CUBA'S INTERNATIONAL ECONOMIC RELATIONS 1959–2019: TRADE, AID AND DEBT

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This paper takes a selective view of Cuba's international economic relations in the 60 years of the Cuban revolution. It covers three aspects of economic relations with other nations: trade, aid and external debt. Trade and aid are linked as subsidies are embedded in transactions with major partners, the USSR and Venezuela, for much of the life of the revolution. The paper does not cover migration, a notable element of Cuba's external economic relations; neither does it examine private remittances nor the role of the U.S. embargo in shaping trade and capital flows.

The crucial economic change in Cuba since 1958 is the move from consumption and investment allocations by the invisible hand of markets to firm direction by the state. The transition from markets to a command economy—I should say commander's economy as Fidel Castro was the helmsman steering the economy—was rapid and in barely two years most production was in state hands even as pockets remained private. Once a centrally planned economy took a tight hold by early 1962, the state continued its dominant role until the present day, albeit with periods of limited liberalization that allowed controlled private activity. Easing of controls followed the demise of the USSR in the early nineties and in 2011–2016 under the administration of Raúl Castro, who had succeeded Fidel at the helm of the Communist Party and the government. However, the reticent domestic liberalization in those two periods was not accompanied by an easing of controls over international trade, foreign exchange allocation and foreign direct investments. Private transfers of money from Cubans abroad remained the only mechanism for open resource flows from the rest of the world though the obligation stood to convert remittances into domestic currency.

Cuba is often labeled an "open" economy. While this was undoubtedly true before 1959 it is not thereafter. Open does not mean solely exposure to external shocks. Openness refers to the degree that domestic prices and markets adjust to international prices and markets through trade and capital flows. In centrally-planned Cuba, individuals and firms are not allowed to engage in international trade, and there are stiff exchange controls and two non-convertible currencies. Multiple exchange-rates pose huge distortions by penalizing some firms while rewarding others. This is a closed economy. It remains closed after reforms since 2012 that allowed small business operation and private sale of farm products, homes and cars. Cautious liberalization has not reached external economic relations.

Close inter-governmental arrangements among Cuba and two associates—the USSR and Venezuela—were the main drivers of external economic relations in 1960–1990 and 2000–2018. The interaction between Cuba and the two partners was complex in the case of the USRR and straightforward with Venezue-

1. I am grateful to Ernesto Hernández-Catá and Roger Betancourt for comments on an earlier version of this paper.

la, reflecting the vastly different aid and transfer mechanisms of the two nations and the structure of their respective economies. Integration with the Soviet economy and that of the bloc of Eastern European countries led to industrial and technical links that are lacking in the trade arrangements with Venezuela.

INTERNATIONAL TRADE

Let us consider two points in time, the year prior to the takeover by the revolutionary government and the most recent data. This provides a gauge of the importance of trade at the outset of the revolutionary government compared to current conditions.

Table 1. International Trade 1958 and 2017 (Million $)

	Exports		Imports	
	1958	2017	1958	2017
Cuba	734	2110	827	9662
Brazil	1243	217740	1353	315074
Colombia	453	37766	367	46076
Dominican Republic	137	8858	150	17700
Ecuador	137	19125	100	20009

Source: International Monetary Fund and World Bank.

Data for 1958 show the relative role of international trade in the Cuban economy.[2] Exports were $734 million or 60% of the Brazilian figure, a country of over 10 times its population, and 60% larger than those of Colombia, a country over twice its size. Similarly, imports were large relative to much more populated nations. Cuba's trade, for example, was very large compared to its neighbor the Dominican Republic. Import levels as may be expected followed the pattern of exports with Cuba's economy benefiting from broad access to the international market.

Undoubtedly Cuba's prominent international trade position on the eve of the Revolution followed from its preferential access to the sugar market in the United States. Sugar comprised 80% of exports at the time, and U.S. preferential prices were above the freely-traded world price.

Figures for 2017 show the drastic impact on merchandise exports of the stagnation and decline of agriculture and manufacturing in the island since the start of the Revolution.[3] Cuba's merchandise exports at $2.1 billion were a bit less than one-fourth those of the Dominican Republic. The comparisons are also stark with other countries in the region. Import capacity and imports also suffered pointedly in comparison to regional economies, with adverse implications for the wellbeing of the population.

Trade figures in per capita terms shed more light.[4] Cuban exports per capita in 1958 (Table 2) were $109, five times Brazil's and twice the Dominican Republic's. By 2017 the Dominican Republic exported almost ten times as much per person as Cuba, a figure matched or surpassed by the other countries. Less pronounced is the difference in per capita imports although both the Dominican Republic and Ecuador exceed Cuba by 95% and 43% respectively, the latter country benefiting from oil production and exports.

Table 2. Various Countries Per Capita Trade, 1958 and 2017–$

	Exports per Capita		Imports per Capita	
	1958	2017	1958	2017
Cuba	109	312	122	842
Brazil	18	3224	20	1505
Colombia	30	2524	25	939
Dominican Republic	45	2933	50	1644
Ecuador	33	4586	24	1204

Source: International Monetary Fund and World Bank.

Table 3 shows exports and imports measured for Cuba, the Dominican Republic and Ecuador in constant 2012 dollars, visualizing trade flows as dollars of equal purchasing value.[5] In Cuba, real exports halved between 1958 and 2017, while imports nearly

2. IMF, *Annual Report 1959*, Table 19, p. 100 and Table 20, p. 101 and population numbers from Angus Madison, *The World Economy*, OECD, 2003.

3. Export data from UN ECLA, Statistical Bulletin No. 30, "International Trade in Goods in Latin America and the Caribbean," Fourth Quarter 2017.

4. Population data from the data base at worldbank.org

5. The PCE deflator for U.S. GDP was used to convert current dollars.

doubled. As a result, the trade balance in real terms underwent a sharp deterioration which was sustained by a combination of services exports, subsidies, private remittances to the island and the financing implied in debt renegotiations and accumulation of debt arrears to creditors. During most of the 1990s and after the 2008 international financial crisis, stringent austerity was imposed to make ends meet given the shortage of external liquidity. Comparison with the Dominican Republic and Ecuador pose a sharp contrast in trade performance over the last six decades.

How much of the shrinkage of trade can be ascribed to trade and other sanctions imposed by the United States? Undoubtedly the closing of the U.S. sugar market at favorable terms to Cuba after 1960 hit the main source of export revenue. However, this was substituted by trade subsidies from the Soviet Union for nearly thirty years and by a preferential arrangement with Venezuela in later years. As we will see below, the benefit from this last arrangement vanished by 2018. There are also dynamic factors at work whereby the lack of access to the U.S. plays a part. Geographic proximity is an asset that cannot readily be substituted especially for services such as tourism and transportation. Even Western Europe and Canada are not very good substitutes for the U.S. tourism market.

Table 3. Cuba, Dominican Republic and Ecuador; Exports And Imports (Million 2012$)

	1958	2017
Cuba		
Exports	4596	1989
Imports	5179	9109
Dominican Republic		
Exports	858	8531
Imports	939	16687
Ecuador		
Exports	858	18030
Imports	626	18863

Source: Calculated from IMF and World Bank data

Export of Services

Services exports just before the revolution consisted mostly of tourism and related activities.[6] Tourism had ebbed in 1958 to 212,000 visitors from 272,000 the previous year as the armed insurrection and urban disturbances hit demand. Foreign owned properties catering to tourists were nationalized in 1960 and afterwards the revolutionary government neglected the sector. Fidel Castro was not enthusiastic about developing tourism from a combination of personal aversion and a presumed Marxist emphasis on material goods. It was during the Special Period in the 1990s that attention was paid again to the sector, and relations were established with Spanish and other European companies to manage facilities, develop transportation links and overseas marketing. By 2000 the number of hotel rooms in the island had risen to 38,700 from 7,700 in 1958. Newly established state companies brought about also changes in management and investment decisions. Further development of the sector led to increasing capacity, and in 2005 the island recorded 2.319 million arrivals. The Obama opening in 2014 brought about rising travel by Cuban Americans and other US visitors, and relaxation of rules for cuentapropistas and house owners, combined with better reservation networks, led to a mini-boom in tourism. This faded a bit after the election of Donald Trump. Nonetheless in 2018 the country received 4.732 million visitors, an all-time high. Tourism revenues reached $3.3 billion in 2017.[7]

A major development in the last two decades involved so-called exports of professional services to friendly countries. These consist of services of doctors, educators, intelligence and military officers provided by Cuba. By far the main market was Venezuela, which in 2000 signed an accord with Cuba whereby oil would be offered at favorable terms.[8] This agreement quickly morphed into a barter agreement of Cuban services for oil. Exact numbers of Cuban professionals involved annually in this program

6. A broad review of tourism in Cuba can be found in Jose Luis Perelló, "El Turismo en Cuba: Cambios y Tendencias," Columbia Law School, Cuba Capacity Building Project, March 2019.

7. www.onei.cu, Turismo, Table 15.2 and Table 15.15

between 2005 and 2018 are not known but local observers place the numbers in the range of 30,000 to 50,000. Service agreements were established with other countries in Latin America and Africa. The most important was an arrangement with Brazil signed in 2013 that involved annually between 8,000 and 11,000 Cuban doctors and other health specialists during the following five years.[9]

There are two ways to assess the importance of Cuban exports of professional services. The first uses estimates for services exports derived from data by the Oficina Nacional de Estadística e Información (ONEI). These estimates place non-tourism services exports in 2015 at $8.9 billion (Table 4). The estimates shown in Table 4 are values consistent with the balance of payments. However, these estimates are not the same as transactions settled in cash or in kind. For example, the numbers below imply large export surpluses of Cuba with Venezuela since 2014. The large services exports also imply a surplus in the current account of the balance of payments and a possible increase in international reserves. Cuba does not release reserve figures but data for 2012–2016 from the Bank for International Settlements (BIS) show a fall of Cuban assets in international banks signaling a weakening of reserves.[10]

Table 4. Cuba: Exports of Services, 1993–2015 (Million $)

	1993	1995	2000	2005	2010	2015
Tourism	720	1100	1948	2399	2218	3069
Other Services	25	44	762	4737	7900	8862
Total	745	1144	2710	7136	10118	11931

Source: Derived from ONEI data.

A second and arguably more fruitful approach to the intricacies of Cuba's professional services exports is to consider the bulk of these services as barter. This is especially relevant for Cuba-Venezuela trade. This approach considers that Venezuela and Cuba exchange oil for services by Cuban professionals. Effectively Cuba is paid in oil for its services. Earnings from Cuban services in dollar terms are subject to the vagaries of the international oil market. Interestingly, in recent years the payment received from Venezuela in terms of petroleum is much lower than the value implied in the balance of payments. For example, in 2015 Venezuela's petroleum shipments to Cuba were $2.8 billion according to ONEI. Services excluding tourism provided worldwide by Cuba in that year reached $8.8 billion, and Venezuela is reckoned to account for over one-half of the total.

Issues relating to exports of professional services have implications for the performance of the economy. Some of Cuba's professional services performed abroad are not exports in conventional balance of payments accounting because they are rendered by Cuban employees of foreign entities. For example, Cuban doctors in Brazil are employed and managed by the Mais Médicos Program. Cuba registers all medical and other services abroad as exports possibly overstating GDP as some of these services, for example in Brazil, should be recorded as compensation of employees. In this case it should be registered as factor income in the current account and a component of gross national income (GNI) in the national income accounts. However, GNI is not reported by ONEI in the national accounts.[11]

Cuba's trade surplus with Venezuela since 2014 gives rise to debt or some other future obligation. While financing of service exports does not affect GDP, there is the question of the value of Venezuelan debt held by Cuba, a topic addressed below.

AID AND SUBSIDIES

It is widely known that Cuba received very large amounts of aid in the form of trade subsidies and

8. An analysis of the terms of the agreement can be found in Luis R. Luis, "Cuban External Finance and the Global Economic Crisis", *Cuba in Transition*, Volume 19, 2009.

9. "Contratos de Mais Médicos com Cuba já custou R$7.1 bilhoes ao Brasil," https://noticias.uol.com.br, November 15, 2018.

10. Assets at BIS-reporting banks fell from $2.7 billion to $2.0 billion in 2012–2016.

11. There is no public information regarding factor income received from foreign sources. Moreover, reported information about exports of non-tourism services is made in gross terms including salaries spent in the country where services are performed.

Table 5. Cuba: Grant Element of Soviet and Venezuelan Assistance (% of GDP)

Year	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**
Soviet Grant Element	21.4	22.2	24.2	27.2	26.2	22.3	21.9
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Venezuelan Grant Element[a]	5.6	4.0	2.8	1.4	0.8	0.6	-0.1

Source: US Central Intelligence Agency estimates of Soviet Aid and Venezuelan estimates by the author.
GDP from UNdata.org and ONEI.

a. Calculated at market prices of doctors and of petroleum

other assistance from the Soviet Union in 1962–1990 and Venezuela in 2000–2016. In what follows I take a look at the aid and subsidies involved in the relationship with those two nations. Rather than attempting to quantify the total aid, I examine specific periods where research has produced reasonable estimates of the sums involved.

Table 5 presents data with aid estimates for the Soviet Union and Venezuela for 1978–1984 and 2012–2018, respectively. These seven-year periods for both countries are segments of the bilateral relationships which extended nearly 30 years with the USSR and 19 years with Venezuela. The seven-years in the table comprise the peak years of aid measured as a percentage of Cuba's GDP, namely 1981 for the USSR and 2012 for Venezuela.

Soviet aid to Cuba reached 27.2% of GDP in 1981 and averaged 23.6% for the seven-year period 1978–1984. An assessment by Ernesto Hernández-Catá of Soviet aid for 1986–1989 places assistance at 22.8% of GDP.[12] In contrast Venezuelan aid as measured by the grant element involved in Cuba-Venezuela barter trade for 2012–2018 reached only an average of 2.2% of GDP, peaking at 5.6% of GDP in 2012.

Soviet Aid

Most Soviet economic assistance to Cuba was embedded in trade relations as subsidies to Cuban exports and imports.[13] Trade subsidies accounted for 79% of economic assistance during the period (Table 6). Sugar price subsidies comprised 75% of the trade subsidies, the remainder mostly arose from discounted Soviet petroleum prices. The Soviets also provided direct economic aid to Cuba in the form of balance of payments and development assistance. Concessional financing or grants for development projects were a smaller part of Soviet aid, reaching less than 10% of the total assistance by the USSR. The figures for Soviet aid do not include donations for military purposes which are estimated at $500 million per year by the US Central Intelligence Agency.[14]

Table 6. Cuba: Soviet Assistance 1976–1984 (Million $)

Economic Aid	6485
Trade Subsidies	25042
of which sugar	18648

Source: Source: Central Intelligence Agency

A feature of Soviet trade subsidies and other aid is its design to mesh in the industrial, technological and trading structure of the Eastern Bloc. Aid was tied not only to the supply of donors but also integrated into the planned structure of output. That is to say Cuban trade with Eastern Bloc countries was integrated in the value chain of industrial production of the bloc. Cuba used and supplied parts and components from and to other members of the bloc. This reduced the value of the capital investments after the breakdown of the Soviet Bloc.

Following the demise of the Soviet Union, Cuba was left with an industrial structure that lacked the flexibility and the capacity to adjust to alternative markets and suppliers. Paradoxically in some cases, Sovi-

12. Ernesto Hernández-Catá, "Cuba, the Soviet Union and Venezuela: A Tale of Dependence and Shock," *Cuba in Transition*, Volume 23, 2013.

13. Estimates of Soviet aid for 1978–1984 are taken from Central Intelligence Agency, "The Cuban-Soviet Connection: Costs, Benefits, and Directions," April 1986 (Declassified in part January 9, 2012).

14. CIA, *op cit*, page iii.

et-originated projects were rescued by Venezuela some 15 years later after the break between Russia and Cuba. The most important Soviet project renewed by Venezuela was the Cienfuegos oil refinery.

Venezuelan Aid

The aid relationship with Venezuela differs quite a bit from that of the USSR. Notionally it does not comprise aid or economic assistance, but state-to-state trade arrangements involving both goods and services. In essence the relationship boils down to the export of Venezuelan oil to Cuba and the export of Cuban professional services to Venezuela. There are other lesser elements in the relationship, such as direct investments by Venezuela in Cuba mostly as joint ventures in the oil sector but also include a wholly-owned bank and subsidiaries of Venezuelan state firms. There are also banking arrangements, technical cooperation and military relations crucial to the security of the Venezuelan government.

Foreign direct investments by Petróleos de Venezuela S.A. (PDVSA) and other Venezuelan entities in Cuba reached $680 million in 2009–2015, according to a previous study by the author.[15] These investments average about $70 million per year during the period studied, dwarfed by the trade of oil for services between the two nations. Estimates of direct investment were made using costs at market prices in investments such as the refinery joint venture in Cienfuegos and the underwater fiber optic cable line between Cuba and Venezuela, the two largest Venezuelan investments in the island. Because market prices are used there is no grant element involved in these direct investment estimates, though an unknown donation element was likely present as well.

Grant element estimates in Table 5 for Venezuela assume that the payment for Cuban services is oil exported to Cuba. At the same time Cuban professional services in Venezuela are valued at the market price of doctors. The market price used is the dollar salary paid to Cuban doctors in Brazil's Mais Médicos program in 2018, namely $36,700 per year.[16] This is the salary paid to each doctor in the program, whether Brazilian or Cuban, and is set to match the going rate for doctors in Brazil. This salary is a proxy for the international compensation of doctors working in similar medical missions as Mais Médicos. The grant element of Venezuelan aid is calculated by the difference between the payment to Cuba in terms of oil and the market value of services rendered in Venezuela. This is based on 40,000 annual Cuban professionals posted to Venezuela and on the assumption that the average doctor salary applies to other Cuban professionals working in Venezuela.

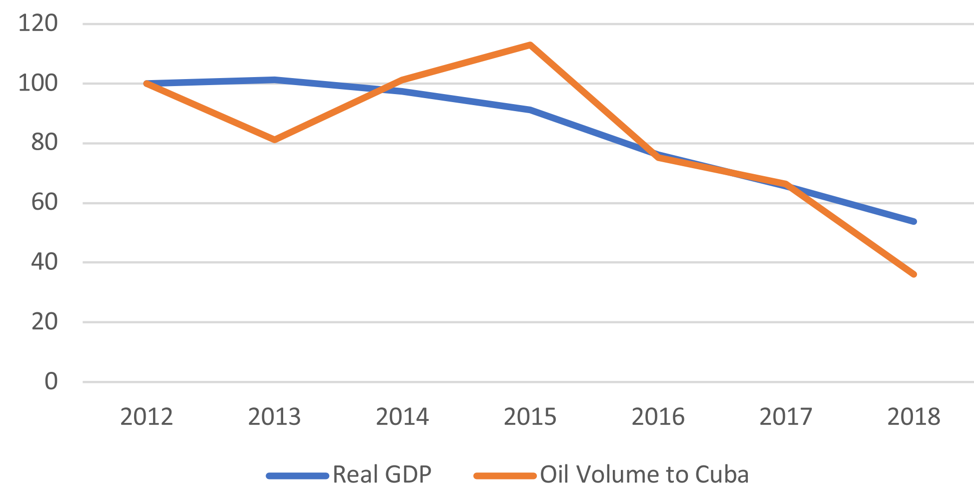
As mentioned above balance of payments statistics record a high payment for Cuban services since 2014 compared to oil shipments. This is the billing statement made by Cuba to Venezuela which can be derived from data published by ONEI. Using figures from ONEI trade data rather than bartering services for oil double the grant element in dollar terms for 2012 and by five times in 2015. Venezuela is hence billed a multiple for Cuban professional services in comparison to market prices of such services. This produces a Cuban surplus in bilateral trade with Venezuela. Either Venezuela pays for this in cash or incurs a debt to Cuba. There is no public evidence of cash payments, and bilateral debt statistics are a state secret in both countries. To be sure any Venezuelan debt owed to Cuba would be worth much less than its face value as implied by prices for Venezuelan sovereign bonds. For example, at the end of May 2019, the Republic of Venezuela bond due 9/15/2027 traded at about 30 cents per dollar in the Luxembourg Stock Exchange.

There is a chance this purported Venezuelan debt to Cuba may be fully serviced and repaid when the economy of Venezuela recovers, and if so, Cuba would get a huge windfall. However, this is nowhere in sight, and recognition of such obligation to Cuba by future governments of Venezuela is a major question mark because of political and economic factors.

15. Luis R. Luis, "Cuba's Capital Account of the Balance of Payments," *Cuba in Transition*, Volume 27, 2017.

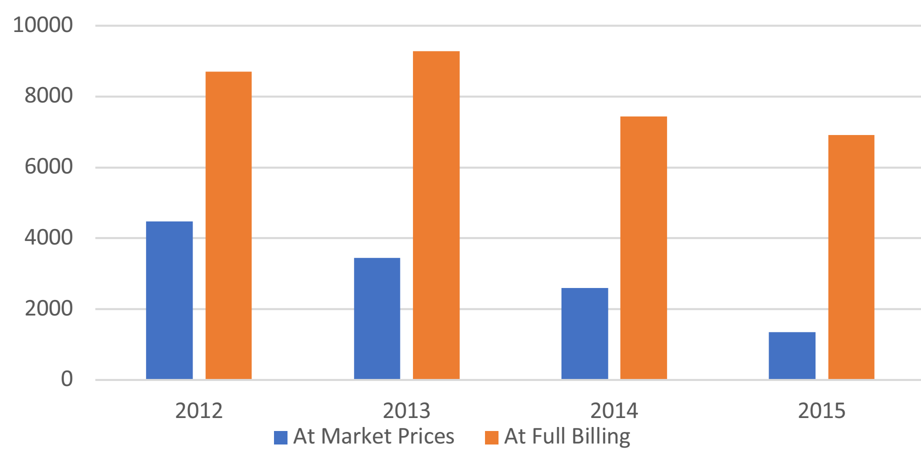
16. "Médicos com registro no Brasil terão 8517 vagas que antes eran ocupadas por médicos de cooperacão com Cuba," Maismedicos.gov.br.

Figure 1. Venezuela Real GDP and Oil Volume to Cuba, 2012=100



Source: IMF and author's estimates from ONEI statistics.

Figure 2. Venezuelan Grant Element to Cuba (Million $)



Source: Author estimates based on data from ONEI, Mais Medicos program and US Energy Information Administration.

There is a strong probability that a future Venezuelan government may consider financial obligations to Cuba as odious debt incurred by an illegitimate government.

The grant element implied in Venezuelan-Cuban barter trade vanished by 2018 with the lower volume and market price of Venezuelan shipments to Cuba.[17] Balance of payments statistics for 2018 are not yet published. Indications are nonetheless that there is still a Cuban bilateral trade surplus.

CAPITAL FLOWS AND EXTERNAL DEBT

Following arrears and defaults on its external debt and withdrawal from the World Bank in 1960 and the IMF in 1963, Cuba was isolated from world cap-

17. A detailed analysis of Venezuelan-Cuban oil trade can be found in Ernesto Hernández-Catá, "Cuba's Petroleum Trade Statistics and the Impact of Cutbacks in Venezuelan Oil," ascecuba.org/blog, March 15, 2019.

ital markets and had only access to short-term trade finance and some official development assistance from European nations, Canada and Japan.[18] Beginning in 1962 Cuba received development and project finance from the USSR and other Eastern Bloc nations. During the Special Period there was limited opening to foreign direct investment, which tightened once again after 2004 when Venezuela began robust trading of oil for services with Cuba.

Trade finance has remained the prevailing mode of international bank financing for Cuba. This is largely short-term credit of less than one-year maturity, frequently collateralized by deposits from Cuban banks. The need for collateral restricts the availability of credit. Supplier credits, another important source of short-term financing, has been hit by payments delays and arrears, particularly in 2009–2011 and after 2016. The government reports a build-up of arrears to commercial creditors that are curtailing the ability to import needed supplies. Arrears to suppliers in Japan have led to a slowdown in lending and trade.[19] There have been substantial arrears to creditors in China over the last two decades with some debt forgiveness. There are no official reports of Chinese lending to Cuba. Periods of rising Chinese exports are likely accompanied by trade and medium-term credits. A recent slowdown of exports from China is probably also accompanied by limited credit.

Investment Flows

Foreign direct investment in Cuba between 2009 and 2015 averaged about 0.4% of GDP.[20] The largest investments in the period since 2009 involved the above-mentioned Venezuelan investments in the oil sector and telecommunications, the development of the port of Mariel, the expansion and maintenance of the Moa joint venture exploiting nickel and other minerals and petroleum development projects inland and offshore.

The Mariel Special Development Zone (ZED Mariel) is an area aimed at attracting direct investment by allowing it to operate under special legislation.[21] Firms domiciled in the zone are allowed to import free of duties raw materials and components and have somewhat greater labor market flexibility than companies located elsewhere. It is an attempt to mitigate "Cuban risk." A new foreign investment law was also approved in 2012. This law and its predecessors in principle provide an adequate environment for investment, but extensive and variable regulations and a cumbersome bureaucracy keep foreign direct investment well below one percent of GDP.

There is minimal foreign portfolio investment as there are no active debt and equity securities issued in Cuba. There are Cuban bank deposits held by foreign firms. These are basically working-capital accounts. The government also issues "certificados de liquidez" providing access to hard currencies for profit repatriation and imports. These are not portfolio investments but involuntary accounts arising out of the freezing of hard currency funds in Cuban banks.

Development assistance to Cuba peaked during 1962–1990 with Soviet largesse. Flows eased thereafter, and became insignificant after the 2008 international financial crisis as a result of arrears and defaults to official lending agencies. Debt restructuring organized by the Paris Club in 2015 led to a resumption of modest official and guaranteed lending from OECD countries and the extension of new trade lines by European banks.

External Debt

Cuba's last debt default prior to the revolution was in 1935 when payments were missed on a Cuban Treasury Bond issued to finance public works.[22] In 1958 Cuba had relatively small foreign indebtedness consisting of two bond issues of $52 million and bank

18. Interestingly Cuba in 1959 had no outstanding debt to the World bank. See World Bank, *Annual Report*, 1959.
19. Kanako Yamaoka, "Cuba's Hedge Policy and Asia," panel presentation LASA 2019 Annual Conference, Boston, May 26, 2019.
20. Luis R. Luis, *op cit.*
21. Jorge F. Pérez-López, "Foreign Investment in Cuba's 'Updating' of its Economic Model," *Cuba in Transition*, Volume 25, 2015.
22. New York Times, "Trade of Bonds Offered by Cuba", June 24, 1938.

and supplier credits financing imports for a total debt estimated at $235 million. The bulk of this external debt was owed by private companies, commercial banks and importers. Sovereign debt was about one-quarter of the total. The ratio of debt to exports of goods and services was 30%, inside the range of an investment-grade credit.

However, propelled by capital flight, a deteriorating balance of payments and revolutionary fervor, the first formal event of default was at year-end 1960 when Cuba missed a coupon payment on a 40-year Treasury Bond. Prior to that event nationalization of foreign and domestic companies led to a sharp increase in sovereign debt as the state was now saddled with obligations of entities such as the electric and telephone companies. This led to a suspension of payments of interest and principal due to foreign banks which had corporate loans on their books. The Republic of Cuba has been in default to many of its creditors ever sincpe.

Cuba's external debt has been in arrears and default with numerous creditors since 1960. It is not the aim of this paper to track down the numerous events of default and arrears to a broad range of creditors comprising sovereign states, export credit agencies, commercial banks and suppliers. Arrears to the Russian Federation, the successor state of the USSR, alone reached over $10 billion but were not recognized by Cuba until a debt restructuring in 2015 under the aegis of the Paris Club. A moratorium to Paris Club members in 1987 comprised suspension of payments to Spain, Japan and France, the three largest lenders to Cuba after the former Soviet Union.

Chronic payment delays to suppliers have been a hallmark of Cuba's debt problems since the 1970s. The government holds a float of payments arrears to the present day with a worsening of this condition alongside Venezuela's on-going economic collapse. Payment arrears to suppliers are not known precisely but by late 2018 may be placed at $1 billion to $2 billion. In addition there are reports of important arrears to Chinese creditors, which hit imports from Beijing in 2018.[23]

The 2015 restructuring agreement with 14 creditor governments under the auspices of the Paris Club was a major positive event.[24] It reduced outstanding obligations to the Paris Club by some $29 billion between the end of 2013 and December 2016. The bulk was the debt to the Russian Federation. Bilateral debt restructuring with Spain, France and other important creditors were also agreed and implemented. Previous to the Club of Paris agreement, Cuba had restructured official debts with Japan, Mexico, Argentina and other countries.

Table 7. Cuba: External Debt 1958 and 2018 (Million $)

1958		2018	
Bonds	52	Paris Club	5560
Bank/supplier credits	183	Other official	2500
		BIS	2588
		Suppliers	2300
		Defaulted bonds/loans	2000
Total	235	Total	14948
% of hard currency exports	30		187

Source: Foreign Claims Settlement Commission of the U.S., clubdeparis.org, Oficina Nacional de Estadística e Información, Bank for International Settlements, and estimates by the author. Hard currency exports are exports of goods and services paid in convertible currencies or equivalent in-kind payment (data for 1958 and 2015).

At the end of 2018 Cuba's visible external debt was about $15 billion. This does not include debt owed to countries outside of the OECD such as China, Vietnam and Argentina, and obligations to suppliers and banks that do not report to the BIS. The ratio of this visible debt to exports of goods and services paid in convertible currencies approaches 190%. At this level, the debt burden is difficult to manage with a substantial probability of debt servicing problems which are evident in Cuba. In spite of massive restructuring, Cuba is still in a weak position to service debt with feeble merchandise exports, an uncreditworthy client for its main service export and inability to tap international capital markets.

23. "China has forgiven nearly $10 billion in debt. Cuba accounts for over half," Forbes.com, May 29, 2019.

24. Luis R. Luis, "Cuba Restructures its Visible External Debt'" ascecuba.org/blog, January 10, 2016.

CONCLUSION

The Cuban Revolution marked a swift change in Cuba's external economic relations. A small open economy became a small economy closed by controls on the free flow of trade and capital. Merchandise trade contracted in real terms, massively in the case of exports, less so for imports. Subsidies and aid from the USSR maintained import levels and consumption for nearly 30 years. Tourism stagnated at first then developed rapidly in the last two decades and partially offset the fall in exports. Exports of services other than tourism added a new dimension though the effective worth of services and aid from Venezuela sharply diminished with that country's economic collapse. Foreign direct investment has remained below 1% of GDP in recent years, deterred by the perception of country risk. At the outset of the revolution Cuba had modest external debt equivalent to 30% of exports. Currently even after massive debt restructuring and forgiveness the visible external debt is 1.9 times hard-currency exports and reckoned to be in a delicate position with payments arrears and little access to foreign credit. Debt arrears and default, very large restructuring and debt forgiveness are a form of economic assistance which need to be taken into account in understanding Cuba's external sector in the last sixty years.