THE CUBAN ECONOMY AFTER SIX DECADES OF SOCIALISM: CHANGES, CONTINUITIES AND THE WORSENING CRISIS

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This paper identifies economic changes (positive and negative) in the 60 years of the Cuban revolution (1959–2019), as well as the principal continuity, which has been external dependence on a foreign nation: Cuba's incapacity to finance its imports with its own exports without receiving substantial foreign subsidies. A brief reference is made about the island's economic relationship with the USSR (as there is an abundant literature on that subject) but the focus of the paper is on the economic relationship with Venezuela since the start of the 21th century and its decline in recent years. President Donald Trump's punitive sanctions on Cuba and their adverse effects are also examined. Cuba's economic performance is evaluated with respect to growth, gross capital formation, financial stability, and the performance of agriculture, manufacturing, mining, tourism and the external sector. Comparisons are quite difficult to undertake for the entire six decades, due to key methodological changes in Cuba's calculation of GDP and its major components, therefore we use the year 1989 (before the collapse of the socialist camp) as a comparison year. In other instances, the emphasis is on the decade of Raúl Castro's structural reforms (2007–2017). Virtually all statistics come from Cuba's National Office of Statistics and Information (ONEI), either directly or as the base for our calculations; we also use statistics from ECLAC for regional comparisons. Additional information comes from speeches from leaders and from official and independent media, providing ample coverage of the ideas of Cuban resident economists and other social scientists. The paper has information through September 7, 2019.[1]

ECONOMIC CHANGES AND CONTINUITIES

Changes 1958–2018[2]

The market system shifted to a centrally planned economy, with overwhelming predominance of state enterprises and collectivized agriculture; later on, an emerging role for the non-state sector and the market resulted from Raúl's structural reforms but the fundamental features of the system persist.

The historical dependency on sugar (75% of total exports and 22% of GDP) was replaced by services (80% and 12%, respectively).

Exports of professional services jumped from nil to $8.8 billion, and they are now the most significant source of hard-currency

Foreign remittances, mostly from Cuban-Americans, increased from virtually nil to $3.7 billion, with re-

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2. This section mostly compares 1958 and 2018 data; in a few cases due to lack of data for the pre-revolutionary period, comparisons are done between 1989 and 2018. Sources are: Mesa-Lago, 2000, and ONEI, 2019a.

mittances currently being the second source of hard currency.

Both the number of tourists and tourism revenue rose 17 times and tourism is the third source of hard currency.

Oil production rose 79 times; dependency on imported oil fell from 92% to about 50%.

Social services swung from partly private and largely limited to urban areas to state owned-operated, universal and free; a major problem though is their financial sustainability, which forced Raúl to drastically cut social expenditures.

On the negative side, the external debt jumped 190 times; while recent renegotiation with key creditors resulted in substantial condonation, annual debt service payments are a heavy burden.

Cuba has become the oldest country in the region: population growth fell from 2.1% to -0.2%; the elderly group rose from 9% to 20%, and the labor force is shrinking; despite the human benefits of this change, it is a heavy burden on health-care and pension expenses.

Continuities

Constant throughout the 60 years have been the Cuban economy's incapacity to generate robust, sustainable growth and to finance imports with own exports, without foreign substantial subsidies to exports of goods and services.

Such dependency has been traditional in Cuban history: first with the United States (52% of total exports), higher with the USSR (72%) and since 2000 with Venezuela (peak of 44% in 2012–2013).

In 1960–1990, the USSR granted Cuba US$65 billion in aid, thrice the aid granted by the Alliance for Progress to all Latin America. Close to two-thirds of the total aid was in non-reimbursable price subsidies: The USSR paid as much as twelve times the world market price for Cuban sugar, nickel was bought at three times said market price and Soviet oil exports were sold below the world market price and met 92% of Cuban fuel needs. Out of the total reimbursable aid received from the Soviet Union, Cuba repaid a mere 0.7% (Russia absorbed the remained debt of US$25 billion and condoned the principal in 2018). Because of such heavy dependence, the disappearance of the USSR and Eastern Europe in the early 1990s provoked the worst Cuban economic crisis since the Great Depression: GDP shrunk 35% in 1989–1993 (Mesa-Lago, 2000).

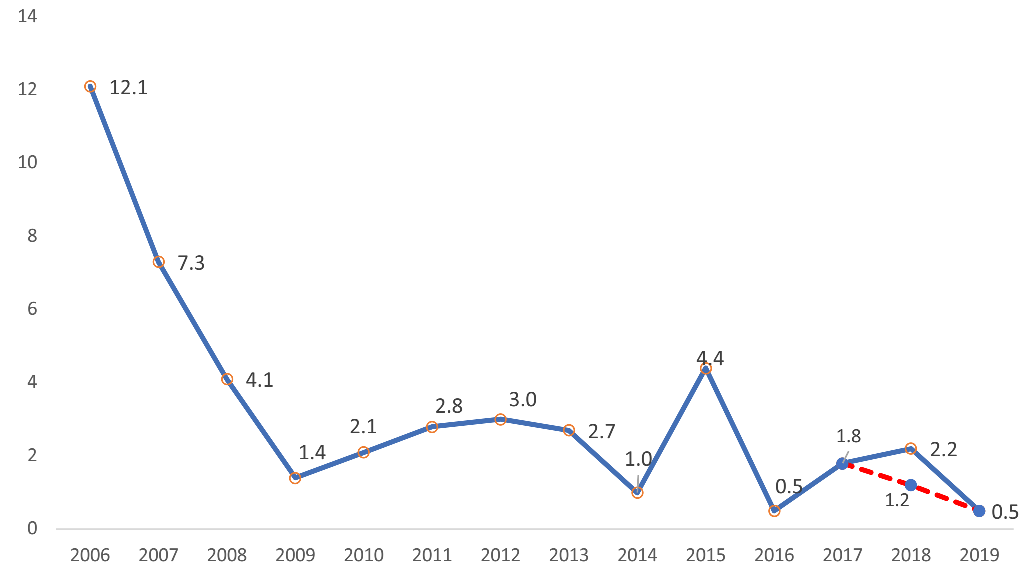
At its peak in 2012, Venezuelan trade of goods and services were 22% of Cuba's GDP; later the paper shows the devastating effects of the decrease in such aid.

ECONOMIC PERFORMANCE

Despite the receipt of exceedingly high foreign subsidies, Cuba has had a dismal economic performance, fundamentally due to its inefficient economic system and the inability of Raúl's reforms to improve the situation due to their slow pace, significant restrictions, obstacles, disincentives, heavy taxes and policy zigzags (Mesa-Lago and Pérez-López, 2013; Mesa-Lago and others 2018).

Economic growth. GDP growth peaked at 12.3% in 2006 (when Raúl took over) and steadily fell (save for 2015) to 2.2% in 2018 (Figure 1). Official growth figures have been revised upward in the past three years, despite abundant contrary evidence. In 2016 growth was first reported as -0.9% and later increased to 0.5%, a rise of 1.4 percentage points. In 2017 growth was initially announced as 1.6% and then raised to 1.8%. In the first half of that year, which usually sees the highest economic performance (high season of tourism, sugar harvest, etc.), the official growth was 1.1%; therefore performance in the second half would have had to rise by 2.5% in order to average 1.8% for the whole year, when in fact the second semester was marked by several internal and external adverse circumstances that would make the officially-reported increase doubtful (Mesa-Lago, 2018).In December 2018, president Miguel Díaz-Canel announced a growth rate of only 1.2% for the year, but when ONEI published the national accounts in June 2019, it doubled the growth rate to 2.2% (Figure 1). The official explanation for the doubling was that the initial rate was based on actual figures through July with estimates for the rest of the year. Later ONEI made significant revisions to the data: rather than declining by 2.2%, construction jumped 9.3% (11.5 percentage points upward); agri-

Figure 1. Cuba's GDP Growth, 2006–2019



Note: The red dotted is the originally-reported growth rate

Source: Author's elaboration based on ONEI, 2008, 2013, 2019a; 2019 is the growth rate projected by ECLAC, 2019a.

culture and livestock did not fall 4.9% but increased 2.6% (7.5 percentage points upward) and public health rose from 1.3% to 3% (Figueredo and others, 2019). Focusing on official statistics for the sector with the greatest increase, agriculture, Monreal (2019) conducted a rigorous analysis breaking up the data by branches and compared them to previous years, concluding that the 2.6% growth rate was not probable thus questioning the doubling of the GDP growth rate.[3]

The GDP growth rate goal for 2019 is 1.5%, which has been judged unattainable by most experts inside and outside of Cuba because of the severely deteriorated economy (see later). In the first semester of the year, export revenue targets were not met because of declines in the tourism, nickel and sugar industries—tourism is expected to fall in the second semester (Díaz-Canel, 2019b). In the first quarter of the year there were declines in the production of oil, natural gas and electricity (Torres, 2019). Based on the slowdown in tourist arrivals, reduction in professional services exports, low world market prices for sugar and nickel, Trump's measures, reduction of imported inputs and a deterioration in the external trade balance, ECLAC (2019a) projected in July an annual growth for 2019 "close to 0.5%." Minister of economics and planning Alejandro Gil praised ECLAC's reported rate for 2019, claiming that it was similar to the average growth forecasted for the entire region ("CEPAL: La economía cubana…," 2019). However, Gil omitted that the regional average was pulled down significantly by projected declines of 23% in Venezuela, 5% in Nicaragua and 2% in Argentina, whereas ECLAC (2019a: 99) projected that 26 countries in Latin America and the Caribbean would have growth rates superior to Cuba's.

Even if the official growth rates and upward revisions are accepted, the average annual growth in 2016–2019 (including ECLAC's projection for 2019) would be 1.2%. Furthermore, excluding the abnormal rate of 2015, in the last ten years (2009–2019) the average growth has been 1.8%, an indication of stagnation. Even more so, both averages are well below the growth rate of 5–7% acknowledged by Cu-

3. ECLAC (2019a), published at the end of July, reported a growth rate of 1.1% for Cuba. Cuban statistics only appear in four of the 30 applicable statistical tables.

ban leaders to be essential for robust and sustainable development.

Gross capital formation (GCF). This is essential to promote growth: the higher the GCF as a percentage of GDP, the higher the growth rate and vice versa. Figure 2 shows that GCF averaged only 9.7% in the last six years (10% in the last twelve), vis-à-vis the 25% that a consensus of economists have posited is required for adequate growth rates; that percentage was achieved in 1989 and it has not come even close to that rate since then. In 2018, the GCF average in Latin America was 18.7%, about twice the Cuban figure (ECLAC, 2019a).

After a decline in 2008–2013, the fiscal deficit rose from 1.3% of GDP to 8% in 2013–2018 (Figure 2). ECLAC (2019a) reports a deficit of 8.8% in 2018, four times the regional average of 2.1%; the projected budget deficit in 2018 was 11.5% but it was lower because expenditures were below the projection, including a contraction of 2.5% in social services and public administration. As is customary, the budget deficit has been financed by public bonds with 20-year maturity sold to the state bank with an annual interest of 2.5% (Cuba Standard, 2018). The significant rise in wages in half of the state sector in 2019 is putting strong pressure to control public expenditures and avoid a potential increase in the deficit.

Financial stability. Figure 3 indicates that since 1993, the worst year of the 1990s crisis, when it reached a peak of 26% of GDP, inflation fell to 0.6% in 2017 but jumped to 2.4% in 2018; in fact, there were at least three years with deflation over this period (1995, 2000 and 2016).[4] But official data on the Consumer Price Index (CPI) measuring inflation is not reliable for three reasons: (a) the government sets most prices, which are not determined by the market; (b) the basket of goods and services used to estimate the CPI, as well as their weights, have never been published, so the methodology cannot be checked; and (c) the CPI only includes prices in CUP and excludes prices in CUC,[5] used increased by the population to buy a good part of consumer goods at state shops (TRD) and services sold by the self-employed.

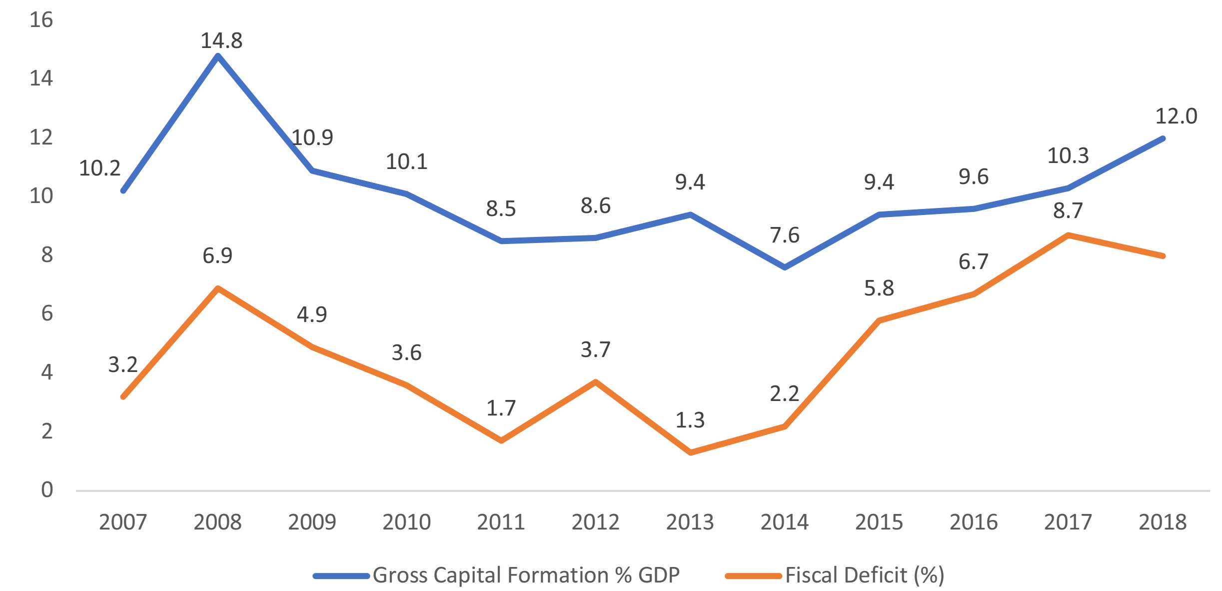
Another indicator of inflationary pressure is monetary liquidity in the hands of the population or monetary surplus (cash in circulation plus bank savings: M2), also shown in Figure 2. M2 more than doubled in 2007–2018 (from 25.5 to 58.9 billion CUP); as a percentage of GDP, it jumped from 36.8% to 58.9% in the period. The 2018 figure is the highest since the 1993 peak (73%), and also higher than the percentages in 1992 and 1994 (56.1% and 51.7%, respectively). Note that M2 is also limited to prices in CUP and excludes prices in CUC. The growth of monetary liquidity is due to the expansion of self-employed work receiving the highest incomes, and is an indicator of expanding income inequality. According to Cuba Standard (2018), to avoid further inflation, the government has raised funds through public bonds that are held by state-owned banks, thereby creating a financial bubble; when banks exhaust their ability to buy such bonds, the government will have to resort to monetary emission, which will feed inflation. The interest rate for the bonds is set by the government at 2.5% below what would be the market rate, which means that the ministry of finance is receiving funds at subsidized rates (Cuba Standard, 2018). Inflationary pressure in the second half of 2019 probably skyrocketed because of the salary increase.

Agricultural, cattle and fish production. Agricultural production has been stagnant or declining: as a percentage of GDP it decreased from 4% to 3.6% in 2007–2017, whereas its rate of annual growth at constant prices ebbed from 7.3% to -1.5%, and averaged 1.8% per year in the period. Agriculture is the largest employer (17% of total employment) but only generates 3.7% of GDP (ONEI, 2018; Monreal, 2019). The value of agricultural exports decreased 48% in 2012–2018 but agricultural imports over the

4. ECLAC, 2019a, reports a steady increase in Cuba's CPI from March 2018 to May 2019; it was 4.3% for May 2019.

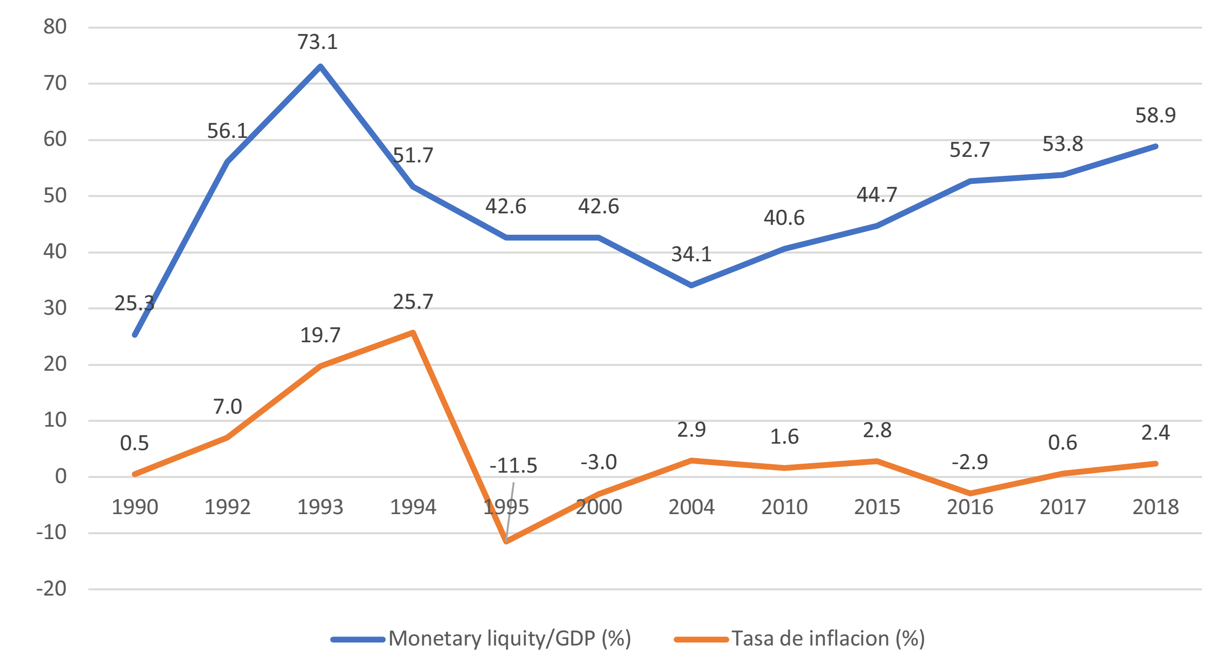
5. Two currencies circulate in Cuba: the national peso (CUP) and the "convertible" peso (CUC); neither is traded internationally and their value is fixed by the Cuban government. The CUC is valued at par with the dollar and equals 24 CUP.

Figure 2. Cuba's Gross Capital Formation and Fiscal Deficit, 2007–2018



Source: Author's elaboration based on ONEI, 2008, 2013, 2019a.

Figure 3. Inflation Rate and Monetary Liquidity in the Population Hands, 1990–2018



Source: Author's elaboration based on ONEI, 1991, 2001, 2008, 2013, 2019a.

same period grew by 17% and their share in total value of imports rose from 11% to 17% (ONEI, 2013 to 2019a). In 2018, Cuba imported US$1.9 billion in agricultural products, 60% of which could be produced in the country; for example, Cuba imported 496,120 tons of rice, more than half of the national consumption.

Table 1. Agriculture, Cattle and Fishing Production, 1989 and 2009–2018 (thousand metric tons)

Products	1989	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018/Peak %
Tubers	681	1,565	1,515	1,445	1,452	1,580	1,670	1,743	**1,843**	1,828	1,801	-2
Plantain/banana	291	670	735	835	885	658	836	890	**1,016**	1,015	961	-5
Vegetables	610	**2,540**	2,141	2,200	2,112	2,406	2,499	2,424	2,285	2,483	2,454	-3
Rice	**536**	564	454	566	644	**673**	585	418	514	404[a]	461	-32
Corn	**471**	327	324	354	360	426	429	363	404	373[b]	345	-26
Beans	14	111	80	133	127	129	135	117	136	132	**161**	0
Citric fruits	**825**	91	345	264	204	167	97	115	119	98	71	-91
Other fruits	219	748	762	817	**964**	925	884	943	944	926	861	-11
Tobacco leaf	**42**	25	20	20	19	24	19	24	19	31	30	-28
Cow milk	**924**	600	630	600	604	589	588	495	613	536	577	-38
Eggs[c]	2,523	2,427	2,430	2,620	2,512	2,656	2,572	2,321	2,419	2,535	**2,778**	0
Cattle	**4,919**	3,893	3,992	4,059	4,084	4,092	4,134	4,045	4,014	3,866	3,808	-22
Fish/seafood	**192**	65	55	49	48	51	56	57	52	52	51	-73

Note: Figures in dark font show the production peak.

Source: Author's elaboration based on CEE, 1991; ONEI, 2008, 2012, 2017, 2019.

a. Output in 2018 was below the 1989 level (CEE, 1991).
b. Thousand heads.
c. Million units.

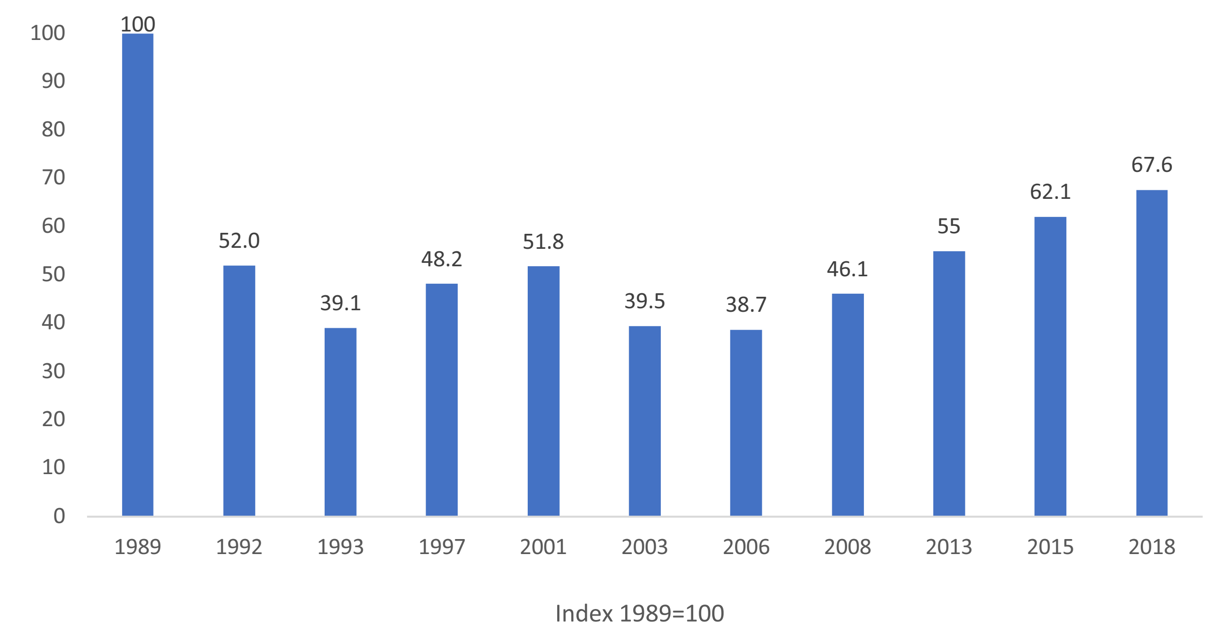
Raúl Castro's principal agrarian reform was usufruct: transfer of idle state land to farmers, cooperatives and state farms for their cultivation, with the government keeping ownership of the land. Usufruct land distribution began in 2008 and, because of its very marginal effects, the law was relaxed in 2012 and again in 2018; available statistics indicate that said program largely failed to increase production (Mesa-Lago and González-Corzo, 2019; Table 1).

Table 1 compares the performance of 13 key agricultural, cattle and fish products in 1989 (the year before the economic crisis brought about by the collapse of the USSR) and in 2009–2018; output peaks are indicated in bold. Output in 2018 was below peak output in 11 of the 13 products (only grew for beans and eggs), with the decline ranging between 11% and 91% in eight of them (rice, corn, citrus, other fruits, tobacco leaf, cow's milk, cattle heads and fish-sea food); for seven products, the 2018 production level was below 1989 (all of the above except other fruits). In contrast, in the period there were notable increases in five products (tubers, bananas, vegetables, beans and other fruits).

Industrial and mining production. In 2018, the index of industrial production was one-third below the level of 1989, 82% below in sugar and 22% below in the rest of the industrial sector (Figure 4). Mining production descended for six consecutive years in 2007–2017 (-3.5% in 2018) and waned from 0.6% to 0.5% of GDP in the same period (ONEI, 2008, 2019a). Table 3 presents time series of output of eleven key mining-manufacturing products in 1989 and 2007–2018; the peak production level is denoted in bold. Output dwindled for ten of the eleven products (between 17% and 95%), and grew sharply for only two: electricity and medicines. In 2018, five products were below their 1989 level: sugar, steel, cement, textiles, and fertilizers. In contrast, output increased significantly in oil and natural gas; the former decreased after 2015 due to the exhaustion of wells and the failure of deep-sea oil prospecting, while gas fell after 2015; output of medicines grew until 2015. The series was deleted after that year, which indicates—based on accumulated previous experience—a decrease in production; nickel grew through 2007 and then decreased, while cigars increased until 2016 and then declined. Production in 2018 was below the 2007 level with respect to all products.

Tourism. Cuba's best economic performance has been in international tourism, currently the third source of foreign exchange (professional services and remittances are the two main sources, in that order),

Figure 4. Index of Industrial Output, 1989–2018



Source: Author's elaboration based on CEE, 1991, 1998; ONEI, 2007, 2013, 2019a.

Table 2. Mining and Manufacturing Production, 1989 and 2007–2018 (thousand metric tons)

														2017/18 % of	
Products	**1989**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2007**	**Peak**
Oil	718	2,905	3,003	2,731	**3.025**	3,012	2,998	2,897	2,905	2,822	2.619	2,522	[a]	-13	-17
Natural gas[b]	34	1,218	1,161	1,155	1.072	1,019	1,034	1,066	1,200	**1,245**	1.185	1,051	970	-20	-22
Nickel	47	**73**	70	70	70	72	68	55	52	54	51	53	50[c]	-27	-27
Sugar	**8,121**	1,193	1,445	1,388	1.164	1,242	1,454	1,568	1,633	1,924	1.501	1,100	1,050	-12	-87
Steel	**314**	262	274	266	277	282	277	267	258	221	205	210	188	-28	-40
Cement	**3,579**	1,805	1,707	1,626	1.631	1,731	1,824	1,659	1,579	1,517	1.493	1,430	1,590	-12	-56
Electricity[d]	15.4	17.6	17.7	17.7	17,4	17.8	18.4	19.1	19.4	20.3	20,4	20.6	**20.8**	18	0
Textiles[e]	**220**	24	29	28	25	25	28	34	45	55	55	39	17	-29	-92
Fertilizers	**898**	22	40	9	22	39	30	21	32	44	57	72	43	95	-95
Cigars[f]	308	412	386	375	376	392	392	411	423	412	**426**	417	280	-32	-34
Medicines	78	397	607	639	770	712	713	868	1.338	**1.435**					

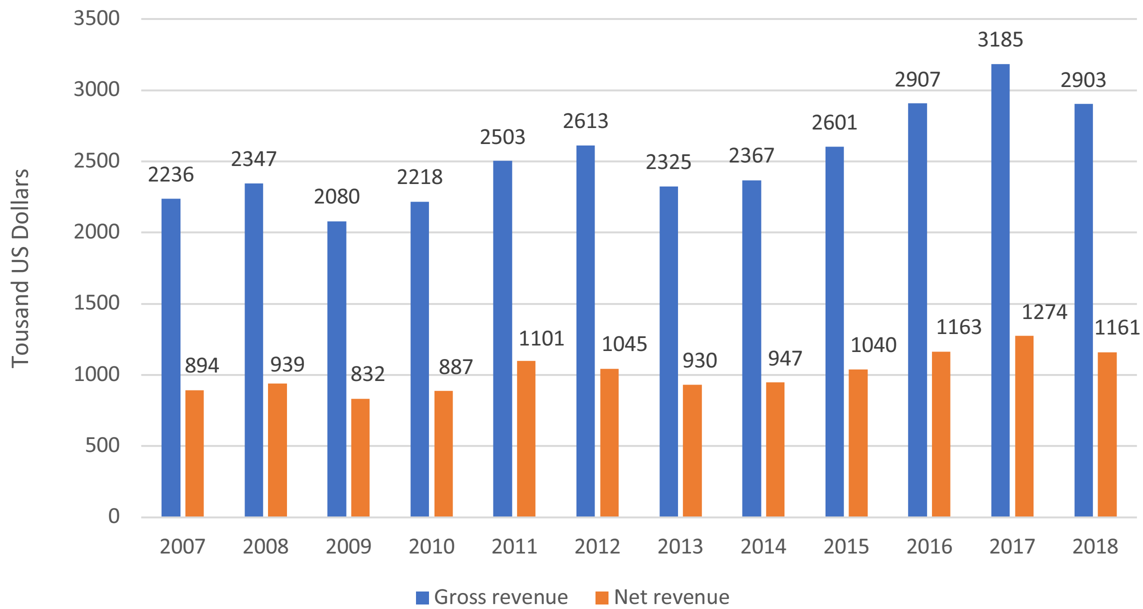
Note: Figures in dark font show the production peak.

Source: Author's elaboration based on CEE, 1991; ONEI, 2008, 2012, 2017, 2019a.

a. There was a decline of 20% in the first quarter of 2019 (Torres, 2019).
b. Million cubic meters.
c. Estimate from Rodríguez, 2019.
d. Thousand Gigawatts/hours.
e. Million square meters.
f. Million units.

hence more space will be devoted to its evaluation. Tourism was stimulated in the 1990s to counter the crisis; the number of visitors increased 17 times in 1989–2018 (Table 3). Since 2015, its growth accelerated as a result of the normalization of relations between the United States and Cuba under the Obama presidency, which facilitated visits, air flights and cruises to the island. The average rate of growth of tourists which in 2015–2017 was 15.7%, dwindled to 1.2% on 2018 (see causes below); in addition, the

Figure 5. Tourism Gross Revenue and Estimated Net Revenue, 2007–2018



Source: Table 3.

total number of tourists decreased 20% in June 2019 relative to the same month in 2018 and 23% relative to May 2019 (Perelló, 2019).Tourism *gross* revenue (without netting out the value of imports for the sector) grew at a lower rate than that of visitors in 2007–2018: 29% and 118% respectively, because average expenditure per tourist declined 40% in that period (the opposite occurred in other Caribbean competitors, Cancún, Jamaica and Costa Rica). Since the early-1990s no data on tourism *net* revenue had been released; in 2019 the minister of economy and planning reported that for every dollar of revenue generated by the tourism industry, more than 60 cents of imports was required; he added that such imports could be replaced by national production (Gil, 2019b). Using this percentage, net revenue of the tourism industry has been calculated for the entire period (Figure 5). In 2018, net revenue was US$1.2 billion, only 1.1% of GDP that year and barely double the contribution of nickel to GDP. A senior MINTUR official stated that "in the old days we had higher costs that have been gradually reduced" (Macías, 2019), but official statistics for 1985–1992 show that the percentage of imports in revenue in earlier years was 38–40% vis-à-vis 60% in 2018 (Mesa-Lago, 2000, Table III-15).

The number of hotel rooms doubled in 1989–2007, and rose 78% in 2007–2018. About 61% of all rooms are managed by international hospitality chains. The percentage of rooms belonging to the private sector has grown; in mid-2019 there were 26,224 controlled by the private sector (36% of the total), their share of gross income was 22% in 2017 and their growth rate was 18.5% in 2018 compared with 3.8% in the state sector (Perelló, 2018; ONEI, 2018; Herrera, 2019). Recently, the tourist infrastructure has been expanded with the construction of five-star hotels in Havana, such as the high end Kempinski's "Gran Manzana" with rates going up to US$5,000 per night (AFP, March 11, 2019). Meanwhile average occupancy has shown a declining trend (except in 2016 due to the U.S.-induced boom), from 60.9% in 2007 to 49.5% in 2018 (Table 3). Occupancy is much higher in the Dominican Republic (77.0%), Cancún (81.4%) and Riviera Maya (82.9%). Also descending in Cuba are average days of stay (-59% in 1989–2017) and daily revenue (-23% in 1997–2016), while empty rooms per day totaled 175 million in 1990–2017 and hotel losses

Table 3. Indicators of International Tourism, 1989 and 2007–2018

Indicators	1989	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Visitors (thousands)	270	2,152	2,348	2.430	2,532	2,717	2,841	2.855	3,006	3,532	4,036	4,654	4,712
Gross revenue (million US$)	168	2.236	2.347	2,080	2,218	2,503	2,613	2.325	2,367	2,601	2,907	3,185	2,903
Net revenue (million US$)[a]		894	939	832	887	1,101	1,045	930	947	1,040	1,163	1,274	1,161
Rooms (thousands)	21.4	47.3	49.1	60.6	65.0	66.7	65.3	65.1	66.1	66.3	67.0	73.5	84.2
Occupancy rate (%)		60.9	60.1	59.8	57.1	53.2	58.2	58.3	58.6	58.7	61.5	56.9	49.5
Average expense per tourist US$	622	1,039	998	856	875	921	1,087	814	787	736	720	684	616

Source: Author's elaboration based on CCE, 1991; ONEI, 2008, 2019a.

a. Estimated as 40% of gross revenue, based on the 60% official figure of imports in 2018.

have been increasing (Herrera, 2019; Romeo, 2019). In view of such poor indicators in the state sector, several Cuban economists have questioned the official strategy of "expanding" hotel construction and investment in tourism (4,000 rooms and US$3 billion in 2019, respectively) and have suggested focusing on quality rather than quantity.

Foreign tourists in 2018 came mostly from Canada (24%), the U.S. (14%), Cuban-Americans (13%), and between 3% and 4% Italian, German, Russian, French, English and Spanish. The number of U.S. tourists grew 590% in 2014–2018, due to the thaw of relations between Cuba and the U.S., and this also pushed upward the trend from all emitting countries until 2017. In the fourth quarter of 2017 and the first half of 2018, there was a decrease in tourism (208,296 fewer) for three reasons: damage to infrastructure caused by hurricane Irma in September 2017 particularly to facilities in the North Coast Cays; the ban by the Trump administration affecting U.S. tourists staying at hotels and eating at restaurants run by the military; and the U.S. government's alert not to travel to Cuba because of the danger of sonic attacks such as those that affected diplomats. In 2018 Canadian and European visitors declined[6] and Americans grew but at a much slower pace; only Cuban-Americans increased substantially (ONEI, 2019a). The target given by the government for 2018 was 5.1 million tourists but in September it was reduced to 4.8 million and the final figure was 4.7 million.

President Trump's second wave of punitive sanctions came into force in July 2019: banning cruises and people-to-people travel, which were the simplest way for Americans to go to the island. Cruise tourists accounted for 45% of total arrivals in 2018 and rose to 53% in the first half of 2019(based on Perelló, 2019).[7] After June, when Trump's suspension of cruise ships started, "cruceristas" declined 15–20% and it was also predicted that the ban on people-to-people travel would have negative effects (Marrero, 2019; Perelló, 2019 updated).And yet, according to ONEI (2019b), at the end of July 2019, the accumulated number of *U.S. visitors* rose 20% compared with the same period in 2018, seemly unaffected by the Trump administration's measures. Nevertheless, accumulated *total* tourists through July (also relative to the same period in 2018) fell 1.1% (26.3% in July alone) reflecting a 16.5% decline in visitors from all major European nations, 5% in visitors from other countries, and 1.5% in travelers from Mexico; the number of Canadian visitors was virtually stagnant (they dwindled 5% in July alone) while Russian tourists grew 12% (but their participation is less than 3% of the total), and Cuban-Americans rose 6%. Due to the decline of U.S. tourists since September 2019, particularly those arriving by cruises, it is predicted that in 2019 there will be 250,000 fewer American tourists and a loss of $980 million in revenue (Figueras, 2019).

A cause for the decline of non-U.S. tourists is the low quality in state tourism, for example poor infrastructure, deterioration of the physical plant because of

6. Canadian tourists dwindled 2.2% in 2018 because of the increase in hotel prices, deterioration of the Canadian dollar vis-à-vis the US dollar, and Canadian government alerts about sonic attacks that afflicted their diplomats on the island.

7. Cruise tourists spent 15% of the amount spent by visitors arriving by air, contributing to the declining trend in daily expenses.

Table 4. External Balance of Goods and Services, 1989 and 2007–2019 (million US dollars, current prices)[a]

	1989	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Goods													
Exports	5,400	3,966	3,940	3,020	4,754	6,170	5,899	5,566	5,149	3,572	2,546	2,704	2,742
Imports	8,139	10,118	14,312	8,938	10,689	14,019	13,869	14,773	13,101	11,745	10,302	10,212	11,527
Balance[b]	-2,739	-6,152	-10,372	-5,918	-5,935	-7,849	-7,970	-9,207	-7,952	-8,173	-7,756	-7.508	-8,785
Services													
Exports		7,952	8,566	7,819	9,765	11,149	12,760	13,027	12,663	11,369	11,144	11,379	11,764
Imports		215	494	656	711	1,060	1,019	829	764	860	924	1,098	1,042
Balance		7,732	8,072	7,163	9,054	10,089	11,741	12,198	11,899	10,509	10,222	10,281	10,722
Global balance		1,585	-2,300	1,901	3,119	2,240	3,771	2,991	3,947	2,336	2,464	2,774	1,937
Tourism gross revenue		2,236	2,346	2,082	2,218	2,503	2,613	2,607	2,546	2,819	3,069	3,302	2,903
Professional services[c]		5,716	6,220	5,737	7,547	8,646	10,147	10,420	10,117	8,550	8,075	8,077	8,861[d]
% of GDP		9.8	10.2	9.2	11.7	12.5	13.8	13.5	12.5	9.8	8.8	8.3	8.8

Source: Author's elaboration 1989 from CCE, 1991; 2007–201 based on ONEI 2013, and 2013–2018 based on ONEI, 2019a (table 5.13).

a. Official figures are given in "pesos" without specifying if in CUP or CUC; there is a consensus that they are in CUC similar to the US dollar.
b. ONEI, 2019a (table 8.3) gives a different series of the trade balance of goods with a higher deficit than in table 5.13 hence the global balance is smaller.
c. Exports of services less gross revenue from tourist services.
d. ONEI (2019a) gave for the first time the value of exports of services distributed by type for 2018 (see estimates of professional services in the text).

dearth of maintenance, low hygiene standards, inoperable air conditioners, TV sets and phones, poor and low variety food, remarkable increase in hotel and restaurant prices, expensive car rentals, spotty and weak Wi-Fi connectivity, very few extra hotel activities, and poor service, which is much better in the private sector. For those reasons, TripAdvisor does not include Cuba in the ten most popular destinations in the Caribbean (Romeo, 2019; Herrera 2019). For example, at the five-star Hotel Playa Pesquero, managed by Gaviota in Holguín (where the International Tourism Fair was held in 2017), 12 British tourists contracted gastroenteritis in 2014, with the number steadily rising to 37 in 2018. Similar cases have been reported at the Hotel Memories Paraíso Azul in the Keys North of Las Villas, Playa de Oro in Varadero, Memories Varadero Flamenco Beach, Sol del Río de Luna and Mares Holguín, etc. (Mesa-Lago, 2018).

The initial plan for 2019 was for the number of tourists to exceed 5 million and to generate gross revenue of "more than 3 billion dollars" (Fuentes, 2018). By the end of the first semester, the number of tourists had been revised to 4.3 million for the entire year, 8.5% fewer than in 2018, and actual revenue was US$1.4 billion; projecting this revenue at the same rate for the year would yield revenue 1% below the 2018 level (Perelló, 2019 updated).

EXTERNAL SECTOR: EFFECTS ON CUBA OF VENEZUELA'S CRISIS AND TRUMP POLICIES[8]

Dependency on and impact of Venezuela's crisis on Cuba. Throughout the revolution, there has been a systematic deficit in Cuba's trade balance of goods (Pérez-Lopez, 2017). Such deficit reached a historical zenith of US$10.4 billion in 2008 and then declined: while exports steady dropped after 2011, imports were cut also, resulting in a lack of inputs and shortage of consumer goods in the island. Exports and imports peaked in 2011 (Table 4). In 2018, exports of goods were 49% below their 1989 level and 56% below the 2011 level, while imports increased by 41% and decreased by 18%, respectively. Consequently, the merchandise deficit in 2018 grew by 220% compared to 1989 and 11% relative to 2011. Monetary and exchange rate duality are serious obstacles to increase exports because their distortions impede identifying and realizing profitable exports.

8. This section is mainly based on Mesa-Lago and Vidal (2019), updated with ONEI 2019a and additional data.

Exports of professional services. Starting in the 21st century, Cuba began exporting professional services (mainly doctors, nurses and teachers) pursuant to a treaty with Venezuela, the buyer of about 75% of those services. As a result, there was a surplus in the balance of services trade that not only offset the goods trade deficit, but generated a surplus in the overall balance of trade of goods and services (except in 2008 because of the huge deficit in goods) that reached a peak in 2014. Due to Venezuela's severe economic crisis, the aforementioned surplus decreased by 51% in 2014–2018. Table 4 calculates the value of Cuba's professional services exports (subtracting the value of tourist revenue from total service exports): professional exports declined by 22% in 2013–2017 (with an uptick in 2018), which is a major cause of the GDP decline from 7.3% to 2.2% in 2007–2018 (ONEI, 2013 and 2019a). For the year 2018, ONE (2019a) revealed for the first time the value of total services exports distributed by type. The combination of human health and social care, education, other professional and technical services, and cultural and sports[9] amounted to US$6.7 billion; although comparisons are not technically proper because of diverse methodologies, the ONEI figure of value of professional services exports is 25% lower than the estimate in Table 4 of $8.8 billion.

Other buyers of Cuban professional services such as Brazil, Ecuador and Argentina have seen changes in their governments that ended or cut such purchases or indicated their intention to do so. In Africa, Angola and Algeria have reduced the presence of Cuban professionals, Mozambique revoked the exchange agreement and the relationship with Kenya is threatened by the suicide of a doctor studying in Cuba and criticism from the Union of Physicians and Dentists and the Kenyan Senate.[10] Despite those setbacks, professional services remain Cuba's main source of foreign exchange, their contribution to total exports of goods and services rising from 56% in 2013 to 61% in 2018, albeit with a diminished value (based on Table 4).

Goods trade. Table 5 shows that not only have Cuban exports of professional services has been affected by the Venezuelan crisis, but there also has been a sharp cut in goods trade between the two countries. The peak of goods trade was reached in 2012, when Cuba's total goods trade reached 44% (making Venezuela the first trade partner), but in 2016 it declined to 17.6%, with Venezuela being displaced to second place, while China moved briefly to the place of the first trading partner. In 2017, the situation was reversed as Venezuela's share of total trade remained at 17.6% while China's fell to 16%, so that Venezuela again became Cuba's first trading partner. The relationship has led to a huge trade deficit for Venezuela. In 2012, Cuban exports to Venezuela were US$2.5 billion (mainly medicines and refined petroleum) while imports from Venezuela totaled $6.1 billion (mostly oil) for a trade deficit of US$3.6 billion (44% of Cuba's total deficit). In 2016,Cuba's deficit with Venezuela dwindled to US$940 million, a reduction of 74% (12% of the overall Cuban deficit). And yet, Table 5 shows that merchandise trade with Venezuela swelled again in 2018, the share of trade with Venezuela rose to 22.4% and the trade deficit with that country was 29% of the total deficit. Cuban exports of professional services to Venezuela (calculated as 75% of the value of those exports) peaked at US$7.8 billion in 2013 and dropped 30% in 2017, but increased to US$6.6 billion in 2018 (still 20% below the peak in 2014).

Oil supply. Venezuela's oil exports to Cuba have wilted considerably. At its peak in 2012, Venezuela exported 105,000 oil barrels per day (b/d) to Cuba, but supply dropped to 55,000 b/d in 2017 and 40,000 b/d in January-May 2019. In addition, PDVSA purchased US$400 million of Russian oil that was delivered to Cuba between January 2017 and May 2018. Total Cuban imports of fuels, lubricants

9. "Health and social care services" account to 57% of total services, while "educational services" are only 2% and the rest represent even smaller shares.

10. However, the Mexican government has hired from 3,000 to 6,000 Cuban doctors, through a contract with the Social Insurance Institute; the Cuban doctors began arriving in Mexico in September 2019 (Díaz, 2019).

Table 5. Cuban Trade Dependence on Venezuela Goods and Services, 2012–2018 (million US dollars)

Goods	2012	2013	2014	2015	2016	2017	2018	Change 2017/2012	Change 2018/2012
Venezuela's									
Total trade goods	8,563	7,067	7,258	4,232	2,224	2,214	3,103	-74%	-64%
% of total trade	44.1	35.4	40.5	28.1	17.6	17.6	22.4	-26pp	-22pp
Exports	2,484	2,266	2,069	1,437	642	375	462	-84%	-81%
Imports	6,079	4,802	5,188	2,794	1,582	1,838	2,642	-70%	-56%
Deficit	-3,595	-2,536	-3,119	-1,357	-940	-1,463	-2,180	-59%	-39%
% of total deficit	43.7	26.9	38.1	16.2	12.0	19.0	28.9	-24pp	-15pp
Export professional services[a]	7,610	7,815	7,588	6,412	6,056	6,057	6,646	-23%	-13%

Source: Author's elaboration based on ONEI, 2017, 2019a.

a. Estimated as 75% of total value of professional service exports. This series is not always equal to that in Figure 6 due to different methods of computation and statistical sources.

and derivatives decreased by 69% in 2007–2017, while Venezuelan imports dwindled by 67%. Compounding this problem, Cuban crude oil production in thousand metric tons decreased from a peak of 3,025 in 2010 to 2,449 in 2017; no data is available for 2018 (ONEI, 2013 and 2018). Thus, the reduction in fuel imports coincided with the drop in domestic production; Piñón (2019) estimates that Cuba faces a deficit of 65,000 b/d of oil that has prompted a program of austerity and cuts in energy supply for businesses.

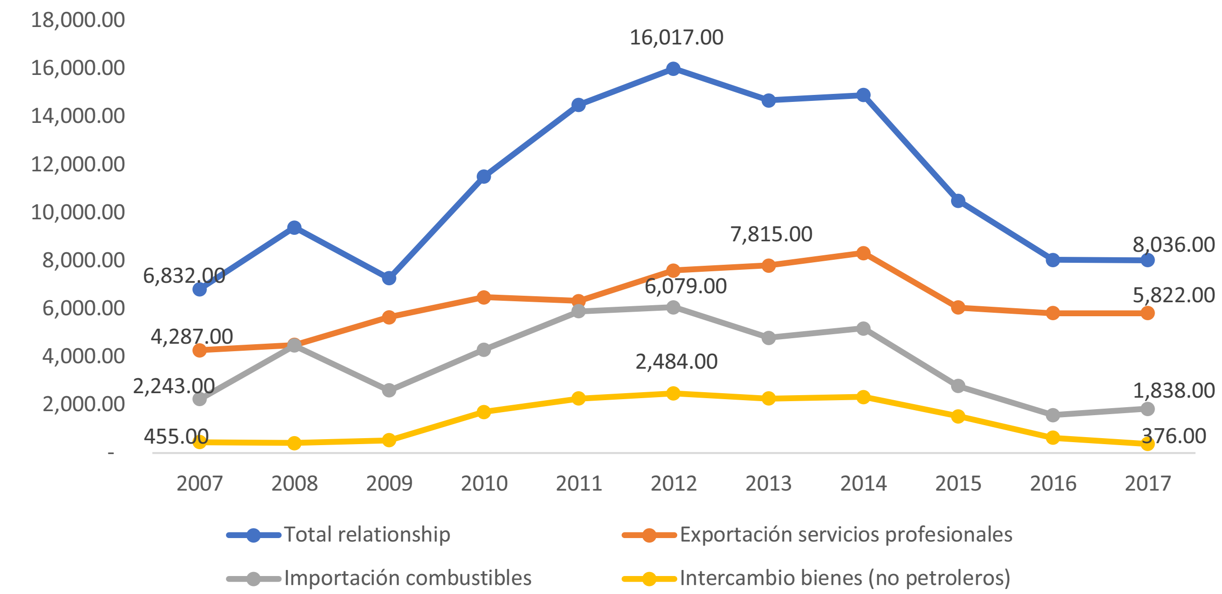
Subsidies to the price of professional services. Under the agreements with Venezuela, Cuba pays for the import of oil and its derivatives with the sale of professional services. But the price of those services has been inflated (the Cuban state was paid for one of its doctors 27 times what a Venezuelan doctor was paid, on average), so there was a significant subsidy in disguise.[11] In addition, a considerable amount of crude oil from Venezuela was processed at the refinery in Cienfuegos, with the refined products forwarded to Venezuela; this business generated some excess production of refined oil products that Cuba exported for a juicy foreign exchange gain (as it did with the USSR). The supply of oil to be refined in Cuba was halved in 2016, reducing the refined amount and exports. Venezuela is estimated to have lost a potential oil revenue of $29.4 billion in its barter with Cuba in 1996–2017.

Direct investment. In 2001–2014, the Intergovernmental Commission of the two countries approved 475 Venezuelan investment projects in Cuba worth $8 billion: 76 projects for $1.4 billion in 2008; 173 for $2 billion in 2009 (including two expansions of the Cienfuegos refinery); 116 for $1.6 billion in 2011; 54 for $2 billion in 2013; and 56 for $1.2 billion in 2014. In addition, Venezuela's Economic and Social Development Bank allocated $1.5 billion to finance projects in Cuba in 2007–2010, while the Autonomous Fund for International Cooperation provided close to $1 billion in loans to eleven Cuban companies. While some of these projects were not carried out and apparently disappeared after 2014, Venezuela's direct investment has been significant, especially the Cienfuegos refinery.

Estimation of the value of the total economic relationship and its components. Figure 6 shows the total value of the Cuba-Venezuela's relationship, its composition and trends in 2007–2017 (no data are available for 2018). The total value of the relationship increased from US$6.8 billion in 2007 to US$16 billion in 2012, declining by one half to US$8 billion in 2017; the major component, Cuba's exports of professional services, peaked at US$7.6 billion in 2013 and dropped 24% to US$5.8 billion (or to US$5 billion based on ONEI data in 2018); fuels trade reached a high US$6 billion in 2012 and decreased 70% to US$1.8 billion; and non-oil trade

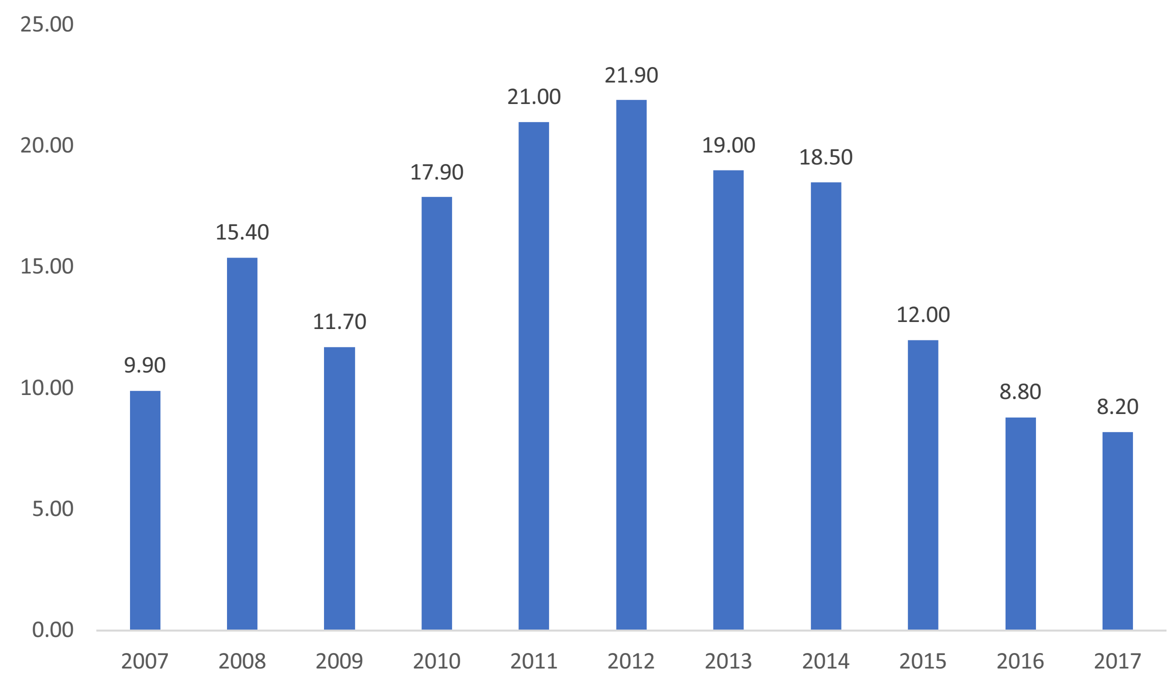
11. It should be noted that Cuban doctors actually received from the Cuban state a fraction of what foreign countries paid for their services.

Figure 6. Economic Relationship Cuba-Venezuela, 2007–2017 (thousand US Dollars)



Source: Author's elaboration based on ONEI, 2008, 2017, 2019a.

Figure 7. Economic Relationship Cuba-Venezuela as Percentage of Cuba's GDP, 2007–2017



Source: Author's elaboration based on Figure 6 and GDP from ONEI, 2008, 2017, 2019a

peaked at US$2.8 billion and shrank 85% to US$376,000. In terms of GDP, the value of the economic relationship peaked at 22% in 2012 and declined to 8% in 2017, a decrease of 14 percentage points (Figure 7).

Potential effects of the fall of Venezuela's regime. The fall of the current Venezuelan political regime or a collapse of its economy would have a severe impact on Cuba's economy: (a) the loss of an economic relationship estimated at US$8 billion annually; (b) a significant drop in exports of professional services (professionals returning from Venezuela to Cuba would have to be provided jobs; otherwise, open unemployment and underemployment would rise); (c) loss of about US$1.8 billion in oil supplies at favorable financing terms; (d) a deficit in the balance of payments, the halting of payments on the restructured debt, a worsening of defaults to foreign suppliers that would make it even more difficult to access foreign credit; (e) a harsh cut in imports that would have an adverse effect on industry and agriculture, thus worsening current food and consumer goods scarcities; (f) electricity blackouts affecting the population, interruption of work of factories, and transportation problems; (g) a serious retreat of the private sector; (h) two-digit inflation arising from significantly rising monetary liquidity to levels similar or close to those in 1993; (i) a depreciation in the exchange rate; and (j) a decline in GDP of 5–7% (see Mesa-Lago and Vidal, 2019).

Trump's sanctions against Cuba and their effects. In addition to the sanctions imposed by the Trump administration against Venezuela that have adverse repercussions for Cuba (see Mesa-Lago and Vidal, 2019) his administration has implemented drastic measures on the island strengthening the embargo.

Tourism. In June 2017 U.S. tourists were banned staying in hotels and eating in restaurants run by the military, and alerted those tourists to the danger of "sonic attacks" that US diplomats have experienced in Havana. The U.S. Executive compiled a list of restricted Cuban entities out of limits for American tourists that included military and intelligence agencies; the list has been expanded twice. These restrictions prompted U.S. airlines to eliminate 2,574 flights and flight occupancy declined from 61.3% to 52.4% between January-September 2017 and the same period in 2018 (see more below).

Visas to Cubans. In 2017 the staff of the U.S. Embassy in Havana was considerably cut, and so was the granting of visas to Cubans. In 2019, five-year, multiple entry visas were cancelled and replaced with six-month, single-entry visas. This measure affects many Cubans that would come to the United States and work informally in activities such as elderly and children care and sent remittances or took the earned money to Cuba for their own consumption or to invest in a micro-enterprise.

Venezuela's oil supply. In March 2019, shipments of Venezuelan oil to Cuba were suspended. U.S. National Security Adviser John Bolton warned ship insurance companies that Washington would enforce Trump's order. In July, the Treasury Department sanctioned Cubametales (Cuba's state oil importer) as well as two foreign transport companies and a ship carrying oil and blocked ownership of 34 PDVSA-owned tankers, as well as two companies based in Liberia and Greece. As there are 4,500 oil tankers globally, enforcement through banning individual ships is complicated and may be partially ineffective: just after the sanctions were announced, Maduro sent one million barrels of oil to Cuba on two ships and the Venezuelan foreign minister declared that his country will honor its oil commitments to Cuba. Several oil tankers have been renamed to avoid the sanctions and others have delivered oil incognito (Kassai and Bartenstein, 2019). Trump also ordered the seizure of revenue from Venezuelan oil sales in the USA, but Caracas diverted those exports to other countries and transferred the accounts of its oil companies to the Russian bank Gazprombank.

Strengthening sanctions on international banks that do business with Cuba. In late 2018, U.S. federal and state authorities imposed a fine of US$1.3 billion on Societé General for violations of U.S. sanctions against Cuba and two other countries. In 2019, Panamanian Multibank closed multiple bank accounts of Cuban companies with which it had had transactions. Fines were also levied on financial transactions ("U-turn") in dollars by international banks, in which the Cuban government or citizens receive funds transferred from abroad. These punitive measures make it very difficult for Cuba to do transactions with foreign banks, which is considered by the government as one of the embargo toughest actions.

Foreign investment. In March 2019, President Trump ordered the application of Title III of the Helms-Burton Act, authorizing U.S. citizens to sue in U.S. courts Cuban companies (appearing in the cited list of companies controlled by Cuban military or intelligence agencies) that profited from property confiscated by the Cuban government from their owners (that title had been suspended every six months, Clinton to Trump). Claims against foreign companies that "trafficked" confiscated property were temporarily not affected by the measure. But as of May 2, the exception was removed, authorizing Americans to bring lawsuits against such companies, mostly Canadian and Spanish, but also from France, Mexico and the United Kingdom and even U.S. airlines and cruise ships. Also, based on Title IV of the embargo law, the State Department was ordered to deny U.S. visas to foreigners who traffic in property confiscated by Cuba or executives or shareholders of companies that have conducted such activities. There are 5,913 "certified" lawsuits worth US$1.9 billion; adding accrued interest the amount of the claims rise to nearly $8 billion. The application of Title III could lead to filings regarding some 200,000 uncertified claims worth "tens of billions of dollars" confiscated property were temporarily not affected by the measure. But as of May 2, the exception was removed, authorizing Americans to bring lawsuits against such companies, mostly Canadian and Spanish, but also from France, Mexico and the United Kingdom and even U.S. airlines and cruise ships. Also, based on Title IV of the embargo law, the State Department was ordered to deny U.S. visas to foreigners who traffic in property confiscated by Cuba or executives or shareholders of companies that have conducted such activities. There are 5,913 "certified" lawsuits worth US$1.9 billion; adding accrued interest the amount of the claims rise to nearly $8 billion. The application of Title III could lead to filings regarding some 200,000 uncertified claims worth "tens of billions of dollars" lawsuits worth US$1.9 billion; adding accrued interest the amount of the claims rise to nearly $8 billion. The application of Title III could lead to filings regarding some 200,000 uncertified claims worth "tens of billions of dollars" and would pack U.S. courts. The European Union and Canada have announced that they will use all potential legal avenues to impede the application of Title III against their nationals, including a demand to the WTO and countersuits against those presented in U.S. courts. According to ECLAC (2019b) the application of Title III represents an important disincentive to attract new flows of direct foreign investment, a flow that already is quite low. Potential investors will evaluate the totality of risks involved in doing business with Cuba before making a decision to invest. The Helms-Burton sanctions have the potential to be the most impactful toward Cuba due to the island's need to generate US$2.5 billion annually in foreign investment.

Foreign remittances. The amount of remittances, mainly sent from the Unites States, rose from US$1.4 billion in 2008 to US$3.7 billion in 2018; they are currently the second most significant source of hard currency (Morales, 2019a). In April 2019, National Security Adviser Bolton announced that such remittances will be limited to US$1,000 per person quarterly (US$4,000 yearly), half the $2,000-per-quarter limit imposed by President George W. Bush in 2004 and later abolished by President Obama. This measure probably will not have a very strong impact for two reasons: remittances could be sent by several people in the USA, for example, a group of family members, to the same individual in the island, a trick that was used to circumvent Bush's remittances cap; and most Cubans abroad do not send such a high level of remittances. However, the cap could affect micro-entrepreneurs on the island many of whom have plans to establish or expand their activities counting on money sent from abroad by partners, relatives or friends (in September 2019, the U. S. government exempted micro-entrepreneurs from the cap).

Banning all non-family travel to Cuba. In June 2019, the U.S. Department of State banned all travel to Cuba not for family purposes, including travel via cruises, yachts and flights by private and corporate airplanes, as well as educational and cultural group tours (people-to-people travel authorized by Obama in 2016). People-to-people travel was the allowed category that was easiest to meet by American tourists seeking to visit Cuba. The U.S. Departments of the Treasury and of Commerce, as well as the Office of Foreign Assets Control, were ordered to implement these measures (United States, 2019).[12] As 53% of U.S. tourists arrived by cruises and most air travelers used people-to-people tours, this is the second most damaging measure imposed by Trump. U. S. tourists have declined since September 2019; the plan target for the entire 2019 year probably will be under-fulfilled by at least 9%. It has been estimated that Trump's measures to restrict tourism will result in a loss for Cuba of US$980 million. Private micro-businesses have been affected by the drop in U.S. visitors: sales of art and crafts have fell 80%, the *paladar* San Cristobal—where President Obama dined in 2016—reports a 20% decline in customers, horse-cart drivers report a lack of riders (Mojena, 2019).

Other possible restrictive measures. Trump has threatened to return Cuba to the list of state sponsors of terrorism, from which Obama pulled it in 2015, after being so listed since 1982. Trump also stated in April 2019: "If Cuban troops and militias do not immediately cease military and other operations with the purpose of causing death and destruction to the Constitution of Venezuela, a full embargo will be imposed on the island of Cuba, along with sanctions at the highest level." For his part, U.S. Secretary of State Pompeo warned that "military action is possible and if that is required, the United States will [take such action]" For his part, U.S. Secretary of State Pompeo warned that "military action is possible and if that is required, the United States will [take such action]" (cited by Casey, 2019, Rogers, 2019).

In summary, the combination of the Venezuelan crisis and Trump's sanctions are already causing significant damage to the Cuban economy, which would worsen if Venezuela's political regime were to fall or the economic deterioration deepen. Despite the ominous effects analyzed in this and the previous section, however, the crisis in Cuba probably would not be as strong as that in the 1990s (Special Period) because of differences in starting conditions:

- more diversified trade by partners: Cuba's goods-trade concentration with the USSR was 72% in 1987 and with Venezuela was 29% in 2018;[13]
- main-partner share of Cuba's total trade deficit: 82% with USSR in 1989 and 28% with Venezuela in 2018;
- higher and more diversified foreign investment: none in 1989, except from the USSR; officially there were 200 investment projects approved for US$5.5 billion in mid-2019[14];
- much higher hard-currency revenue from tourism: US$168 million in 1989 and close to US$3 billion in 2018;
- foreign remittances: zero in 1990 and US$3.5 billion in 2018;
- lower dependency on imported fuels: 92% (from the USSR) in 1988 and 50% (mostly from Venezuela) in 2017;
- private sector: tiny in 1989 and 26% of the labor force in 2017; and
- overall economic dependency: Cuba's economic relationship with USSR at its peak was 28% of Cuba's GDP, whereas with Venezuela was 8% in 2017.

All the above factors, however, may be shaken by Trump's sanctions. In addition, Cuba in 1985–1989 had its best economic-social performance whereas now the economy is its worse situation since the 1990s. The crisis would be politically more difficult to manage because Fidel Castro is gone and Raúl

12. It has been mentioned that the per diem spending cap on American tourists imposed by Bush and removed by Obama would be reinstated, although it is extremely difficult to implement.

13. If the comparison was done with the total value of Cuba's goods and services, the Venezuelan share would be 57% in 2017 whereas the USSR share would be significantly lower (Cuba exported some manual labor to the USSR but it generated revenue was small) but the value of total services would be much inferior now.

14. This information refers to all projects (Díaz-Canel, 2019b). But in the Mariel Special Development Zone (ZEDM), while some 400 proposals have been mentioned, only 43 foreign investment projects seem to have crystallized, 19 projects already in operation and 23 in process of approval, for a cumulative US$2.1 billion in the six years since the creation of ZEDM, vis-à-vis a target of US$15 billion for the period (Morales, 2019b; Pérez Villanueva, 2019).

Castro's structural reforms raised high expectations that they would improve the economy and living standards, which have not materialized, creating discontent in the population. The probability of either Russia or China replacing Venezuela is remote (for an analysis see Mesa-Lago and Vidal, 2019).

GOVERNMENT STRATEGIES SAND POLICY ALTERNATIVES

Raúl Castro's economic reforms (2007–2017) did not have tangible effects on the economy because their implementation was quite slow, and subjected to many restrictions, disincentives and taxes that impeded the proper advance of the private economy, conspiring against the needed growth. President Miguel Díaz-Canel seems to be trapped by Raúl's program and the party guideline. He has repeatedly pledged continuity, which is incongruous in view of the collapsing Venezuelan economy, Trump's punitive measures and the absence of countries capable and willing to replace Venezuela as Cuba's patron. In his closing speech to the National Assembly in April 2019, Raúl Castro (2019) warned:

> We have to be alert and aware that we face additional difficulties and that the situation could worsen in the coming months [due to the crisis in Venezuela and Trump's policies], even if it is not returning to the situation of the special period in the 1990s, because today we have another panorama in terms of the diversification of the economy. But we have to prepare ourselves for the worst scenario.

Surprisingly, the strategy adopted by the legislators in April was more long- than short-term, for instance: one of the targets of the 2030 plan is to secure 30 pounds of tubers, vegetables, beans and fruit per day to the population. The long-term plan to 2030 to reach this level of production/consumption is divided in three stages: 2019–2021, 2022–2026 and 2027–2030, but no details have been given for each of these stages. It is vaguely said that the 2019–2021 stage will set the bases for future transformations through advances such as the implementation of a new management and administration model, but no further information has been provided. The measures announced for 2020 (not for 2019) are also quite imprecise, such as "to concretize projects for increasing exports… to incorporate into the plan investments that stimulate oil extraction… to seek new product lines to replace imports [and] to ensure the production of goods and services that meet domestic demand, food in particular." The plan reiterated old unsuccessful policies and dreamy goals, and continued to place emphasis on the central plan and state enterprises as the key economic tools and actors, with little mention of the necessary acceleration and deepening of the reforms. Not a single measure advanced by the ANPP was new and specific enough to adequately confront the grave problems that the island is suffering and will worsen in the years to come.

Economics Minister Gil (2019a) identified six strategic sectors that are key to confront the looming crisis: tourism, biotechnology-pharmaceuticals, food production, electricity and energy, exports of professional services and construction. According to him, the growth in exports in the six references activities (especially in the first three) represent more than 90% of the projected export increases by 2030 and 65% of the replacement of imports projected for that year. However, Gil acknowledged that "exports do not grow with the required dynamism, foreign investment levels are low and poor use of energy products and non-compliance with the import plan persist." He added that internal measures (belt tightening) would need to be employed.

Several Cuban economists have criticized the government strategy, pointing out: (a) the huge and urgent problems that Cuba faces; (b) a government response marred by excessive caution, inadequacy, immobilism, and lack of imagination, daring and quickness to confront problems and challenges; (c) the absence in the discussion of the long-standing, broad consensus on needed economic reforms, which failed to receive the prominence they demand and that have been postponed or obstructed; (d) the importance of applying to Cuba the successful policies of China and Viet Nam; (e) the absence in the plan of policies regarding the private property and micro-enterprises which should be given priority; and (f) the widespread scarcity of essential food items which may be a harbinger of a second special period.[15]

Perhaps prompted by the criticism summarized above or by the realization of the magnitude and urgency of the crisis, in June new measures were announced by Díaz-Canel, the most significant and widely discussed being the increase by 37% in the wages of employees in the budgeted sector of the economy, as well as of pensions (see analysis by the author on social welfare in this volume).[16] The Cuban president also acknowledged important economic problems such as: increasing foreign debt due to insufficient revenue from exports, unpaid debts to suppliers, an "import mentality" that contravenes initiative and creativity, widespread corruption (e.g., stealing gasoline), and very low level of savings. To confront these problems, he proposed the following measures (Díaz-Canel, 2019a):

- **Planning System:** move away from current inefficient material allocation of resources towards economic and financial allotment; allow workers to participate in planning decisions;
- **State Enterprises:** decentralize them and grant them "real" autonomy; clearly define state functions as owner and administrator (and, apparently, shift its functions towards regulation); replace current administrative controls by indirect regulatory mechanisms, such as economic and financial incentives; eliminate state subsidies to enterprises;
- **Local Government:** provide it with more autonomy, authority and decision-making power;
- **Foreign Investment:** put in place additional guarantees to investors regarding settlement of their obligations (e.g., repatriation of enterprise profits); pay the current debt from retained profits by such gains in Cuban currency at favorable exchange rates, hence allowing the foreign company to pay expenses in national currency; expedite supplies of inputs for import substitution operations; provide financial stimuli in direct investment agreements to promote exports and disincentivize imports; promote insertion of foreign-invested operation in value chains (for instance, in value chains of hotels and restaurants); create a designated entity under the Council of Ministers to promote foreign investment and oversee the implementation of the previous measures; and allow Cubans abroad to invest in Cuba;
- **Non-state Sector:** enact an enterprise law that eliminates barriers and grants authorization to micro-businesses "to determine their management system"; eliminate redundant and unnecessary regulations; establish a national agency to oversee cooperatives, and convert some of them into micro- and medium-size enterprises;[17]
- **Exchange Rate:** continue the devaluation process (actually it has not started yet, save for some experiments in the past); redesign the monetary system (no elaboration);
- **Foreign Trade:** decentralize it (no elaboration);
- **Prices:** make them more flexible, set them by agreement between the parties (no elaboration);
- **Salaries:** the wage increase in the budgeted sector is the first step of a process of integral reform of the salary system (no elaboration);
- **Food Supply:** stabilize the supply of essential foods, which were quite scarce in the first half of 2019 (some measures have been announced); and
- **Multinational Financial Institutions:** seek avenues to join them (no elaboration).

15. Among others (all published in 2019): Joaquín Benavides, "Sesión del 13 de abril de la Asamblea Nacional: Comentarios ineludible," *Cuba y la Economía*, April 13; Julio Carranza, "Preguntando honestamente," *Cuba y la Economía*, April 26; Juan Ferrán, "¿Por qué?," *Sine Die*, April 20; Esteban Morales, "Las encrucijadas de la economía cubana," *Prensa Latina*, April 4; Pedro Monreal, "Gestión macroeconómica anti-crisis en Cuba," *Elestadocomotal*, April 30; Humberto Pérez, "Insistiendo en las políticas adecuadas para transformar la economía cubana," *Elestadocomotal*, May 21; Omar E. Pérez Villanueva interview by R. D. Rojas, "Puerto, transporte, economía interna: otra vez," *Progreso Semanal*, April 25.

16. Repetitively, Díaz-Canel has made references to 22 measures, but to the best of the author's knowledge, they have not been published *in toto* and in a single place; policies have been released partially in various presidential speeches and also in some addresses by Minister Gil.

17. At the time this paper was being finalized, new regulations for non-agricultural and services cooperatives were enacted that banned the creation of new cooperatives (Decretos-Leyes 366 and 356, 2019).

Some comments on the above measures are the following. First, several of these measures have been tried before in Cuba and then disregarded, for instance, enterprise autonomy and decentralization as well as allocation of resources through financial-economic indicators rather by administrative tools (self-financing) were the subject of discussion during the economic policy debate of 1961–1966; they were attempted in the 1980s and Raúl's reforms included decentralization of state enterprises but these policies were not implemented. Hence it is imperative to wait and see the shape of the new measures and whether they are truly enforced.

Second, many of the above measures are quite schematic, vague and confusing; they need further elaboration and also an implementation plan.

Third, some of the policies are conflicting, for instance, the capping of prices in the private sector in August 2019—to avoid inflation induced by the big wage increase—is a typical administrative action, previously used unsuccessfully.

And fourth. and very important, key needed measures are not addressed by the list above, such as: monetary unification, overall price reform, removal of obstacles to self-employment (key among them authorizing professionals to practice their profession, replacement of the list of authorized activities by one specifying which are the ones banned), establishing and expanding wholesale markets for the non-state sector, elimination of *acopio* and allowing usufruct farmers to plant what they want and sell all their crops to whoever they want at prices set by supply and demand, ending the experimental stage for non-agricultural and services cooperatives, creating second degree cooperatives, and so forth.

In the light of the great expectations triggered by Raúl's reforms over a decade and the meager (or nil) economic results that resulted from them, skepticism is the proper way to approach Díaz-Canel's suggested measures. It is impossible to assess them with any degree of rigor as they are still mere proposals with noted shortcomings, and require debate, testing, full implementation and initial evaluations of their effects. In other words, they need time, something that the Cuban leadership no longer has.

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