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ECONOMIC SURVEY OF LATIN AMERICA

1979

CUBA

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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CUBA

1. Recent economic trends: Introduction and summary

In the evolution of the Cuban economy in 1979 a combination of various factors of a conjunctural nature and some very long-standing difficulties resulted in a slow growth rate of material production (2.4%) - the lowest in the last five years - and led the government authorities to make a rigorous review of the functioning of the economy (see tale 1).

The factors which adversely influenced the growth of the economy included the limitations imposed by the external sector on the processes of production and accumulation, the damage caused in some sectors of activity by tropical storm Frederick, and the disease which damaged the tobacco crop. These elements aggravated some maladjustments which have been accumulating in the economic system for some time and have mainly affected the productivity of labour and organizational capacity.

As regards the limitations originating in the external sector, the capacity to import goods payable in convertible currency was seriously curtailed by the conditions prevailing in the sugar market and the short-term indebtedness which the economy has been accumulating.^{1/} Sugar prices remained depressed during the first six months of the year, and although they rose during the rest of the period and improved the terms of trade with the market economies there were few repercussions from this owing to the stagnation of the volume exported. Moreover, the accumulated disequilibrium in the balance of payments pushed short-term loans and credits up considerably, and this in turn made it necessary to increase the corresponding amortization payments. All this led to a forced reduction in imports, particularly from market economy countries, and had a depressive effect on domestic activity owing to the link between part of the apparatus of production and supplies from these countries.

^{1/} During the three-year period 1976-1978 approximately 25% of the volume of sugar exported went to the market economies.

/These limitations



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These limitations affected all types of imports, but in view of the policy adopted a few years ago of giving top priority to boosting the consumption of certain goods and services considered basic for the population it may be assumed that they affected the investment process to a particularly great extent. This would explain the relative lack of vigour in the construction sector, traditionally one of the most dynamic activities in the Cuban economy. Although the policy of continuing to give impetus to basic consumption helped to provide material support for money earnings and reduced the excess of cash outside the banks, the lower volume of imports in 1979 made it necessary to reduce and rationalize the use of resources in construction and equipment.

The tropical storm Frederick, another of the adverse conjunctural factors, caused a great deal of damage due to the torrential rains, which in some places exceeded 500 millimetres. The excess of rain gave rise to floods in both rural and urban areas and caused damage to the infrastructure and housing as well as numerous crops. Fortunately, thanks to the security measures taken by the government, which evacuated nearly 60,000 people, the loss of human life was minimal.

In the material sphere, losses were estimated at over 120 million Cuban pesos. Production activities suffered most damage (56%), followed by damage to capital assets, machinery and equipment, buildings and infrastructure (30%), and lastly, losses of raw materials, finished products and growing crops (14%).

As already noted, not all the factors which adversely influenced the evolution of the economy were of a conjunctural nature; some must be located in a broader frame of analysis covering the functioning of the economic system as a whole. This has been the subject of profound self-criticism in governing circles, and the entire process would seem to form a new landmark in the manner of directing and planning the economy, suggesting even that a thorough-going process of economic reform may be beginning.

One of the aspects which has caused most concern is the tendency towards the stagnation of productivity levels, associated with the weakening of labour discipline. These imperfections are attributed in government

/circles to

circles to shortcomings in the wages system - including the legislation governing this - and to lags in economic planning.^{2/} During 1979 productivity had been expected to grow by 4%, but in reality it increased by less than 1%. The agricultural sector was one of those most affected, since the investment made since the end of the 1960s in the mechanization of agricultural work has not been reflected, at least to a proportionate extent, in an increase in production per person employed. Examples of inefficiency and problems of productivity have also been observed in transport, which, being a very widely used services sector, has had repercussions on the pace of work in the majority of economic activities.

In a broader context, the imperfections in the functioning of the economic system are also associated with the management of the producer enterprises and the machinery for planning and control. The main action undertaken by the State to correct this situation has consequently been directed towards improving the organization of the units of production and modifying the relations between enterprises and the central plan.

After the tests made in the previous year, when the system of economic calculation was introduced in 274 enterprises,^{3/} in 1979 this system was extended to a further 1,507, thus covering more than 60% of the enterprises and budgetary units. Moreover, since 1977 efforts have been made to boost the efficiency of the apparatus of production by the integration of the enterprises, which brought their number down from 3,318 in 1977 to 2,908 in 1979. Although the introduction of self-management for enterprises should have coincided with the rationalization of stocks and inputs for production, the failure to secure this synchronization has made it impossible to know exactly what the different processes of production require in terms of

^{2/} See the speech by President Fidel Castro on 12 July 1979 in Bohemia, vol. 71, No. 28, 15 July 1979, the speeches by General Raúl Castro Ruz on 28 October in Granma, vol. 15, No. 258, 29 October 1979, and the speech of 30 November in Resumen semanal de Granma, vol. 14, No. 49, 9 December 1979.

^{3/} The basic aim of economic calculation is to ensure the autonomous financial management and profitability of enterprises so that each unit not only covers its expenditure out of the income received, but also obtains a margin of profit.

raw materials and labour. This has given rise not only to the existence of idle resources in some units and interruptions due to lack of supplies in the activity of others, but also the impossibility of adjusting and planning productivity at real levels.

In September 1979 the general regulations governing State enterprises were published, establishing the terms of reference of these primary units and the interrelation of their activities with the directives of the central economic plan. In addition, at the end of the year regulations were drawn up governing individual work incentives, by the payment of bonuses for achieving or exceeding specific indicators.^{4/} Lastly, with a view to linking individual effort to the yield of the enterprise, a system of economic stimulation funds was introduced on an experimental basis in order to reward collective results.^{5/}

In order to ensure that the higher degree of autonomy granted to the enterprise is nevertheless in line with central management, greater importance has been given to the financial apparatus. As from 1977, when the system of inter-enterprise payments and charges was introduced, the National Bank of Cuba opened bank accounts for the units of production and acted as intermediary in their transactions. In 1979, when the economic calculation system was expanded and the majority of enterprises were made subject to the success of their management, such financial indicators as prices, costs and economic returns began to be used, and credit was instituted for those units operating under the system of economic calculation. State bank credit means that the enterprises have a certain degree of access to supplementary resources which make it possible for them to meet

^{4/} Some of the indicators used to grant the bonuses are: fulfilment or over-fulfilment of production targets, improvements in quality, saving on raw materials, etc.

^{5/} The enterprises will form two funds: a Reward Fund and a Fund for Social and Cultural Measures. The former is aimed at directly stimulating each worker, while the second aims at collective material stimulation (building of houses, child care facilities, sports centres, etc.).

/their seasonal

their seasonal or extraordinary financial needs,^{6/} while this constitutes for the Bank a form of control over the enterprise's activity.^{7/}

In brief, in 1979 the Cuban economy faced a period of transition in which the political action was aimed, in the medium term, at laying the bases for an economic reform process seeking greater efficiency in production, and in the short term at dealing with the immediate effects of domestic and external imbalances.

2. Growth of the main sectors

As mentioned earlier, in 1979 the gross material product grew by 2.4%, well below the rate of the previous year.^{8/} The sectors which grew more than this average were agriculture and industry (2.7% and 2.8%), whereas construction virtually stagnated (see table 1).

In addition to the slow growth of production there was deliberate containment of imports. This gave rise to a situation of global limited availability of goods and services in which the growth of investment was severely restricted in order not to affect the levels of basic consumption of the population. The volume of exports dropped by slightly over 7%, although owing to the improvement in prices on the international market the current value of exports rose by approximately 2.5%.

The smaller amount of resources available for investment gave rise to a selective policy whereby these were earmarked for certain branches of industry - metal manufactures and machinery and light industry - and for transport and ports. Noteworthy in the latter category were the continuation of the 660 million peso project to develop a modern railway system, including the reconstruction of the Santiago-Havana line (850 kilometres), and port

^{6/} Financing to cover investment expenditure and increases in production are granted to the planned enterprises through the budget.

^{7/} Loans intended to increase working capital are issued for periods of three months to one year, at an annual interest rate of between 6% and 12%.

^{8/} The growth of the global social product (4.5%), which for methodological reasons is not used in the analysis, was lower than the projected 6%.

construction work to the value of 250 million pesos which will make it possible to increase the potential operating capacity by 63%. In addition, following the major lines of economic policy laid down at the beginning of the 1970s, impetus continued to be given to the mechanization of agricultural work and the horizontal and vertical integration of the sugar industry.

(a) Agriculture

The agricultural product increased by 2.7%, which was far below the rate of 6.2% achieved in 1978. Sugar cane production, which accounts for over 60% of the agricultural product, grew only slowly compared with the pace of the previous year (25%). Even so, it was one of the most dynamic items, thanks to the fact that the violence of tropical storm Frederick only affected it to a limited extent, since the cane harvest was nearly over when the phenomenon occurred, and it did not yet suffer from the effects of the outbreak of rust, which will be reflected in the 1979/1980 harvest. The increase in the harvest was basically due to an increase in the growing area (over 650,000 hectares), since the yield was similar to that of the previous year (56 tons per hectare), which was one of the highest in the last 20 years, only surpassed by the 57.6 tons obtained in the 1969/1970 harvest.

The mechanization of cane cutting continued, and it is estimated that in the course of the year 60% of the medium-term target was achieved. It should be stressed that in the early stages this mechanization affects both the field and factory yields, since if the best advantage is to be taken of the cane the technical norms must be complied with exactly, and this is difficult to achieve in the training phase.^{9/} Furthermore, the replacement of manual labour by machinery means that the results of the cane harvest depend on the state of the machinery for cutting, lifting and haulage of the cane and thus on the maintenance service, which still requires a substantial inflow of imports despite the efforts made to increase national production of spare parts.

^{9/} The height at which the cane is cut affects the factory yield, since the part of the cane closest to the ground has the largest sucrose content.

Productivity per person employed in sugar cane cultivation was very uneven and even varied for the same task carried out under similar technological conditions. For example, the cane-cutting productivity of the so-called brigadas millonarias (millionaire brigades) ^{10/} was two and a half times that of the run-of-the-mill cutting teams, the average cane cut per person being around 40,100 arrobas in the case of the former and only 16,100 in the case of the latter.

In non-sugar cane agriculture a combination of different factors, including the passage of tropical storm Frederick, caused the stagnation or decline of production of the main crops. The production of roots and tubers, vegetables and citrus fruits barely maintained the levels of the previous year, while rice and cocoa fell by 9.5% and 12.5% respectively, thus making it necessary to step up food imports (see table 2).

Tobacco, the volume of production of which has been decreasing since 1977, constitutes a special case. More than two thirds of the area harvested continues to be in the hands of private farmers, so that when the purchasing price fixed by the State proved unattractive, the producers replaced this crop with higher-priced items. In order to reverse this phenomenon, the State raised the price in 1978 and undertook a national programme to increase the area under cultivation to 67,500 hectares, in the expectation of obtaining a harvest of 46,000 tons. Unfortunately, almost at the end of the harvest of the 1978/1979 crop the plants were attacked by the blue mould fungus, which had not appeared for nearly twenty years, and which reduced the 1979 volume of production by 27% and made it impossible to increase the area sown for the 1979/1980 season.

The most noteworthy main crops whose production increased were coffee (65%) and fruit (11%); it may be recalled that in the case of the former, production had been declining since 1975 and had reached its lowest level (15,700 tons) in 1978, when the harvest was only about half

^{10/} A brigada millonaria is made up of a group of approximately 36 cane-cutters who cut over a million arrobas of sugar cane, equivalent to 11,340 tons, during the harvest season. The "millionaire" cutters in the last cane harvest numbered 65,726 and represented 52% of the entire labour force employed in cutting cane.

that of 1974. In that year, around 75% of coffee production came from private farmers, but their share had fallen to 45% by 1977. The State policies designed to secure a recovery in the cultivation of this crop, which included increased prices, the provision of credit, and government support for the cultivation and rehabilitation of coffee plantations, resulted in a large increase in production, particularly that of small plantation-owners.

Stock-raising activity showed varied results. Following the medium-term trend, milk production increased by 2.5%, egg production by 8.5% and poultry by 11%. However cattle production once again dropped (-5%) following the recovery which it had shown in the previous three-year period. Pig production, for its part, remained at the level of the preceding year.

Lastly, the passage of tropical storm Frederick caused damage to various crops. Among those most affected were tubers and root crops, followed by bananas, vegetables and citrus fruit. The losses in the livestock subsector amounted to 200,000 head of poultry, but only one thousand cattle, thanks to the timely mass evacuation of the herds.

(b) The industrial sector

Industry - which includes manufacturing, electricity and mining - has likewise followed an unstable course in recent years and only grew by 2.8% in 1979, after having increased by 9% the year before. The lower growth rate (only 2.3%) of manufacturing activity - which provides 95% of industrial output - contributed to this. The electrical energy sector continued to grow rapidly (16.5%), but owing to its lack of relative weight in industry its effects were hardly felt. Lastly, because of limitations in the installed capacity for processing nickel, mining only grew by 1.4% (see table 1).

The greatest damage caused in this sector by the storm referred to earlier was the interruption in production activity, mainly as a consequence of the flooding of factories and electric power stations. This paralysed the Máximo Gómez thermoelectric plant in Mariel - which produces a third of the total power generated in the country and covers the demand of the

/province of

province of Havana - the Cienfuegos power station, and another in Santiago de Cuba. In the rest of the sectors, the textile industry suffered the greatest losses owing to damage to the Ariguanabo plant, the biggest in the country.

(i) Manufacturing. The production of manufactures grew by 2.3% in 1979 compared with 9% the previous year. The main impetus for this activity came from the high rate of growth of the industries producing consumer durables and capital goods (14.8%), since the industries producing inputs evolved slowly (1.4%), while those producing non-durable consumer goods remained practically stationary (0.6%) (see table 3.)

The growth of the consumer durables and capital goods industry was partly the result of the implementation of lines of economic policy aimed at continuing the mechanization of agriculture, particularly in sugar cane growing; expanding the consumption of electronic articles and household appliances; increasing the amount of transport equipment, and enlarging the capacity for the production of prefabricated building elements. Thus, output of sugar cane harvesters was more than doubled and that of carts for transporting this product increased by 30%; the manufacture of radios, refrigerators and television sets went up by 19%, 23% and 2.3% respectively; while the assembly of buses grew by 33% and the production of steel moulds for plants manufacturing prefabricated building elements increased by 35%.

The low rate of growth of the intermediate goods industry was due to a 5.3% drop in textile production and the stagnation in the manufacture of fuels and construction materials, which was only partly offset by the production increases in the chemical industry (4.7%) and the basic metals industry (3%).

The production of non-durable consumer goods - excluding sugar - remained at the same level as in 1978, since production of food, beverages and tobacco - which together account for 60% of this type of goods - fell, and the fishing industry declined by over 9% (see table 3). The growth of the ready-made clothing industry and printing and publishing did not suffice to offset this situation.

/The various

The various branches of the food industry showed dissimilar results. Milk products - with the exception of butter - generally showed a high rate of growth in which processed milk (39%) and cheese (18%) stood out, while wheat flour dropped by 3% owing to shortfalls in external supply, and boned beef fell by 5% and pork by 2%, as a result of the limited availability of national inputs.

In the case of beverages and tobacco, the former grew at different rates (malt 23%, alcoholic beverages 8.5% and soft drinks 7%), with the exception of beer, production of which remained at the level of the previous year. The reductions in the tobacco harvest were only reflected in a 17% drop in the production of twist, since cigarette production continued to rise slightly (3%).

The fishing industry - including both catching the fish and other marine products and their industrial processing - which registered growth of nearly 15% in 1978, dropped slightly over 9%, as a result of the decline in catches, which was greatest in the case of fish (-30.5%) (see table 4). This decrease was largely due to the gradual adoption at the world level of the limit of 200 nautical miles as the Exclusive Economic Zone, which has restricted Cuba's access to its traditional open sea fishing areas. According to international legislation on the subject, each country establishes annually, in keeping with its interests, the permissible catch quotas (in terms of both volume and species) and the number of vessels which may operate in its exclusive zone, in exchange for payment for the permits granted.

In keeping with the policy begun several years ago of increasing the availability of goods on the domestic market, the ready-made clothing industry continued to grow (4%) although at a lower rate than the last two years (15.4% and 11.5%); as textile production dropped, the increase in domestic consumption of clothing led to a fall in the exportable surplus of fabrics.

Of the large-scale industrial construction projects completed in 1979, the Villa Clara textile combine stood out as the most important of the last five years. The construction of this plant, with a capacity of

/60 million

60 million square metres of fabrics, cost 142 million Cuban pesos, 70% of which was financed with convertible currency, since Japan, Belgium and Spain collaborated jointly in the undertaking. A considerable part of its production will be exported to pay for imports of fibres, chemicals and dyestuffs required for the production process.

Towards the end of the year the wheat mills of Regla and Cienfuegos were also completed, at a cost of 25 million Cuban pesos. These will expand national production capacity for three types of flour.

The factory for the manufacture of pipes and accessories for sprinkler irrigation, constructed in collaboration with Bulgaria, was completed, as were the addition of an oxygen plant to the Antillana de Acero complex, the Marianao industrial gases plant, and the plant producing wheels for heavy equipment.

The sugar industry - which accounts for 14% of manufacturing activity - only grew by 3.4%, whereas during the previous two-year period it recorded rates of 13% and 14.5% respectively. The processing yield, after having sunk to one of the lowest levels in recent years in the 1977/1978 sugar harvest, rose slightly (3.7%) in 1979, but still continued to be low (109.4 kilos of sugar per ton of cane) compared with the average for the 1960s (122.8) and that recorded in the 1974/1975 sugar harvest (124.4) (see table 5). Preferential attention continued to be given to the ancillary activities which form part of sugar production. Among the main industries which use sugar cane by-products was that producing torula yeast, which is used as animal feed and whose output nearly doubled. Among the industries producing capital goods for sugar cane agriculture and the sugar industry, in addition to harvesters and carts, progress was observed in the manufacture of sugar mill machinery, and although production is still low, a level of national integration of nearly 60% has been achieved. A particle board plant using bagasse also came into operation and plants were installed to produce torula yeast at seven mills.

During the year the modernization and expansion of the sugar industry continued. Twenty-four mills are being adapted to achieve complete automation, and four new mills - the first since 1927 - are being built
/in Camagüey,

in Camagüey, Cienfuegos, Granma and Pinar del Río. The last-mentioned, the daily milling capacity of which will be 7,000 tons of cane, will come into operation during the 1979/1980 cane harvest. Of the total machinery and equipment installed in this mill, approximately 40% was manufactured locally, 35% came from countries with centrally planned economies, and 25% from market economy countries.

(ii) Mining. During 1979, mining increased at a rate of only 1.4% (see table 1). It should be noted that production of nickel - the most important item among the non-ferrous metals - increased for the first time since 1976 by 4.4%, a rate which it will be difficult to better until the projects to increase installed capacity are implemented. In this regard progress continued on the construction of the new plant at Moa which will have an annual capacity of 30,000 tons and will produce 10,000 tons of nickel in its first stage; it is expected to come into production at the end of 1980 or the beginning of 1981.

As regards copper, part of the manufacture of 18% concentrates was replaced by 30% concentrates: thus, the production of the former was cut by nearly 14% while that of the latter increased by 8%.

(iii) Electrical energy. The rate of growth of electrical energy in 1979 reached 16.5%, which was the highest rate of the decade and exceeded that of 1978 by 4 points. This was largely due to an increase of 369 MW in generating capacity,^{11/} giving a total of 2,150 MW. However, this was still insufficient to meet demand and some blackouts occurred during the year.

Although the electricity industry was one of those most affected by tropical storm Frederick, it was possible to meet the expected target of over 8 million kWh of electricity thanks to the prompt repair of the damage suffered in the "Máximo Gómez" plant at Mariel and the "Carlos Manuel de Céspedes" plant at Cienfuegos, which produce half the country's electrical energy.

^{11/} Construction of the following extensions was completed in 1979: unit 4 of the "Carlos Manuel de Céspedes" thermoelectric power station at Cienfuegos (169 MW); unit 7 of the "Máximo Gómez" thermoelectric power station at Mariel (100 MW), and unit 4 of the "Renté" plant at Santiago de Cuba (100 MW).

The rationalization of fuel consumption in the thermoelectric power stations continued and the fuel/kWh ratio dropped from 290 to 284 grams. This represents a saving of slightly over 150,000 tons of petroleum.

Lastly, the electricity distribution system continued to be improved and the campaign to eliminate provisional lines (tendederas) reduced these from 146,000 to only about 65,000.

(c) Construction

In 1979 the construction growth rate dropped notably; activity in the sector grew by barely 0.8%, far below the rate of the previous year (7.5%) which was itself in sharp contrast with the high average growth rates of the first half of the 1970s (27%) (see table 1). In line with this level of activity the construction materials industry maintained the same production level as in 1978.

The lack of dynamism in this activity was due among other causes to the drop in the rate of investment, the reduced availability of convertible currency, which restricted purchases of goods from market economy countries, the delay in the delivery of external supplies, and various problems of a domestic nature which particularly affected some industries producing materials.

During the year, investment grew less than in previous periods and was mainly earmarked for completing existing projects and, to a lesser extent, starting on new construction work. In order to support the apparatus of production and basic services, an impulse was given to industrial (5.5%) and railway (1%) works, although at a slower pace than in previous years (see table 6). The importance of this type of construction has increased its relative participation in the sector from 13% in 1975 to 25% in 1979. Lastly, it should be mentioned that the shortage of resources for investment made it necessary to give less attention to other urgent needs, notably housing.^{12/}

Educational construction activities declined because of the reduction in school infrastructure requirements resulting from the preferential attention given in the past to this type of building.

^{12/} However, during 1979 more materials for repairing dwellings were distributed among the population than during other periods.

Both the construction sector and the industries producing materials for this activity were hampered by shortages in external supplies, which were basically reflected in a drop in imports of timber, aluminium and other items.

Various causes - particularly the excess of rain during the month of September, which paralysed activity in the quarries and delayed industrial maintenance work - made it impossible to reach the target of 3 million tons of cement, and only slightly over 2.6 million tons were produced compared with the 1978 level of 2,680,000 tons.

During 1979 the process of rationalizing the systems of construction continued, resulting not only in a saving in materials but also in increases in productivity per employed person.^{13/} This enabled Cuba to obtain contacts abroad and owing to its growing importance it is expected that this type of activity will employ around 25,000 workers in the next few years. Among these contracts mention may be made of the construction of a highway and 1,200 prefabricated houses in Libya; a highway and 1,500 houses in Iraq, and schools in Jamaica. In addition to these activities which produce income for the country, mention should be made of co-operation in construction of this type with countries of scanty resources. For example, there are plans to co-operate in the establishment of a cement plant with a production capacity of 300,000 tons in Ethiopia, in which 300 to 500 Cuban workers will take part.

In view of the dynamism of this new activity, the State set up a corporation called Unión de Empresas Constructoras del Caribe (UNECA) to promote this work and be responsible for it.

3. The external sector

Following the trend of the previous year, the trade deficit continued to drop, after having reached one of the highest levels of the 1970s in 1977 (520 million pesos) as a result of the increased imbalance in that

^{13/} Between 1971 and 1976 the productivity per employed person in the construction sector increased by nearly 45%.

year in trade with the market economy countries (see table 7). The stabilization of imports, which fell by about 11% in real terms, was the main balancing factor, since exports only increased by 2.5%, entirely as a result of the rise in prices, since the quantum fell by slightly over 7% on account of the reduction in sales of citrus fruits, tobacco and fishery products and the maintenance of the volume of sugar exports.

The price of sugar in the world market remained almost stationary during the first half of 1979 at between 7.52 and 8.52 US cents per pound, with only slight fluctuations, but as from August, it rose to a monthly average of more than 14 US cents, reaching 15.15 US cents per pound in the first half of December. The price paid by the Soviet Union rose by 8% to 44 US cents per pound of sugar (see table 8).

In trade with the Soviet Union there were some changes from the trends of the previous two years. Exports, whose value had grown at rates of 26% and 21%, dropped by 6%, and imports, which had risen by 25% during the same period, only rose by 4%. This transformed the surplus of 179 million pesos recorded in 1978 into a deficit, although only quite a small one (68 million). It should be mentioned that as a result of the price-fixing machinery for external trade with that country which has been in force since 1975 and which links price increases in exports to those of imports,^{14/} the terms of trade remained at the level achieved that year.

In Cuba's trade relations with the market economy countries, the increase in the value exported and the reductions in imports turned the deficit of 214 million pesos of the previous year into a surplus of 114 million (see table 7). The drop in imports - nearly 20% in terms of current value and over 30% in terms of the quantum - was associated with the policy of reducing to the minimum imports paid for in convertible currency, since the lack of this in recent years has obliged Cuba to resort to short-term external indebtedness and thus considerably increased the servicing of the debt in 1979. In order to overcome this situation, the

^{14/} This mechanism, known as a sliding base, means that starting from the basis of a minimum price of 500 roubles per metric ton of raw sugar increments are proportional to the rise in the prices of goods supplied by the Soviet Union to Cuba.

National Bank of Cuba effected a renegotiation of the external debt with the market economy countries.

As regards exports, the 38% increase in their current value was a consequence of the above-mentioned rise in sugar prices (particularly in the last three months of the year),^{15/} since the volume sold remained stationary. It should be mentioned that the Cuban Government was able to profit from the increase in prices, thanks to the policy of conducting a substantial proportion of sales in the free market during the last few months of the year.^{16/}

The terms of trade with the market economy countries, after having fallen in 1978 to one of the lowest levels of the decade, recovered when the prices of sugar, nickel, citrus fruits, fishery products and tobacco rose. However, this recovery was not very significant, since it only slightly exceeded the 1977 level, while the price of sugar barely exceeded the average production costs (see table 9).

In the field of external financial negotiations Cuba obtained bank loans from market economy countries for an approximate value of US\$ 230 million far above the figure of US\$ 60 million contracted the previous year. Of particular note was the 7-year credit from a consortium of European banks, headed by the Cr dit Lyonnais, for 220 million Deutschmarks. In addition, the Bank of Tokyo granted a 12,500 million yen loan, and the Belgian Government granted a long-term loan - 30 years with a 10-year grace period - of 100 million Belgian francs.^{17/}

^{15/} In the last quarter of the year prices rose by 53%.

^{16/} In the last two months of 1979 Cuba sold 40% of its annual exports on the free market.

^{17/} Together, these three credits amounted to roughly US\$ 182 million.

Table 1

CUBA: MATERIAL PRODUCT, BY ECONOMIC SECTORS(a)

	Millions of constant-value pesos (b)					Percentage breakdown		Growth rates			
	1975	1976	1977	1978	1979(c)	1975	1979(c)	1976	1977	1978	1979(c)
Total material product	8 142	8 431	8 690	9 404	9 634	100.0	100.0	3.5	3.1	8.2	2.4
Agriculture	1 607	1 665	1 735	1 842	1 892	19.7	19.6	3.6	4.2	6.2	2.7
Sugar cane agriculture	554	557	629	684	...	6.8	...	0.5	12.9	8.7	...
Non-sugar cane agriculture	365	384	362	378	...	4.5	...	5.2	-5.7	4.4	...
Stock-raising	603	638	658	687	...	7.4	...	5.8	3.1	4.4	...
Agricultural services	16	16	16	16	...	0.2	...	-	-	-	...
Forestry	69	70	70	77	...	0.8	...	1.4	-	10.0	...
Industry	5 285	5 446	5 505	6 003	6 171	64.9	64.1	3.0	1.1	9.0	2.8
Electrical energy	145	159	184	206	240	1.8	2.5	9.7	15.7	12.0	16.5
Mining	60	65	72	73	74	0.7	0.8	8.3	10.8	1.4	1.4
Manufacturing (d)	5 080	5 222	5 249	5 724	5 857	62.4	60.8	2.8	0.5	9.0	2.3
Construction	1 250	1 320	1 450	1 559	1 571	15.4	16.3	5.6	9.8	7.5	0.8

Source: CEPAL, on the basis of data from the State Statistical Committee of Cuba.

- (a) The material product consists of the value of the gross production of the agricultural, mining, manufacturing, construction and electrical energy sectors.
- (b) The Anuario Estadístico de Cuba describes all this information as valued at current prices, whereas in Desarrollo y perspectivas de la economía cubana, (National Bank of Cuba) it is stated on page 23 that, with the exception of commerce and transport, the "other sectors" -the material product plus communications- are given at constant 1965 prices. In addition, sources in the State Statistical Committee explained that as of 1965 prices were frozen for inputs and final goods in the agricultural, industrial and construction sectors and only new products were valued at different prices from those fixed then, but at prices frozen from the year in which they were incorporated in the Cuban economic system. Thus, the terms "current prices" and "constant prices" are equivalent in the case of the material product (at producer prices), and bearing in mind -according to the above-mentioned source- that the group of new products is very small, it is considered that the interpretation stemming from the resulting real growth rates is not affected.
- (c) Preliminary figures.
- (d) Including the fishing industry.

Table 2

CUBA: STATE PURCHASES OF SELECTED AGRICULTURAL PRODUCTS(a)(b)
(Indexes of physical volume: 1970 = 100)

	1972	1973	1974	1975	1976	1977	1978	1979(c)
Agricultural products								
Roots and tubers	173.5	175.8	198.4	242.4	267.5	223.0	323.1	321.2
Grains (d)	85.1	83.8	108.4	116.4	113.9	112.7	116.1	105.3
Rice	82.2	81.3	106.3	116.2	115.2	114.9	118.3	107.2
Vegetables (e)	115.3	183.5	250.8	285.5	269.5	198.6	199.3	195.9
Fruits	148.3	165.1	170.1	175.2	195.2	178.6	181.2	200.4
Coffee	128.6	106.5	145.9	90.1	96.4	79.7	68.0	112.3
Cocoa	142.9	131.3	102.0	93.7	111.9	96.7	121.9	106.7
Tobacco	124.6	137.2	141.0	130.6	159.9
Livestock products								
Eggs	107.6	113.1	120.1	124.7	121.1	119.7	123.7	134.1
Fresh milk	160.6	176.9	196.3	211.9	246.1	262.3	284.3	291.4
Poultry	145.5	175.1	222.1	273.4	303.3	307.0	281.4	312.7
Cattle	92.4	79.2	66.8	64.2	76.9	79.0	82.1	78.2
Pigs	145.7	175.0	256.0	321.7	388.4	438.1	469.9	470.0

Source: CEPAL, on the basis of the *Anuario Estadístico de Cuba* and the State Statistical Committee.

- (a) See *Anuario estadístico de Cuba*, 1975, p. 50: "State purchases (acopio) are the sum of all purchases and receipts of agricultural products made directly from the agricultural unit by distributive, wholesale and industrial enterprises (both for resale and for processing). The agricultural productive units selling to the State may be State farms, other State entities, private co-operatives and other private entities". See also on p. 87: "Excludes purchases in the form of imports".
- (b) Excludes State and private self-consumption.
- (c) Preliminary figures.
- (d) Includes rice, maize, millet and beans.
- (e) Includes tomatoes, cucumbers, pumpkins, onions, chili peppers, garlic, melons, eggplant, and others.

Table 3

CUBA: INDICATORS OF THE MANUFACTURING MATERIAL PRODUCT

	Indexes (1975 = 100)				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
<u>Total manufacturing sector</u>	102.8	103.3	112.7	115.3	2.8	0.5	9.1	2.3
Non-durable consumer goods industry	103.2	108.0	115.3	116.0	3.2	4.7	6.8	0.6
Food (excluding sugar)	101.5	105.0	107.0	105.9	1.5	3.4	1.9	-1.0
Sugar and sugar products	97.2	109.7	125.7	130.0	-2.8	12.9	14.6	3.4
Beverages and tobacco	112.9	105.6	111.1	110.2	12.9	-6.5	5.2	-0.8
Ready-made clothing	104.2	120.3	134.0	139.9	4.2	15.5	11.4	4.4
Fisheries	124.1	120.4	138.1	125.2	24.1	-3.0	14.7	-9.3
Printed matter	104.2	111.8	115.3	126.6	4.2	7.3	3.1	9.8
Intermediate goods industry	99.5	94.6	101.5	102.9	-0.5	-4.9	7.3	1.4
Textiles	100.8	89.8	92.9	88.0	0.8	-10.9	3.5	-5.3
Chemicals	99.4	84.5	96.6	101.1	-0.6	-15.0	14.3	4.7
Fuels	96.1	94.2	98.6	98.8	-3.9	-2.0	4.7	0.2
Construction materials	104.7	111.8	115.1	115.1	4.7	6.8	3.0	-
Basic metal products	99.5	119.7	121.0	124.6	-0.5	20.3	1.1	3.0
Consumer durables and capital goods industry	111.1	111.3	132.5	152.1	11.1	0.2	19.0	14.8
Construction on non-electrical machinery	117.3	122.6	148.5	172.8	17.3	4.5	21.1	16.4
Electrotechnical and electronic goods	97.6	76.4	87.3	106.0	-2.4	-21.7	14.3	21.4
Metal products	103.8	105.9	121.8	128.0	3.8	2.0	15.0	5.1
Other manufactures (b)	101.8	98.1	112.0	111.6	1.8	-3.6	14.2	-0.4

Source: CEPAL, on the basis of data supplied by the State Statistical Committee (CEE) and Indicadores económicos seleccionados, 1978.

(a) Preliminary figures.

(b) Including, Inter alia: leather industry, glass and pottery, paper and pulp, forestry and timber processing.

Table 4

CUBA: INDICATORS OF FISHERY PRODUCTION

	1975	1976	1977	1978	1979(a)
	<u>Thousands of tons</u>				
Fish	117.5	145.1	135.1	162.1	112.6
Crustacea	20.0	21.7	18.0	20.6	18.7
Molluscs and others (b)	6.0(c)	27.2	31.9	29.2	24.1
	<u>Index base 1970 = 100</u>				
Fish	114.4	173.5	161.5	193.8	134.6
Crustacea	143.7	156.3	129.2	148.2	134.5
Molluscs and others (b)	71.5(c)	322.6	378.1	346.0	285.1
	<u>Growth rates</u>				
Fish	...	23.5	-6.9	20.0	-30.5
Crustacea	...	8.8	-17.3	14.7	-9.2
Molluscs and others (b)	...	351.3	17.2	-8.5	-17.6

Source: CEPAL, on the basis of data from the Anuario estadístico de Cuba, and the State Statistical Committee.

(a) Preliminary figures.

(b) Including molluscs, turtles, sponges, trash fish and batrachians.

(c) Excluding trash fish.

Table 5

CUBA: BASIC INDICATORS OF THE SUGAR INDUSTRY

	Production (thousands of tons) (a)		Industrial yield base 96° (percentage)	Days		Sugar cane milled per day (tons)	
	Sugar cane milled	Raw sugar base 96°		Nominal harvest	Actual	Harvest	Actual
1960	47 492	5 943	12.51	103	88	466 289	542 344
1961	54 325	6 876	12.66	133	104	408 731	522 186
1962	36 686	4 882	13.31	104	76	354 144	483 422
1963	31 413	3 833	12.36	94	68	333 110	461 013
1964	37 196	4 475	12.03	118	82	316 065	454 099
1965	50 687	6 156	12.15	130	105	388 449	482 050
1966	36 840	4 537	12.32	102	76	359 453	481 816
1967	50 880	6 236	12.26	133	101	382 985	502 638
1968	42 368	5 165	12.19	113	87	375 582	486 470
1969	40 476	4 450	11.02	135	86	299 077	471 018
1970	79 678	8 538	10.71	217	143	367 442	557 818
1971	51 548	5 925	11.49	166	101	309 610	509 974
1972	43 545	4 325	9.93	153	91	284 750	476 579
1973	47 459	5 253	11.07	135	92	352 770	514 824
1974	49 562	5 930	11.95	128	95	386 986	519 823
1975	50 769	6 315	12.44	123	99	413 700	513 511
1976	51 999	6 151	11.84	130	99	399 100	526 900
1977	56 149	6 485	11.55	141	104	399 600	542 500
1978	69 653	7 351	10.55	168	119	400 100	562 700
1979(b)	73 050	7 992	10.94	182	118	402 200	571 400

Source: 1960-1970: Central Planning Board Statistical Bureau, Boletín estadístico, 1970; 1971-1975: State Statistical Committee, Anuario estadístico de Cuba, 1975; 1976-1979: State Statistical Committee.

(a) Sugar cane harvest year.

(b) Preliminary figures.

Table 6

CUBA: GROSS PRODUCTION OF THE CONSTRUCTION SECTOR(a)

	Indexes (1975 = 100)				Percentage breakdown		Growth rates			
	1976	1977	1978	1979	1975	1979	1976	1977	1978	1979
<u>Sectoral total</u>	105.7	114.4	123.1	123.2	100.0	100.0	5.7	8.2	7.6	0.1
Agriculture	83.3	67.7	69.6	65.4	8.4	4.5	-16.7	-18.7	2.8	-6.0
Housing and urbanization	91.8	97.8	91.7	86.8	12.6	8.9	-8.2	6.5	-6.2	-5.3
Education	108.7	96.3	84.2	68.4	16.9	9.4	8.7	-11.4	-12.6	-18.8
Industry	122.1	180.1	214.3	226.1	11.7	21.5	22.1	47.5	19.0	5.5
Water resources	106.8	108.4	113.8	101.7	9.5	7.8	6.8	1.5	5.0	-10.6
Highways (excluding railways)	109.1	100.3	97.5	92.7	13.8	10.4	9.1	-8.1	-2.8	-4.9
Railways	142.4	267.2	280.2	283.6	1.5	3.4	42.4	87.6	4.9	1.2
Hidrological works	100.5	113.6	118.2	110.5	1.9	1.6	0.5	13.0	4.0	-6.5
Shipping facilities	135.3	123.4	128.6	117.8	2.2	2.1	35.3	-8.8	4.2	-8.4
Others	103.2	121.4	153.2	174.3	21.5	30.4	3.2	17.6	26.2	13.8

Source: State Statistical Committee, Indicadores económicos seleccionados, 1978.

(a) Does not correspond to the total since it excludes geological exploration; drilling and geodesy and the preparation of construction projects.

Table 7

CUBA: EXPORTS, IMPORTS AND TRADE BALANCE
(Millions of Cuban pesos)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Total exports	1 050	861	771	1 153	2 237	2 947	2 692	2 912	3 417	3 501
Soviet Union	529	304	224	477	811	1 661	1 638	2 066	2 496	2 346
Rest of socialist countries	248	261	197	268	472	341	452	378	410	451
Rest of world	273	296	350	408	954	945	602	468	511	704
Total imports	1 311	1 387	1 190	1 463	2 226	3 113	3 180	3 433	3 558	3 535
Soviet Union	691	731	714	811	1 025	1 250	1 490	1 858	2 317	2 414
Rest of socialist countries	226	239	200	224	328	354	374	467	516	531
Rest of world	394	417	276	428	873	1 509	1 316	1 108	725	590
Total balance	-261	-526	-499	-310	11	-166	-488	-521	-141	-34
Soviet Union	-162	-427	-490	-334	-214	411	148	208	179	-68
Rest of socialist countries	22	22	-3	44	144	-13	78	-89	-106	-80
Rest of world	-121	-121	74	-20	81	-564	-714	-640	-214	114

Source: For the period 1970-1978, CEPAL, on the basis of data from the Anuario estadístico de Cuba and the State Statistical Committee; for 1979, CEPAL estimates on the basis of external trade information for the Soviet Union, The International Sugar Organization, the Group of Latin American and Caribbean Sugar-Exporting Countries (GEPLACEA) and other international information.

Table 8

CUBA: PRODUCTION , EXPORTS AND EXPORT PRICES OF SUGAR

	Thousands of tons		US cents per pound	
	Sugar production	Sugar exports	Price paid by the Soviet Union	Price on the world market (a)
1970	8 538	6 906	6.11	3.68
1971	5 925	5 511	6.11	4.50
1972	4 325	4 140	6.11	7.27
1973	5 253	4 797	12.02	9.45
1974	5 925	5 491	19.64	29.66
1975	6 314	5 744	30.40	20.37
1976	6 156	5 764	30.95	11.51
1977	6 485	6 238	35.73	8.10
1978	7 351	7 231	40.78	7.82
1979	7 992(b)	7 269(b)	44.00	9.65(b)

Source: CEPAL, on the basis of the Anuario estadístico de Cuba; National Bank of Cuba, Desarrollo y perspectivas de la economía cubana; International Sugar Organization, and other international statistics.

(a) International Sugar Agreement price.

(b) Preliminary figures.

Table 9

CUBA: MAIN INDICATORS OF FOREIGN TRADE(a)
(Indexes 1970 = 100)

	1971	1972	1973	1974	1975	1976	1977	1978	1979
Exports of goods									
Value									
Soviet Union	57.5	42.3	90.2	153.3	314.0	309.6	390.5	471.8	443.5
Market economy countries	108.4	128.2	149.5	349.5	346.2	220.5	171.4	187.2	257.9
Volume									
Soviet Union	56.3	42.7	55.6	59.0	87.1	85.3	105.1	111.2	96.9
Market economy countries	87.5	78.4	91.9	91.9	87.2	81.3	96.2	108.0	107.9
Unit values									
Soviet Union	102.0	98.9	162.5	260.0	360.0	362.9	371.7	424.1	457.6
Market economy countries	124.0	163.7	162.7	300.6	396.8	271.7	178.1	173.3	239.1
Imports of goods									
Value									
Soviet Union	105.8	103.3	117.4	148.3	180.9	215.6	268.9	335.3	349.3
Market economy countries	105.8	70.1	108.6	221.6	383.0	334.0	281.2	184.0	149.7
Volume									
Soviet Union	100.6	95.7	103.6	108.5	101.0	119.8	145.9	159.1	153.4
Market economy countries	99.2	66.5	101.0	164.0	273.6	250.3	186.5	108.2	74.6
Unit values									
Soviet Union	105.2	108.0	113.2	136.7	179.2	180.0	184.3	210.7	227.7
Market economy countries	106.7	105.2	107.6	135.2	140.0	133.5	150.8	170.1	200.6
Terms of trade for goods									
Soviet Union	97.0	91.6	143.6	190.2	200.9	201.6	201.7	201.3	201.0
Market economy countries	116.2	155.6	151.2	281.5	283.4	203.5	118.1	101.9	119.2

Source: CEPAL, estimates on the basis of data from the Anuario estadístico de Cuba, Foreign Trade Yearbook of the Soviet Union; the Monthly Bulletin of Statistics and other international statistics.

(a) Not including trade with the socialist countries, apart from the Union of Soviet Socialist Republics.