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by lionel martin

havana, july 31, reuter -- like many third world producers of raw materials and agricultural products, cuba is experiencing the irony of increased production but declining purchasing power on the world market and a drop in hard currency income.

cuba president fidel castro advised the cuban people on july 26 that the economic squeeze in which cuba finds herself +implies sacrifices+.

dr. castro announced that during the 1982 sugar harvest which ended in june, the nation's 151 sugar mills produced 8.2 million tonnes of crude sugar, the second highest annual output in cuban history.

but, he said, with world crude sguar prices fluctuating around a dismal seven cents a pound, and the price of products from developed nations sky-high, it now takes two and a half tonnes of cuban crude to buy what one tonne bought in 1970.

+we should not fool ourselves,+ the cuban leader told a nation-wide audience. +we have difficulties and our difficulties in coming years could be still greater.+

the fifty-five year leader said that cuba's difficulties are due +to the low price of sugar and other export products, the pressures of imperialism to limit our credits, extremely high interest rates on the financial market, the high price of imported products and difficulties in finding markets.+

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1130:economy 2 havana:

dr castro laid the blame on +the capitalist world that is going through a profound economic crisis that especially affects the under-developed world including socialist nations.+

the cuban leaders said that cuba will not cut back on sugar production because of the low,world crude prices. +we should not curse sugar because sugar is the principal staple of our commerce with socialist nations, at good prices, and moreover, we are protected by causes in our agreements with them against the increase in the price of imported products which we receive from them,+ castro said.

the soviet union is expected to buy over three million tonnes of crude sugar from cuba in 1982. other communist nations, including china, will purchase and additional one million tonnes of sugar from cuba this year.

a western diplomat here said that past indicators suggest that the soviet union will pay at least from three to four times the world market price for cuban sugar. other communist nations also pay preferential prices, but not as high as those paid by the soviet union.

+when one also considers that cuba receives its petroleum and many industrial products for about half the world price from the soviet union, and receives its military hardware virtually free of charge, it become clear just how much the viability of the cuban economy owes to this aid,+ the western diplomat said.

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1140:economy 3 havana:

castro admitted that trade with the communist nations does not satify cuba's needs. one fift of cuba's trade is with hard currency markets +but this twenty percent is very important and has a specific weight of more than twenty percent,+ he declared.

cuba traditionally turns to the west and japan for important food products, spare parts, chemical products, vehicles and equipment for its tourist industry. moreover many of its factories, such as those that manufacture detergents and batteries, depend on raw materials that come from non-communist nations.

with current foreign currency earnings down, cuba's priority to to repay its foreign debys. +it is a sacred duty to fulfill our international fiancial obligations,+ castro said. food and medicines are also at the top of the priority list, he declared.

castro warned that the shortages of raw materials for industry and construction will force them +to reduce hours and even days of work.+ he said that the government aims to avoid unemployment by having workers share the available work. some western observers here, however, believe that some degree of unemployment will be inevitable.

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+it could be that our overall economy in the immediate future will grow little or not at all,+ castro said. the important thing is that exports grow, he added.

castro gave the example of coffee which is rigourously rationed and highly esteemed in cuba but which must be exported in order to bring in foreign currency.

castro blamed the united states government for making cuba's economic plight even more difficult. he charged that cuba +confronts serious difficulties in the commericialisation of nickel as a direct result of the pressures that the united states government methodically applies to nations that have been our traditional clients.+ he also said that foreign currency earnings from tourism might fall due to +the aggressive policy of mister reagan that prohibits travel to cuba by citizens of that country.+

despite the prospects of economic difficulties, cuban officials insist that the living standard of cubans will be much less affected by the current crisis than those of other, non-petroleum producing nations. they base their assumption on the rise in food production, the ubiquitous system of free medical care and education, the low cost of house rents and transportation and the strict system of reationing which shares shortages on an equitable basis.

fidel castro, however, is not optimistic about the future. in his july 26 speech he told the cuban people: +there is no solution in sight for the present economic problems of the world.+

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051200 profeatures exmartin (havana) in response to your 051515:

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these difficulties have brought about a steep decline in cuba's economic growth rate as measured by the gross social product.

at the second congress of the communist part in december 1980, the main report projected an annual four percent economic growth rate for the years 1981 through 1985. the five year projection zoomed to a 12 percent growth rate in 1981 but experts were quick to point our that the dramatic jump was due principally to a dismal 1980 during which the cuban economy was hit by both sugar cane and tobacco plagues.

in december 1981, the headof cuba's national planning board, humberto perez, revised the 1982 projects downwar to 2.5 percent. but some foreign analysists believe even this lower goal might be difficult to attain due to the slump in sugar prices.

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(insert take 2, following par 3)

cuba does not publish details or statistics on its foreign debt but foreign analysts believe it is between three and 3.7 billion dollars with an annual debt service obligation of about 330 million dollars.

cuba is desperately searching for market, especially in the hard currency area, in order to reduce its balance of trade deficit. according to the economic commission for latin america (cepal), cuba's negative balance went over the one billion dollar mark in 1981, the highest since the revolutionary victory in 1969.

the economic squeeze has made it impossible for cuba to balance its budget. the budgetary deficit jumped from 311 million dollars in 1980 to 785.2 million in 1981. cuba cuban nationa planning burea has projected a 525 million dollar deficit for this year.

hope this ansrs yr query. no details available unfortunately on cuban creditors (banks et