

COMMUNIST AREA USSR/36

● USSR: Foreign relations
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CASTRO REMINDED OF THE FACTS OF ECONOMIC LIFE

(See end for summary)

In 1969, negotiations are going on between the "socialist" countries concerning the terms of trade, and its magnitude, in the 1971-75 plan period. Consequently it is almost certainly no mere coincidence which has impelled the Soviet Foreign Trade Ministry's house organ, Vneshnyaya Torgovlya to publish a detailed study of the world sugar market (1).

The situation is tailor-made for any Marxist analysis. Here is a crop in chronic oversupply with a price for which the all-time high was established in 1963, but which appears to have no bottom. (In 1968 the average New York price was about two cents a pound, lower than in any year of the decade. It is now down to about 1.2 cents a pound).

In January 1964, Khrushchev rashly undertook to buy 24,000,000 tons of Cuba sugar in the years 1965-70 at a cost of six cents a pound, which happened to be the world market price in 1964. But in 1965 the price slumped to two cents a pound, and has remained there ever since, with a slight downwards drift:

Dynamics of Average Annual Price for Raw Sugar on the New York Exchange (\$ per ton)

<u>1962</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1968</u>
65.6	129.3	46.7	43.9	43.6

(all prices f.o.b. major Carribbean ports)

(1) "The Sugar Market - The Problem of Overproduction" by Bachelor of Economics I. Shwartsshtein, Vneshnyaya Torgovlya, No. 2, 1969.

Hence for the past three years the Soviet tax-payer has paid three times as much as was necessary for his Cuban sugar, and the clear implication of the Vneshnyaya Torgovlya article is that this situation will have to change during the next five year plan.

It warns that at the end of 1967, there were 22 million tons of sugar in stock in the capitalist countries, which amount to a six months' reserve supply.

It also reminds its readers, including the Cuban Ministry of Foreign Trade, that between 1963 and 1967 annual world production rose by 13,000,000 tons. According to the author (I. Shwartsshtein) the oversupply crisis has been particularly acute in Argentina and Puerto Rico, with production in the latter territory falling by 40% during the sixties, because of the difficulty of producing at an economic price.

The main blame for all these developments is placed by Shwartsshtein on the U.S. Government and on the E.E.C. The USA has increased its own sugar production by a third since the Cuban crisis of 1962 while Bache & Co., the American firm of stockholders, is quoted as saying that "the main threat to the stability of the sugar market... comes from the subsidized exports of the E.E.C. countries."

But in fact the USSR is equally responsible for the present surplus, partly because of the unduly high subsidy paid to Cuba to sustain an unrealistically high rate of production (expected to be about 5,000,000 tons in 1969), and partly because of the great increase in Soviet domestic output.

Sugar beet production in the USSR has risen from 47.4 million tons in 1962 to 86.8 million tons in 1967, a 90% growth which has done as much as either the USA's 33 1/3% or the E.E.C.'s expansion to bring about the current world surplus. Nowhere in Shwartsshtein's article does he even mention the USSR's domestic contribution to the problem. But on the question of the Cuban agreement, he writes:

The long-term agreement on supplies to the USSR of Cuban sugar in 1965-70 at firm prices, which reliably protects Cuba against the harmful consequences of temporary fluctuations in prices, is of great significance to the stabilization of the world market.

This is true enough, but it also protects Cuba at the expense of the Soviet tax-payer, and it does not affect the really vital question, which is at what price and in what quantity does the USSR expect to buy in 1971-75. Some reduction in the high level of subsidy must now be expected, in view of the nature of this article, perhaps to about four cents a pound.

The latest figures available show that in 1967 Cuba exported 2,479,000 tons of sugar to the USSR for 302,316,000 rubles.

On an annual export tonnage of about 2.5 million, the Cuban economy stands to lose about 100,000,000 rubles per annum if the Soviet price for 1971-75 is reduced to the four cents per pound level. This is the implication of Shwartsstein's article, and it is one which must be giving Havana occasion for some very real concern. A less ideological view of the USA might be one of the eventual by-products of the reappraisal.

Summary: An article in the Soviet foreign trade magazine, which emphasizes the world surplus of sugar, seems to indicate that the Kremlin may be thinking of attempting to reduce the sugar subsidy paid to Cuba since 1965 during the current negotiations for trade in the 1971-75 period. If this were to happen, it would be a severe blow to the Cuban economy, and might even induce Havana to reappraise her relations with the West.

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