflect the hard currency payments made by the USSR on 20 percent of 1 million tons of its annual sugar imports from Cuba. The small entry for Communist China represents limited hard currency payments made in 1961 for sugar imports. The entries in the Free World columns include reductions in convertible currency reserves plus the hard currency payments from the USSR and Communist China. The net reductions in convertible currency reserves are found in the Total columns. 9/

The Clearing Balances with the Bloc category is self-explanatory. In general, the entries here reflect Cuba's accumulating deficit in trade with the Bloc. Under Clearing Balances with the Free World, the \$10 million entry in the Satellite credit column in 1962 is offset by a corresponding entry in the Free World debit column. This represents the probable transfer of Cuba's favorable clearing balance with Morocco to one of the Satellite countries.

* [redacted] who provided this information [redacted] was given the task of estimating the amount of US dollars that Cuba would have available to finance imports during 1962. In the course of this project, the National Bank of Cuba provided [redacted] an estimate of the dollars that it would need to cover its "unfavorable invisible balance." Of the Bank's estimate of \$33 million for 1962, \$21 million was classified ambiguously as "special items" that the Bank was unwilling to identify further. [redacted] was able to learn only that the "special items" were expenditures of the Ministry of the Armed Forces. 8/
** P. 14, below.

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III. Bloc Aid to Cuba

Bloc aid to Cuba may be summarized under three broad categories: (1) balance-of-payments assistance; (2) assistance in the planning, financing, and construction of economic development products; and (3) technical assistance for the general administration and current operation of the economy. In terms of the total value of aid formally extended, the economic development category is the largest. In terms of aid actually utilized, however, balance-of-payments assistance is by far the most important.

A. Balance-of-Payments Assistance

The Bloc has provided balance-of-payments support to Cuba since the beginning of 1961, when the Bloc began to pay a premium price for its sugar imports from Cuba. From the beginning of 1961 through the end of 1962, Bloc countries purchased sugar from Cuba which, if valued at prevailing world prices, was worth about \$550 million.* 10/

The Bloc's buying price of 4 cents per pound was considerably above the world price during most of the 1961-62 period, however, and Bloc countries actually paid \$750 million for their Cuban sugar imports. Thus Cuba received an indirect balance-of-payments subsidy of \$200 million over the 2-year period.

During 1961 the Bloc also allowed Cuba to accumulate small clearing account imbalances. This type of trade deficit did not become a major problem until 1962, however, when the Bloc began to extend large-scale balance-of-payments credits to Cuba. At first, there evidently was no formal credit extension. Rather, it appears that early in 1962 various Bloc countries, primarily the USSR, accepted the necessity of exporting to Cuba substantially in excess of Cuba's ability to pay. Therefore, as the year progressed, Cuba accumulated growing adverse balances in its Bloc clearing accounts. Tables 3 and 4** indicate that the aggregate clearing account deficit balance by the end of 1962 was about \$240 million.***

* During 1961 and 1962 the Bloc purchased about 8.5 million tons of Cuban sugar, and during the same period world prices averaged slightly less than 3 cents per pound (about \$65 per ton).

** Pp. 10 and 11, respectively, above.

*** It will be noted from Table 2 (p. 7, above) that Cuba ran a surplus in its trade with the Bloc during 1960 amounting to about \$25 million, and it would appear on the face of the matter that this amount should be deducted from the subsequent trade deficits to arrive at an estimate of the net clearing balance as of the end of 1962. During 1960, however, much of Cuba's exports to the Bloc was paid for with convertible currency rather than with barter. Consequently, the Cuban trade surplus of that year probably did not result in clearing balances of any importance.

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Formal credit arrangements covering the clearing balances were not worked out until the 1963 trade protocol negotiations that took place in late 1962 and early 1963. As a result of these negotiations the USSR agreed to permit Cuba to repay the approximate \$207 million balance in the Soviet-Cuban clearing account over a 12-year period (see Tables 3 and 4*). No indication has been given concerning the interest to be charged, but presumably the standard Bloc rate of 2.5 percent will apply. The Chinese Communists agreed to repayment over a 10-year period beginning in 1970. No interest is being charged in the case of the Chinese credit. No information is available covering the terms worked out for the Satellite clearing balances.

During the negotiations that arranged the credit terms just discussed, additional credits were also extended to finance Cuba's anticipated 1963 deficit. Although public announcements have made it clear that both the USSR and Communist China have granted balance-of-payments credits for 1963, no indication has been given as to their size. Czechoslovakia, however, has announced a \$20 million long-term credit to Cuba to finance imports during 1963. 11/

B. Economic Development Assistance

In February 1960 the USSR extended a \$100 million line of credit to Cuba for general economic development. Later in the same year and early in 1961 the European Satellites and Communist China extended a total of \$157 million in economic development credits. These early credits are long-term, low-interest arrangements. Repayment periods range from 8 years in the case of some of the Satellites to 12 years in the case of the Soviet credit. The standard interest rate is 2.5 percent, although the Chinese credit is interest free.

Subsequent to the extension of these long-term credits the USSR granted two additional lines of credit of \$100 million each, one for the development of the nickel industry and one for general development purposes. The nickel credit is a medium-term arrangement with a 5-year repayment period. [REDACTED] the other \$100 million line of credit also is medium term, with repayment no longer than 5 years.** Finally, in July 1962 the USSR extended a \$12 million credit for the construction of a fishing port at Havana. Altogether, by the end of 1962 the USSR and the rest of the Bloc had granted Cuba a total of \$469 million in economic development credits.

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* Pp. 10 and 11, respectively, above.

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In contrast to balance-of-payments assistance, relatively little of the development credits has been drawn. Of the nearly \$500 million extended, only an estimated \$50 million actually had been utilized by the end of 1962.

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3.4(b)(1)(6)

Furthermore, only about \$20 million of the drawings were accounted for by imports of machinery and equipment.

[REDACTED]

[REDACTED] does indicate clearly that as of 1962 Cuba probably was able to make only limited use of the Bloc's development credits. The restricted use of these credits is explained by the following: (1) the fact that most of the large Bloc projects did not get under-way until 1962; (2) at least some of the industrial plants acquired from the Satellites were paid for entirely on a current basis; and (3) some other plants were only partially covered by credits, with

[REDACTED]

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

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advance and down payments from Cuba covering 20 to 30 percent of the total cost.*

Unfortunately, no documentary evidence is available to indicate the amount of credit drawings used to finance Bloc technical aid to Cuba. On the basis of the number of technicians estimated to have been sent to Cuba (see Table 7**) and [REDACTED] average salary paid to Bloc technicians is about \$600 per month, it is possible to calculate drawings for the services of technicians at about \$21 million as of the end of 1962.*** 14/ Something must be added to this figure to take into account

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

* A Havana press statement of September 1960 indicated that the Cuban Monetary Stabilization Fund had set aside \$23.5 million in foreign exchange to acquire industrial plants from Europe. The plants to be purchased were listed, and it is apparent that they are the same as those which Cuba has been acquiring from the European Satellites. There are available two contracts between Cuba and the Czechoslovak firm Technoexport for technical assistance in connection with a hydroelectric plant on the Rio Yara river and a film laboratory at Havana. It is apparent from these contracts that Cuba is to pay on a current basis for the services rendered. Although only technical assistance is involved, it is reasonable to assume that Cuba will be required to pay currently for the equipment needed by these projects as well, inasmuch as any credit extended for these projects would presumably cover both technical aid and equipment.

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

** P. 20, below.

*** [REDACTED] evidence for the \$600 per month estimate for technicians' salaries. Sources could be cited that give a considerably higher figure, but the above estimate was chosen because [REDACTED]

[REDACTED] it compares well with information available on salaries paid to Bloc technicians in other parts of the world. The estimate of \$21 million was arrived at by applying the salary figure to the data in Table 7 (p. 20, below). In so doing, the monthly salary was converted to an annual figure (roughly \$7,000 per year), and the total salary bill for each year was computed by multiplying \$7,000 by one-half the increase in each year plus the total present at the end of the previous year.

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

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the cost of travel to and from Cuba and the cost of design and planning done in the Bloc on various projects not yet under construction. Even accounting for these factors, however, it is doubtful that total drawings by the end of 1962 for technical assistance exceeded \$30 million.

In 1963 the Bloc probably will not extend much in the way of additional economic development credit to Cuba. Nevertheless, in January of this year the USSR did grant a new credit of \$15 million to help finance a new irrigation and land rehabilitation project. 15/

More important than this small addition to extended aid, however, was the fact that the first part of 1963 produced signs of increased drawings against outstanding development credits. The volume of cargo delivered to various Soviet projects in Cuba during the first 3 months of this year was considerably higher than the volume delivered during the last 3 months of 1962. The number of technicians present in Cuba during 1963 will be considerably higher than the average for all of 1962, and this will produce a corresponding rise in drawings for technical services. Although an increase in drawings is evident, it also appears that the increase is fairly gradual. [REDACTED] indicated that imports of machinery and equipment under development credits during 1963 will total only a little more than \$25 million. If this proves to be the case, it appears that by the close of this year probably about three-fourths of the Bloc development credits will remain unutilized.

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

In spite of the evidence that drawings on development credits have been relatively limited, the Bloc nevertheless is engaged in a considerable number of projects throughout Cuba. Tables 5 and 6* indicate the number of industrial plants undertaken by Cuba with Bloc assistance. The values listed in the tables represent total costs, including local construction costs. The value of imported machinery, equipment, and technical services for all of the plants listed probably amounts to \$100 million to \$110 million. The basic source for the information in the tables was a recent Havana press article. Other available sources suggest that some of the values given by the article may be somewhat high, but in general the information appears to be accurate. In addition to the projects in the tables, others probably are in the planning stage. Furthermore, the USSR is engaged in a general geological survey of the island and in a broad-scale survey of Cuba's mineral resources. The USSR has also begun work on an irrigation and land reclamation project and has begun the construction of the fishing port at Havana.

C. Technical Assistance

As 1963 opened, the Bloc's technical assistance program in Cuba appeared to be operating under something of a cloud, inasmuch as the**

* Tables 5 and 6 follow on pp. 18 and 19, respectively.

** Text continued on p. 20.

Table 5

Completed Bloc Industrial Projects in Cuba a/
as of June 1963

Project	Location	Bloc Country	Value (Thousand US \$)
Pencil factory	Batabano	Czechoslovakia	3,067
Nonferrous metal foundry	Cardenas	Czechoslovakia	93
Lock and padlock factory	Cardenas	Czechoslovakia	464
Pick and shovel factory	Guantanamo	Czechoslovakia	886
Nut, screw, and washer factory	Santiago	Czechoslovakia	1,585
Tableware factory	Santiago	Czechoslovakia	570
Cacao-processing plant	Baracoa	East Germany	800
Brush factory	Santiago	East Germany	437
Welding electrode factory	Nuevitas	East Germany	850
Radio assembly plant	Santiago de las Vegas	Poland	1,415
File factory	Guantanamo	USSR	1,400
Forge workshop	Havana	USSR	270
Total			<u>11,837</u>

a. 16/

Table 6

Bloc Industrial Projects Under Construction in Cuba a/
as of June 1963

Project	Location	Bloc Country	Value (Thousand US \$)
Ball bearing plant	Santiago	Czechoslovakia	350
Molds and dies plant	Santa Clara	Czechoslovakia	1,500
Diesel motors and compressors plant	Cienfuegos	Czechoslovakia	3,270
Bicycle factory	Caibarien	Czechoslovakia	1,100
Spark plug factory	Sagua la Grande	Czechoslovakia	922
Household appliance factory	Santa Clara	Czechoslovakia	12,490
Textile mill	Alquizar	East Germany	27,000
Peanut oil extraction plant	Havana	East Germany	1,300
Soya oil extraction plant	Havana	East Germany	1,000
Wood screw plant	Santiago	Poland	1,020
Glass bottle plant (expansion)	San Jose de las Lajas	Poland	3,290
Plate glass plant	San Jose de las Lajas	Poland	2,730
Electric arc foundry	Santa Clara	Poland	6,500
Cement plant (expansion)	Santiago	Rumania	5,700
Steel mill (expansion)	Cotorro	USSR	7,420
Electric powerplant	Santiago	USSR	19,060
Electric powerplant	Mariel	USSR	37,900
Spare parts plant	Santa Clara	USSR	6,885
Total			<u>139,437</u>

a. 17/

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

Castro government launched an effort evidently designed to reduce the dependence of the Cuban economy on Bloc technicians.

The move reflected primarily the strain in relations between Cuba and the USSR during the aftermath of the missile crisis in the fall of 1963, but it may also have resulted from some dissatisfaction with the performance of Bloc technicians. In any case, as Cuban-Bloc relations improved during the course of the last 6 months, the program lost much of its momentum and urgency. By June, there were signs that it either had been abandoned or, at least, no longer enjoyed a high priority. 18/

In spite of the difficult atmosphere that prevailed in early 1963, the Bloc further extended its technical aid program. In January the Cuban press announced that 400 Soviet agricultural specialists would arrive during the first quarter of the year. 19/ In addition to these, it was also announced that 104 technicians were scheduled to go to Cuba from the USSR to provide assistance in the irrigation and land rehabilitation project. 20/ Thus it appears that the number of technicians in Cuba may have increased by at least 500 during the first 6 months of 1963.

A summary of the estimates for Bloc technicians in Cuba for the 1960-63 period is given in Table 7. The data in the table are presented with considerable reservation,

The figures in the table, therefore, should be regarded as approximate midpoints of a fairly large range. No Chinese Communist technicians are listed, although some probably are present in Cuba.

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

Table 7

Estimated Number of Bloc Technicians in Cuba a/
1960-63

	<u>December 1960</u>	<u>December 1961</u>	<u>December 1962</u>	<u>June 1963</u>
USSR	180	600	2,500	3,000
European Satellites	70	450	1,000	1,000
Total	<u>250</u>	<u>1,050</u>	<u>3,500</u>	<u>4,000</u>

a. 21/. Data are as of the last day of the month shown.

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In addition to sending technical personnel to Cuba, the Bloc has undertaken an extensive program to train a new generation of Cuban technicians. At present, there probably are about 5,000 Cubans who have been sent to the Bloc to receive some form of education or training. The largest contingent is in the USSR, where over 3,000 are reported. 22/ Czechoslovakia probably is next with at least 1,000 students. 23/ There probably is a minimum of 1,000 Cuban students throughout the rest of the Bloc. 24/

About one-third of these Cubans are receiving education at the university level, and the rest are being trained to develop vocational skills. By far the largest group is receiving training in some branch of agriculture; there are about 2,000 of these agricultural trainees in the USSR. In the case of other types of trainees, many have been sent to the Bloc to learn the operation of particular industrial installations that the Bloc country involved was scheduled to deliver to Cuba.

Besides providing training within the Bloc for Cuban personnel, various Bloc countries, principally the USSR, have given assistance to education and training inside Cuba itself. Professors and instructors have been sent to Cuban universities and schools. Furthermore, the USSR has established, equipped, and staffed several training centers for Cuban workers, and there are indications that this program will be extended.

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APPENDIX

SOURCE REFERENCES

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

[REDACTED]

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

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

[REDACTED]

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

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