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MEMORANDUM

SUBJECT: Cuba: A Brief Survey of the Current Situation

Conclusions

Fidel Castro is firmly in control of Cuba and there is almost no possibility that he will be overthrown in the near future. Now that Cuba is again concentrating on the production of sugar, the economy is making some headway; however, this probably will not be reflected in improved living standards for several years. Castro's economic dependence on the USSR has caused him to move closer to Soviet positions in Cuba's foreign policy, with a resultant cooling in relations with Communist China. Both Cuba and the USSR seem unwilling to force the direct Cuban-US confrontation that would result from the destruction of a US overhead reconnaissance flight. Castro still hopes to see regimes similar to his in other parts of Latin America; however, he no longer sees revolution in the hemisphere as imminent and he seems to be concentrating his clandestine support in those areas where he believes it will be most immediately effective - particularly Venezuela, Guatemala, Colombia, and Peru.

The Cuban Economy

Estimates of
Selected Economic Indicators
(in Millions of Dollars)
(1965 figures are preliminary estimates)

	1957	1961	1962	1963	1964	1965
Communist Economic Aid to Cuba*	None	35	240	370	260	225
Cuban Imports	895	705	750	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

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

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1. After several years of decline, the Cuban economy apparently leveled off in the second half of 1963 and now seems to be making some gains, primarily because of increased sugar production. The total availability of goods and services has moved somewhat above the level reached before Castro but this has been offset by the increase in population. Cuba remains a client economy, heavily dependent on economic assistance from the Communist camp, particularly the USSR. Shortages of spare parts and replacements still affect the industry and basic services.

2. As the government has moved toward socialist models of central direction and administration, the distribution of goods and services has undergone a sharp change. The government's share has climbed to more than 20 percent, almost double pre-Castro figures. Much of this increase is devoted to the expanded military establishment, an extensive education program, improved social services, and increased expenditures for investment. The redistribution of economic resources has helped certain groups - scholarship students, party members, some of the military, and those formerly very poor - and considerably worsened the condition of others, especially among the urban middle class. Private consumption per capita is now about 20 percent lower than in 1957.

3. Having rejected overly ambitious plans for industrialization and diversification, Cuba is now concentrating on expanding its agricultural production with the emphasis on sugar. Sugar annually provides about 85 percent of the value of Cuban exports and about 25 percent of gross national product. Thus the over-all health of the economy is dependent on the amount of sugar produced, as well as the price obtained in any given year. The economy's vulnerability to low world sugar prices has been reduced, though by no means eliminated, by the agreement of the USSR and certain other Communist countries to pay about six cents per pound for large and increasing amounts of sugar.

4. The production of over six million tons of sugar in 1965 was a significant achievement. However, it required the diversion of land and labor from other production. Ironically, the sharp drop in world

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sugar prices meant that the earning power of the 1965 harvest was no more than that of the smaller 1964 crop and the important hard-currency earnings from Free World purchasers was considerably lower. Thus, although the over-all economic performance improved in 1965, the total supply of goods and services probably will not increase this year. As a result, the regime will be able to do little to reduce consumer dissatisfaction.

Internal Political Matters

1. Castro remains firmly in control of Cuba and there is no person with sufficient standing and support to challenge him. Raul Castro and President Osvaldo Dorticos have gained in power during the past year. Raul Castro is second to Fidel in both the party and the government, and is Minister of the Revolutionary Armed Forces. Dorticos has taken over as Minister of Economy and head of the Central Planning Board (JUCEPLAN). Che Guevara has been removed from his party and government positions and, according to a letter he purportedly wrote in April, he has left Cuba to take part in the revolutionary struggle in another country.

2. Castro is continuing the institutionalization of his regime with the establishment of the 100-man Central Committee of the Cuban Communist Party. Following Soviet models, it has a secretariat and political branch, and separate committees to oversee foreign affairs, education, economics, constitutional studies, and Armed Forces and state security. The secretariat, which will probably be responsible for the day-to-day workings of the party, includes representatives of both the "old Communist" and the "Fidelista" supporters of Castro. The political branch contains a large military representation, as does the Central Committee as a whole. The Committee has members drawn from all spheres of the Cuban government and is apparently intended to exercise increasing control over all aspects of Cuban life. This will tend to reinforce, rather than diminish, Castro's power, although the formalization of the party structure is probably designed to ensure that the Cuban regime will out-live Castro.

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3. Internally-based antiregime elements have never posed a major threat to the Castro regime and their power has been substantially lessened in recent years. The regime has an effective intelligence service and anti-insurgency program. Government propaganda and mass mobilization programs have also played a part in reducing manifestations of - if not the presence of - opposition. Although a level of popular discontent continues, it does not appear to pose an immediate or long-term threat to the regime. There is no evidence of significant antiregime sentiment in the military.

The Military

1. The Cuban military is the best equipped in Latin America and, except for Brazil's, the largest. It is believed capable of combating internal or external threats, barring large-scale US assistance. Most Cuban military equipment is Soviet-supplied. Military shipments which periodically arrive from the USSR are believed to consist mainly of replacement items, spare parts, and ammunition. Training programs, both in Cuba and in the Bloc, have probably contributed to their over-all effectiveness. Aside from field exercises and occasional counter-insurgent operations, the forces lack combat experience. Approximately 2,000 Soviet military personnel remain in Cuba, primarily as a military aid and advisory group.

2. The surface-to-air missile (SAM) system is now effectively under Cuban control. Since the last major departure of Soviets in the summer of 1964, the Cubans have redeployed their missiles to provide for a concentrated defense of large cities and major military installations, rather than the previous area defense pattern which attempted to cover the entire island. The Cubans now have 22 SAM sites, and sufficient equipment to establish several more. Procedures designed to prevent accidental or uninstructed firings are not completely effective: in June, a Cuban SAM site accidentally destroyed a Cuban plane.

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Estimated Cuban Military Personnel Strengths

Army		175,000
Active duty	90,000	
Reserve	85,000	
Navy		7,000
Air Force		4,000
Air Defense		8,000
	TOTAL	<u>194,000</u>

Estimated Cuban Holdings of Major Military Equipment

Tanks and self-propelled guns		785
Other Armored Vehicles		260
Field Artillery and Antitank Guns		1,230
AAA Guns		935
FROG Rocket Launchers		6-8
Truck-mounted multiple rocket launchers		80
SAM sites (with enough equipment for at least an additional 2 sites)		22
SAM (SA-2 Guideline) Missiles	(about)	600
Cruise Missile Sites		4
Cruise Missiles:		
Coastal Defense (SS-CD-1/Kennel)		50
Ground-to-Ground Variant of Kennel AS-1)		100
Air Defense Radars		270
Coastal Defense Radars		22
Jet Fighters:		
MIG-15/17 (FAGOT/FRESCO)		85
MIG-19 (FARMER)		11
MIG-21 (FISHBED)		40
IL-14 transport aircraft assigned to the Air Force		10
Helicopters		95
KOMAR Cruise Missile Boats		12
Kronstadt and SO-1 Subchasers		12
Motor Torpedo Boats (P-4/P-6)		24

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SECRETTHE INTERNATIONAL SITUATION

1. Castro is first and foremost a revolutionary. He is equally an egotist who enjoys flaunting Cuba's and his own importance in the international arena. He probably views the "nuclear stalemate" between the two major nuclear powers as an unparalleled opportunity to assume a world position out of all proportion to Cuba's size. In effect, Castro tries to wear three hats at the same time: that of a comradely member of the Communist world; of a respected figure among the nonaligned countries; and of a friend-indeed of revolutionary movements--Communist or non-Communist--which are fighting against "imperialist exploitation."

Cuban-Soviet Relations

2. Cuba's reliance on the USSR for sizable economic assistance gives Moscow an opportunity to exert considerable leverage on Havana. The new Kremlin leadership seems more inclined than Khrushchev to make it clear to Castro that his very existence depends to a great extent on aid from the USSR, and that Cuba must expect to give the Soviets some return on their investment. Moscow would probably not, however, go to the point of actually withholding aid from Cuba in an outright showdown. Moscow undoubtedly has been upset with the administrative bungling of the Castro regime and has "advised" the Cubans to get their economic house in order.

3. The Castro regime has clearly moved closer to the Soviet position in the Sino-Soviet dispute during the last year. One of the results of the conference of Latin American Communist parties in Havana in November 1964 was an agreement by Castro to better relations and increase cooperation with the Moscow-oriented parties in Latin America. China viewed this as evidence that Cuba had joined the ranks of the "revisionists." Havana-Peking relations have deteriorated badly since that time. The Cuban shift toward Moscow undoubtedly reflects in part Soviet pressures, but it also reflects Castro's own assessment of the situation. He probably is convinced now that China is the main culprit responsible for the schism in the Communist world. He also probably sees Peking as a likely competitor in Latin America for the loyalties of leftist-extremist revolutionary groups.

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SECRETCuban Efforts to "Export the Revolution"

4. Cuba continues to extend considerable propaganda backing, some guerrilla warfare training, and small sums of money to selected Communist and other Latin American leftist-extremist groups. However, Castro appears to have become convinced that now more than ever the main responsibility for carrying out revolution rests with the local elements. He seems to be concentrating Cuba's support in those countries where revolutionaries are active --Venezuela, Guatemala, Colombia, and Peru--rather than indiscriminately assisting all revolutionary groups who request aid. Along with this shift, Castro has begun to cooperate more closely with the pro-Moscow Communist parties in Latin America. In return, these parties have promised to give "active aid" to revolutionary groups in the six countries listed at the Havana Conference (Venezuela, Guatemala, Colombia, Haiti, Honduras, and Paraguay).

5. The Dominican crisis probably was viewed by Havana as both a plus and a minus. The US military presence in Santo Domingo provided an unparalleled opportunity to propagandize against the US. Moreover, Castro probably believes the US intervention and the example of what a few well-trained subversives can accomplish will inspire other Latin American extremists to take bolder action when the opportunity presents itself. However, the speed and scale of the US intervention undoubtedly suggested to Castro that the US might undertake similar action if extremist insurrection threatened existing governments in Latin America. Castro also probably saw the US action as a warning of US retaliation if his regime should become clearly implicated in such an attempted revolution.

6. In light of the disappointing revolutionary results in Latin America and in order to refurbish his revolutionary image, Castro is assisting several revolutionary movements in Africa. The over-all effort is small, however, and it was probably hurt by the overthrow of Castro's close ally Ben Bella in Algeria. An undetermined number of Cubans are conducting guerrilla warfare training in Tanzania, the Congo (Brazzaville), Ghana, and perhaps Guinea. Some military equipment has been sent to Algeria and Tanzania. A few Cubans are engaged in military operations alongside the rebels in the Congo.

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SECRETRelations With Free World Countries

7. Havana has realized a margin of success in improving Cuba's image among the nonaligned nations, largely through the regime's support for various revolutionary forces and consistent anti-imperialist position. Cuba has cultivated closer economic ties with several non-Communist countries, mainly to increase Cuba's exports and to blunt the US economic denial program. Cuba's success in this venture has depended largely on its ability to sell sugar at good prices. Cuba received some small but important credits from European traders in 1963-1964. This trend reversed itself, however, when it became apparent that Cuba's convertible exchange holdings had nose-dived. Most traders who have goods Cuba needs now deal with Havana only on a cash basis.

8. The regime continues to castigate the US as "enemy number one" of all world progressive forces and countries, but it has avoided major confrontations with the US for over a year. The Cubans, for example, have not initiated propaganda offenses against the US to end reconnaissance flights, nor have they agitated for the removal of the US presence at the Guantanamo naval base. It is possible that Castro looks upon the recent negotiations for the sending of Cuban refugees to the US as the first step toward some kind of limited improvement in Cuban-US relations.

PROSPECTS AND OUTLOOK

1. The over-all Cuban economy seems likely to continue to expand at about the same rate as last year for the rest of 1965 and perhaps the early part of 1966. Several factors prevent drawing a more optimistic picture. The regime's total preoccupation with the growing of sugar is limiting cultivation of other important crops. Indeed, prospects for improvement in the agricultural sector in 1966 and 1967 seem slight even though further improvement in sugar production seems likely. Prospects for agriculture in 1966 are gloomy because of a sharp reduction in the supply of fertilizers. It appears unlikely that the flow of raw materials and equipment will rise sufficiently over the next two years to produce increased industrial output. A few sectors will gain, but total industrial production probably will increase only marginally.

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2. The economy could show marked improvement by reducing mismanagement and improving labor morale. These two problems are receiving considerable attention, but will not be resolved in the short run. It seems unlikely that the present slight economic improvement will appreciably benefit the average consumer within the next two years--even assuming continued improvement. At any rate, the economy will continue to be heavily dependent upon trade and aid from the Communist countries. A large expansion of other trade seems unlikely.

3. Despite probably occasional frictions, Cuban political and economic ties with the USSR are almost certain to remain close, at least for the next two years. Castro has no practical alternative to Soviet assistance; Moscow in turn reaps considerable political benefit from the fact that the Castro regime is in power. Castro will certainly try to increase his prestige among the non-aligned nations, and will probably use the Tri-Continent Conference scheduled to meet in Havana in early January to further this goal. It seems apparent that Cuba and the USSR will go slowly in their attempts to undermine the US position in Latin America. It is almost certain that the USSR will not attempt to reintroduce strategic missiles into Cuba. Moscow could do so clandestinely, but seems unlikely to risk precipitating another confrontation with the US similar to that of autumn 1962. We doubt that a US reconnaissance plane will be shot down over Cuba even though the Cubans have this capability. The chances are better, however, that the Cubans might take hostile action against violations of Cuban air space by other types of aircraft.

4. Castro almost certainly does not expect any dramatic improvement in relations with the US. He may, however, make overtures designed ultimately to soften US policy toward Cuba.

5. "Export of the revolution" will remain a key policy of Castro's regime. Castro will continue to provide limited assistance and training to leftist-extremist groups in several Latin American countries and also to a few in Africa. These will be cautious efforts, however, even though propaganda on behalf

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of world 'national liberation movements' may expand. It appears increasingly as if Castro is giving more emphasis to more flexible, long range political tactics. This is taking the form of greater cooperation with pro-Moscow Communist parties and in some countries with moderate leftist groups as well. Castro undoubtedly still holds to the view that the emergence of "new Cubas" in Latin America is his best hope for breaking out of his diplomatic isolation in the hemisphere and ensuring the continuance of his regime.

6. Castro's regime will remain largely the product of Castro's own personal direction, although some political and economic decentralization is taking place as Castro has taken steps to institutionalize his revolution. His party, economic, social, and security organizations--based on Soviet models--will continue to develop and will play a larger role in decision making over the long run. In the meantime, they will continue to function according to Castro's dictates. It also seems likely that Fidelismo will be more important than Marxism-Leninism in their ideology.

7. Castro's overriding predominance will remain a major vulnerability of the regime. There would seem to be little chance that he will be overthrown during the next two years, but there is always a chance that he will die from some illness or by assassination. Raul Castro probably would assume the reins of power upon his brother's death, perhaps in a collective arrangement including leaders "chosen" by the party. A power struggle could hardly be avoided, however, and the military-security apparatus could well be the ultimate arbiter of such a struggle. If these two organizations remained united in favor of the regime's policies the struggle for ultimate authority could well take place within the regime's institutional structure and result in little violence or change. Should the military and security organizations split, however, a violent power struggle would be likely and might result in a drastic alteration of Cuba's present political system.

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