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economy

by lionel martin

havana, sept 10, reuter -- cuba's request for the renegotiation of part of its debt to +market economy+ banking institutions has thrown new light on the economic reality of the caribbean island and the relative importance of its financial links with capitalist nations and the communist bloc.

cuba has asked it creditors in over a dozen nations, including japan, spain, france, west germany, canada and libya, to allow it to postpone payment on the principal of approximately 1.3 billion dollars in medium and long term loans that fall due between now and 1985. the cubans have requested a three year moritorium which would not include interest payments and ten years to pay off the loans in full.

cuba's total international hard currency debt amounts to 3.5 billion dollars.

israel morera, vice president of the national bank of cuba, scoffs at the suggestion that the sought-after renegotiation is due to the failure or bankruptcy of the cuban economy. +it is paradoxical,+ he declared, +that cuba has to suffer the results of this situation at the very moment in which its national economy is most solid and has the greatest perspectives.+

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an economic report sent by the cuban bank to international banking institutions points to economic indicators to prove that the cuban economy is far from stagnant.

in the 1970's, for the first time according to the report, cuba's total trade turnover surpassed the billion dollar mark and in 1980 vaulted to 2.7 billion dollars. the report indicates that the gross national product (gnp) rose steadily from 7.6 billion dollars (880 dollars per capita) in 1970 to 17 billion dollars (1729 dollars per capita) in 1980.

statistics are cited in the report to show that efficiency and production in both agriculture and industry have increased steadily.

this year's crude sugar production, over 8.2 million tonnes, was the second highest in the nation's history. sugar accounts for 75 percent of cuba's foreign income.the report claimed that the recently completed harvest was the most efficient in history, using 110,000 field workers and 3000 mechanical harvesters to do work that required 350,000 field workers in 1970.

nickel plus cobalt production rose from 36,775 tonnes in 1970 to over 40,000 tonnes in 1981. fishing production rose from 106,000 tonnes in 1970 to 186,000 in 1980. citrus fruit production increased from 172,432 tonnes in 1970 to 476,612 tonnes in 1981. tobacco production, despite some bad intermediate years due to blight, rose from 37,000 tonnes in 1970 to 54,598 tonnes in 1981.

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the report also points to major improvements in the nation's economic infrastructure. the merchant marine fleet, almost non-existant before the revolution, now boasts of 99 ships with a total tonnage of over one million tonnes. bulk loading has replaced the manual handling of sugar asacks in 45 percent of crude exports. in 1959 there were only 13 reservoirs with a capacity of 48 million cubic metres of water while today there are 76 with a capacity for 4.7 billion cuban metres.

the cuban bank report also lists seventy-six industrial projects which were commissioned during the last decade and are either completed or under construction. among them are two nickel processing plants that will triple the nation's nickel plus cobalt output, five thermoelectric power plants, the juragua nuclear power plant, two paper factories, two textile factories, an oil refinery, cold storage facilities, docks and container terminals.

the report stresses the importance of cuba's economic ties with the soviet union and the socialist bloc. thit credits aid from those nations with having +allowed the rehabilitation of existing productive facilities and the development of large-scale new industries and production centers.+

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cuban president fidel castro said last july, however, that cuba's trade with the +market economies+, which represents twenty percent of total trade, must not be underestimated. +this twenty percent is very important and has a specific weight of more than twenty percent,+ he said. cuban industry and social services import medicines, foods, spare parts, raw materials, manufactured goods and equipment from the hard currency area. cuban trade with canada rose to well over a half billion dollars in 1981.

withe report explains what has led the cuban economy into its present predicament.

with sugar prices moderate to high during the last decade and with trade improving, cuba launched an ambitious development plan. a large flow of credit from abroad was necessary and forthcoming. cuban strategy aimed at checking the debt growth by the end of its second five-year economic plan in 1985.

the unexpected steep drop in sugar prices during the past harvest, the tightening up of credit, repayment on loans and the high price of imported goods caused a precipitious drop in cuba's hard currency and gold reserves from/387.7 million dollars in december 1981 to only 131 million dollars in august 1982.

the rapid decapitalisation prompted cuba to ask for the renoegotiation on the principal of its fromloans that require repayment in hard currency through 1985.

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while viewing trade with market economy nations as crucial, cuban bankers believe that commercial ties with the communist nations, and especially the soviet union, are the fundamental support and stabiliser of the island's economy.

since 1976, the price paid by the soviet union for cuban sugar has been tied only to the price of products imported by cuba from the soviet union. while free market crude sugar has been selling for less than seven cents ap pound during the present year, the soviet union has bepurchased three million tonnes of cuban crude at approximately 35 cents a pound.

the soviet union sells products to cuba at well below the price of market economy suppliers. it charges cuaba about half the world price for petroleum, according to government sources here, and funrnishes most of the military hardware free of charge.

the bank report describes the typical cuban-ussr credit arrangement. no cahsh payment is required and repayment is to be made in twelve years at an annual interest rate no higher than four percent. financial credits from the soviet union allow twenty five years for repayment at only two percent interest.

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in the 1970's the ussr deferred until 1986 cuba's repayment of credits granted before december 1972 with no extra interest charges during the moritorium. western diplomtats here believe it is likely that the soviet union will extend the moritorium in view of cuba's difficult financial situation.

the economic report maintains that cuban will try to promote additional earnings in convertible currency from sales to the soviet union and other nations of the socialist lbloc. but even cuban officials admit that these nations are not in a position to pump hard currency into cuba.

cuba has told its creditors that it will introduce strict economic srestraints by reducing imports payable in convertible currency +below the levels previously planned+ and by limiting contracts for new industrial projects to those capable of generating a positive short term effect on the balance of payments..+

last july, fidel castro told cubans that these restraints would result in the inability of some industries, which are dependent on raw materials or supplies from hard currency markets, to maintain full production. he announced that it would be necessary to cut down the hours of work in some spheres and that +it might be that our overall national economy will grow little or not at all in the immediate future.+

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the cuban bank report declares that no effort will be spared in attempting to maximise income in hard currency derived from exports in goods and services and from tourism. castro has already told cubans that even if coffee production rises, they cannot expect an end to the strict coffee rationing now in effect inasmuch as the quest for hard currency will require sacrifices.

the report bases its plea for cooperation by international bankers on the accepted fact that cuba has been a reliable financial client in the past. cuba, until now, has made it almost a fetish to fulfill its international ifinancial obligations, according to diplomats from creditor nations here. they recalled that it paid off its debt rigourously to the international monetary fund even after withdrawing from the organisation in 1974.

the report stresses that short term loans and epdeposits will not be included in the renogiegotiation. +this presupposes,+ it says, +that the withdrawal by commercial banks of short-term facilities will not continue and therefore the cooperation of the institutions is required for the maintenance of their level, which is modest with respect to the total trade turnover with market economy ecountries.+

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last july 26 fidel castro told the cuban people that the prepayment of debts is +a sacred obligation+. this week the vice-president of the national bank of cuba, israel morera, declred that cuba will pay its debts but insists that renegotiation of the terms +will have, in the long run, beneficial effects on relations between cuba and capitalist creditor nations since it will help put our external finances on a sound footing.+

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