

CIA HISTORICAL REVIEW PROGRAM
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MEMORANDUM FOR: Chief, T/PO
THRU : Chief, ERA
THRU : Acting Chief, D/G
SUBJECT : Transmittal of G/LA Contribution to
the EIC Biweekly Report: Aid and Trade
Activities of Communist Countries in
Less Developed Areas of the Free
World

18 April 1967

Attached is a G/LA contribution to the subject report, entitled
"Cuban Trade With the Communist Countries." This contribution
is forwarded in accordance with G/LA's commitment to supply
periodic roundups of Cuba's economic relations with the
Communist countries.

Attachment:
As stated above.

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Cuban Trade With The Communist Countries*

I. Trade Protocols for 1967

All of Cuba's major 1967 trade protocols with the Communist countries were concluded by the end of February. Preliminary evidence indicates that these protocols provide for a record trade turnover of about \$1.3 billion, up 10 percent from 1966. Most of the scheduled increase probably is accounted for by larger Cuban sugar exports, with imports from the Communist countries remaining at about the same level as in 1966. The actual trade turnover for 1967, however, may fall short of the planned level by \$50 million to \$100 million as Cuban sugar production is expected to be about 500,000 metric tons below earlier expectations. Cuba's trade deficit with the Communist countries, nevertheless, will be lower than in 1966 and will permit a reduction in economic aid.

Unlike previous years, press coverage of the protocols has been sketchy and many of their details are lacking. The protocol with the USSR calls for a 23 percent increase in total trade turnover. 1/ For the first time in several years, no new Soviet credits were announced in conjunction with the protocol, indicating that an approach toward balanced trade is scheduled. The protocol probably provides for Cuba to export 3.0 million metric tons of

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sugar to the USSR in 1967 as compared to 1.75 million metric tons in 1966. 2/ However, because the shortfall in Cuban sugar production probably will be absorbed by lower exports to the USSR, 1967 sugar exports to the USSR are more likely to be about 2.5 million metric tons.

Of the remaining protocols, only those with Bulgaria and East Germany provide for increased trade, amounting to approximately 20 percent in each case. 3/ The increase in trade with Bulgaria will be accounted for entirely by larger Cuban exports of sugar and molasses. The source of the increase in trade with East Germany is not known. The new protocol with Communist China provides for a drop in total trade for the second consecutive year. 4/ However, China's rice exports to Cuba (about 25 percent of total exports to Cuba) are to be maintained at the 1966 level of 135,000 metric tons.

II. Cuban Economic Relations with the Communist Countries, 1960-66

The Communist countries account for about 80 percent of Cuba's total trade (see Table 1). Trade with Communist countries is conducted almost entirely on a barter basis and has increased virtually without interruption since 1960. Communist countries provide Cuba with almost all of its fuel imports, 80 to 90 percent of its capital goods imports, about 60 percent of its imported raw materials and intermediate goods, and about 50 percent of its imported foodstuffs.

The Communist countries, in turn, have been the principal market for Cuban exports since 1960. Sugar accounts for about 85 percent of Cuba's total

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exports and in the past six years between 60 percent and 75 percent of all exported sugar has gone to the Communist countries (see Table 2) at premium prices. In early 1963, the price paid by Communist countries was increased from 4 to 6 cents per pound f.a.s. (free-alongside-ship) and has remained unchanged since then. The premium price has been set by the USSR in a long term agreement but is renewed from year to year by other Communist countries. The difference between the prices paid by Communist countries and world market prices, which generally have been considerably lower, had provided Cuba with a total subsidy of about \$625 million through 1966.

Cuba has received large credits from Communist countries since 1960 to cover persistent trade deficits and to finance technical assistance. Through 1966, Cuba utilized an estimated \$1.3 billion of these credits. Of this amount, \$1.1 billion was provided by the USSR, and the remaining \$0.2 billion was divided about equally between Communist China and the East European countries. Drawings on credits from East European countries and Communist China were negligible in 1966 and no increase is expected in 1967. Drawings against Soviet credits, which were about \$225 million in 1966, should be reduced to about \$125 million in 1967.

Technicians from Communist countries have been used at all levels in the Cuban economy. The USSR has supplied the largest contingent. The average annual number of Soviet technicians in Cuba during 1961-66 is shown

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Table 1
Cuba: Direction of Foreign Trade,
1960-66

	Million US \$						
	1960	1961	1962	1963	1964	1965	1966 a/
Exports (f.o.b.)							
Communist countries	151	458	402	335	423	535	480
USSR	104	301	220	164	275	315	270
Eastern Europe b/	13	64	90	95	62	110	115
Far East c/	34	93	92	76	86	110	95
Free World	467	166	119	210	291	150	120
Total	618	624	521	545	714	685	600
Imports (c.i.f.)							
Communist countries	120	492	629	702	687	665	675
USSR	88	289	410	460	411	420	470
Eastern Europe b/	20	103	126	147	161	110	110
Far East c/	12	100	93	95	115	135	95
Free World	430	209	107	128	321	200	190
Total	550	701	736d/	830d/	1,008	865	865

a. Estimated.

b. Includes Albania and Yugoslavia.

c. North Korea, North Vietnam, and Communist China.

d. Excluding US ransom payments of \$13 million in 1962 and \$35 million in 1963.

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Table 2

Cuba: Sugar Exports, 1960-66

(Thousands of metric tons)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966 a/</u>
Communist Countries	2,307	4,858	3,743	2,080	2,661	3,610	3,150
USSR	1,578	3,303	2,112	973	1,774	2,110	1,750
Others	729	1,555	1,631	1,107	887	1,500	1,400
Free World	<u>3,328</u>	<u>1,556</u>	<u>1,387</u>	<u>1,441</u>	<u>1,515</u>	<u>1,706</u>	<u>1,250</u>
Total	5,635	6,414	5,130	3,521	4,176	5,316	4,400

a. Preliminary estimate.

in the following tabulation. The number of Soviet technicians declined during

<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
1,700	2,300	4,100	2,400	1,900	2,200

1964-65 but an upturn was evident during 1966. There probably are between 500 and 1,000 technicians from the East European countries in Cuba and few, if any, Chinese are present.

1.

2.

3. State, Berlin, Airgram A-381, 13 Feb 67. U.

4.