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CAPITALIST CONSTRAINTS ON CUBAN SOCIALIST DEVELOPMENT

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. . . world economy has become a mighty reality which holds sway over the economic life of individual countries and continents. . . . Bringing world economy as a whole to the highest phase of development . . . aggravates to an extreme tension the contradiction between the growth of the productive forces of world economy and the national-state barriers.<sup>1</sup>

To what extent has the socialist transformation of the Cuban political economy helped the country diversify and develop its productive forces, reduced the island's vulnerability to vicissitudes in the world market price for a single export commodity, and decreased its dependence on trade with a single internationally dominant nation? In this paper it will be shown, respectively, that sugar plays as central a role in the Cuban economy since the 1959 revolution as it did before and that the island currently is as dependent on Soviet trade as it previously was on U.S. It will also be shown that the island's economic prospects still hinge on world market conditions, despite its integration into the Soviet socialist bloc and despite the nationalization and socialization of its domestic economy. Capitalist forces impinge on the island's economy directly, through the country's dealings with capitalist markets, and indirectly, through its dealings with the Soviet socialist bloc.

Cubanologists have tended not to recognize the importance of Cuba's post-1959 world market ties. To the extent that they have analyzed Cuba's international relations their focus has been on the island's bonds with the Soviet Union and other socialist countries. An implicit assumption of their framework of analysis is that socialism and capitalism are competing, mutually exclusive world systems.

This assumption of mutually exclusive systems is implicit in the work of many "dependency theorists" as well. André Gunder Frank and his followers argue that the underdevelopment of so-called satellite or peripheral capitalist countries derives from the dependent way the countries have been integrated into the global capitalist economy historically.<sup>2</sup> Dominant "metropolitan" countries have depleted the resources of the satellite regions, and subjected the poorer countries to declining terms of trade and to forces impeding their balanced economic growth. These "theorists" imply or explicitly state that the problems of the underdeveloped world can be ameliorated if the countries institute socialism as the dominant mode of production. However, none of them have systematically examined the

extent to which Cuba has overcome the alleged adverse effects of capitalism since socializing its economy. The Castro government has attempted to expand the country's productive capacity and to use wealth that previously had been privately appropriated for developing the country, but, as described below, the island today is as incapable of expanding production as it was before Castro assumed power.

While the Cuban experience appears totally to discredit "dependency theory," when the country's development is viewed from a global perspective, the experience appears to be consonant with the major thrust of the approach. As best articulated by Wallerstein,<sup>3</sup> and recently by Frank with specific reference to socialist countries,<sup>4</sup> there is one world economy and it is capitalist; production in the world economy is oriented to maximize market profits. Accordingly, while different and competing political and ideological systems operate within the confines of nation-states, the production of all economies, whether predominantly privately or state-owned, is shaped by and oriented to international markets. We will see below that Cuba's development continues to be shaped by international capitalist forces even since it socialized the economy and established important military and economic ties with the Soviet Union. The way these global capitalist forces impinge on Cuba, directly and indirectly, helps account for the island's inability to diversify and expand production.

However, as discussed in the final section, Wallerstein's model is not proved by the Cuban case to nearly the extent as may appear. Cuba in 1959 was unusually dependent on trade. Thus, to the extent that "socialist" Cuba corroborates Wallerstein's thesis, we cannot generalize about the experiences which socialism would usher in other underdeveloped countries. Furthermore, Wallerstein's model is only useful for understanding Cuba's continued orientation to the world economy. It is not useful for understanding the types of changes that have occurred in Cuba since the revolution: the restructuring of the domestic society and relations with Soviet socialist bloc countries that are not shaped by market forces.

#### Mono-Product Export-Oriented Production

The prerevolutionary Cuban economy was sugar dominated, heavily foreign-trade oriented, and dependent on U.S. markets and investments. Sugar, and its by-products, made up about 80 percent of the island's exports and 20-30 percent of gross domestic product. The large sugar companies controlled most of the arable land and railroad trackage, and much of the nonsugar economy actually centered around sugar.

Indicative of the role U.S. capital played in the island's economy, half the sugar industry and 22 percent of all Cuban land were controlled by U.S. economic interests in 1927. U.S. capital was heavily invested in nonagricultural activities, to the extent



that sales of U.S.-owned mining and manufacturing firms exceeded one-fourth of Cuba's GNP by the eve of the revolution.<sup>5</sup> Profits and interest directly remitted to the U.S. between 1950 and 1958 were estimated to have totalled \$378 million. By 1959 U.S. dominance in the sugar sector declined somewhat, through efforts of pre-Castro governments to "Cubanize" the sugar industry: the Cuban-owned share of production rose to 62 percent by 1958.<sup>6</sup>

Of equal if not greater importance, most "Cuban" sugar was sold to the U.S.: The U.S. Sugar Acts allocated Cuban suppliers 29 percent of the total U.S. sugar market in the 1930s, and the percentage was raised after that period. However, Cuba's U.S. sugar quota never was sufficiently high to enable the island to develop its sugar capacity fully, and the U.S. restricted the amount of refined sugar that Cuba could sell in the northern market.<sup>8</sup> Above all, Cuba's preferential sugar arrangements with the U.S. (the U.S. paid 2 cents per pound above the world average) meant that no other export products could compete with sugar economically. Domestic industrialization could not readily develop because the trade treaties gave U.S. products preferential entry to the Cuban market.<sup>9</sup>

When Castro came to power in 1959, trade between the U.S. and Cuba totalled more than \$1 billion, with the U.S. accounting for 71 percent of Cuba's exports and 64 percent of its imports. The U.S. consumed 58 percent of Cuba's total sugar exports.

The revolutionary regime has been concerned with reducing its dependence on trade, above all on sugar exports. Since 1959 trade has comprised a somewhat smaller share of the island's gross national product than it did before Castro took power. However, the trend is not a specific by-product of Cuban socialism; it had begun before the revolution.<sup>10</sup>

While Cuba remains heavily export-oriented, its economy underwent a rapid transformation after 1959 from a capitalist market to a centrally planned socialist economy, to the extent that Cuba now has the highest percentage of state-owned property in the world.<sup>11</sup> The transformation occurred partly in response to international capitalist (mainly U.S. business and government) resistance to the Castro regime's efforts to renegotiate its terms of trade,<sup>12</sup> and partly because the government believed that domestic economic stagnation and underdevelopment could thereby be overcome.<sup>13</sup> When the government first established commercial relations with socialist countries, it emphasized that the trade ties were intended to broaden the island's commercial base, not to replace commerce with the U.S.<sup>14</sup> However, when foreign-owned refineries refused in August 1960 to process Soviet crude oil, purchased at less than the then prevailing world market price, the Castro government nationalized the firms. The U.S. government responded by reducing Cuba's sugar import quotas, to which the Cuban government, in turn, responded by expropriating all U.S. assets. The U.S. then (in October 1960) established an embargo on most exports to Cuba, reducing U.S.-Cuban trade to a

negligible amount. By 1962 the U.S. imposed a complete embargo, and it succeeded in getting the Organization of American States (OAS) to support the embargo two years later. In addition, the U.S. government refused to import goods containing any Cuban nickel, pressured Western European countries not to buy Cuban nickel, denied shipping contracts to foreign merchant vessels engaged in trade with Cuba, and prohibited U.S. banks and their subsidiaries from dealing with Cuba.<sup>15</sup> It tried to subvert the Cuban transformation by military and political means as well. In 1961 it helped sponsor the Bay of Pigs invasion, and for several years it organized covert activities (including assassination attempts) and hit-and-run attacks to destabilize the regime.

In so doing the U.S. government did succeed in hurting the Cuban economy, but not to the extent intended. As a result of the embargo freight costs increased, since the island's main market moved from 90 to 6,000 miles away; Cuba had to pay an added 20-30 percent to acquire U.S. spare parts through intermediary countries; and Cuba had to settle for inferior quality and often higher priced goods from Eastern Europe.<sup>16</sup> Furthermore, Cuba's security needs caused by U.S. resistance to the domestic socialist transformation, have been a costly drain on the Cuban economy: no other Latin American country commits as high a proportion of its gross product to military expenditures as does Cuba.<sup>17</sup> International and internal threats to undermine the socialist transformation thus limit Cuba's capacity to develop its productive capacities.<sup>18</sup>

However, the U.S. failed to undermine the economic viability of the Castro regime. Although total trade in 1959 was 14 percent less than in 1958,<sup>19</sup> by 1967 it began regularly to surpass the 1958 level.<sup>20</sup> U.S. efforts failed because Castro had strong domestic support and because, as detailed below, the Soviet Union, together with other COMECON (Council for Mutual Economic Assistance, CMEA) countries, assumed the trade and credit functions previously performed by the U.S.<sup>21</sup>

Because Cuba's access to sugar markets diminished after Castro first took power and because the new leadership believed that emphasis on sugar would contribute to continued economic stagnation,<sup>22</sup> the government tried to diversify the economy. Accordingly, it initiated an agricultural and industrial import-substitution program. Yields of most agricultural products rose (see Table 1) in both the newly created state sector and in the private sector, but agricultural diversification led to a severe drop in sugar yields just when beet failures in Europe caused international sugar prices to rise. Sugar production dropped both because land well suited for cane was converted to other uses and because labor needed during the peak of the sugar harvest was absorbed in other agricultural activities. The agricultural diversification program ultimately failed due to internal problems and international constraints. On the domestic side, the private agricultural sector was not well integrated into state plans, and productivity was low in the new government-run farms.<sup>23</sup> But the agricultural program also suffered because needed equipment was unavailable as a result of the U.S. embargo.

TABLE 1

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 AGRICULTURAL PRODUCTION IN SELECTIVE YEARS  
 (000 metric tons)

	1957	1959	1960	1961	1962	1968	1969	1970	1971	1972	1973
rice	167.3	282.8	306.5	212.8	229.9	94	178	290	285	239	236
tomatoes	43.9	65.0	116.3	109.2	140.4	98	45	64	85	57	53
citrus	153.0	69.7	72.9	91.0	117.0	184	116	163	124	162	176
coffee	36.6	55.1	37.0	46.5	55.0	500 <sup>a</sup>	500 <sup>a</sup>	475 <sup>a</sup>	460 <sup>a</sup>	475 <sup>a</sup>	500 <sup>a</sup>
tobacco	41.7	35.6	45.3	57.6	53.4	47.8	36.4	28	41	45	47
sugar (short tons)	6,250	6,574	6,462	7,460	5,308	5,164	4,459	8,537	5,924	4,325	6,000

a—1000 bags

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 SOURCE: Economic Intelligence Unit, Annual Supplements (1966, 1975, 1976): (respectively) 5,8,7.
 

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The industrial import-substitution program, which was to serve as the basis for developing the economy, also met with problems. The Castro leadership had thought that by regulating imports and restricting foreign investment domestic industry would expand: it would no longer be constrained by "imperialist" forces. It also felt that it could overcome the inefficiency and underutilization of capacity of prerevolutionary monopolistic industries once it owned and controlled the industries.<sup>24</sup> The initial expansion in consumer demand after the revolution (in response to an expansion of employment, wage increases, and rent reductions) indeed did allow for better utilization of the country's industrial capacity. However, Cuba lacked sufficient technical personnel since many qualified experts emigrated,<sup>25</sup> needed spare parts for prerevolutionary machinery could not be acquired, and plants bought from socialist bloc countries were often technically obsolete. Above all, industrial expansion aggravated the balance of payments problem since imports of fuel, raw materials, and capital goods constituted a large percentage of total production costs. Ownership merely of industrial units that manufacture "final" products obviously is an insufficient spur to industrial growth.

To finance the needed imports, as well as other development projects, the government had to rely either on international financing or on income earned from foreign trade. But financing from capitalist countries was closed off shortly after Castro assumed power, and Soviet credits had to be used largely to replace U.S. industrial equipment and technology. Assured of a socialist bloc market for sugar, the Cuban government therefore decided in 1963 to promote export production, especially of sugar, and to postpone industrialization. As "Ché" Guevara put it, the country's leadership had been oblivious to the fact that no other agricultural activity would give such high returns as sugar: the leadership had the "fetishistic" idea that sugar was responsible both for the island's dependence on imperialism and for rural misery, while the real problem was an uneven trade balance.<sup>26</sup> Some crop promotion continued but the Cuban government gave primacy to specialization within the "international socialist division of labor."<sup>27</sup> It accordingly decided to reduce production of rice, cotton, and other crops in which the island did not have a comparative advantage, and promoted other export crops--namely tobacco, coffee, and citrus fruit--in which (as with sugar) it did.<sup>28</sup> The Cubans hoped that by the late 1960s the exports would generate sufficient foreign exchange earnings for a genuine diversification of the economy. Until then the tempo of industrialization was to be slowed, and resources were to be concentrated in those nonagricultural sectors which promised a quick return--fishing, cattle, poultry, and nickel.<sup>29</sup>

As a result, sugar became a more important export item than it had been before the revolution. Only between about 1969 and 1972 did sugar comprise a smaller percent of export earnings than it did when Castro assumed power. According to 1976 U.S. Commerce Department sources, the sugar percentage rose from 79 percent in 1958 to an estimated 89 percent in 1975, fluctuating between about 75-87 percent in the interim period (see Table 2).

TABLE 2

VALUE OF CUBAN MAJOR COMMODITY EXPORTS IN SELECTIVE YEARS  
(Percent)

	1958	1961	1963	1965	1967	1968	1969	1970	1971	1972	1973	1974	1975 <sup>a</sup>	1976 <sup>b</sup>
Sugar	79.1	86.3	86.8	85.5	85.0	76.1	75.0	76.8	76.3	74.2	75.4	86.5	88.9	85.9
Minerals (esp. nickel)	5.0	5.8	6.4	7.2	7.7	12.3	13.1	16.7	15.8	14.9	13.8	6.3	5.3	6.4
Tobacco	6.6	6.1	4.0	4.8	4.3	5.8	6.3	3.1	3.7	4.8	4.4	2.7	2.3	3.0
Foodstuffs	3.0	6	.7	.7	1.4	3.8	3.6	2.8	3.6	5.4	5.6	4.2	3.2	4.3
Other	6.3	1.3	2.4	1.7	2.0	2.0	2.1	.7	.6	.8	.7	.3	.3	.5
Total (%)	100.0	100.1	100.3	99.9	100.4	100.0	100.1	100.1	100.0	100.1	99.9	100.0	100.0	99.6
Total (millions U.S. \$)	742	626	545	691	705	652	671	1050	861	840	1395	2689	3415	3040

<sup>a</sup>Preliminary

<sup>b</sup>Estimated

SOURCE: Computed from Central Intelligence Agency Handbook, Cuban Foreign Trade (July 1975), as cited in U.S. Department of Commerce, 1975, Table 6, p. 42; U.S. Department of Commerce, Domestic and International Business Administration, Bureau of East-West Trade, "Recent Developments in Cuban Trade," May 1976, Table 2. When the data in the 1975 and 1976 sources were inconsistent, I used the figures presented in the more recent publication.

By 1970 the total volume of sugar output actually reached a record high of more than 8 million tons. But because the emphasis on sugar had a very negative effect on most other production and on the country's trade balance, the government once again emphasized economic diversification after 1970. As a result, sugar output dropped and output of nonsugar agricultural products rose, although--with the exception of rice--generally not above the level achieved in 1968 (see Table 1). In the post-1970 period the government also has attempted to diversify the sugar industry. Ideally, mills are to be converted into agro-industrial complexes, to produce molasses for cattle and pig feedstock, alcohol, and fiberboard (from bagasse, cane pulp).<sup>30</sup> Most of the by-products were manufactured already before the revolution, but the Castro government seems to be giving new emphasis to this diversification.

Interestingly, sugar contributed a smaller proportion to total export earnings during the "big sugar push" in the late 1960s than it did in the early 1960s and 1970s, when the Cuban government emphasized diversification. The apparent contradiction between emphasis on sugar and sugar export earnings is explained by the fact that the earnings do not merely reflect production yields. They also reflect the price Cuba is able to get for its exports from international buyers, a point to which we will later return.

The reemphasis on sugar in the latter 1960s never meant a total abandonment of industrialization. In fact, throughout the first decade of the revolution, industrial performance was fairly good. In 1967-68 fish output was 200 percent higher than 1957-58; crude oil, nickel ore, evaporated and condensed milk, cigarettes, and paper production were 100 percent higher; and electricity and salt output were 40 percent higher. Other industrial sectors, though, declined or remained stagnant, and in 1968 production began to falter even in those sectors that previously had performed well. After 1970 machine maintenance improved and, as detailed below, the economy was reorganized, with the result that industry (including fishing) registered more impressive gains than other sectors of the economy, accounting for most of the post-1970 growth. By 1977 industry actually accounted for 42 percent of the national product, although sugar was a large share of that.<sup>32</sup> Because Cuban industry relies heavily on imports, its development still ultimately depends on sugar. Thus, the country is in a bind: it needs to promote exports in order to obtain industrial inputs, but it is better able to generate production for internal consumption than for export.

In general, production has expanded in the post-1970 period. Between 1971-75 the economy grew at an average yearly rate of 14 percent, although by 1976 the rate dropped to 4 percent. But even the 1976 rate actually compares favorably with the pre-1970 period, when the annual growth rate averaged only 2.8 percent.<sup>33</sup> It should be kept in mind that in all years the growth rate would be higher if Western measures were used: the Cubans exclude "nonproductive" services, such as health and education, from their statistics.



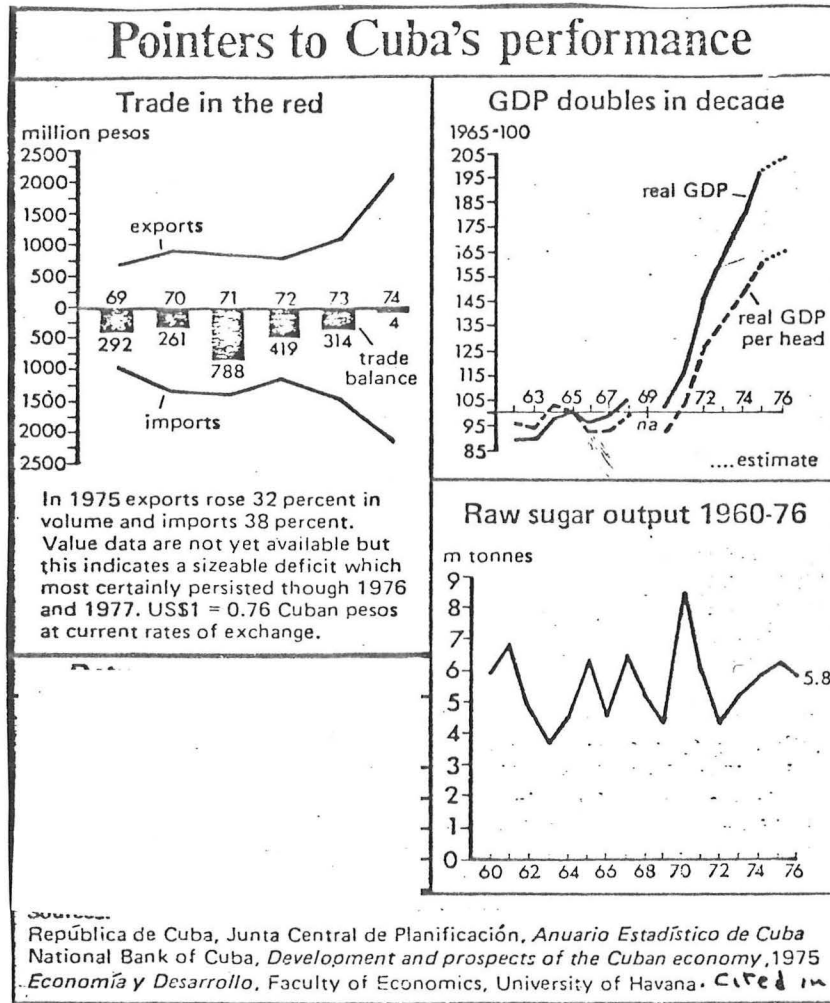
Nickel exports have contributed to the country's national product and foreign exchange earnings, although not nearly to the same extent as has sugar (see Table 2). The country currently is the world's fourth largest nickel producer. The value of nickel and nonferrous ore exports increased from 86.3 million pesos in 1969 to 141.7 million pesos in 1974, but its share of total exports during this period actually declined from about 13 to 6 percent. Theodore Moran, who has studied Cuba's nickel potential, argues that receipts from the ore could generate about 50 percent of the hard currency earnings from sugar by 1985, but only if investment in the industry increases significantly.<sup>34</sup> Nickel is a more ideal export commodity than sugar in that it is much less vulnerable to both the capitalist business cycle and to declining terms of trade.<sup>35</sup>

Cuba has not been consistently more effective in developing production since socializing its economy than it was when a dependent capitalist economy. A summary of certain aspects of its economic performance appears below (Chart 1). If foreign ownership of the "means of production" impedes economic growth and the development of a balanced economy (a point debated, even among dependentistas), nationalization of ownership in itself does not guarantee expansion of production. Poor planning combined with insufficient capital, human resources, and technology help account for the limited expansion of production. Lacking sufficient domestic resources, the country's import-substitution efforts have for the most part failed. To help generate the foreign exchange needed for developmental purposes, the government has therefore relied primarily on sugar. We will see below, however, that Cuba's post-1959 international ties contribute to the continued mono-product export-oriented nature of the island's economy.

#### International Dependence: Cuban-Soviet Relations

It is widely believed that Cuba not only continues to depend heavily on sugar exports but also that it now is as dependent on the Soviet Union as it was previously on the U.S. The U.S.S.R. reputedly has increased its leverage over Cuba, ideologically and organizationally, and reoriented Cuba's foreign policy. To the extent that this is true, dependency is not a distinctive characteristic of the underdeveloped capitalist world. We shall see that Soviet influence has been exaggerated, for there are domestic pressures that have contributed to the restructuring of the island's policy and economy along lines similar to the Soviet Union. Furthermore, both Soviet and domestic pressures are compelling Cuba to come to terms with capitalist forces, though to a lesser extent and in a somewhat different manner than before the revolution. This reconciliation with capitalist forces is evident in Cuba's dealings with the Soviet Union (and with other socialist bloc countries) and, as we shall see in the following section, above all, in its dealings with capitalist countries. Cuba is subject to capitalist forces to a far greater extent than is generally recognized in the West.

CHART 1





Soviet influence dates back to the first years after Castro assumed power, but it is reputed to have changed both in quality and quantity since Cuba supported the Soviet invasion of Czechoslovakia in 1968. According to Mesa-Lago, in the early 1960s Stalinist features prevailed, and in the mid-1960s Cuba experimented with the Soviet Economic Reform system, a system which it more fully instituted after the 1970 economic debacle. In the latter 1960s Cuban-Soviet relations reached a low. During this period the Cuban leadership emphasized so-called Sino-Guevarism, drawing on Chinese organizing principles and promoting guerilla movements in other Latin American countries.<sup>36</sup> At the time a "microfaction" was uncovered within the Cuban Communist Party that was accused of collaborating with the Soviet Union. The "microfaction" was expelled, and in retaliation the Soviet Union froze petroleum deliveries to Cuba. While Cuban-Chinese relations were better during the "Sino-Guevarist" period than in subsequent years, the Cuban economy has always been much more closely tied to the Soviet Union than to China.<sup>37</sup>

Since the late 1960s, and especially in the 1970s, the Cuban regime has introduced changes associated with the official "institutionalization of the revolution" that make the Cuban and Soviet political economies more alike and, allegedly, increase Soviet Reform influence over Cuba. In accordance with the "institutionalization" process, governance has been depersonalized and decentralized. Castro's decision-making authority has been circumscribed, especially regarding economic affairs. Osvaldo Dorticós and Carlos Rafael Rodríguez now are, respectively, formally in charge of policy-making in the domestic and foreign economic fields.<sup>38</sup> In addition, technocrats and administrators are included in the policy-making coalition.

Also in conjunction with the "institutionalization," the government, party, and military apparatus have been strengthened, largely along Soviet organizational lines: the new Cuban constitution, in force since 1976, is similar (though not identical) to the 1936 Soviet charter; posts in the new Executive Committee of the Council of Ministers are modelled after the Soviet pattern; the local organs of the newly established Popular Power formally resemble local soviets; and the Cuban Communist Party (PCC) is being revitalized along Leninist lines.<sup>39</sup> Since 1970 old-guard Communists from the prerevolutionary Moscow-oriented Popular Socialist Party (PSP) have gained preeminence, after being out of favor and purged in the 1960s. Isidoro Malmierca, Flavio Bravo, Lázaro Peña, Blas Roca, and Rodríguez, for example, have regained influence.<sup>40</sup> Roca and Rodríguez, who have emphasized material incentives and other Soviet-like policies since the early 1960s,<sup>41</sup> were two of the five new people added to the Political Bureau in 1976.<sup>42</sup> Peña, who had been Secretary General of the Cuban Confederation of Workers (CTC) from 1962 until 1966, when Cuban-Soviet relations deteriorated, was reelected to the post in 1973. As to the military, it is becoming increasingly professionalized and hierarchical. The Soviet Union is supplying Cuba with modern weapons and training Cubans to use them, and military and defense ministry personnel from socialist bloc countries participate in

Cuban military exercises. Numerous Cubanologists argue that these changes reflect a Sovietization of the island's political economy.<sup>43</sup> Soviet influence has undoubtedly increased, but certain of the structural changes seem also to reflect internal pressures to improve the country's economy, pressures which are resulting in an accommodation to capitalist as well as to Soviet forces.

Furthermore, some of Castro's measures to democratize the society and increase participation are unconventional by Soviet standards. In contrast to the Soviet Union, for example, Cuba emphasizes mobilization more, encourages city district organizations that include mass organization representatives, and incorporates union and mass organization delegates in the management of state enterprises.<sup>44</sup> Workers also participate in economic and factory decision-making in a way that they do not in the Soviet Union.

Regarding foreign policy, the Cuban regime increasingly echoes Moscow's line: it has moderated its policy towards the capitalist world and hardened its line toward China.<sup>45</sup> In conformity with the Soviet Union's Latin American policy of a "peaceful road to socialism," Cuba has curbed its active effort to "export revolution" through support of guerilla groups.<sup>46</sup> As a result, Cuba's hemispheric relations have improved to the extent that Cuba offers disaster relief and assistance to and again trades--as detailed below--with Latin American countries.<sup>47</sup> Both bilateral and multilateral relations between Cuba and other Latin American nations entered a new stage in the 1970s. Since then Cuba belongs both to broad regional cooperative organizations, such as the Latin American Economic System (SELA) and the Caribbean Committee of Development and Cooperation (CCDC), and to groupings for specified purposes, such as the Latin American Energy Organization (OLADE), the Latin American and Caribbean Sugar Exporting Group (GEPLACEA), and the Caribbean Multinational Shipping Company (NAMACUR) which focus, respectively, on energy, commodity production and marketing, and maritime transportation.<sup>48</sup> But because Cuba and the other Latin American member countries tend to continue to have competitive and non-complementary economies, as they did before the revolution, the prospects for Cuban regional economic integration are not promising.

Cuba is accommodating to capitalist forces in Latin America probably for its own "material" reasons, and not merely because it is subjected to Soviet pressures. Castro has actually stated publicly that "in the future, we will economically integrate with Latin America. . . . Meanwhile, what do we, a small country surrounded by capitalists and blockaded by the Yankee imperialists, do? We integrate ourselves economically with the socialist camp."<sup>49</sup> Moreover, the recently renewed Latin American ties reflect a changed stance on the part of countries in the region (and, in turn, the U.S.), at least as much as they do a shift in Cuban policy.

Also in line with the Soviet Union's detente policy, Cuba since 1974 has softened its posture toward the U.S.<sup>50</sup> Although full diplomatic relations between the two countries have not yet been restored, indirect diplomatic links were established in September 1977 with the respective countries opening "interest sections." Again, Cuba's detente posture may reflect Moscow's growing hold over Cuba,<sup>51</sup> but it may quite independently reflect Cuba's economic interests as perceived (minimally) by high-ranking technocrats, administrators, and functionaries. In February 1972 Fidel personally indicated to a Latin American diplomat that he was ready for a rapprochement with the U.S. in order to be able to purchase U.S. agricultural technology,<sup>52</sup> and in 1975 Castro informed Senator George McGovern, when he visited Cuba, of the island's need for U.S. shipments of food and medicine.<sup>53</sup>

In the post-1970 period the Cuban government has restructured not only its international relations but also its domestic economy. As previously noted, in the latter 1960s Cuba tried to develop along "Sino-Guevarist" lines. In 1970, when it was apparent that this model did not bring about desired economic results, the regime adopted what Mesa-Lago calls a more pragmatic approach,<sup>54</sup> drawing on Soviet organizing principles. It abandoned its commitment to the primacy of moral over material incentives. Accordingly, it introduced greater wage differentials and Soviet-type work norms, and made more consumer goods available.<sup>55</sup> In addition, it promoted monetary transactions and cost accounting to enhance production.<sup>56</sup> Under a new management system local and factory level decisions are to be guided by profitability, not merely by physical output as in the late 1960s.<sup>57</sup> These changes may reflect an orthodoxy imposed on Cuba by the Soviet Union, as some scholars argue; they minimally reflect an adaptation to the "material" constraints Cuba is experiencing. Interestingly, the changes involve a reincorporation of capitalist principles into the Cuban economy.<sup>58</sup> The Castro regime has been preoccupied with maximizing production and productivity in order to improve the country's underdeveloped status, and the post-1970 changes apparently have contributed to economic growth and efficiency, and increased consumer satisfaction. However, since many of the newly available consumer goods are not produced domestically, the government, in relying on material incentives, has had to increase imports and thereby exacerbate its balance-of-payments problem.

The Cuban economy currently also is more formally integrated with the Soviet Union than it was during the first decade of Castro's rule. Public ceremonies and official interchanges between the two countries have increased, and the two countries have signed numerous trade, technical aid, debt repayment, credit, planning, satellite communication, and foreign policy agreements. In 1970 the Inter-Governmental Soviet-Cuban Commission for Economic, Scientific, and Technological Cooperation was established. Apparently the Soviets viewed the commission as a means by which they could improve Cuban utilization of Soviet capital goods and reduce Cuban imports of competing capitalist plants.<sup>59</sup> In addition, in July 1972 Cuba became

a full member of COMECON, and in 1974 it was announced that the Cuban and Soviet five-year plans for 1976-1980 were being coordinated by their respective central planning agencies. However, Cuba had enjoyed all COMECON membership benefits except formal integration since December 1962, and Cuba's five-year plan, as detailed below, has been modified due to world market constraints.

Cuba's socialist transformation and integration into the socialist bloc has not lessened the island's dependence on sugar exports. Cuba primarily exports sugar to the Soviet Union in exchange for manufactured items, capital equipment, and other goods which it does not produce domestically.<sup>60</sup> Between 1959-1975 sugar comprised about 85 percent of the value of Soviet imports from Cuba, reaching as high as 100 percent in 1959 and 1960, and no lower than 64 percent (in 1972) see (Table 3). In terms of volume, sugar sales to the Soviet Union rose from 0.274 metric tons in 1959 to a high of 3,345 in 1961. The amount declined in the early 1970s, but not because Cuba diversified its exports to the Soviet Union. Rather, sugar sales to capitalist markets increased at that time, a point to which we will later return.<sup>61</sup>

TABLE 3

RELATIVE IMPORTANCE OF SUGAR IN CUBAN EXPORTS TO THE SOVIET UNION,  
1959 = 75

Year	Percent	Year	Percent	Year	Percent
1959	100.0	1965	88.8	1971	64.2
1960	96.3	1966	87.8	1972	63.9
1961	87.2	1967	90.1	1973	75.1
1962	83.2	1968	85.1	1974	85.3
1963	86.1	1969	77.6	1975	92.9
1964	88.8	1970	78.3		

SOURCE: Calculated from data in Vneshnianaia trgovlia Soiuzu SSR za 1960 god (U.S.S.R. Foreign Trade in 1960) (Moscow, 1961), and issues for 1959-63, 1965, 1967, 1969, 1970, 1972, 1974, 1975, as cited in Jorge Pérez-López, "Cuban-Soviet Terms of Trade: Sugar and Petroleum," Paper presented at the International Conference on the Role of Cuba in World Affairs, University of Pittsburgh, November 15-17, 1976.

It is noteworthy that the Soviet-like political and economic changes introduced in Cuba between 1970-74 cannot be attributed to a growth in the share either of sugar exports or of total exports sold to the Soviet Union. Although the volume of trade with the Soviet Union and other socialist bloc countries in the 1959-74 period peaked in 1974, we see in Table 4 that the volume represented a much smaller

share of Cuba's total trade in 1974 than in 1961 and that Cuba in 1974 relied proportionally less on the Soviet Union for trade than it did on the U.S. at the eve of the revolution. Preliminary data

TABLE 4

CUBAN TRADE WITH SOCIALIST BLOC COUNTRIES IN SELECTED YEARS  
(U.S. millions of dollars)

## Exports

Year	FOB		Percent of Total Exports	
	USSR	Other CPE's <sup>a</sup>	USSR	Other CPE's
1958	14.1	4.0	19.0	5.3
1959	12.9	.2	2.0	0.0
1960	103.5	43.7	17.0	7.1
1961	300.9	156.0	48.1	30.0
1962	220.3	183.0	42.3	35.1
1968	290.0	290.0	44.5	44.5
1969	233.0	213.0	34.7	31.7
1970	529.0	249.0	50.4	23.7
1971	304.0	253.0	35.3	29.4
1972	244.0	207.0	29.0	24.6
1973	577.0	319.0	41.4	22.9
1974	985.0	551.0	36.6	20.5
1975 <sup>b</sup>	2025.0	390.0	59.3	11.4
1976 <sup>c</sup>	1935.0	375.0	63.7	12.3

## Imports

Year	CIF		Percent of Total Imports	
	USSR	Other CPE's	USSR	Other CPE's
1958	-	2.0	-	2.4
1959	-	2.0	-	0.3
1960	88.0	44.0	13.8	6.9
1961	294.0	199.0	41.9	28.3
1962	411.0	217.0	54.1	28.6
1968	672.0	203.0	60.9	18.4
1969	669.0	233.0	54.7	19.1
1970	691.0	214.0	52.7	52.7
1971	731.0	238.0	52.7	16.3
1972	779.0	218.0	62.0	16.8
1973	981.0	275.0	55.3	15.5
1974	1240.0	389.0	46.0	14.6
1975 <sup>b</sup>	1700.0	405.0	44.7	10.6
1976 <sup>c</sup>	1950.0	450.0	50.0	11.5

<sup>a</sup>Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, China, Mongolia, North Korea, North Vietnam

<sup>b</sup>Preliminary      <sup>c</sup>Estimated

SOURCES: Computed from U.S. Department of Commerce, 1975, Table 3, p. 39, and 1976, Table 2. In instances when figures cited for identical years in both publications do not corroborate, those cited in the more recent publication were used.



suggest that the relative share of total exports sent to the Soviet Union increased significantly once again in 1975 and 1976. However, as we shall see below, the renewed dependence on the Soviet Union mainly reflects the negative effect that world market conditions have had on Cuba's trade with capitalist countries. Interestingly, the Castro regime relied more, economically, on the Soviet Union in the latter 1960s--when it most diverged, ideologically and organizationally, from the Soviet Union--than it did in the early 1970s. The Castro regime obviously has enjoyed certain policy-making autonomy, irrespective of its degree of dependence on the Soviet Union for trade.<sup>62</sup>

However, trade statistics do not reveal the complexity of Cuba's ties to socialist bloc countries. The Soviet Union subsidizes Cuban imports and exports and its balance-of-payments deficit,<sup>63</sup> and it supplies Cuba with war materials free of charge. Westerners estimate the total Soviet subsidy to have been about \$2 million a day in 1976, and \$3 million a day in 1977.<sup>64</sup>

Until the mid-1970s Cuba obtained 98 percent of its oil imports from the Soviet Union, at about one half the world market price, according to Western estimates. The Soviet Union raised the price in 1975, after OPEC countries caused the world market price to quadruple in a two year period (between 1972 and 1974). The Soviet increase was based on the average increase in the world market price during the 1970-74 period, and so still compared favorably with the world market rate in 1975.<sup>65</sup> Under a new agreement Venezuela began in 1976 to supply Cuba with oil previously provided by the Soviet Union, the Soviet Union, in turn, supplying comparable amounts of crude to Venezuela's European customers.<sup>66</sup> Since pricing data are not available, the exact impact of the new agreements is not known. According to Jorge Pérez-López's calculations, petroleum-sugar trade between 1960-74 generally favored Cuba, especially between 1973-75 when the price of sugar but not fuels was high. However, the balance of trade reversed in 1975, with the upward adjustment in the export price of Soviet crude.<sup>67</sup> Thus, while the Soviet Union helps shelter Cuba from the inflationary effects that OPEC has had on non-oil producing capitalist countries, the extent to which it continues to do so apparently has diminished since the mid-1970s.

The Soviet Union also subsidizes the Cuban economy by buying sugar and nickel from the island at higher-than-world market prices. In 1972 the Soviet Union, which purchases most of Cuba's nickel, agreed to pay \$5,450 per ton for the ore, \$1,950 above the world market price at the time.<sup>68</sup> The sugar subsidy is estimated to have totalled \$632 million between 1961-67, and between \$56-150 million yearly in the 1968-74 period.<sup>69</sup> Only in 1963 and 1974 did the world market sugar price average more than 1 cent per pound above the price paid by the Soviet Union, and in 10 of the first 15 years after the triumph of the revolution the Soviet Union paid 1-4.25 cents per pound more than the market rates at the time.<sup>70</sup> Whenever world market sugar prices have risen significantly, the Soviet Union has adjusted its price and allowed Cuba to sell sugar committed to the

U.S.S.R. on the world market, which has allowed Cuba to increase its hard currency earnings. Consequently, as with oil, Soviet sugar subsidies reduce Cuba's direct vulnerability to world market vicissitudes. The subsidies demonstrate that the Soviet Union is guided by political and not merely market considerations in its dealings with Cuba. However, the readjustments in the prices of the subsidies do actually follow shifts in world market prices.<sup>71</sup>

Cuba also receives substantial financial assistance, in the form of credits, from the Soviet Union. Soviet credits have been extended, for example, for construction and refurbishing of factories, oil exploration, modernization and expansion of nickel plants, and the mechanization and modernization of the sugar industry.<sup>72</sup> Total Soviet loan assistance between 1961 and 1974 approximated \$4.4 billion.<sup>73</sup> Little is known about the debt repayment structure except that the island's deficit repayment problem was postponed with the signing in 1972 of new long-term Soviet Union-Cuban agreements. Accordingly, repayment of debts accumulated up to 1973 was deferred until 1986, after which the debts are to be repaid in interest-free installments over 25 years. Cuba received new low-interest credits to finance its expected 1973-75 balance of payments deficits,<sup>74</sup> with interest-free repayment also beginning in 1986.

Despite such subsidies, Cuba's debt with the Soviet Union has continued to grow. A portion of the debt probably reflects an overpricing of non-subsidized Soviet goods but without doubt, most of the debt reflects Cuba's inability to expand significantly export earnings. Cuba's cumulative trade deficit to the U.S.S.R. is estimated to have reached \$3 billion by 1972, or close to \$4 billion if the annual repayment of loans, plus interest, shipping costs, and the costs of maintaining Soviet technical and military advisors are included.<sup>75</sup> By January 1976 the debt is claimed to have reached as high as \$5 billion.<sup>76</sup>

The Soviet Union also provides Cuba with technical assistance and training to fill the vacuum created when top administrative and technical personnel left after Castro assumed power. The number of Soviet specialists in Cuba increased from about 1,000 in 1970 to several thousand in 1973, and to possibly 6,000 by 1975.<sup>77</sup> Of the estimated 6,000 Soviet advisors and technicians, about half were civilians who worked in different levels of government agencies and enterprises, including the Central Planning Board (JUCEPLAN), and half were military personnel.<sup>78</sup> In addition, more than 17,000 Cubans were trained in the Soviet Union between 1963 and 1973, and most Cuban university textbooks are direct translations of Soviet texts.<sup>79</sup> This technical assistance and training no doubt contribute to the post-1970 structuring of the Cuban economy along Soviet lines, but Cubans have not always adhered to policy recommendations of the foreign advisors. When Soviet (and, secondarily, Czechoslovakian) technicians, for example urged usage of material incentives in the early 1960s, the Cuban leadership did not comply.<sup>80</sup>

Cuba's ties to the socialist world are of course not restricted to the Soviet Union. Other COMECON countries provide Cuba with manufacturing equipment, factories, and technical assistance in return mainly for Cuban sugar. In the early 1960s, Poland and Czechoslovakia sent agricultural experts to aid in expanding wheat, grain, and livestock production; exported manufactured goods; and helped build and expand island industries. In the 1970s East Germany exported machinery, rolled steel products, entire factories, fertilizers, and other chemical products to Cuba, while Bulgaria provided technical assistance for a Cuban metal cutting machine plant and a design center for an engineering plant.<sup>81</sup>

Cuban-Soviet bloc ties have had a mixed effect on the island's economy. On the one hand, socialist countries have provided Cuba with a needed market. Castro's efforts to develop and nationalize the economy would have failed without Soviet assistance, once the island was denied access to capitalist markets. As previously noted, the Cuban economy has been heavily dependent on foreign trade historically, and the revolution has not broken this dependence. The U.S.S.R. replaced the U.S. as Cuba's main trading partner in 1960, and the Soviet Union--together with other socialist countries--has provided Cuba with an assured, expanding market at predetermined prices.

On the other hand, the growing integration of the Cuban and Soviet economies through bilateral and COMECON agreements imposes certain structural constraints on Cuba's range of foreign trade options. It reinforces the mono-product export-oriented nature of the island's economy, since the trade largely involves sugar,<sup>82</sup> and it restricts Cuba's ability to exploit freely opportunities on the world market. Moreover, the preponderantly barter character (around 80 percent) of Cuban-Soviet trade restricts Cuba's ability to generate foreign exchange earnings with which to purchase goods in capitalist markets.<sup>83</sup>

Cuba's relations with COMECON countries besides the Soviet Union have also created certain problems. Cuban officials have complained about the bad workmanship, inefficiency, irresponsibility and arrogance of Eastern European technicians.<sup>84</sup> Boorstein documents well some of the difficulties created by the Czech experts who attempted to apply imported methods ill-suited to the Cuban economy.<sup>85</sup> In addition, Cuba may possibly be subject to a new unusual exchange relationship in its dealings with Eastern Europe. As revealed in Table 5, Cuba in the early 1970s received less from Eastern European countries than it exported to them,<sup>86</sup> and the trade imbalance would have been even greater had Cuba's sugar been traded on more internationally competitive terms: in the early 1970s non-Soviet COMECON nations paid less for Cuban sugar than the then going world market sugar price and less than the Soviets paid for Cuban sugar.<sup>87</sup> Cuba's least favorable socialist ties are with countries other than the Soviet Union, that is, with the "semi-peripheral" Eastern European part of the socialist bloc.



TABLE 5

CUBA'S TRADE BALANCE WITH INDIVIDUAL CMEA MEMBERS,  
EXCLUSIVE OF U.S.S.R.  
(in \$U.S. Millions)

	1969	1971	1972	1973	1974
East Germany	- 5	- 14	+ 3	+ 5	+ 70
Czechoslovakia	+ 5	+ 13	+ 5	+ 4	+ 8
Bulgaria	+ 1	+ 6	- 8	+ 33	+ 35
Rumania	-24.2	+1.8	+ 2	+ 10	+ 15
Poland	+ 3.4	+5.1	+ 5	+ 3	+ 11
Hungary	+ 1.6	+4.0	0	+ 4	+ 11

SOURCE: Central Intelligence Agency Handbook, Cuba Foreign Trade; July, 1975, Cited in U.S. Department of Commerce, 1975, Table 9, p. 45.

In sum, Cuba has established important ties with socialist countries, with mixed results. Without access to socialist markets the Cuban revolution would have failed; quite possibly it would not have been attempted. Most of the economy was socialized only after trade links with the Soviet Union were established. Superficially, it appears that Cuba now is as dependent on the Soviet Union as it previously was on the U.S., but there are significant differences in the two sets of ties: the Soviet government, and Soviet citizens and enterprises, do not own property in Cuba and do not remit profits from investments in Cuba, and debts owed to the Soviet Union, at least those accumulated through 1972, are repayable interest-free. Furthermore, political and economic changes in Cuba along Soviet organizational lines do not reflect Soviet penetration to nearly the extent generally assumed in the capitalist world. Cuba might find it difficult to initiate policies considered antithetical to Soviet interests, but within the range acceptable to the Soviets, the Castro leadership does seem to enjoy certain policy-making autonomy. Many changes initiated in the post-1970 period reflect rational-bureaucratic tendencies characteristic of modern societies in general, and not merely of the Soviet Union. The ideology of the Cuban regime seems to be much more characteristically socialist (or Communist) than the forces shaping the organization of production.

### Socialist Cuba's Direct Ties to World Markets

Castro's Cuba does not rely exclusively on the Soviet Union and COMECON countries for aid and trade, and it never did. Trade with capitalist countries dropped from 77 percent in 1960 to a low of 17 percent in 1962, after which it fluctuated between 20 and 32 percent, except in 1964 and 1974 when it reached as high as 37 and 41 percent, respectively (see Table 6).<sup>88</sup> Despite the continuation of the U.S. blockade, the percentage and total volume of Cuban trade with non-socialist countries increased steadily between 1966 and 1974.

TABLE 6

PERCENT OF CUBAN FOREIGN TRADE  
WITH NONSOCIALIST STATES

Year	Percent	Year	Percent
1959	69.4	1968	23.5
1960	76.6	1969	27.9
1961	24.1	1970	28.4
1962	17.1	1971	29.3
1963	21.6	1972	32.1
1964	36.9	1973	31.6
1965	30.1	1974	41.2
1966	19.6	1975 <sup>a</sup>	32.1
1967	24.2	1976 <sup>b</sup>	37.5

<sup>a</sup>Preliminary

<sup>b</sup>Estimated

SOURCE: U.S. Department of Commerce, 1975, Table 5, p. 41; U.S. Department of Commerce, Domestic and International Business Administration, Bureau of East-West Trade, "Recent Developments in Cuban Trade," May 1976, Table 2.

The volume of trade with these countries actually reached an all-time high in the early 1970s. The value of exports rose to the point that Cuba in 1974 had a hard-currency surplus for the first time in years. However, available data suggest that by 1976 trade with capitalist countries decreased, in both absolute and relative terms.<sup>89</sup>

In terms specifically of exports, as indicated in Table 7, Cuban trade with advanced capitalist countries (excluding the U.S.) increased nearly 10-fold between 1962 and 1974; trade with the U.S.S.R. and other socialist bloc countries increased only 3-fold during this period.<sup>90</sup> The absolute value of Cuban exports to the underdeveloped

as well as the developed capitalist world soared in the early 1970s, rising from \$272 million in 1970 to about \$1.2 billion four years later. According to preliminary estimates, by 1976 exports to these countries dropped, though, in absolute terms to \$730 million and, in relative terms, to 24<sup>91</sup> percent from a (post-1959) high of 46 percent four years earlier.

TABLE 7

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CUBAN TRADE WITH INDUSTRIALIZED WEST COUNTRIES  
(EXCLUDING THE U.S.) IN SELECTED YEARS<sup>a</sup>  
(Millions of U.S. Dollars)

## Exports

Year	FOB	Percent of Total Exports
1959	167.3	22.5
1960	107.2	16.8
1961	92.4	15.2
1962	69.0	13.2
1971	210.0	24.4
1972	229.0	27.4
1973	341.5	24.7
1974	656.0	23.9

## Imports

Year	CIF	Percent of Total Imports
1959	136.0	15.9
1959	156.0	21.1
1960	98.0	15.4
1961	116.0	16.5
1962	59.0	7.8
1971	318.0	22.9
1972	257.0	19.8
1973	411.0	24.2
1974	655.0	26.7

<sup>a</sup>Industrialized West = Austria, Belgium-Luxembourg, Canada, Denmark, France, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, West Germany

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SOURCE: Computed from U.S. Department of Commerce, 1975, Table 3, p. 39.

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Imports from non-U.S. industrialized capitalist countries rose in the early 1970s even more spectacularly than exports. In 1974 they were 11 times higher than in 1962, when the Castro regime's trade with capitalist countries reached its low, and about 5 times higher than the year before Castro assumed power.<sup>92</sup> By the mid-1970s imports to all capitalist countries began to decline, though not to the same extent as did exports. The U.S. Department of Commerce estimates that in 1976 Cuba still received 39 percent of its imports from non-Communist countries.<sup>93</sup> Because the drop in imports did not keep pace with that of exports, Cuba once again had a trade deficit with the West.

Not only does the post-1959 regime depend on trade with capitalist countries but it also seems to have become more monocrop oriented in its linkages with capitalist countries than it was prior to 1959. In the 1970-74 period sugar constituted 83-91 percent, and primary products in general 94-96 percent, of total exports to industrialized capitalist countries.<sup>94</sup>

Contrary to "dependency theory" arguments, Cuba demonstrates that a country can, under certain conditions, have better trade relations with capitalist than with socialist countries. As shown in Table 8, Cuba's sales to capitalist countries were on more favorable terms than to non-Soviet socialist bloc countries in the 1972-74 period.<sup>95</sup> This period was one in which Cuba could get a high price for the sugar it sold on the world market. The same advantage of selling on capitalist markets undoubtedly would not hold when the world market sugar price was less than the price contracted with socialist countries.

Cuba has had a negative trade balance with industrialized capitalist countries in most post-1959 years (as it did prior to the revolution) partly because of its inability to control the selling price of its exports and its immunity to international inflationary pressures. Machinery items comprise the major item Cuba imports from industrialized capitalist countries. They constituted 32-48 percent, and manufactured products in general constituted 72-79 percent of total imports during the 1970-74 period. However, imports from industrialized capitalist nations are not limited to industrial goods. Food and animal products (largely from Canada) accounted for 20-26 percent of Cuba's imports in the early 1970s.<sup>96</sup> They reflect Cuba's unsuccessful agricultural import-substitution effort.

Cuba's trade on capitalist markets is not limited to advanced capitalist countries. As the island's diplomatic and political relations with its Latin American neighbors have improved, so have its economic relations. Cuba's two main Latin American trading partners are Argentina and Mexico. From Argentina, Cuba imports maize, tractors, farm machinery, trucks, railway and other transport equipment, diesel motors, components for naval construction, and machinery and equipment for the construction and food processing industries. Its largest import expenditure, though, is for motor vehicles. By the third quarter of 1974 Argentina sold a total of

TABLE 8

## CUBAN SUGAR EXPORTS AND MAJOR RECIPIENTS

	Dollar Value (Percent)				Tonnage (percent)			
	1958	1972	1973	1974	1958	1972	1973	1974
U. S. S. R.	2.5	26.2	40.8	33.9	3.3	26.5	34.6	35.4
Other CPE's	.7	27.3	22.2	20.7	1.1	28.9	28.2	25.5
Japan	8.4	25.0	16.7	18.0	9.9	22.0	20.5	22.3
Other	22.8	21.5	20.3	27.4	28.2	22.6	16.7	16.8
U. S.	65.5	-	-	-	57.5	-	-	-
Total	99.9	100	100	100	100	100	100	100
	Dollar Value per 1000 metric tons							
	1958	1972	1973	1974				
U. S. S. R.	74,468	142,206	267,911	436,842				
Other								
CPE's	65,574	136,173	179,127	368,610				
Japan	84,532	163,916	184,772	366,666				
Other	80,025	136,606	276,250	744,444				
U. S.	112,654	-	-	-				

SOURCE: Calculated from U.S. Department of Commerce, 1975, Table 18, p. 57 and Table 19, p. 58.

34,115 cars, trucks and tractors to Cuba, and 42,000 were expected to be sold by 1976. U.S. subsidiaries have won just over half the contract sales (in unit terms). The U.S. government exempted U.S. automobile subsidiaries from the embargo, when President Perón threatened either to nationalize the companies if they refused to export vehicles to Cuba or to take over their management and buy the vehicles cheap to resell to Cuba on a government-to-government basis.<sup>97</sup> These automobiles, like many other items that Cuba now purchases from capitalist (and socialist) countries, could be imported cheaper from the U.S. if trade between the two countries were allowed.

Since 1974 Cuba has ordered transport machinery, equipment, food, consumer goods, and chemicals from Mexico. Even more interesting, in 1975 the two countries began a joint project to manufacture agricultural machinery and parts for sale to Cuba, and in 1976 it was announced that the two countries were planning to jointly market citrus fruit, coffee, seafood and molasses.<sup>98</sup>

The shift in Cuba's import-export trade away from COMECON countries in the early 1970s, in line with COMECON planning,<sup>99</sup> has been facilitated by Soviet sugar payments in hard currency<sup>100</sup> and by the recent availability of credits both from the Soviet Union and

from capitalist countries. In the early 1970s the Soviet Union financed Cuban trade deficits, and it provided the necessary guarantees to make Cuba credit-worthy to capitalist lending agencies.<sup>101</sup> Credits from capitalist countries have been available from two sources: from governments and private banks. Capitalist governments offered credits to finance trade amounting to over \$3 billion between 1973 and 1975.<sup>102</sup> In August 1973 the then Peronist government in Argentina extended \$1.2 billion to Cuba in a six-year credit package, the largest trade credit from Latin America;<sup>103</sup> in December 1974 Spain agreed to extend credits worth \$900 million; in 1975 France extended credits worth \$350 million, Canada credits of \$155 million, and England credits of \$580 million, at a preferential interest rate; in 1976 Venezuela extended a \$2.2 million line of credit, and Japan extended credits for ship purchases which Cuba previously had to buy with cash. U.S. subsidiaries located in these countries are eligible for and do in fact use the government credit programs in their Cuban trade.

Cuba has also borrowed in international financial markets. Foreign affiliates of U.S. banks are prohibited from extending anything but short term credit to Cuba. But since 1974 European banks have provided the National Bank of Cuba with the equivalent of \$305 million in medium term Eurocurrency loans. By 1975 Cuba's success in acquiring such loans deteriorated somewhat, for both economic and political reasons: because of the decline in the price of sugar and because of its involvement in Angola.

Relations with Latin American countries do not center merely around trade. As previously noted, Cuba in 1975 joined the newly formed sugar producers association, GEPLACEA. The organization, established when world sugar prices began to slump in 1975, aims to regulate sugar sales and establish a minimum price for the commodity (or various minima for defined circumstances).<sup>104</sup> Despite the socialization of its economy Cuba still shares an interest in regulating world market sugar prices with capitalist sugar producers, for sugar prices vary more than do most raw materials.<sup>105</sup> However, to date the sugar producers' association has been ineffective, due to disagreements among the producing countries and resistance from consumer countries.<sup>106</sup> The disagreements reflect the continued competition between Cuba and capitalist producers for world market sales; the revolution has not eliminated such competition.

Although the U.S. still forbids direct trade with Cuba and financing of Cuban trade, after the 1975 OAS resolution allowing each signatory country to determine for itself the nature of its economic and diplomatic relations with the island, the State Department modified its policy restricting third countries' trade with Cuba. Since then the U.S. government allows foreign subsidiaries of U.S. firms to export nonstrategic commodities containing insubstantial portions of U.S.-made components to Cuba, and it allows the bunkering of foreign ships engaged in Cuban trade. However, it still prohibits exports and reexports of U.S. origin goods that



are not incorporated in foreign manufacturing, involvement of U.S. dollar accounts and long-term credit (more than one year), and technology transfer (other than for maintenance and operation). In addition, it still denies bunkers to vessels registered, owned, controlled, chartered, or leased by Cubans.<sup>107</sup> As a result of the new U.S. ruling, the U.S. Treasury granted licenses for \$293 million worth of sales to Cuba between October 1975 and July 1976, \$177 million of which was for exports of grains and cereals, mainly by subsidiaries in Canada.<sup>108</sup> These sales accounted for 17 percent of Cuban imports from non-socialist countries. Since the Cuban involvement in Angola, though, the U.S. government has enforced a limit of 20 percent of U.S. components, or of U.S. strategic material, in the total value of any item or group of items exported to Cuba.

By 1975 many U.S. firms—including RCA, Ford Export Corporation, Dow Chemical, Union Carbide, and Burroughs—were researching the Cuban market, their appetite allegedly whetted by the size of the recent contracts gained by European, Canadian, and Japanese industries.<sup>109</sup> By 1977 a number of major U.S. corporations had sent representatives to Havana to prepare the way for a resumption of trade.<sup>110</sup> The 52 Minnesota businessmen who visited Cuba that year on a trip sponsored by a Washington, D.C.-based consultant to American business on Cuba expressed U.S. businessmen's interest in reopening trade relations with the island.<sup>111</sup> Some U.S. corporations are actually arranging agreements that will go into effect when the embargo is relaxed.<sup>112</sup>

Currently U.S. corporations are not in a good position to compete for the Cuban market. All deals between U.S. firms and Cuba must be approved by the Department of Commerce, a cumbersome and time-consuming process. Moreover, the exports cannot involve dollar accounts, and credits granted must be for less than a year and no more favorable than the credit normally granted for the type of transaction in question. These restrictions were imposed on U.S. trans-national corporations even when Cuba's international credit rating was very good and when Cuba received medium and long-term credits from other capitalist countries.<sup>113</sup>

Canadian exports are expected to benefit most by the release of U.S. subsidiaries from the confines of the U.S. trade embargo. The Canadian government has been promoting increased trade with Cuba, especially exports of finished goods, but the U.S. government has prevented trade by U.S. Canadian subsidiaries. In December 1974, for example, the U.S. conglomerate Litton Industries, cancelled a \$400,000 contract that one of its Canadian subsidiaries made, because of the U.S. embargo on trade with Cuba.

The blockade has generally raised the price the Cubans must pay, even when it has not curtailed altogether the entry of goods. The imports from capitalist markets may be advantageously priced in

comparison with socialist country options, but not in comparison with U.S. market prices. To the extent that Cuba's partial withdrawal from world capitalist markets affects negatively the island's ability to acquire quality and quantity imports at competitive prices, the withdrawal constrains the country's capacity to develop. The Castro regime, of course, had intended it to be otherwise.

Because the blockade is costly to the island economy, the Cuban leadership would like trade resumed, and they are willing to adjust their five-year plan accordingly. They not only want manufactured goods but also primary products and technology. Cuba imports, for example, 200,000 tons of rice a year from the Orient, while the U.S. from which transport costs would obviously be much less is a major rice producer. The Cubans also have informed Americans that they want foodstuffs, pharmaceuticals, motor vehicles, and industrial machinery from the U.S. They also have noted that they want technology for a nitrogen fertilizer plant, and for nickel processing, transportation, construction, agriculture, industry, textiles, plastics, and food processing. Much of the technology Cuba wants is available only from the U.S. The trade ministry has told the U.S. government that, if the embargo were lifted, the U.S. could garner as much as 30 percent of Cuba's Western trade.

Although Cubans in principle (still) oppose foreign ownership of local economic enterprises, they have considered contract manufacturing and joint ventures. Contract manufacturing would allow Cuba to pay for the industrial plants with the production of those plants, and to employ foreign capital and management talent.<sup>114</sup> The Cuban government has expressed a willingness to form joint ventures in food, candy, pulp and paper, citrus processing, and auto parts industries. The leadership even seems ready to consider joint ventures in tourism despite having considered tourism until now a *bête-noir* because of its effects under the Batista regime. Such joint ventures--which Cuba already has established with Japan and Mexico<sup>115</sup>--are considered vehicles by which to attract capital unavailable domestically, while maintaining certain control over usages of the capital. Joint ventures, of course, would not be unique to Cuba (and other socialist countries), since underdeveloped capitalist countries increasingly undertake them.

Cuba is extending such offers to other "advanced" capitalist countries besides the U.S. In 1977, for instance, Cuba informed a senior English foreign trade official that it was ready to open tourism, mining, the marketing of Cuban goods abroad, and import substitution activities to international investors. In England Carlos Rafael Rodríguez noted that Western companies were being approached about possible participation in the nickel industry, under producing-sharing agreements.<sup>116</sup>

But Cuba is caught in a vicious cycle: in order to maximize its comparative advantage and expand output, the Cubans must modernize sugar and other industries. Capital intensive technology seems



to be the only viable alternative for increasing productivity, especially since Cuba now has a shortage of labor. Although the government recognizes that its labor efficiency could and should improve, it considers mechanization to be the key to its future. The "vanguard" technology it needs and wants is available neither domestically nor from the Soviet bloc. The capital-intensive island industries which have experienced high production gains, such as eggs, fishing, and electrical generation, employ plant equipment and machinery obtained from Western Europe and Japan as well as from socialist countries. But Cuba above all needs advanced agricultural technology to ensure its long-term economic development, and the U.S.S.R. and Eastern Europe do not match the agricultural technology of certain capitalist countries, especially of the U.S. Cuba has had difficulty with certain of the agricultural technology obtained from the Soviet Union. The approximately 1,000 Soviet cutting machines, for example, that were sent to Cuba between 1963-65 were ultimately discarded because they were too complicated and frequently broke down.<sup>117</sup>

Foreign technology is also needed for developing Cuba's rich nickel reserves. Cuba's laterite ores are difficult to process metallurgically. They require technology that neither the Cubans nor the Soviets possess to make them commercially competitive in world markets. Theodore Moran argues that unless Western technology is incorporated into the nickel industry by the end of the decade, Cuba may be unable to attract foreign companies; by that time seabed mining may be well developed and the foreign companies may have such heavy investments elsewhere in the world that Cuba would be less attractive to them.<sup>118</sup>

While Cuba's economic prospects rest on technology imported from capitalist countries, there are certain problems with that technology as well. Cubans, for example, were dissatisfied with the British technology for a nitrogen fertilizer plant. Furthermore, Cuba may be restricted in the type of technology it can purchase on capitalist markets, not merely because of its limited financial resources but also because of an unwillingness of Westerners to allow Cubans to use their technology for export-oriented production<sup>119</sup> which could compete with their own in the world market.

The problem of improving technology to enable domestic products to be internationally competitive, and therefore marketable, is becoming increasingly acute. By 1972 Cuba had lost some of its competitive advantage even in sugar. In that year Brazil produced more sugar cane than Cuba, and it could undersell Cuba.<sup>120</sup> The Brazilian competition reveals how market forces restrict the possibilities of "socialism in one country," especially in a heavily export-oriented, essentially mono-product economy. Largely foreign-financed, Brazilian raw sugar production rose from 2.84 million tons in 1958 to 7.4 million tons in 1975, while Cuban production in 1975 was 0.1 million tons less than in 1958, the year before Castro assumed power.<sup>121</sup> To the extent that world sugar production increases, the market price falls. The Cuban government's capacity to develop its economy and raise the standard of living of its population accordingly contracts.

Trade possibilities in capitalist markets hinge not only on Cuban output, obviously, but also on world market sugar prices. Between 1961 and 1974 Cuba exported an average of 1,850 thousand metric tons of sugar a year to non-socialist countries. But the amount and price for the product has fluctuated considerably over the years,<sup>122</sup> the price varying largely in response to fluctuations in the world market supply of sugar.<sup>123</sup> The world market price reached a 24 year low of 1.73 cents per pound in August 1965, and a record high in November 1974. At the high 1974 average world price of 29.99 cents per pound, Cuba would have earned about \$1,109 million, while the same export volume at the 1958 world average price of 3.5 cents per pound would have yielded Cuba only \$129 million. It is the rise of the world market sugar price more than a marked improvement in production that accounts for the large increase in the value of Cuban trade in the early 1970s, especially in 1974. During half the years between 1958-1974 total sugar production exceeded that of 1974, although in none of those years did sugar contribute such a large absolute or relative share of export earnings as in 1974.<sup>124</sup> Furthermore, since high world market sugar prices drive up the price paid by the Soviet Union, the world market price affects Cuba's export earnings even for goods not sold directly on the world market. Thus, Cuba's trade balance and its capacity to develop economically do not depend merely on its productive capacity, but also on world market vicissitudes. We see here another way in which the revolution has restricted but not eliminated the impact of global market forces.

Cuba is heavily dependent on sugar sales in hard currency countries to repay its foreign debt and to purchase imports. By 1976 Cuba had fallen into the same trap as capitalist LDCs. It then owed Western banks an estimated \$1.3 billion, largely for trade credits. The service payments on this debt were estimated to be as high as \$400 million, more than 50 percent of its hard currency earnings.<sup>125</sup> The need to pay off the debt, in turn, restricts the island's capacity to purchase goods from abroad. When the world market sugar price plummeted in 1976 (to 8 cents per pound on the New York market) at the same time that world inflation caused import prices to rise significantly, Castro announced that their imports from capitalist countries would have to be severely curtailed, that they would have to postpone, reduce, and cancel projects, and that they would have to dramatically alter their current five-year plan which emphasized industrialization. Castro stated that Cuba would have to concentrate on production for export and production not requiring imports from hard currency areas.<sup>126</sup> The low 1976 world market price is said to be below the cost of sugar production. Indicative of the import effect of the drop in world market sugar sales,<sup>127</sup> Japan had in 1977 an estimated \$100 million in exports piled on its docks because Havana lacked the cash to pay for them.<sup>128</sup> Foreign companies involved in Cuban projects, such as the industry that makes paper from bagasse, also have experienced delays and reductions.<sup>129</sup>

Cuba's five-year plan and budget had been approved by its new National Assembly, introduced in conjunction with the "institutionalization of the revolution," as part of an effort to decentralize and democratize decision-making. To the extent that the world market sugar price is compelling high level Cuban authorities automatically to modify national economic plans, international capitalist forces are constricting domestic political development, pushing policy-making once again in an authoritarian direction. The impact of capitalist markets on Cuba is not confined to the economic realm.

The mid-1970s drop in the world market sugar price, which had so negatively affected the Cuban economy and polity, seems to be partly caused by a change in U.S. sugar policy. In 1976 the U.S. government tripled the tariff on U.S. sugar imports and in 1977 President Carter both imposed a 3.3 cents a pound fee on all imported sugar and increased the tariff on such sugar by .9-2.81 cents a pound in order to support the price of American-produced sugar at 13.5 cents a pound.<sup>130</sup> Due to the embargo, Cuba was not directly affected, but international producers who usually sell to the U.S. tried to avoid the tariff by marketing their product in other parts of the world. The sugar supply for non-protected capitalist markets thus increased, contributing to the drop in the price of sugar.

Cuba's extreme vulnerability to vicissitudes in the world market sugar price is the result of its continued inability to diversify exports. Cuba has even failed to meet its basic quota allotted under such international agreements as the International Coffee Agreement, and consequently its quota was reduced. Its inability to diversify, in turn, restricts Cuba's trade prospects on capitalist markets. France's demand, for example, for nickel is satisfied; Martinique and Guadeloupe have an advantage over Cuba in sales of cigars and rum since they enjoy tariff privileges; and most of the lobsters eaten in France are already of Cuban origin. And in 1976 Spain, Cuba's second largest customer outside the Soviet bloc, reduced its Cuban sugar imports by half, when it experienced a record sugar harvest at home.

### Discussion

International politics, somewhat independently of world market forces, has shaped the way the island has developed since 1959. In response to Cold War pressures the Soviet Union has incorporated Cuba within its orbit and provided the island with more aid than any other Latin American nation has received from any source: in so doing it has subsidized the island's economy more than it has most other COMECON nations', and it has contributed to the restructuring of Cuba's political economy and culture. Soviet direct interest in Cuba is more strategic than economic. Time has shown that the Soviet Union has not used Cuba as an outpost for infiltrating Latin America, economically and politically, although it has recently used Cuba for making inroads into Africa.

While Soviet influence over Cuba has unquestionably increased since Castro came to power, we have seen that the Soviet Union has encouraged Cuba to incorporate certain capitalist organizational features, that it has facilitated Cuban trade with capitalist countries, and that it has actually responded to capitalist forces in its dealings with Cuba. Despite formal and ideological differences and certain competition between Soviet bloc and capitalist regimes, the two sets of countries encourage many similar strategies because they both are increasingly integrated economically and because they both are concerned with similar economic exigencies, in particular, with the maximization of production, productivity, and profit.

Despite its integration into the Soviet socialist bloc, the island has not succeeded either in modifying its role within the international division of labor or in influencing its terms of trade. Its partial withdrawal from trade in capitalist markets also has had its costs. Since the revolution Cuba is more directly vulnerable to world market vicissitudes. It no longer receives a preferential price for the sugar it sells in capitalist markets, and it no longer enjoys most-favored nation status in those markets. Moreover, it also no longer has access to as large a proportion of the world market as it did before 1959, and it currently must pay more for the manufactured goods purchased from multinational subsidiaries than it previously paid when dealing directly with parent companies in the U.S. The island bears these costs, and at the same time it has not (yet?) succeeded in expanding production significantly, especially production for export which could offset the increased cost of imports.

Although Cuba does not enjoy the privileges it once enjoyed in capitalist markets, businesses in Western countries and Japan have become increasingly interested in trade with Cuba. Even the U.S. view toward Cuba is changing. Induced both by international capitalist competition for the government-backed, non-competitive market opportunities in Cuba, and by pressure from hemispheric regimes which want to take advantage of Cuban trade possibilities, the U.S. government and U.S. capital have started to modify their stance toward Cuba. However, Cuba's ties to capitalist markets thus far have been primarily confined to trade, the type of mercantilistic relationship which was characteristic of world capitalist relations in semi-developed countries until World War II. There is some evidence that this pattern may be changing, for in the 1970s some overtures were made to attract direct foreign investments, including joint (production) ventures.

The Cuban leadership wants the largest possible export market. It also wants to purchase the cheapest and best quality goods and technology. For these reasons, independent of any Soviet pressure, it has an interest in promoting trade with capitalist countries.

The Cuban experience appears to support Wallerstein's thesis that there is only one world economy, a capitalist economy, and that production is oriented to maximize market profits. Although ownership of the "means of production" is socialized in Cuba, the island still is integrated into and shaped by global market forces directly--and

indirectly through its dealings with COMECON countries. It is inappropriate, however, to generalize from the Cuban experience, for no other socialist country inherited such a specialized agriculture, an industrial structure so dependent on imported materials, and an economy lacking so many vital resources as did Cuba. Because of its limited resources Cuba must necessarily rely on the outer world.

The usefulness of Wallerstein's thesis for understanding post-1959 developments in Cuba also must be questioned. Cuba's relations with the Soviet Union differ in important ways from its prerevolutionary relations with the U.S., and Wallerstein's approach does not adequately account for these differences. The Soviet Union owns not an acre of Cuban land or a single mine, factory, bank, or utility company, and it does not take profit out of the country. The revolution has not simply shifted Cuban dependency on the U.S. to the Soviet Union.

The internal structure of the society has also changed in important ways, in ways which seem to be irrelevant from Wallerstein's perspective. Although the topic is beyond the scope of this article, Castro's Cuba differs from prerevolutionary Cuba and contemporary less developed capitalist countries in its class structure and in the role the state assumes in society. Cuba, as a result of these differences, is less plagued by the usual conditions associated with underdevelopment, and social and economic benefits are much more equitably distributed in Cuba (even in 1970s with the reemphasis on wage differentials and consumerism) than in comparable capitalist societies. Cubans currently are guaranteed employment, housing costing no more than 10 percent of family income, free medical care, extensive public education, and equitable rationing of basic goods. The results of the government's education program have been exceptional by Latin American standards: rural illiteracy was almost 20 percent less in 1977 than in 1959, and students on the average attended six years of school in 1977, whereas 88 percent had not passed third grade in 1959. Furthermore rural per capita income during Castro's first 18 years in power rose from less than \$100 to an estimated \$500-850, and the Cuban government has regulated consumer prices so that the island is shielded more from world inflationary pressures than are most peripheral capitalist societies. Basic foods are sold at 1965 prices. And Havana is the only major Latin American city not surrounded by a ring of fetid slums. As a result of the various social programs, life expectancy at birth is now 70 years, compared with 71 in the U.S., 63 in Mexico, and 61 in Brazil.<sup>131</sup> Wallerstein tends to focus on international economic relations, and in so doing he does not account for such national differences that are shaped by specific government policies.

The changes in the internal organization of the political economy, but not in the structure of trade, alludes to another problem with Wallerstein's analysis. According to Wallerstein, the Cuban revolution should represent an effort by a national government (and the class that dominates it) to maximize profitability on the market. A major purpose of the article has been to show how Cuba continues



to be integrated into and shaped by capitalist trade and financial markets, in ways overlooked by most Cubanologists. However, the continued impact of global capitalist forces should not, in turn, be used to dismiss the internal institutional (and cultural) changes that the revolution ushered in.

Furthermore, the Cuban government does intervene, regulate, and modify the way global forces impinge on the economy, to the extent that the international capitalist order now has less impact than before Castro assumed power and less impact than in most "peripheral" capitalist countries. Cuba's trade ties with the Soviet Union have enabled Cuba to establish long-term price and delivery arrangements which have reduced its vulnerability to world market vicissitudes.

Trotsky, decades ago, predicted that "socialism in one country," cut off from world capitalist forces, would be impossible, especially if that socialism was not to be politically distorted. The Soviet Union perhaps could have isolated itself from such global forces, but Cuba, much less developed and with fewer natural and human resources, cannot. World capitalism is proving not to be incompatible with "socialism in one country,"<sup>132</sup> but in the process it is shaping the parameters in which socialism is developing, directly and indirectly. Cuba can restrict and regulate but not eliminate world market forces. It is socialist in name, ideology, and intent, but it is increasingly coming to terms with capitalist forces both in its internal and in its international relations. Its development therefore must be understood within a framework that includes both world capitalist and world socialist forces--and the relationship between those forces. The revolutionary leadership can shape the country's history, but not under conditions of its own choosing.

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<sup>1</sup>Isaac Deutscher (ed.), The Age of Permanent Revolution: Trotsky Anthology (New York: Dell, 1970), p. 147.

<sup>2</sup>The "dependency" literature by now is vast. For an early statement of the "dependency" argument, see André Gunder Frank, Latin America: Underdevelopment or Revolution (New York: Monthly Review, 1969); for a more recent synthesis of the relevant literature, see Dale Johnson, The Sociology of Change and Reaction in Latin America (Indianapolis: The Bobbs-Merrill Company, 1973). Scholars who note that Latin American development is shaped by global capitalist forces do not all agree on the impossibility of dependent capitalist growth: see, for example, Fernando Henrique Cardoso, "Dependency and Development in Latin America," New Left Review 74 (1972): 83-95.

<sup>3</sup>Immanuel Wallerstein, The Modern World-System (New York: Academic Press, 1974) and "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis," Comparative Studies in Society and History 16 (September 1974): 387-415.

<sup>4</sup>Frank, "Long Live Transideological Enterprise: The Socialist Economies in the Capitalist International Division of Labor," Review 1 (Summer 1977): 91-140.

<sup>5</sup>U.S. Department of Commerce, United States Commercial Relations with Cuba: A Survey (Washington: GPO, August 1975), p. 4.

<sup>6</sup>Ibid., p. 3.

<sup>7</sup>In 1953 Cuba's quota was officially raised, allowing the country to supply 42 percent of U.S. sugar imports. Ibid., p. 2.

<sup>8</sup>James O'Connor, The Origins of Socialism in Cuba (Ithaca, New York: Cornell University Press, 1970), p. 87.

<sup>9</sup>Robin Blackburn, "The Economics of the Cuban Revolution," in James Nelson Goodsell (ed.), Fidel Castro's Personal Revolution in Cuba: 1959-1973 (New York: Alfred Knopf, 1975, p. 37.

<sup>10</sup>Exports, as a percentage of GNP, declined from 31 percent to 16 percent and imports from 31 to 25 percent between 1956 and 1966, GNP being measured by gross domestic product in the former year and by gross material product in the latter year. Trade turnover, the sum of exports and imports, ranged from 40 to 60 percent of GDP over this period. U.S. Department of Commerce, Table 1, p. 37. These and other statistics cited in this study should be viewed as rough approximations. The data on Cuba is unfortunately meager, unreliable, and inconsistent. For a detailed discussion of problems with Cuban data, see Carmelo Mesa-Lago, "Availability and Reliability of Statistics in Socialist Cuba," Latin American Research Review 4 (Winter 1969).

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<sup>11</sup>Carmelo Mesa-Lago, "Ideological Radicalization and Economic Policy in Cuba," in Irving Louis Horowitz (ed.), Cuban Communism, 2nd edition (New Brunswick, New Jersey: Transaction Books, 1972), p. 96.

<sup>12</sup>Maurice Zeitlin and Robert Scheer, Cuba: Tragedy in Our Hemisphere (New York: Grove Press, 1963); William Appleman Williams, The United States, Cuba, and Castro (New York: Monthly Review, 1962); Cole Blasier, The Hovering Giant: U.S. Responses to Revolutionary Change in Latin America (Pittsburgh: University of Pittsburgh Press, 1976, pp. 177-210.

<sup>13</sup>Alternatively, it has been argued that the Cuban socialist transformation represents a "revolution betrayed": Castro, either a Communist all along or an ally of the Communists, manipulated the revolution for his own ends, against the interests of his initial anti-Batista, anti-Marxist middle class supporters. See Theodore Draper, Castro's Revolution: Myths and Realities (New York: Praeger, 1962; Nathaniel Weyl, Red Star Over Cuba (New York: Devin-Adair, 1960); and Daniel James, Cuba: The First Soviet Satellite in the Americas (New York: Hearst Corp., 1961). This conspiratorial interpretation ignores the inter-play of domestic and international social forces.

<sup>14</sup>Edward Boorstein, The Economic Transformation of Cuba (New York: Monthly Review, 1968), p. 281.

<sup>15</sup>Economic Intelligence Unit, Quarterly Economic Review (February 1963): 1 and (August 1973): 1.

<sup>16</sup>Mesa-Lago, Cuba in the 1970s: Pragmatism and Institutionalization (Albuquerque: University of New Mexico Press, 1974), p. 131. It is believed that the Soviet Union and China initially paid a lower price for Cuban sugar than the U.S. had paid, but that they charged less than the U.S. for goods they, in turn, sold Cuba (e.g., oil). Leo Huberman and Paul Sweezy, Cuba: Anatomy of a Revolution (New York: Monthly Review, 1960), p. 180. In subsequent years, as detailed below, the Soviet Union paid a fair price for sugar and charged a fair price for oil imports. Although certain socialist bloc imports to date are not competitively priced with world market goods, on the whole Cuba enjoys better terms of trade in its socialist bloc dealings.

<sup>17</sup>Jorge Domínguez, "The Cuban Armed Forces and International Order" (Cambridge: Center for International Affairs, Harvard University, January 1977), p. 8

<sup>18</sup>In the 1960s security concerns accounted for the large size of the Cuban military budget. By contrast, its large military budget in the 1970s seems to be attributable to its support of Soviet overseas operations, above all in Africa. Ibid.



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<sup>19</sup>U.S. Department of Commerce, p. 5.

<sup>20</sup>For one year between 1958 and 1967, namely in 1964, total trade exceeded the 1958 level by about \$100 million. Ibid., p. 6.

<sup>21</sup>In 1959 the Castro government had actually tried to negotiate loans with the U.S. and the International Monetary Fund, but it did not succeed because it refused to accept a financial stabilization program as a condition of any loan. A stabilization program would have prevented a radical transformation of the island's political economy, and it would have imposed economic controls on the lower classes. Williams, pp. 101-103, 131.

<sup>22</sup>The Castro leadership also discounted the possibility of marketing large quantities of sugar abroad after 1961, and believed that sugar export earnings would soon not be so vital to the economy because import-substitution industrialization (described below) would save the country foreign exchange. O'Connor, op. cit., pp. 218-219.

<sup>23</sup>O'Connor, pp. 226-228.

<sup>24</sup>Ibid., p. 54.

<sup>25</sup>About half of Cuba's technical personnel went into exile by mid-1961. Ibid., p. 260.

<sup>26</sup>Ernesto Che Guevara, "The Cuban Economy," in Goodsell (ed.), op. cit., p. 158.

<sup>27</sup>At the time that Castro came to power the Soviet Union already produced sugar, although not as economically as Cuba. Interestingly, ever since Cuba has integrated into COMECON the Soviet Union has expanded its domestic sugar production from beets. During the 1965-70 five-year plan sugar beet-production increased 37 percent more than in the previous five-year plan, and the plan launched in 1971 called for a further "significant increase." Leon Gouré and Julian Weinkle, "Soviet-Cuban Relations: The Growing Integration," in Cuba, Castro, and Revolution, edited by Jaime Suchlicki (Coral Gables, Florida: University of Miami Press, 1972), p. 178. Until about 1972 the Soviet Union dumped Cuban sugar onto the world market, undoubtedly helping to keep down the price Cuba could get for the sugar it sold on the world market. The New York Times reported on October 6, 1974, Section 3, p. 5, that the Soviets and Eastern Europeans since 1972 were consuming all their Cuban imports in addition to their own vast output.

<sup>28</sup>Cuban sugar has been competitive internationally not because of its efficient per hectare yields, but rather because its labor and land have been cheap. Heinrich Brunner, Cuban Sugar Policy from 1863 to 1970 (Pittsburgh: University of Pittsburgh Press, 1977, p. 12).

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<sup>29</sup>For a detailed discussion of the 1963-1970 developmental strategy, see Ibid.

<sup>30</sup>Economic Intelligence Unit 1 (1974): 4.

<sup>31</sup>Mesa-Lago, Cuba in the 1970s, pp. 56-58.

<sup>32</sup>Latin American Economic Report, January 20, 1978, No. 3, p. 20.

<sup>33</sup>Idem.

<sup>34</sup>Theodore Moran, "The International Political Economy of Cuban Nickel Development," Cuban Studies 7 (July 1977), pp. 145-166.

<sup>35</sup>Ibid., p. 150. Nickel prices are more stable than sugar prices because the ore industry is highly oligopolistic while the sugar industry is highly competitive.

<sup>36</sup>Mesa-Lago, Cuba in the 1970s, pp. 141-142.

<sup>37</sup>In fact, the "Sino-Guevara" model prevailed at the time that a rift developed between Cuba and China. When Cuba refused to allow the Chinese government in 1966 to distribute "propaganda" among Cuban military units China decided to exchange less rice for Cuban sugar Economic Intelligence Unit 2 (1966): 1.

<sup>38</sup>Edward Gonzalez and David Ronfeldt, Post-Revolutionary Cuba in a Changing World (Santa Monica: Rand, 1975), p. 13. Rodríguez had been president of the National Institute of Agrarian Reform (NRA), one of the most important centers of economic activity, in the initial years after the revolution. He subsequently was dismissed from the job and made "minister without portfolio," where he developed planning research.

<sup>39</sup>Indicators of the growing importance of the Party include the three-fold expansion of membership between 1969 and 1973, and the holding of the First Party Congress in 1975. Party ideology is transmitted through political education courses; these courses closely follow the Soviet interpretation of Marxism. Mesa-Lago, Cuba in the 1970s, p. 69. Suárez argues that the Soviet Union has deliberately used the Party as a mechanism through which to limit Castro's power, although his evidence is merely Soviet press statements about the PCC and not about Castro. André Suárez, Cuba: Castroism and Communism, 1959-1966 (Cambridge: M.I.T. Press, 1967), p. 246.

<sup>40</sup>Gonzalez and Ronfeldt, op. cit., p. 13.

<sup>41</sup>Adolfo Gilly, "Inside the Cuban Revolution," Monthly Review 16 (October 1964), p. 7.

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<sup>42</sup>Economic Intelligence Unit 1 (1976): 10.

<sup>43</sup>Mesa-Lago, Cuba in the 1970s; Gonzalez and Ronfeldt, op. cit.; Marta San Martin and Ramon Bonachea, "The Military Dimension of the Cuban Revolution," in Horowitz (ed.), op. cit., pp. 229-260; Rene Dumont, Is Cuba Socialist? (New York: The Viking Press, 1974); Gonzalez, Cuba Under Castro; The Limits of Charisma (Boston: Houlton Mifflin, 1974); K. S. Karol, Guerrillas in Power: The Course of the Cuban Revolution (New York: Hill & Wang, 1970); and Gouré and Weinkle "Soviet Cuban Relations: The Governing Integration."

<sup>44</sup>Mesa-Lago, Cuba in the 1970s, p. 105.

<sup>45</sup>By contrast, Gilly reported, on the basis of hundreds of conversations with soldiers, workers, farmers, students, army officials, and office employees, that Cubans sympathized with the Chinese in the early 1960s. Although the leadership at the time declared itself neutral, Gilly believed that it could not, if it wanted to, have taken a stand against the Chinese. Gilly, op. cit., 32. As the Sino-Soviet split has broadened the official Cuban stance toward China has changed, but there is no evidence that the leadership modified its policy in response to a shift in public opinion.

<sup>46</sup>Castro's attitude toward the "export of revolution" actually varied throughout the 1960s; he did not always advocate guerilla activities abroad. After "Che's" Bolivian debacle, the Castro regime deemphasized involvement in the internal affairs of other Latin American countries. Hugh Thomas, The Cuban Revolution (New York: Harper & Row, 1977), p. 702.

<sup>47</sup>Cuban foreign aid programs in Latin America began in 1970. They have involved a modest amount of money, and they generally have focused on such social service activities as flood and earthquake relief aid. By contrast, Cuban foreign aid programs in the Middle East have emphasized military dimensions, and in Africa and Indochina they have been of a mixed nature. A number of foreign aid programs are joint with the Soviet Union, with Cuba pulling out of a country--as it did in 1977 in Somalia--when the Soviets did. However, the Latin American programs are not jointly sponsored. Dominguez, op. cit., pp. 62-79.

<sup>48</sup>For a discussion of Cuba's post-1959 bilateral and multi-lateral treaties with both capitalist and socialist countries, see Jorge Pérez-López and Rene Pérez-López, "A Calendar of Cuban Bilateral Agreements," Cuban Studies 7 (July 1977), pp. 167-182; Steven Reed, "Cuban Participation in Multinational Organization and Programs in the Hemisphere," (Pittsburgh; unpublished manuscript, Center for Latin American Studies, University of Pittsburgh, 1977).

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<sup>49</sup>Gramma Weekly Review, August 6, 1972, p. 5.

<sup>50</sup>Cuban-U.S. relations were set back somewhat by Cuba's involvement in Angola and by the allegedly CIA-backed bombing of a Cuban airliner in 1976.

<sup>51</sup>For examples of Soviet pressure for a normalization of U.S.-Cuban relations, see Mesa-Lago, Cuba in the 1970s, fn. 48, p. 172.

<sup>52</sup>Gonzalez and Ronfeldt, op. cit., p. 46.

<sup>53</sup>Economic Intelligence Unit 2 (1975), p. 2.

<sup>54</sup>In my opinion, "pragmatism" is not characteristic merely of the post-1970 period. In the latter 1960s the Castro government considered itself to be acting pragmatically given its orientation and priorities at the time: it adopted means which it believed were suited for its social and economic goals. Because the strategy proved to have very negative effects on production and productivity it was abandoned, but economic effects should not be confused with intent.

<sup>55</sup>It is not surprising that the Castro government had difficulties inducing labor productivity in the absence of material incentives, since the society, in the past, knew so much about money. Money, and consumerism, were much more important in Cuba before its revolution than in other socialist countries before their respective upheavals.

<sup>56</sup>See Mesa-Lago, Cuba in the 1970s; Sergio Roca, "Cuban Economic Policy in the 1970s: The Trodden Paths," in Horowitz (ed.), Cuban Communism, third edition (New Brunswick: Transaction Books, 1977).

<sup>57</sup>Wholesale and transfer prices are to be based on recovering production costs plus a profit margin. Henceforth, administrators are to decide how to allocate profits; whether to invest them in the business, to distribute them to workers, or to put them into social improvements, such as day-care centers or recreational facilities.

<sup>58</sup>The government has been encouraging private producers, who comprise about 30 percent of the population engaged in agriculture, either to form cooperatives or to integrate their land into the state sector. The government here appears to be trying to restrict capitalist elements in the organization of production, but it has not done so consistently. It also has been increasing material incentives to certain private farmers, especially in coffee and tobacco, to induce them to produce more for export, and credits to

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private farmers purportedly now are based both on the merits of proposals and on the financial standing of the farmers and cooperatives, which they were not in the late 1960s.

<sup>59</sup>Economic Intelligence Unit 4 (1971): 5.

<sup>60</sup>The Soviet Union typically exports industrial goods to underdeveloped countries in exchange for raw materials. By contrast, the Soviet Union (and other Eastern European countries) trade raw materials for manufactured goods in their dealings with industrialized countries. In this respect, the Soviet Union occupies an intermediary position within the world economy, not a dominant position within a distinct economic bloc.

<sup>61</sup>U.S. Department of Commerce, Table 8, p. 44.

<sup>62</sup>Cuba may have enjoyed unusual policy-making autonomy in the late 1960s because the Soviet Union wished to encourage friendship with Cuba at a time when its international hegemony was being challenged not merely by the U.S. but also by China.

<sup>63</sup>(see Table on following page).

<sup>64</sup>New York Times, January 25, 1976, p. 59; April 25, 1977, p. 47.

<sup>65</sup>U.S. Department of Commerce, p. 13. The increase in unit value of Soviet crude petroleum and petroleum product exports in the 1970s varied by country. Apparently the Soviets first passed the price increase on to their capitalist trade partners (France and West Germany) and Yugoslavia, then to Eastern Europe and Cuba. They actually lowered the price of the exports to North Korea and North Vietnam, and left the rate for Mongolia basically unchanged. The latter three countries are the most underdeveloped in the Soviet socialist bloc. Pérez-López, "Cuban-Soviet Terms of Trade: Sugar and Petroleum," paper presented at the International Conference on the Role of Cuba in World Affairs, University of Pittsburgh, November 15-17, 1976.

<sup>66</sup>Economic Intelligence Unit 1 (1977), p. 10.

<sup>67</sup>Pérez-López, op. cit. Rodríguez announced in 1976 that "at present, Cuba delivers a smaller amount of sugar for a ton of oil than it did in 1965." As Pérez-López notes, this statement is deceptive, though, because in 1965 the terms of trade were unfavorable to Cuba. Ibid., p. 30.

<sup>68</sup>U.S. Department of Commerce, p. 11.

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CUBA: ECONOMIC ASSISTANCE FROM THE U.S.S.R.  
(Million U.S. \$)

	1961-67	1968	1969	1970	1971	1972	1973 <sup>a</sup>	1974 <sup>a</sup>
Balance-of-payments aid	1,393	432	494	231	509	631	418	273
Trade deficit with USSR	1,180	382	436	162	427	534	385	240
Interest charges	59	28	34	45	57	69	0 <sup>b</sup>	0 <sup>b</sup>
Other invisibles	154	22	24	24	25	28	33	33
Cumulative aid	1,393	1,825	2,319	2,550	3,059	3,690	4,108	4,381
Sugar subsidy payments <sup>c</sup>	632	150	86	150	56	-22	-95	-325
Total cumulative aid	2,025	2,607	3,187	3,568	4,133	4,742	5,255	5,203

<sup>a</sup>Provisional

<sup>b</sup>A Cuban-Soviet agreement of December 1972 exempted Cuban debt from further interest charges.

<sup>c</sup>The annual value of sugar subsidy payments is estimated as the difference between the value of sugar exports to the U.S.S.R. and the value of these exports computed at the average price for Cuban sugar sold on the world market. It is considered a grant by the U.S.S.R. and is not subject to repayment.

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SOURCE: CIA Intelligence Handbook, Cuba: Foreign Trade, as cited in U.S. Department of Commerce, Table 12, p. 51.

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## REFERENCES

<sup>69</sup>The estimated subsidy reflects the calculated difference between the value of sugar exports to the U.S.S.R. and the value of these exports computed at the average world market price for Cuban sugar at the time. Since much sugar sold on the world market involves bilateral preferential arrangements at above world market prices, the actual Soviet subsidy may be less than this estimate suggests. Cuba does not now enjoy preferential trade agreements in capitalist markets as it did before 1959.

<sup>70</sup>U.S. Department of Commerce, Table 8, p. 44. In the 1960s Cuba experienced a drastic deterioration in its terms of trade with the West because of the low world market sugar price. It did not experience such a decline in its dealings with the Soviet Union since sugar prices were set by fixed long-term agreements, and import prices were pegged accordingly. Brunner, op. cit., p. 122.

<sup>71</sup>As a rule, average world market prices for the previous five years are used as the basis for intra-bloc trade pricing. Pérez-López, op. cit., p. 12.

<sup>72</sup>U.S. Department of Commerce, p. 11; Granma Weekly Review, January 14, 1973; 2.

<sup>73</sup>U.S. Department of Commerce, Table 12, p. 41.

<sup>74</sup>The interest rate is estimated to be about 2 percent.

<sup>75</sup>Mesa-Lago, Cuba in the 1970s, pp. 17-18.

<sup>76</sup>Economic Intelligence Unit 1 (1976).

<sup>77</sup>Dominguez, op. cit., p. 7.

<sup>78</sup>Gonzalez and Ronfeldt, op. cit., p. 17.

<sup>79</sup>Thomas, op. cit., p. 650.

<sup>80</sup>Gilly, op. cit., p. 7.

<sup>81</sup>Economic Intelligence Unit 3 (1976): 9.

<sup>82</sup>Because the Soviet Union tended to be self-sufficient in sugar before 1959 Cuba cannot be viewed as a satellite that the Soviet Union needed so as to avoid trade dependence on the West. However, because Cuba produces sugar at a lower cost than the Soviet Union, the "international socialist division of labor" may be better adapted to local production conditions since Cuba became integrated into the bloc than it was before that time.

<sup>83</sup>However, socialist Cuba has non-currency arrangements with capitalist countries as well. It, for example, sent sugar to Norway in exchange for fish, wood pulp, and chemicals. And its barter trade

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arrangements with Spain became controversial in 1971, when the Spanish wanted a proportion of the interchange to be in convertible currencies. Economic Intelligence Unit (February 1963): 4; 4 (1971): 6. Curiously, between 1949-58 Cuba exported sugar to the Soviet Union (amounting to \$108,262,174) at world market prices in convertible currencies. The trade surpluses which Cuba then had with the Soviet Union were used to balance deficits with the U.S. and other capitalist countries. Pérez-López, p. 7.

<sup>84</sup>Thomas, op. cit., p. 604; Karol, op. cit., pp. 223-230.

<sup>85</sup>Boorstein, op. cit., pp. 153-179. The Czechoslovakian planning model was suited to the country in which it was designed, not to Cuba. It gave no attention to the special importance agriculture, sugar, and foreign trade played in the Cuban economy.

<sup>86</sup>Cuba's trade balance with non-Soviet COMECON countries has tended always to be more balanced than with the Soviet Union. However, Cuba generally did not run a trade surplus with the Eastern European countries in the 1960s to the same extent as in the early 1970s. On the 1960s, see Brunner, op. cit., pp. 116-120.

<sup>87</sup>Ibid., p. 124. The difference in prices of identical goods sold to different socialist bloc countries reflects independent negotiations.

<sup>88</sup>U.S. Department of Commerce, Table 5, p. 41.

<sup>89</sup>By comparison, capitalist countries accounted for the following portions of the trade of other Communist countries in 1975: USSR 44%, Poland 48%, Bulgaria 24%, Czechoslovakia 30%, GDR 32%, Romania 55%, and Hungary 30%. U.S. Department of Commerce, Domestic and International Business Administration, Bureau of East-West Trade, "Recent Developments in Cuban Trade," May 1976, p. 6.

<sup>90</sup>During this period trade between socialist and capitalist countries throughout the world increased more than did trade among socialist countries. See Frank, "Long Live Transideological Enterprise. . . ." The rates of increase in both East-West and Cuban-Western trade are likely to decline in the near future, to reduce socialist countries' foreign debt; however, it may very well increase once again either if socialist countries significantly expand their productive capacities or if they become deficient in particular vital resources.

<sup>91</sup>U.S. Department of Commerce, 1976, Table 2.

<sup>92</sup>U.S. Department of Commerce, 1975, Table 13, p. 52.

<sup>93</sup>New York Times, December 18, 1977, Section 3, p. 1.

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<sup>94</sup>U.S. Department of Commerce, 1975, Table 13, p. 52; U.S. Department of Commerce, 1976, Table 2. The 1970 figures are especially revealing because at that time world market sugar prices had not yet skyrocketed.

<sup>95</sup>There have been periods when the Soviet Union paid less for Cuban sugar than it paid for the sugar it purchased on the world market. In December 1971, for example, the Soviet Union paid 7.14 cents per pound for sugar bought from the Brazilian military regime, whereas it only paid 6.11 cents to Cuba. Granma Weekly Review, January 9, 1972: 10.

<sup>96</sup>U.S. Department of Commerce, 1975, Table 14, p. 53.

<sup>97</sup>Economic Intelligence Unit, Annual Supplement (1975): 14; 1 (1974): 3, 6. The delays caused by the issue of embargo exemption enabled European manufacturers, especially Fiat Concord, to get a sizeable proportion of the Cuban market. Cuba is becoming a center of competition for international capitalist interests.

<sup>98</sup>Economic Intelligence Units, 2 (1975): 2; 4 (1976): 12.

<sup>99</sup>Ibid., 2 (1975): 3. Moscow repeatedly relaxes Cuba's delivery quota to the Soviet Union, apparently to leave Cuba sufficient sugar to sell on the world market. On the basis of the market sales Cuba can purchase machinery and raw materials which the COMECON bloc does not provide, some of which is needed for the expansion of sugar production. The Soviet Union may be encouraging Cuban trade with capitalist countries partly because transport costs to Soviet socialist bloc countries are more costly.

<sup>100</sup>In 1975 and 1976 the Soviets funneled more than \$700 million of their sugar payments to the island in hard currency. And in 1976 they reportedly agreed to transact 75 percent of future sugar sales in hard currency. New York Times, December 18, 1977, Section 3, p. 9.

<sup>101</sup>Dominguez, op. cit., p. 8. The Soviet Union encouraged Cuban trade with capitalist countries already in the 1960s, although probably not to the same extent as in the 1970s. In 1963, for example, Cuba apparently received \$10 million from the Soviet Union for purchases in hard currency countries, and the Soviet Union facilitated Cuban trade with the sterling area. Economic Intelligence Unit (February 1963): 2.

<sup>102</sup>U.S. Department of Commerce, 1975. The only capitalist country to give Cuba untied aid is Sweden: it provided about \$2 million in 1970 and \$30 million between 1973-1976. Economic Intelligence Unit 2 (1971): 7; 1 (1974): 3.

<sup>103</sup>The Argentine credit stipulates that 15 percent be paid fob at the port of embarkation, and the remainder be paid over 8 1/2

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years at 6 percent interest. Ibid., 4 (1973): 3.

<sup>104</sup>Ibid., 4 (1975): 4 (1976): 10.

<sup>105</sup>According to a recent study, the average annual percentage change in international sugar prices was about 77 percent between 1950 and 1972, the second highest rate of yearly variation among all the raw materials investigated. See Reed, op. cit., p. 19.

<sup>106</sup>In October 1977 the world's major sugar producers, including the U.S., the Soviet Union, and Cuba, actually agreed to support sugar prices at 13.5-23 cents a pound. It remains to be seen whether the agreement will go into effect, as scheduled, in Spring 1978. New York Times, Section 3, November 13, 1977: 1. Assuming this agreement goes into effect, the ceiling will allow Cuba to earn no more than one-third the world market price it received per pound in November 1974, when the price reached its record high.

<sup>107</sup>U.S. Department of Commerce, 1975, p. 23 and 1976, p. 3. The components can be worth up to 20 percent of the value of the exports. Until Cuban involvement in Angola there had been some flexibility in restricting the value of U.S. components. On May 10, 1977 the U.S. Senate Foreign Relations Committee voted to lift the embargo on exports of farm products and medical supplies to Cuba. This measure was only a token gesture towards removing the trade embargo, but even its limited impact was undermined by a subsequent U.S. Congressional amendment which proscribed use of U.S. funds for trade or aid to Cuba. Economic Intelligence Unit 2 (1977): 7.

<sup>108</sup>Ibid., 3 (1976): 6.

<sup>109</sup>Ibid., 3 (1975): 4.

<sup>110</sup>Ibid., 1 (1977): 9.

<sup>111</sup>New York Times, April 19, 1977: 52.

<sup>112</sup>Economic Intelligence Unit 2 (1977): 8.

<sup>113</sup>Ibid., 4 (1975): 3.

<sup>114</sup>New York Times, April 25, 1977: 47.

<sup>115</sup>In 1976 Sumitomo Warehouses and the Cuban merchant marine formed a joint venture called Nippon Caribbean Shipping Company. Based in Tokyo, the new company is to be the carrier for all seaborne Japanese exports to Cuba. Economic Intelligence Unit 3 (1976): 8.

<sup>116</sup>Ibid., 2 (1977): 8.

<sup>117</sup>Mesa-Lago, Cuba in the 1970s, p. 49.

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<sup>118</sup>Moran, op. cit.

<sup>119</sup>New York Times, April 25, 1977: 47.

<sup>120</sup>U.S. Department of Commerce, p. 62.

<sup>121</sup>Ibid., p. 31. During this period, Cuban sugar production at its peak, in 1970, exceeded the Brazilian high by over 1 million tons. However, the Cuban record yield had negative effects on other sectors of the economy, and so the government deemphasized sugar somewhat in subsequent years. Brazilian sugar output, by contrast, seems to be rising more steadily, without such adverse effects on the remainder of the economy.

<sup>122</sup>For example, Cuba sold 1.7 million tons on the world market in 1966, but only 872,818 tons in 1972. Economic Intelligence Unit 4 (1974): 7.

<sup>123</sup>World sugar production rose from 70.5 million metric tons in 1970-71 to 80 million metric tons in 1973-74. The following year it dropped by about 2 million metric tons, and in 1976-77 it rose by about 8 million metric tons. New York Times, November 13, 1977:4.

<sup>124</sup>U.S. Department of Commerce, 1975, Tables 6 and 8, pp.

<sup>125</sup>New York Times, December 18, 1977, Section 3, p. 9.

<sup>126</sup>Ibid., 4 (1976): 9.

<sup>127</sup>The drop in world market sales was caused not only by the plummeting of world market sugar prices, and by a poor harvest (caused by bad weather conditions) and a contraction in Cuba's export market as well. In 1977 Cuba actually withdrew temporarily from the world market, probably because of the low world market sugar price but possibly also because of the poor harvest. Interestingly, in the same year the U.S.S.R. and Rumania bought substantial amounts of sugar on the international market (Economic Intelligence Unit 1 [1977]: 8). Their reliance on the world market rather than on Cuba may reflect production shortages in Cuba, but it may also reflect their desire to buy sugar cheaper on the world market. Socialist bloc countries besides Cuba have ties to world capitalism, and they apparently exploit the market opportunities when they can and when it serves their interests.

<sup>128</sup>Ibid., 1 (1977): 7. The problem of trade with Japan, Cuba's second largest trade partner, may have been compounded by the reduction in Japanese sugar purchases from over 1 million tons in 1974 to only 100,000 tons two years later.

<sup>129</sup>Ibid., 4 (1976): 10.

<sup>130</sup>New York Times, April 9, 1977: 6.

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<sup>131</sup>New York Times, December 18, 1977, Section 3, p. 9.

<sup>132</sup>The Castro regime's preoccupation with building "socialism in one country" should not suggest that Cuba is being Stalinized; Irving Louis Horowitz, in "The Political Sociology of Cuban Communism," in Mesa-Lago (ed.), Revolutionary Change in Cuba (Pittsburgh: University of Pittsburgh Press, 1974), pp. 127-144, argues that it is, but in so doing he distorts the meaning of Stalinism. First, even Mesa-Lago notes that the contemporary Sovietization of Cuba is of the post-reform variety. Second, the Cuban leadership is taking steps to decentralize and democratize the society. We do not yet know whether it will succeed; it may fail, not only because of Soviet pressures but also because of constricting world market pressures. Thus far, though, terror and brutality have never been as characteristic of Castro's Cuba as they were of Stalin's Russia. Third, while the Cuban leadership has been preoccupied with constructing socialism at home since the late 1960s, and not with exporting it to the rest of Latin America, they have been concerned with expanding (Soviet-allied) socialism in other parts of the world, above all in Africa.