CUBA TRADE POLICY IN A TRANSITION

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I. Introduction

It seems safe to say after Fidel Castro's speech of last July 26th in Santiago de Cuba that the island in 1993 is facing the most severe economic crisis since the advent of his regime some 34 years ago.[1] Even, perhaps, the most severe economic recession of the century.

The main cause of the current crisis is the political decision made by the government of Cuba in the early 1960s to adopt a communist political-economic model. Over the years the country's economy became integrated with those of the former Council for Mutual Economic Assistance (CMEA), principally the Soviet Union.[2] In reality, however, Cuba became almost totally dependent on those countries for its welfare. When in 1989 the Eastern European countries began to adopt a market-oriented model and later at the end of 1991 when the Soviet Union was dissolved, all economic assistance and subsidized trade came to an end. The island's economy since 1990 has plummeted, leading to the current state of affairs.

Cuba's acute economic fall is fundamentally foreign trade-driven rather than domestically generated. Current data on national income, or Gross Social Product (GSP), is lacking, but based on statistics of the mid-1980's, exports accounted for approximately 20 percent of GSP.[3]

The main issue in Cuban affairs today is: "Will the ever-deepening economic fall lead to a political turning point that will ultimately induce an end to the current political-economic model and bring about a transition towards a representative democracy and a market-oriented economy?"

In Cuba the "transition to somewhere," as Jorge Domínguez acutely pointed out, has started. This process began in the early 1990s with the opening up of the country to foreign investments in tourism, together with other attempts to reintegrate Cuba into the global economy and more recently, on July 26, 1993, the decriminalization of US dollar holdings and its circulation. This "transition to somewhere," however, is not a transition towards a pluralistic democracy and a free market economy. In the Cuban context these changes, nevertheless, are profound politically and ideologically. They could, although not intentionally, create the space that will ultimately lead to the end of the dictatorship.

This paper assumes that Cuba is on the verge of further significant changes. Still, the timing of the changes and their magnitude will depend on the escalating gravity of the internal economic and political situation and basically on Fidel Castro's ability to survive.

In case of Cuba appraising a more conventional concept of a transitional period as it is unfolding in the former communist countries of Eastern Europe and in the ex-Soviet Union --or for that matter the survival of the Castro regime-- one has to consider two basic realties:

One can be considered as unchangeable: the country is a tropical island with limited natural resources resulting in an export economy; and

The other basically changeable: the country has an inefficient and internationally uncompetitive industrial base.

The first consideration refers to the fact that Cuba was, is and will continue to be an export economy. Based on this, the working premise of my argument is that in order to have a successful reconstruction, Cuba must reactivate the export sector. This will facilitate overcoming the second consideration:

reconstructing the industrial base is an integral part of a dynamic export process. Only through an effective export-oriented trade policy that promotes a vigorous export sector can a sustainable rate of growth be achieved, thus improving the country's welfare.

These basic realities have not escaped the government of Cuba. The state's two top policy priorities now are: i) increase domestic food production, and ii) integrate Cuba into the global economy.

The above second policy's basic objective is attracting foreign investors in export-oriented projects. This strategy is based on the fact that after 30 years of integration with the former Soviet bloc, Cuba does not have the capital or international credit, the technology, nor the international management expertise that is required to be able to compete successfully in international markets in the scale that is now required. Tourism is considered an export.

The purpose of this paper is to present some general observations on possible trade policy options that could be considered in a transition period. I do not claim that all questions or doubts about this thesis are resolved, but rather that the possibility and implications of an effective trade policy demands further research.

II. Cuba: A Tropical Export Economy

A. Natural Resource Limitations and Import Demand

Cuba's main resource is human and its primary natural resource is the abundance of fertile land. Mineral resources are present, but on a moderate scale.

Traditionally land has been the cheapest factor of production and crop cultivation, particularly sugar,has been extensive rather than intensive with the notable exception of tobacco. Cuba's geography and climate present excellent conditions for sugarcane cultivation, but the tropical climate precludes having a diversified agricultural base. The climatic conditions prevent the growing of temperate climate crops. This makes Cuba dependent on imports for many of its basic food requirements and agricultural raw materials.

In terms of mineral resources, Cuba possesses the fourth largest reserve of nickel in the world, over 500 million tons of probable reserves, but ores are exclusively of low-to-average grade.[4] Copper is also mined.

Cuba's most vulnerable strategic point is its acute shortage of primary energy resources, both fossil and hydro.[5] In a speech before the National Assembly of People's Power on March 16, 1993, Fidel Castro stated as follows: "Our basic weakness is the energy problem. The energy problem is what has stopped many of our industries or has reduced them to their minimum level." This situation has had a crippling effect on the national transportation system, both private and public.

In 1989, the last year that data was published, Cuba's energy demand totalled an oil equivalent of 15.8 million tons. From the supply side, oil accounted for 73 per cent and sugarcane bagasse provided 24 per cent. The balance was made up by firewood (2 percent) and coal and others (1 percent).[6] Data on Cuba's proven petroleum reserves is not available, but they are thought to be very small. Current production is less than 900,000 tons of high sulphur heavy crude.[7] Cuba's normal annual demand for oil is about 10 to 10.5 million tons per year. Imports of oil were reported to be as high as 13 million tons in 1989, but at the same time Cuba was re-exporting up to 2 million tons to the world market in order to obtain hard currency. Imports in 1991 fell to about 8 million tons and Lage estimates that in 1992 they dropped further to about 6.1 million tons, or about half of normal requirements.

In order to alleviate the dependency on imported oil, the government of Cuba aggressively seeks foreign investors for exploration and development. Cuba this year has held two auctions --Calgary, Canada and London, England-- for bids on eight onshore and three offshore blocks for exploration and development ventures. These promotional endeavors have so far failed. Bids were due in early August 1993 and international oil trade sources say the response was very poor and one or two bids, at best, were received. [8] Shell Petroleum Company told Inter Press Service that "none of the acreage available meets our independent screening criteria. Nor are commercial terms or geology sufficiently attractive. There is, moreover, the political risk factor. In our view, better prospects exist elsewhere in the world."[9] Prior to the Calgary and London auctions Cuba had signed contracts with Braspetro of Brazil, Northwest Energy of Canada, Total of France and Taurus Petroleum of Sweden.

It is common knowledge that it takes a number of years from the time of the initial exploration phase to bring wells on-line and commercially pumping oil. However, on the basis of finding proven oil reserves, the government could conceivably obtain loans, giving future oil deliveries as guarantee. As of today, none of the foreign companies has had a major findings.

For 1993, the oil situation will even be tighter since the only news of sugar for oil swaps involves two agreements, one with Russia for 3.2 million tons of oil and another with Kazakhstan for 400,000 tons. There are also press reports that Cuba is negotiating with Iran for 200,000 tons of oil in exchange for sugar. Oil not obtained through barter arrangements will have to be purchased on the "world" market and paid with convertible currency.

The precarious sugar-for-oil relationship has turned for the worse as a result of an extremely short sugar crop in 1992/93. A 4.2 million tons harvest --announced by the state trading enterprise Cubazúcar on May 25, 1993-- represents another sharp drop in sugar export receipts, thus compromising the country's ability to buy the much-needed oil.

The gravity of the sugar situation was further revealed on June 3rd when Cubazúcar declared *force majeure* on sugar shipments to all its 1993 buyers, including sugar covered under this year's Russian sugar-for-oil swap. According to the Russian state sugar purchasing agency Prodintor, Cuba had delivered most the sugar that was committed to that country. Trade sources anticipate that Cuba will receive the agreed tonnage of oil and petroleum products from Russia.

These circumstances indicate that in 1993, oil imports will probably be less than the amount received in 1992 and the economy will continue to deteriorate.

B. The Macroeconomic Nature of an Export Economy

The most descriptive analysis and implication of Cuba's export economy was made by the late Henry C. Wallich in his authoritative book *Monetary Problems of an Export Economy*. Professor Wallich maintained that, "the most obvious feature of an export economy like the Cuban is that exports and imports respectively assume the roles that in an 'investment economy' like that of the United States, are played by investments and saving. Exports rather than investments are the main generating force in the national income; imports rather than saving represent the main leakage from the income stream. This implies that the Cuban economy tends to play a passive role in world-wide fluctuations: it reacts to them but it does little to originate them." Wallich goes on to point out that "this is an advantage insofar as the country does not greatly need to fear depressions brought about on by internal circumstances, but also a danger because of the country's vulnerability to depressions from abroad." Regarding an export economy, Wallich concludes that "in addition to being exposed to 'imported' booms and depressions, the Cuban economy is less well equipped than an 'investment economy' to take compensatory measures. The structure of the economy does not readily permit a shift of productive factors away from depressed export production."[10]

The current plight of Cuba's economy --as stated by Castro, Lage and others-- is the result of a severe fall in imports from approximately US$8.1 billion in 1989 to an estimated US$2.2 billion in 1992. For example, Cuba in 1992 had to live with 73 percent less imported resources than were normally used. The situation in 1993 will probably be worse in light of the likelihood of a further drop in sugar foreign exchange earnings. This was confirmed by Castro in his July 26 speech where he indicated that imports in 1993 would be about US$1.7 billion.

An important conclusion in evaluating Cuba's prospects, and in planning a reconstruction strategy, is that in order to achieve a sustainable growth rate, the country must import a long list of critical goods including food products, fuel oil machinery, and agrochemicals. Most of these goods cannot be domestically substituted and are critical for agriculture, industry and now tourism. Imports have to be paid with export earnings or credits and the latter ultimately have to be paid with exports.

II. Cuba's Industrial Base

Although the conditions of Cuba's industrial complex and its international competitiveness is not the central theme of this paper, some observations are in order. The industrial sector of the economy as it relates to exports is of vital importance to the future performance of the economy as a whole. Import policy has to be complementary to global needs of the country and exports should not be hampered by government policy.

As previously mentioned, the second, or changeable factor, is that Cuba's industrial complex, with some exceptions, is founded on Soviet and Eastern European technology and is dependent on equipment from the former CMEA countries. Furthermore, its industrial plants are for the most part energy-intensive and environmentally unfriendly.[11]

After the termination of preferential trade relations with CMEA countries Cuba's has to integrate its foreign trade with those of the free-market countries. However, it now finds that its exports are not internationally competitive in terms of quality, except in raw sugar and Havana cigars. Therefore, a new system of price signals must be used to integrate the country into the world economy again.

In recent years Cuba began to develop high technology industries principally related to public health. Cuba hopes to export biotechnological pharmaceutical products and microelectronic medical equipment. In the absence of government-to-government contracts --as was the case with the former CMEA countries--these products now have to compete internationally with well-established multinational pharmaceutical companies. In many Western countries these products must be certified by local health authorities. Thus, Cuba's world-wide marketing capability of these drugs and equipment is severely limited. In fact, this product line grew in the 1980s reaching a peak of US$130 million in 1990. The main buyer was Brazil. Sales to that market in 1989 were US$28.3 million and US$99.2 in 1990. Since that year they have fallen sharply to US$l00,000 in 1992.

Costs of production are an unknown factor, at least outside the island, but if they are energy-intensive and based on outmoded technology they should be high by Western standards. The greatest economic challenge for Cuba is to become an efficient producer and thus be internationally competitive without foreign subsidies as it is trying today.

III. Free fall of the Cuban Economy

As a direct result of the termination of the favorable terms of trade relations with the CMEA countries and Soviet subsidies Cuba's economic activity has plummeted --according to calculations of the GSP made by Carranza Valdés by 42.6 percent between 1989 and 1992. With regard to 1993, Pedro Monreal estimated that in 1993 the GSP will drop by another 7-10 percent.[12] This means that the Cuban economy in the last four years has contracted by as much as 52 percent.

As can be noted in Table 1, Cuba's exports fell by 61.3 percent between 1989 and 1992. Imports, on the other hand, dropped even by more: 73.1 percent. Expectations are that Cuba's trade in 1993 will again fall.

Since Cuba is not self-sufficient in fuels nor in foods and does not have convertible currency reserves nor an international credit rating that could compensate for the drop in the purchasing power resulting from the fall in export earnings, the economy simply plummeted. This confirms once again the export nature of the country.

IV. Elements of a Trade Policy

As stated previously, the Cuban government in the last few years has adopted a trade policy aimed at reintegrating the country into the global economy.

In a post-Castro transitional period, the new authorities must first of all convince the people of Cuba that the country's welfare can best be achieved through a representative democracy, private enterprise and a market-oriented economy that will sustain growth. That the communist political model with a command economy has, for all practical purposes, failed. During the transition period fundamental decisions have to be made regarding constitutional reforms that determine the overall political and legal framework in which the country will operate.

A key issue will be structuring a national trade policy, and this cannot be achieved in a vacuum. It has to be an integral component of a global restructuring strategy and be in concert with other macroeconomic policies.

Based on the reality that Cuba's is an export economy, trade policy should be the driving force within the national economy. It is not the purpose, or the intent, of this paper to sketch out a national reconstruction strategy but some general macroeconomic policies should be pointed out as being desirable. Among these some of the more obvious ones are: reduce the government deficit and have a balanced budget, have a tight control over the central bank's (*Banco Nacional)* credit and monetary operations, renegotiate the foreign debt, and eliminate government subsidies and price controls in all sectors of the economy.

A new system of price signals must be used to integrate the country into the world economy since the CMEA and Soviet trading relations are over. This can be accomplished basically through a clear and flexible foreign trade strategy with concise goals and implementing policy with supporting programs and projects.

Regarding international trade, the two principal challenges for Cuba are: first, maintaining trade relations with Russia and the other Commonwealth of Independent States (CIS), because of the need to export sugar and the need to import oil and spare parts; and second, gaining access to the United States market, Cuba's natural geo-political trading partner.

A. Evolution of Trade Policy, 1902-1990

A brief historical overview of Cuba's trade, or commercial, policy will help to understand the policy options for a post-Castro transitional period.

Trade policy in Cuba has passed through four stages of development since the early part of the century and now has entered what can be considered a fifth.

The first stage covered the period from 1902 through 1926, and was characterized by a tariff designed primarily for revenue and a preferential trading relationship with the United States.

The second stage, lasting from 1927 to the end of World War II, continued this preferential relationship with the United States but witnessed the adoption of protective tariffs for the promotion of agricultural and industrial diversification.

The third phase, covering the post-war period to 1959, was marked by a change in the historical preferential relationship with the United States and by a more aggressive use of tariffs aimed at stimulating growth.

The fourth stage began in 1960-61 and lasted until the end of 1991. This was a period that saw a dramatic change in Cuba's trading partners and economic relationships, from the United States and Western countries to the former Soviet Union and CMEA countries. Cuba became economically more dependent on CMEA than it was previously with the United States. CMEA's international division of labor made Cuba a supplier of tropical agricultural products (sugar, citrus, tobacco) and nickel in exchange for oil, food products and machinery.

These relationships turned out to be beneficial for Cuba because of the favorable terms of trade. The downside of the relationship was that Cuba sustained large trade deficits with the former Soviet bloc which had to be covered by conventional loans and, in some instances, with the re-export of oil.

B. Trade Policy After the Soviet Era

As a direct result of the termination of CMEA and the break-up of the Soviet Union, preferential trade relations with Cuba ended. This forced Cuba to return to world markets, but with production and price handicaps in exportable goods. Only two commodities are of recognized international quality: sugar and tobacco/cigars. Non-traditional items such as high-tech bio-pharmaceutical products and microelectronic medical equipment have not yet received international acceptance and therefore their demand is limited to some Eastern European and Third World countries. Also, another weakness is the reduced number of trading partners resulting from the high degree of marked concentration over the 1970s and 1980s in CMEA.

The foreign trade crisis is further complicated by the fact that Cuba is cut off from international credits. Interest and principal payments on Cuba's debt with Western countries --about US$7.2 to US$7.4 billion-- have been in arrears for a number of years[13] and the country has no credit rating nor meaningful convertible currency reserves.

Cuba's economic strategy now is completely export-oriented and hopes to stimulate growth through the opening up of certain sectors of the once closed economy to foreign investors. So far tourism and oil exploration are the two most important sectors where actual contracts have been signed.

The government of Cuba has aggressively been trying to induce foreign investors to form joint ventures with Cuban state enterprises and has held promotional conferences in Cancún (1992 and 1993) and London (1993) under the auspices of Euromoney, a London-based company, and in New York (1993) under the sponsorship of the Carnegie Institute of New York. Also, as mentioned before, meetings on oil exploration took place in Calgary and London. At these sessions Cuban officials presented for consideration a long list of export-oriented enterprises that are lacking capital, technology, marketing skills, and international contacts.

In Cuba's "for sale" listing of enterprises opened to joint ventures, sugar mills and sugarcane farms have been excluded although foreign investors are welcomed in sugar refineries and sugar industry-related mechanical plants. As the country's situation further deteriorates, sugar mills could also be made available for joint ventures.

Due to the importance of sugar as an export earner, some observations are in order regarding this industry and potential foreign investors.

Entering into a sugar mill joint-venture has a high political risk in the sense that mills and sugarcane farms were expropriated, but the Cuban and U.S. owners were never compensated. This situation could bring up protracted legal action brought about by former owners in a post-Castro transition period. In order to overcome this risk, foreign investors who want to position themselves in Cuba might buy out --at a deep discount-- claimants rights or buy stock of U.S. companies that were expropriated. This way there would be no future claims to the property since they have already bought from the previous owners. Within this policy of limited opening of the economy, it is understood that National Bank officials are willing to enter debt-for-equity swap arrangements, while the Ministry of Health is suggesting that foreign debt be paid with medicines.

The bottom line of the new trade policy is to increase export earnings so as to be able to import the need goods and services that will help reactivate the economy. Economic conditions are so deteriorated and foreign exchange reserves are so low --about US$70 million-- that investors, other than those in tourism-related enterprises and a few in oil, are reluctant to invest in Cuba at this time.

C. Trade Policy in a Post-Castro Transition

Principal Components of a Trade Policy

The government should give a high priority to the diversification, promotion and expansion of exports. The national strategy should be based on the following four basic policies:

A realistic foreign exchange policy that establishes a single exchange rate based on the periodic calculation of the domestic rate of inflation in relation to that of the principal economic centers.

A tariff policy that does not hinder exporters in any way with high duty rates on imports or exports and with useless and costly bureaucratic red type.

A fiscal policy that does not tax exportable goods and at the same time does not subsidize the production or marketing of these goods.

A financial policy that guarantees exporters access to credit with market interest rates.

National Export Program

The above basic policies should be complemented with a national export program that establishes the institutional and legal infrastructure that a modern exporter needs.

In terms of financial incentives that help find solutions to the problems that exporters encounter in obtaining prompt guarantees for adequate and timely credits. The following instruments should be considered:

A guaranty fund for non-traditional exports should be created in order to complement, with government endorsement, the working capital loans up to one year that might be needed by small and medium-size firms.

Creation of bonded warehouses, which facilitates the storage and consolidation of goods, and issue warrants on goods that can be used as guarantee for commercial loans.

Establish an export credit program.

Facilitate the diversification of exports.

It is most important to establish a program that will assist small and medium exporters in the following areas:

Provide basic services that would include among others: product design, preparation and packaging, quality control, consolidating shipments in order to reduce unit freight costs.

Identify projects that are of interest to international companies, especially trading companies, and assist in brokering contracts.

Establish a trade information system that is readily accessible to small and medium exporters.

Organize participation in international trade fairs and trade missions.

In relation to diversification and promotion of exports, the Chilean experience should be studied and adapted to meet Cuba's particular requirements. Other cases of successful government trade programs can be found in the European Community. Most of these initiatives were oriented towards small and medium exporters, the majority of which were able to enter international trade thanks to government support programs.

Cubans must overcome 34 years of doing business under a command economy and government-to-government trade. They have to quickly acquire a modern export mentality. Perhaps one of the quickest strategies in achieving this goal and expanding exports is by using well-established international trading companies. Trading companies have the capital, technology and expertise that is lacking in Cuba.

Cuba's future trade relations should be firmly based on the principle of reciprocity and trade policy should be oriented towards gaining international competitiveness and opening markets. The most important market being that of the United States. Instruments in reaching these goals are free market agreements and the use of tariffs.

The U.S. Challenge

Since colonial times Cuba and the United States maintained commercial relations. These were broken in 1960 when the United States imposed a trade and investment embargo as a result of the uncompensated expropriation of American assets in Cuba. The lifting of the embargo is a very delicate issue and it will ultimately be settled on political considerations. But for the purposes of this paper we assume that in a transitional period towards democracy this issue will be quickly resolved.

A prompt reinstatement by the U.S. government of Most Favored Nation (MFN) status for Cuba is a high priority.

Cuba represents a potential market of about US$8-10 billion per year during the transition period with a large growth potential. Over a transition period of at least five years, this could represent a market of between US$40-50 billion. If the United States captures at least a third of the island's market, this represents in dollar terms a minimum of about US$2.6 to US$3.3 billion a year. On this basis, Cuba would become the fourth most important Latin American market for the U.S. after Mexico (US$40 billion was exported in 1992), Brazil (US$5.7 billion) and Venezuela (US$5.4 billion).

The opening of the Cuban market to the United States and other countries should be made on a reciprocal basis. This reciprocity should include access to the U.S. sweetener market as well as other agricultural products that the island produces. A first step should be the negotiation of a framework agreement that would ultimately lead to a free trade agreement or if there is a NAFTA in place then joining this trade block.

Conclusion

The bottom line is the less the government tinkers with market decisions and lets price signals provide resource allocation, the quicker the recovery will take place in an export economy country such as Cuba. This does not, however, imply that in the case of the export sector the government should pursue a hands-off strategy, but rather it should establish the legal and institutional infrastructure that will be conducive in assisting exporters to achieve both product and foreign market diversification. This will ultimately expand exports. The Cuban reconstruction model should be based on free trade, since trade will be the major source of investment and growth.

Table 1. Cuba: Exports and Imports, 1989 - 1993

(in thousands of US $ and percentages)

	1989	1992	1993*	% change 1989-1992
EXPORTS				
Sugar	3,937	1,207	753	-69.3%
Others	1,478	890	992	-39.0%
Total	5,415	2,097	1,675	-61.3%
Sugar as % of total	72.7%	57.6%	59.2%	
IMPORTS				
Petroleum & products	2,598	860		-66.9%
Foods	1,011	540		-46.6%
Other	4,516	785		-82.6%
Total	8,124	2,185	1,719	-73.1%
Petroleum as % of total	32.0%	39.4%		

* Forecast.

Source: Central Intelligence Agency, Directorate of Intelligence, *Cuba: Handbook of Trade Statistics (U)* (Springfield, VA: National Technical Information Service), ALA 93-10010, July 1993.

Table 2. Cuba: Trade by Principal Commodities

(in millions of US $)

	1988	1989	1990	1991	1992	1993*
EXPORTS						
Sugar	4,110	3,937	3,678	2,574	1,207	774

Nickel	440	485	400	245	200	
Citrus	171	139	150	120	80	
Fish	146	127	125	130	140	
Tobacco	89	98	110	100	85	
Medical prod	11	58	100	50	100	
Coffee	41	40	35	35	30	
Petroleum**	190	213	40	25	0	
Other	343	318	305	270	255	
Total exports.	5,541	5,415	4,943	3,549	2.097	1,675
IMPORTS						
Food	816	1,011	840	720	585	
Raw material	281	307	240	140	45	
Petroleum	2,569	2,598	1,950	1,240	850	
Chemical prod	434	530	390	270	145	
Mach & equipment	2,410	2,531	2,380	820	350	
Other manufacture	1,050	1,115	925	480	170	
Other	20	47	20	20	20	
Total imports	7,580	8,139	6,745	3,690	2,165	1,719
DEFICIT	2,039	2,724	1,802	141	68	44

NOTES: * Forecast based on Fidel Castro's July 26, 1993 speech. ** Re-export of Soviet oil. Data for 1990 and 1991 estimated from partner statistics. Data for 1992 is projected based on partner half year trade with Cuba.

Sources: *Anuario Estadístico de Cuba 1989*; UN trade data.

Table 3. Cuba: Value and Volume of Sugar Exports

Calendar Year	Value ($ million)	Volume (000 MT)	Unit Value (cents/lb)	World Price (cents/lb)
1985	4,851	7,209	30.52	4.03
1986	4,947	6,703	33.48	6.06
1987	4,003	6,482	28.01	6.72
1988	4,110	6,978	26.72	10.17
1989	3,937	7,123	25.07	12.79
1990	3,678	7,171	23.26	12.55
1991*	2,574	6,767	17.25	9.04
1992*	1,207	6,084	9.00	9.09
1993**	774	3,600	9.75	10.00

* Estimated.

** RI forecast.

Sources: *Anuario Estadístico de Cuba 1989* and Banco Nacional for value, 1985-1990. ISO for volume, 1985-1992 and world prices (N.Y. No. 11 Contract).

Footnotes

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[1] Since the publication of the *Anuario Estadístico 1989*, the government of Cuba has not published new statistics on the performance of the country. The only source of economic and social data comes mostly in the form of speeches and interviews from high government officials such as Fidel Castro, Carlos Lage and José Luis Rodríguez. Information can also be obtained from a few technical articles published by a small number of academicians. The lack of statistical series after 1989 makes it quite difficult to quantify the performance of the economy with any degree of exactitude.

[2] Interview with Carlos Lage, *Tele Rebelde*, November 7, 1992.

[3] Based on data published in Central Intelligence Agency, Directorate of Intelligence, *Cuba: Handbook of Trade Statistics (U)*, September 1992 and *Cuba: Handbook of Economic Statistics, 1991*.

[4] For further analysis of Cuba's nickel industry, see *La Sociedad Económica,* Bulletin 26, "Cuba Nickel: Market & Production Outlook" by J.P. Rathbone, January 19th 1993. Although the nickel industry was originally developed by U.S. companies in the early 1940s, today's plants are of Soviet design and are very energy-intensive with high production costs.

[5] Sugar mills generate about one-fifth of total energy output using bagasse as boiler fuel. As a partial alternative to imported oil Cuba began construction, with Soviet economic aid and technology, of a nuclear power plant at Juraguá, but on September 4, 1992 Fidel Castro indicated that although construction was advanced, the project had to be halted due to the new relations with Russia. According to Julio Carranza Valdés, this nuclear plant would have served Cuba about three million tons of imported oil per year.

[6] East-West Center, *Energy Advisory N[[ordmasculine]] 87*, 1 February 1992.

[7] Television interview with Carlos Lage, November 7, 1992; see also Julio Carranza Valdés, *op. cit.*

[8] Inter Press Service "Cuba: Bid to Attract Foreign Oil Investors May Have Failed", datelined London August 2, 1993.

[9] Ibid.

[10] Henry C. Wallich, *Monetary Problems of an Export Economy* (New York: , 19), pp. .

[11] In his November 7, 1992 television interview, Carlos Lage stated that "if we are to take an overview inventory of the situation of the country's economy; the whole air fleet is Soviet; all of the sugarcane industry machinery, the combines are all Soviet. More than 60 percent of the electric generating equipment is Soviet and a good part of the hydroelectric plants and equipment at the hydroelectric plants is Czechoslovakian. That means there is no sector of the economy where there has not been an important technical influence of the socialist bloc."

[12] Lecture by Pedro Monreal, Georgetown University, August 4, 1993.

[13] Julio Carranza Valdés, *op.cit*