

Cuban Society and Economic Development. Confronting Neoliberalism

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Writing about Cuban economy in Cubadebate, Jose Luis Rodriguez (ex Minister of Economy in Cuba, current Advisor, Centre for Research on the World Economy) explains Cuban economic performance in a challenging period while he highlights concerns Cuba faces, economic areas such as export of goods and services, imports, national oil production and the national external debt.

Yet, among his serious challenges Rodriguez includes the impact the passing of Fidel Castro, has had on Cuba and its people. It was a bad year but one that included a particular bad thing, the passing of Fidel. It is clear for us to see the loss of their “commander in chief,” the historic leader of the Cuban Revolution, who Rodriguez describes as “the most brilliant disciple of Jose Marti” (Marti himself being a Latin American hero), has been painful to Cubans.

Thus, Cuban perspective continues to be capable of including human pain and heart aches among the challenges in their economic reports. Good for them. It is interesting though that for most economic models human pain, heart ache, loss, does not count for much. Imagine how different our economic reports would be if the heart aches of the unemployed or underemployed, the pain of the homeless or those who have lost their homes because of financial woes were included. And what about the personal pain of women, of men, and children with no access to health care, free education and basics in the world? We manage to present rosy pictures of ugly times by leaving human suffering and pain mostly outside economic reports, evaluations and discussions.

Thus, we can accept a criminal economic model and call it euphemistically “neoliberal” –nothing new about it, nothing particularly liberal either, or capitalism with a human face, a true oxymoron. Even our focus on growth and increased wealth for the top layer of society goes without question. We allow, unfortunately, similar perspectives to dominate our understanding of the world, nature and our lives, causing heart ache, loss and destruction. But, heart ache and loss is difficult to measure, and growth per growth sake is our motto. A lot of good will happens when heart ache and loss are in, making visible the invisible, hopefully propelling us towards healthier directions –for us, other species, the environment, the world, and nature.

Cubans loss their historic leader and we may or may not understand the value of leadership as we are used to live without it.

Leadership used to be a positive thing, even a must, but lately whenever leaders emerge our masters move fast to suppress them, ending their lives or vanishing them, leadership not being allowed any longer in the political scene. Such are the forces behind our

economies, they are powerful, relentless, and mean, and even though deep inside we all know we follow a crazy model we follow it anyway, and keep moving forward, taking our world with us.

We move fast surrounded by a hurricane of uninspiring actions and inactions, while inspiring visions are deemed without value, and worthwhile projects are turned into dust -by reason or by force; we are left alone to live lives in poverty or overconsumption.

No balance, we consume everything in sight when feasible, food, fuel, clothes, goods and services, and irreplaceable amounts of energy.

Consuming may fail to make us happy and we have little to show for our way of life, except a lot of waste. We can blame the powers that are as they truly are domineering, mean, criminal but we still choose to live the way we live. At times we can even think that others envy us and can be almost sure that those complaining would live exactly as we live having a chance. In a way we consider ourselves “lucky” and when awareness bothers us we turn to false solutions, like if recycling could deal with the amount of damage our consumption causes. It is our way to deflate guilt knowing as we know that after us there will be little left to others.

I like that Cubans seem to know why they live lives different from ours; and if at times they are tempted by stuff or tired of facing challenges to ensure survival, they are still generally happy living as they live. They have created a society rich in social relationships where nobody feels left out or afraid others would envy them, as they all have pretty much the same. After every challenge, I believe, Cubans return to the rhythm of their lives, which reflects their economy and struggles but it is also more than that.

Beyond their pain and loss, Cubans faced in 2016-2017 additional challenges, some old, some new. Among the old, we have of course the blockade, imposed by the US, Cuba’s main barrier to development. The blockade is still very much in place despite talks with the Obama administration and the focus today for Cubans is to move beyond that conversation in the face of a new administration.

The cost of the blockade for Cuba has been estimated in 125,873 million dollars -only Cuba could have survived such hit. Then, among new challenges, we find the world economic recession and its effects on Cuban economic partners; which, in order of importance are: Venezuela (down in a 9.7% in 2016 and probably in a 4.7% this year), China (decreased 6.5%), Spain (decreased between 2-3%), Canada (increased GDP 1-2%) and Brazil (decreased 3.5% in 2016 but expected to grow 0.2% this year). Then, it was hurricane season and hurricane Mathew hit Cuba in October 2016; it affected Guantanamo severely, causing the destruction of about 38,000 dwellings and serious damages to the infrastructure of roads, communication and energy (electricity mainly).

The mentioned challenges have an effect on Cuban exports of goods and services, which decreased in a 30% during this period, with a fall in the prices of exported goods and services as well as reduced volumes exported. This situation particularly applied to a group of goods including nickel and sugar and to services offered, in particular, to the supply of qualified labor force to countries such as Venezuela and Brazil.

- **Nickel’s** price, for example, had increased a 10% for this period (to 10,679 USD per MT) but is still well below the price for 2013-2015 (14,596 USD per MT).

Production volume is below expectations (actually 56,000 MT) due to problems with one of their production plants.

- **Sugar** also faced increases in price (18.20 cents per pound) that went beyond sugar prices in 2015 (12.98 cents per pound). However, Cuban sugar production this year was only 80% of expected levels; this was mainly due to climatic challenges (excessive rain followed by drought) affecting the entire country. Thus the levels of 2015 (1,924,000 MT) were not reached in 2016, with 1,500,000 MT of sugar produced.

A different challenge affected **oil-derivate** products; in this case the levels of exportation actually increased (to 558 million MT) but the products were sold for a value of 228 million USD. Here the challenge was not actual volume of export but the value of the good in the market. For example, in 2015 similar amounts of products (532 million MT) were sold for almost three-times the value of the period (734 million USD). Thus, the price in the market affected the total value which decreased in a 68.9% for similar volumes.

Tourism was a positive sector overall; that is, there was an increase in the number of visitors to the island (13% increase) which reached the record of more than 4 million visitors, and a reported increase in the value of the services of 15%, or approximately 3 million USD. Tourism was the sector that worked best in terms of both market value and volume, which had a positive impact in the economy in 2016.

Export of services overall includes tourism and export of qualified labor force, so together the sector suffered a decreased relative to 2015 (1,170 million USD). The decrease due to the contraction of export of qualified labor force to Venezuela, in connection to challenges the Venezuelan economy is still facing. Further decreases are expected in this sector in the future because it is now facing decreases due to changes in the government of Brazil (now under Mr. Temer) –Brazil faces now both, economic challenges and unfavorable governmental views in Brazil on the import of qualified Cuban labor force.

Looking at **imports** there has been a decrease of a 10% in 2015 and while an increase of 7% in imports was planned for 2016 this actually did not take place, there was an additional decrease of between 3-9% in this area. The decrease was mainly in fuel imports; food imports were maintained because market food prices went down and allowed Cuba to comply with food imports need.

- **Food imports** benefited from falling prices allowing Cuba to import food products not produced in the country for a total 14% lower than expected.
- **Fuel imports** although lower in prices were also affected for a decreased ability of delivery by PDVSA –connected to mentioned challenges to the Venezuelan economy. Cuba managed, however, to lower consumption of fuel in a 4.4% (369,530 MT) and to reduce electricity production in a 6%.

National oil production:

The production of oil in Cuba continued to decrease, mainly due to a reduction in the number of active oil wells. Cuba has signed agreements with a Russian company (Rosneft) to focus on well recovery and to increase levels of production in the oil fields of Varadero.

National External Debt:

Cuba paid 5,299 million USD in 2016 on external debt as planned. Payment of debt obligations is crucial to Cuba because of its focus on increased access to new credit lines and better conditions of credit. Cuba also wants to facilitate, and increase when possible, Direct Foreign Investment (DFI); this has shown a modest increase in 2016; 83 new deals were signed -14 of which are repeated investments and 15 are investments specific to the area of Mariel while the rest are investments throughout the country.

The total amount of these investments is 1,300 million USD -which comes to about 488 million USD each year (or per 12 months period). Cuban need for this type of investment has been established in between 2,000-2,500 million USD allowing much room for improvement. The International Fair of Havana presented a portfolio including 395 investment projects (120 of them totally new) for an estimated value of 9,500 million USD, with a focus on foreign investment. Remittances from outside have increased and they are estimated to be between 2,000-2,500 million USD for 2016.

Plans for the future: 2017

The goal for 2017 is to focus on **economic growth** while favoring the following strategies: (1) guaranteeing Cuban exports while ensuring payment within the year, (2) intensifying national production, (3) substituting imports with Cuban products, and (4) reducing expenses.

Cuban expectations by sector are as follows: hotels and restaurants are expected to grow 8%, the aggregate value of the sugar industry is expected to grow as sugar production grows a 12%, an increase of 2-5% is expected in aggregate value in agriculture, industry, transport, communications, generation of electricity, gas and water, construction and commerce. A 3.3% increase is expected in retail trade and 2.7% growth is expected in other activities. Salaries are to increase 3.5% while productivity is expected to grow 6.6%.

Cuban government strategy to offset economic slowdown is to increase **government investment**; According to Rodriguez an increase of 49% in government funds in support of investment and of 26% in efforts to substituting imports is part of the plan. Government investment implies an increase in fiscal deficit (from 7% in 2016 to close to 12% of GDP in 2017); such deficit will be financed with emission of public bonds.

Facilitating **foreign investment** in Cuba has been a challenge mainly because of the US blockade and high risk assessment of Cuba by credit rating agencies - such as the Big Three controlling 95% of the credit rating markets -Moody's and Standard & Poor's, both American, controlling 80% of the credit rating market and Fitch, with offices in NYC and London, controlling the other 15%.

Foreign investors also express issues with Cuban Law of Foreign Investment (2014) in that there are possibilities of expropriation. They also disagree with having to contract all their labor force (as by Law) through public employment agencies. The process of approval of projects is also slow and it has had a negative impact in the capture of foreign investment; Raul Castro has openly expressed unhappiness regarding the excessive delays in the process of negotiations and promised to change this.

An **increase in exports** is discussed and includes new exports of high aggregate value such as additional products from sugar, steel of special quality in connection with their nickel and cobalt production, processed food products, quality clothes and shoes, as well as

on creative industries, competitive in Cuba, and including art and art related products. An increased focus in further developing tourism with options beyond hotels -like medical and nature tourism, and including the promotion of tourist attractions such as entertainment parks, marinas, golf, theatre, dance and nocturnal centers.

Notes:

José Luis Rodríguez (Cubadebate), La Economía cubana 2016-2017: Valoración Preliminar (I, II, III).

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