

EGYPT'S ECONOMY AND CUBAN SUGAR

The amendment providing the authority for the Administration to reduce ESF by an amount equal to a country's imports of Cuban sugar is an unfair and discriminatory amendment which does not take into account the trade or economic situation of the countries involved. While isolating Cuba through a choking of its export markets may be a laudable policy, this amendment will place serious burdens on countries which import Cuban sugar and may have few alternatives.

Since this issue came up, Egypt has reduced its imports of Cuban sugar from 138,000 metric tons to 77,000 metric tons -- a 44 percent reduction.

Countries like Egypt, which imports Cuban sugar, are in a very weak position in trade. Much of Egypt's trade is based on barter or countertrade, where Egypt exports its goods in exchange for imports. To date, countries in the West have had little use for Egyptian exports, which are not of the quality of Western goods. Egypt is therefore forced to trade with the Soviet bloc.

At a time when Egypt economic and trade situation is desperate, forced reductions in Egypt's imports or exports would have a far broader impact than would seem likely from the dollar value of the trade.

Sugar is a critical import for Egypt, and, as in any Moslem country, shortages of sugar in Egypt could have dramatic social consequences. The economic restructuring program which Egypt is implementing has already resulted in severe sugar shortages in Egypt, along with shortages of other basic commodities. Forcing Egypt to stop purchases of Cuban sugar at this time could make the shortages worse -- and heighten domestic political unrest.

Finally, we believe that Egypt imports much of the Cuban sugar it does import from Bulgaria, which refines the sugar. Egypt has extensive trade ties with Bulgaria, a country which is willing to import Egyptian goods and which, given its proximity to Egypt, is a natural trading partner. Forcing Egypt to stop importing this sugar from Bulgaria could seriously damage Egyptian trade ties with that country.

Given all this, and given the fact that Egypt is already reducing its imports of Cuban sugar, why do we need this amendment?