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C O N F I D E N T I A L STATE 041308 TOSEC 040127

FOLLOWING HAVANA1359 DATED 29 FEB 96 SENT ACTION WHITE HOUSE NSC,
SECSTATE, INFO ALL EUROPEAN UNION POST COLLECTIVE, MEXICO, MANAGUA,
CARACAS, BUENOS AIRES, CCGDSEVEN MIAMI, COMDT GOGARD, USCINCOM,
JTLO MIAMI, SANTO DOMINGO, BOGOTA, KINGSTON, SANTIAGO, OTTAWA IS
BEING REPEATED FOR YOUR INFO:

QUOTE:

E.O. 12958: DECL: X (6)
TAGS: PREL, PGOV, ECON, EFIN, CU
SUBJECT: THE FEBRUARY 24 SHOOTDOWN: WHY DID
FIDEL DO IT?

1. CLASSIFIED BY JOSEPH G. SULLIVAN, PRINCIPAL
OFFICER. REASON: 1.5 (D)

2. (C) SUMMARY: CUBAN OFFICIALS, ORDINARY CITIZENS,
AND FOREIGN DIPLOMATS ARE SCRAMBLING TO EXPLAIN RECENT
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EVENTS. NEITHER THE INTERNATIONAL SYSTEM NOR DOMESTIC
CONDITIONS PROVIDE MUCH INSIGHT. THE IDIOSYNCRATIC
NATURE OF CUBAN DECISION-MAKING AND FIDEL CASTROS
IDEOLOGY AND BELIEFS WHICH PLACE SECURITY CONCERNS ABOVE
ALL OTHERS REINFORCED BY AN EXAGGERATED SENSE OF THE
THREAT POSED BY CONCILIO CUBAN TO HIS RULE AND NATIONAL
"HONOR" PROVIDE THE BEST EXPLANATION FOR HIS CRACKDOWN
ON DOMESTIC HUMAN RIGHTS GROUPS AND HIS DECISION TO
ORDER THE SHOOTDOWN TWO UNARMED CIVILIAN AIRCRAFT.
WHILE NOW ON THE DEFENSIVE, CASTRO IS HOPING THAT
MISSTEPS BY THE USG WILL ALLOW HIM TO AGAIN ASSUME THE
DOMESTIC AND INTERNATIONAL ROLE OF "VICTIM" RATHER THAN
VICTIMIZER.
END SUMMARY.

SEARCHING FOR A RATIONAL EXPLANATION

2. (C) CUBAN CITIZENS, GOVERNMENT AND PARTY OFFICIALS, AND THIRD-COUNTRY DIPLOMATS IN HAVANA ARE ALL CURRENTLY ENGAGED IN TRYING TO EXPLAIN FIDEL CASTRO'S ECONOMIC RETRENCHMENT, HIS CRACKDOWN OF "CONCILIO CUBANO," AND HIS DECISION TO ORDER THE COLD-BLOODED FEBRUARY 24 SHOOTDOWN OF TWO CIVILIAN AIRCRAFT. NONE OF THE DECISIONS WERE SUDDEN OR CRISIS-DRIVEN, NOR THE RESULT OF A SUBORDINATE'S INITIATIVE. ALL HAVE BEEN DELIBERATE ACTS, CAREFULLY CONCEIVED AND PLANNED.

3. (C) WHY, FOLLOWING ON THE HEELS OF THE VISIT BY EUROPEAN COMMISSION VICE PRESIDENT MANUEL MARIN AND JUST BEFORE THE UPCOMING VOTE ON HELMS-BURTON IN THE U.S.

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CONGRESS DID CASTRO TAKE A STEP ALMOST GUARANTEED TO DERAIL THE FORMER AND ASSURE THE LATTER? SOME HAVE RESIGNED THEMSELVES TO THE FUTILITY OF THE TASK. [REDACTED]
[REDACTED] FEBRUARY 28 SPECULATED THAT "90 PERCENT OF THE CABINET STILL HASN'T BEEN TOLD WHY THE SHOOTDOWN DECISION WAS MADE" AND LIKE THE REST OF CUBANS THEY ARE THEMSELVES ANXIOUSLY SEARCHING FOR AN EXPLANATION. EXASPERATED BY THE CLOSED, PERSONALISTIC NATURE OF CUBAN DECISION-MAKING, A SOMEWHAT FRUSTRATED [REDACTED] "WE'VE GIVEN UP TRYING TO EXPLAIN; WE JUST REPORT."
A THIRD IMAGE EXPLANATION

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4. (C) ONE THEORETICAL SOURCE OF EXPLANATION FOR CASTRO'S BEHAVIOR LIES IN THE FORCES BEING EXERTED ON HIM BY THE INTERNATIONAL SYSTEM. HOWEVER, IN THE PAST 18 MONTHS, THE INTERNATIONAL ENVIRONMENT FOR CUBA HAS, IF ANYTHING, BECOME MORE BENIGN NOT MORE HOSTILE. DURING 1995 THE CUBAN DIPLOMATIC OFFENSIVE -- PERSONIFIED BY THE TRAVELS OF PERIPATETIC FOREIGN MINISTER ROBERTO ROBAINA -- MADE HEADWAY IN GAINING SUPPORT IN THE UNITED NATIONS FOR THEIR ANNUAL VOTE DENOUNCING THE U.S. TRADE EMBARGO. CUBA HAS ALSO MOVED TO REINTEGRATE ITSELF INTO REGIONAL AND INTERNATIONAL ORGANIZATIONS, JOINING THE ASSOCIATION OF CARIBBEAN STATES AND HOSTING A NUMBER OF REGIONAL DRUG, MEDICAL, CUSTOMS, AND ENVIRONMENTAL CONFERENCES DURING THE YEAR. THE STREAM OF INTERNATIONAL VISITORS TO CUBA -- MOST

PREDISPOSED TO SUPPORT CASTRO -- HAS KEPT THE AIRSTRIP
AT HAVANAS INTERNATIONAL AIRPORT IN CONSTANT USE.

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5. (C) FOR FIDEL CASTRO, 1995 WAS ALSO A YEAR OF NOTABLE PERSONAL SUCCESS. IN MARCH HE TRAVELED TO COPENHAGEN FOR A UNESCO SUMMIT CONFERENCE ON DEVELOPMENT AND FOLLOWED THIS UP WITH HIS FIRST-EVER STATE VISIT TO

A NATO COUNTRY, FRANCE. HE ESSENTIALLY ESCAPED CRITICISM AT THE IBERO-AMERICAN SUMMIT IN CARTAGENA. AND IN THE AUTUMN, FIDEL WAS ONE OF THE PRINCIPAL STARS AT THE UNITED NATIONS 50TH ANNIVERSARY CELEBRATION IN NEW YORK. AT YEARS END, CASTRO MADE AN EXTENDED (AND SYMBOLICALLY SUCCESSFUL) VISIT TO THE PRC (HIS FIRST) AND VIETNAM (HIS SECOND). THE CONCLUSION: THERE ARE NO THREATS IN THE INTERNATIONAL ENVIRONMENT THAT PLAUSIBLY EXPLAIN HIS CRACKDOWN.

A SECOND IMAGE EXPLANATION

6. (C) IF THE INTERNATIONAL ENVIRONMENT IS BENIGN, WHAT DOES HIS DOMESTIC SITUATION LOOK LIKE? HERE AGAIN, ON BALANCE 1995 APPEARS TO HAVE BEEN A POSITIVE YEAR FOR CASTRO. OVERALL THE ECONOMY SEEMS BETTER -- IT IS STILL ON LIFE SUPPORT AND SPECIFIC GOVERNMENT ECONOMIC STATISTICS ARE DUBIOUS, BUT THE PATIENT HAS BEEN BROUGHT OUT OF CARDIAC ARREST. THERE IS INCREASED ACTIVITY IN CUBAS STREETS. THE GOVERNMENT CLAIMS THAT THE COUNTRYS ECONOMIC FREE-FALL FOLLOWING THE ABRUPT ENDING OF THE SOVIET UNIONS SUBSIDIES IN 1989 ENDED IN 1994, WITH A 0.7 PERCENT POSITIVE CHANGE IN GDP. FOR 1995 THE GOVERNMENT CLAIMS THAT THE ECONOMY IMPROVED TO THE TUNE
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OF 2.5 PERCENT AND GOVERNMENT OFFICIALS ARE CONFIDENTLY PREDICTING UP TO 5 PERCENT GROWTH IN 1996. POWER OUTAGES HAVE BEEN REDUCED AND THIS YEARS SUGAR CROP IS FAR LUSHER AND MORE ABUNDANT THAN IN PREVIOUS YEARS.

7. (C) [REDACTED] CONTINUES TO EXUDE CONFIDENCE THAT CUBA WILL BE ABLE TO PAY BACK ITS PRODUCTION LOANS IN SUGAR AND, IN FACT, HE AND OTHERS ARE ACTIVELY NEGOTIATING WITH CUBAN OFFICIALS FOR AN INCREASED LOAN FOR NEXT YEAR. THE TOURIST INDUSTRY HAS

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BEEN BOOMING WITH MANY RESORT HOTELS REPORTING 100 PERCENT OCCUPANCY FOR WEEKS DURING THE CURRENT HIGH SEASON. SOME SEE THIS TURNAROUND AS EXPLANATION FOR THE CRACKDOWN. BOTH THE [REDACTED] AND THE [REDACTED] ARGUE THAT THE IMPROVED ECONOMY HAS GIVEN CASTRO THE BREATHING AND MANEUVERING ROOM TO PULL BACK. USING THE ANALOGY OF A STRUGGLING SWIMMER, [REDACTED] REMARKED RECENTLY THAT A YEAR AGO THE WATER WAS UP TO FIDELS NOSE. NOW ITS BELOW HIS CHIN AND HE HAS MORE FREEDOM OF ACTION.

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SOME BLIPS ON THE ECONOMIC HORIZON

8. (C) OTHERS ARE LESS CERTAIN ABOUT BOTH THE DEPTH AND BREADTH OF THE ECONOMIC STABILIZATION AND CONSIDER IT POTEMKIN-LIKE. THESE INDIVIDUALS ARGUE THAT CASTRO IS ACTING NOW BECAUSE HE KNOWS THE FRAGILITY OF THE ECONOMIC RECOVERY. SOME HAVE POINTED OUT THAT THIS YEARS SUGAR HARVEST IS NOT ASSURED NOTING THAT WHILE THE CUBANS USED THIS YEARS LOAN FOR FERTILIZERS AND
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TIRES, LITTLE OR NO WORK WAS DONE ON THE SUGAR REFINERIES, TRANSPORT, AND STORAGE FACILITIES. THE CUBANS WILL STILL NEED A LOT OF LUCK, COMMENTED THE [REDACTED] TO REFINE ENOUGH SUGAR TO REPAY THEIR LOANS AND STILL MORE TO TURN A NET PROFIT.

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9. (C) OTHER PROBLEMS: NET FOREIGN INVESTMENT REMAINS PROBLEMATICAL PROVIDING NEITHER THE TRANSPARENCY NOR THE STABILITY LARGE FOREIGN INVESTORS CRAVE. THE MUCH-PUBLICIZED GRUPO DOMOS INVESTMENT IN CUBAS TELEPHONE INDUSTRY IS ENDING BADLY WITH DOMOS SEEKING TO SALVAGE SOME OF ITS INVESTMENT AND PULL OUT. MUCH OF THE OTHER INVESTMENT COMING INTO CUBA IS EITHER SOFT OR OVERSTATED AND WILL DO LITTLE FOR THE COUNTRY'S ECONOMIC DEVELOPMENT. AS [REDACTED] ACKNOWLEDGED, MORE THAN A FEW [REDACTED] INVESTORS WOULD EASILY QUALIFY AS "PIRATES," I.E., IN CUBA BECAUSE OF THE LACK OF RULES AND

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REGULATIONS AND THE ABILITY TO GET IN AND OUT AND MAKE A QUICK PROFIT WITH LITTLE INVESTMENT.

10. (C) QUASI-GOVERNMENT ECONOMISTS SUCH AS [REDACTED] [REDACTED] ALSO ACKNOWLEDGE THAT CUBA CANNOT HOPE TO INTERNALLY GENERATE ENOUGH SAVINGS TO SUSTAIN AN ECONOMIC RECOVERY. THE ABSENCE OF A BANKING

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SYSTEM MEANS THAT CUBA STILL HAS NO WAY TO CONVERT PESO SAVINGS ACCOUNTS INTO LOANS. UNLESS CUBA GAINS ACCESS TO INTERNATIONAL FINANCIAL INSTITUTIONS, PRIVATE FOREIGN INVESTMENT CANNOT PROVIDE SUFFICIENT NET FUNDING

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TO CUBA. DOES FIDEL KNOW THAT HIS RECOVERY IS UNSUSTAINABLE WITHOUT OUTSIDE INPUTS AND WOULD THIS LEAD HIM TO CRACK DOWN RATHER THAN MOVE TO FURTHER ATTRACT FOREIGN CAPITAL? NOT LIKELY.

A MACHISMO CHALLENGE

11. (C) IN A CONVERSATION FEBRUARY 28 WITH DEPUTY PRINCIPAL OFFICER AND POL/ECON HEAD, [REDACTED] [REDACTED] REPORTED THAT HIS SOURCES HAVE TOLD HIM THAT THE DECISION TO SHOOT DOWN THE AIRPLANES WAS MADE BECAUSE CASTRO DECIDED A CONFRONTATION WAS "INEVITABLE" AND "BETTER THIS YEAR THAN NEXT." ACCORDING TO THOSE NEAR TO CASTRO, THE INCREASING FREQUENCY AND "IN YOUR FACE" NATURE OF THE "BROTHERS TO THE RESCUE" FLIGHTS, AND RECENT TERRORIST INCIDENTS HAVE PERSUADED HIM TO MOVE AGAINST AN OPPOSITION BEFORE IT GAINED ANY STRENGTH. WHILE OVERALL TERRORIST ACTS COMMITTED IN CUBA HAVE DECLINED TO NEAR ZERO, CUBA'S NEW EMPHASIS ON TOURISM HAS MADE THE COUNTRY MORE VULNERABLE TO ANY SUCH ATTACK. ACCORDING TO [REDACTED] THE MID-FEBRUARY LANDING BY THREE MEMBERS OF THE PARA-MILITARY "FUND" NEAR VARADERO WAS PARTICULARLY WORRISOME. THE THREE ATTACKERS, REPORTED [REDACTED] FIRED "SIXTY ROUNDS" AGAINST THE FIVE-STAR MELIA HOTEL BEFORE BEING CAPTURED.

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RETURNING TO THE SOURCE: FIDEL HIMSELF

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12. (C) AFTER THIRTY-EIGHT YEARS IN POWER, FIDEL CASTRO IS A VERY PUBLIC MAN. HIS IDEAS, PREFERENCES, AND IDEOLOGY ARE FIXED. THERE ARE A FEW FUNDAMENTAL GUIDING PRINCIPLES WHICH FORM THE CORE OF MUCH OF HIS DECISION-MAKING STRUCTURE. [REDACTED]

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[REDACTED]

13. (C) THAT FIDEL CASTRO HAS BEEN ILL AT EASE WITH HIS ECONOMIC LIBERALIZATION POLICY HAS BEEN EVIDENT FOR SOME TIME. HE HAS NEVER WILLINGLY EMBRACED ANY OF THE MOVEMENT TOWARD A MARKET ECONOMY. THE SECOND REINCARNATION OF AGRO-MARKETS HAS ALWAYS BEEN BILLED AS A SUPPLEMENTARY EXPEDIENT, AS HAVE THE OPENINGS TO LIMITED SELF-EMPLOYMENT. WITH HIS RETURN FROM CHINA AND VIETNAM, CASTROS PREDISPOSITION TOWARD THE HARDLINE BECAME MORE EVIDENT. RATHER THAN THE EXPECTED PASSAGE OF NEW LAWS ENCOURAGING SMALL AND MEDIUM ENTERPRISES AT THE YEAR END SESSION OF THE NATIONAL ASSEMBLY, CUBANS WERE TREATED TO AN EXTENDED SPEECH BY CASTRO ON THE EVILS OF WEALTH. NOT ONLY WAS NEW LEGISLATION SHELVED INDEFINITELY, BUT THE TAXES/FEEES IMPOSED ON

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SELF-EMPLOYED IN HAVANA WERE SOON RAISED DRAMATICALLY, UP TO 1000 PERCENT IN SOME CASES.

14. (C) WELL-INFORMED INDIVIDUALS HAVE REPORTED IN RECENT MONTHS AN INCREASING DIVISION AMONG CASTROS TOP LIEUTENANTS BETWEEN HARD AND SOFT-LINERS. THE TECHNICIANS AMONG THE LATTER HAVE URGED EXPANSION OF ECONOMIC CHANGE, HARD LINERS HAVE ARGUED THAT FURTHER CHANGE IS EITHER UNNECESSARY OR DANGEROUS, OR BOTH. THE DEBATE HAS BECOME SO INTENSE, INSISTS [REDACTED] THAT SOME OF THE PUTATIVE "MODERATES" FEAR FOR THEIR PHYSICAL SAFETY FROM A HARD-LINER LED PURGE.

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15. (C) IN THE CONTEXT OF A CRACKDOWN, THE SHOOTING DOWN OF THE TWO AIRCRAFT FOLLOW MONTHS OF PRESSURE AGAINST USINT ALONG WITH INCREASED SURVEILLANCE AND HARASSMENT OF OTHER EUROPEAN EMBASSIES SUCH AS THE CZECH REPUBLIC, THE NETHERLANDS, CANADA, AND SPAIN.

16. (C) SINCE CASTRO TOOK POWER ON JANUARY 1, 1959, CUBA HAS BEEN A GARRISON STATE, A STATE OF MIND

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DELIBERATELY REINFORCED BY CASTRO'S DECISION TO ASSASSINATE
NEVER BEEN SEEN WEARING ANYTHING EXCEPT A MILITARY
UNIFORM. THE GOVERNMENT MEDIA SUBJECTS CUBANS TO
INCESSANT PROPAGANDA ON STRUGGLE AND DEATH. 1995 WAS
THE CENTENNIAL OF JOSE MARTIS DEATH ON THE BATTLEFIELD;
1996 IS THE ANNIVERSARY OF ANTONIO MACEOS SIMILAR
DEMISE. THE DOWNING OF THE CIVILIAN AIRCRAFT OCCURRED
AROUND THE ANNIVERSARY OF FOUNDING FATHER CARLOS MANUEL
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DE CESPEDES DEATH AS WELL. AS LONG AS HE IS IN POWER,
FIDEL CASTRO WILL ALWAYS HAVE NEED OF, AND HAVE AT HAND,
AN ENEMY.

-
WHY NOW?

17. (C) NEITHER INTERNATIONAL PRESSURES NOR DOMESTIC
CONDITIONS PROVIDE AN ADEQUATE EXPLANATION FOR THE
CRACKDOWN ON ECONOMIC CHANGE AND THE DELIBERATE
SHOOTDOWN OF THE TWO CIVILIAN AIRCRAFT DO NOT PROVIDE
SATISFACTORY EXPLANATIONS. AVAILABLE EVIDENCE INDICATES
THE THE CUBAN ECONOMY HAS GIVEN CASTRO MORE, NOT LESS,
BREATHING SPACE. THE ECONOMY HAS IMPROVED AND SOCIAL
TENSIONS HAVE DECLINED SINCE AUGUST 1994, NOT
INCREASED.

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19. (C) FIDEL CASTRO, THE COMBINED SECURITY SERVICE AND FOREIGN POLICY CHIEF, MAY HAVE JUDGED, AS HE HAS IN THE PAST, THAT HIS SECURITY CONCERNS SHOULD PREDOMINATE OVER ALL OTHER CONSIDERATIONS.

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20. (C) OVER THE LONGER TERM, CASTRO LIKELY ANTICIPATES THAT:

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- INTERNATIONAL POLITICAL AND MORAL OUTRAGE WILL NOT EXTEND TO FOREIGN INVESTORS BUSINESS DECISIONS.
- MUCH OF THE THIRD WORLD WILL SUPPORT THE CUBAN POSITION.
- THE EUS MEMORY OF THE CRACKDOWN AND THE SHOOTDOWN WILL BE SHORT-LIVED.
- LATIN AMERICA AND EUROPE WILL BE ABLE TO EVADE OR AVOID HELMS-BURTON SANCTIONS OUT OF A COMBINED NATIONALISM AND ECONOMIC SELF-INTEREST.

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[REDACTED]

22. (C) THE INDEFENSIBLE SHOOTING DOWN OF TWO CIVILIAN UNARMED AIRCRAFT HAS NEGATED WHATEVER POSITIVE GAINS THE REGIME MAY HAVE ACCRUED OVER THE PAST TWELVE MONTHS AND WITH INTERNATIONAL PUBLIC OPINION AGAINST THE REGIME, CASTRO IS NOW ON THE DEFENSIVE. CLEARLY, HE TOOK A GAMBLE AND LOST. NOW HE IS SCRAMBLING TO RECOVER THE LOST GROUND.

[REDACTED]

SULLIVAN UNQUOTE TALBOTT

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