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Cuba Expects Another Year of Low Sugar Production; Austerity Ahead

by LADB Staff

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In early November, Vice President Carlos Lage said the Cuban economy would not meet its 1998 goals and warned that strong measures would be taken against inefficiency and mismanagement of scarce resources. As late as July, Cuban officials were predicting 3.5% growth in GDP for 1998. That would have meant a modest one-percentage-point improvement over last year's 2.5% increase. Now, some economists predict no more than 1% growth for 1998. Lage is less pessimistic, telling reporters that tourism in the final quarter could still raise the growth figure.

By the end of the third quarter, Cuba reported 1 million tourists one month ahead of the million mark last year. Vice Minister of Tourism Eduardo Rodriguez said the 1998 total should reach 1.4 million tourists, with 1.7 million expected in 1999. However, tourism will not make up entirely for the deficiencies elsewhere in the economy. Lage said that the economy's sluggish performance last year resulted from the dismal 1997-1998 sugar harvest of 3.2 million metric tons (see NotiCen, 08/09/98).

The same may be in store for the economy this year and next. Despite tourism's growing importance, "the weight of the sugar harvest is very important," Lage said. The decline of sugar has also contributed heavily to a deficit in the current account, which Lage identified as one of Cuba's major economic problems.

In September, Sugar Minister Ulises Rosales del Toro warned that production for the 1998-1999 harvest could be lower than planned, which would mean another near-record low. Rosales said the threat of a poor harvest is only partly the result of the recent drought. Other factors are the slow preparation and poor maintenance of the fields. He laid much of the blame on the failure of production units to make proper use of capital resources.

Government to crack down on inefficient state enterprises

In recent months, the government has been warning that another year of austerity lies ahead. Lage said in October that the 1999 economic plan has to be "realistic." This means the emphasis must be on "forced efficiency" and "strong measures" to impose greater accountability on state enterprises and to end pilferage and corruption. The strong measures could also include withdrawing foreign-exchange budgets from these lagging enterprises, firing their directors, or even shutting down their operations.

Lage said sacrifices will be necessary. Though he did not specify where those sacrifices will take place, Economy Minister Jose Luis Rodriguez said resources must be concentrated on sectors that can sustain economic growth. Whether this means reducing resources allocated to sugar production is unclear, but the sectors supporting growth do not include sugar. Instead, they are tourism, nickel,
tobacco, and, to a lesser degree, the "emerging sectors" involving foreign-owned and mixed-capital ventures.

In some respects, Lage's assessment of the internal problems holding back economic growth coincides with a report from two Cuban dissident economists. The report, by Manuel Sanchez Herrero and Arnaldo Ramos Lauzurique, blames the state of the economy on inefficiencies stemming from abrupt policy swings and severe limitations on the free-market opening. (Sources: Associated Press, 09/19/98; Notimex, 09/02/98, 10/20/98, 10/31/98; Agence France-Presse, 11/04/98; The Miami Herald, 11/12/98)

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