

Why China's interest in Cuba is waning



Street scene in Shanghai: Bilateral trade is causing a chill in Cuban-Chinese relations
(source: [Nuno Alberto/Unsplash](#))

Cuba and China have excellent bilateral relations today, as both sides regularly emphasize. The economic crisis on the island has severely affected the economic side of the bilateral relationship in recent years, as can be seen from a [report](#) in the *Financial Times*. Not so long ago, the situation looked much better.

Formerly the most important trading partner

China replaced the closely allied Venezuela [as Cuba's most important trading partner](#) in 2016. By 2017, bilateral trade in goods had climbed to \$1.7 billion, but then fell to \$1.1 billion by 2022. This still puts China in a top spot, but the downturn is remarkable. And Chinese investment, for example in the Mariel Special Economic Zone, is not flowing either.

Despite a cybersecurity agreement and the installation of fiber-optic cables, Wi-Fi hotspots and other digital infrastructure by Chinese companies such as Huawei, TP-Link, and ZTE throughout the island, Chinese imports as a whole have fallen sharply.

While China's trade with Latin America has increased tenfold over the past two decades, making China the region's second-largest trading partner after the United States, Cuba is not even one of China's most important allies in Latin America. China has extensive strategic partnerships with major commodity exporters such as Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela, but not with Cuba.

Chinese direct investment in Cuba is also at a “ridiculously low level” compared to the \$160 billion that the People's Republic has invested in Latin America and the Caribbean between 2005 and 2020, Cuban economist Omar Everleny commented.

Although Cuba has been participating in China's global infrastructure development initiative "Belt and Road" since 2018 and China is still Cuba's second most important trading partner today, economic integration has hardly progressed. Why?

China is not the Soviet Union

Cuban President Miguel Díaz-Canel visited Beijing twice, [most recently in November 2022](#), bringing with him a number of gifts, including medical equipment during the pandemic, a \$100 million donation and several thousand tons of rice. However, the visits have not yet produced any substantial results.

The central problem is the large outstanding debts of Cuban companies. "All the big state-owned companies, like Huawei and Yutong, each have hundreds of millions of dollars of unpaid debts," an overseas businessman, who asked to remain anonymous, told the *Financial Times*. A shortage of raw materials and ongoing economic problems leave little room for Cuba to export to China, while imports have declined in recent years. US sanctions have worsened payment defaults and dried up credit lines.

In addition, there have been slumps in key sectors such as the sugar industry. This has experienced a severe downturn since the Covid pandemic, which is expected to continue. Of the 56 existing sugar mills, only 25 were still in operation last season, 2023/24, and in the coming season the number will [fall to 15](#). The long-term agreement for the export of at least 400,000 tons of sugar to China each year could therefore no longer be met last year, as Cuba no longer produces enough sugar for domestic consumption. What remains is the export of tobacco, nickel, pharmaceutical products, and some seafood (such as sea cucumbers) to China, but this hardly makes a difference in terms of value compared to imports.

All of this has led China to scale back bilateral trade in line with Cuba's real possibilities. Unlike the former Soviet Union, Cuba is not a close strategic partner for China. "China is not Cuba's sugar daddy, the two countries do not see each other as strategic partners," former US intelligence officer for Latin America Fulton Armstrong told the newspaper. William LeoGrande, an expert on Cuban foreign policy at the American University, expressed a similar view: "The Chinese are not known for their donations. However, the Cubans are in a situation where they need donations and don't have much to offer themselves."

Beijing "confused and frustrated" by Cuba's pace of reform

There are reports suggesting that China has stepped up efforts to take advantage of Cuba's strategic location by installing electronic eavesdropping equipment on the island. The Center for Strategic and International Studies, a Washington think tank, said in July that there were "growing signs that China's economic and political influence is opening doors for its military and intelligence services in Cuba." However, LeoGrande commented that certain circles in Florida and Washington in particular were interested in creating a "Chinese spectre in Cuba". The rumors of a Chinese listening station primarily serve "the interests of conservative Cuban Americans, who are always looking for reasons not to improve US-Cuban relations," said LeoGrande.

Another controversial topic in the report is the political consultations between the two socialist countries, which have been taking place again at the highest party level for more than 10 years. Beijing is apparently increasingly frustrated with the pace of economic reforms in Cuba.

China repeatedly reaffirms its support for Cuba's development path in public statements, "but behind closed doors, Chinese officials have long been urging the Cuban leadership to move from its vertical planned economy to a model similar to China's," the newspaper quotes unnamed economists and diplomats familiar with the situation. Chinese officials are "confused and frustrated by the Cuban leadership's lack of willingness to implement a market-oriented reform program decisively, even though the status quo is obviously not working."

The once flourishing relationship between Cuba and China is threatening to break down due to the island's economic reality. Despite strategic partnerships and shared ideological roots, China currently seems to be dominated by frustration over the lack of reform and unpaid trade debts. While the People's Republic is focusing on profitable raw materials markets in Latin America, Cuba currently finds itself in a geopolitical niche – without a replacement for the "sugar daddy" it once had in the form of the favorable trade with the Soviet Union. ([Cubaheute](#))