



The Cuban Economy: Where It Stands Today

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Abstract

There is widespread discussion both within and outside Cuba concerning what direction the Cuban economy will go under its new interim president, Raúl Castro. This very short paper is intended to contribute one piece of information that is needed to intelligently discuss that issue: where Cuba's economy stands today. Its intention is to compactly provide as much current statistical information on a number of longstanding contentious economic issues in Cuba, as is allowed by its short length. It concludes that the evidence supports that there indeed has been real and meaningful accelerated improvement in the Cuban economy in recent years, and at the same time, Cuba remains far from being able to meet many of its citizen's economic needs in accord with its own principals of human development.

JEL Classification: P27, P30, O54

Keywords: Cuba; current economic conditions; Socialism

I. Introduction

There is widespread discussion both within and outside Cuba concerning what direction the Cuban economy will go under its new interim president, Raúl Castro. This short paper is intended to contribute one piece of information that is needed to intelligently discuss that issue: where Cuba's economy stands today.

Cuba puts out a lot of information on its current economic performance in any given year. This data and information are, however, often very scattered. The goal of this note is to compactly present a solidly statistical information-based picture of Cuba's current¹ economic reality.

I will begin with the most standard indicator of comparative national economic performance, gross domestic product (GDP) growth. The limitations of this as an indicator of development are well known. I want to then turn to indicators that more immediately reflect the current economic well-being of the population. As Cuba's general successes in health care and education are frequently written about, I want to address four indicators

1. For a fairly detailed description of the economic changes of the 1990s, see Campbell (1999). For a shorter informative overview of the 1990s by the Cuban Minister of the Economy and Planning, see Rodriguez (2004). For a recent overview that goes through the mid-2000s, see Skinner (2006).

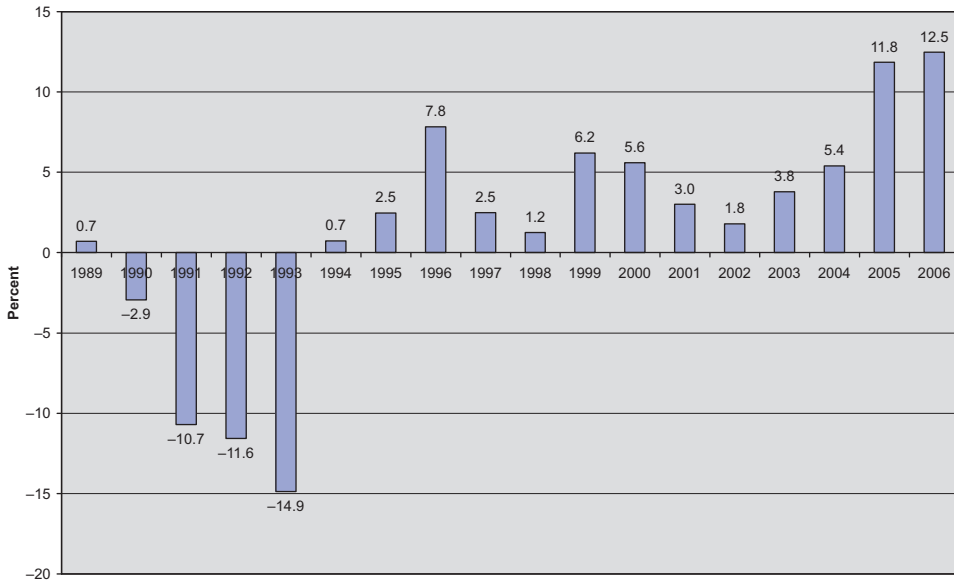


Figure 1.

Real GDP Growth (Const 1981 and 1997 Pesos)

Source: ONE (1998, 1999, 2007).

less frequently carefully discussed outside of Cuba, about which there is and has been ongoing discussion and complaints in Cuba: food, housing, transportation, and blackouts.

2. Cuba's Recent and Current Economic Performance

2.1. GDP Growth

Figure 1 gives Cuba's real GDP growth rate since 1989. One sees the much discussed collapse of the early 1990s, and the continuous medium-paced recovery from 1994–2004. Not surprisingly, the U.S. press has barely mentioned the exceptional growth of 2005 and 2006. Note that while those two years were good for all of Latin America and the Caribbean, their average for the region was 4.5 and 5.3 percent, respectively (ECLAC 2007b: Table 2.1.1.1). Preliminary indications for 2007 indicate Cuban growth will drop to roughly 7 percent, still well above the regional average of 5.6 percent. The economically more important GDP per capita expected growth rate of 6.9 percent is only marginally below the top four countries in the region for 2007 and solidly above the regional average of 4.2 percent (ECLAC 2007a: Cuadros A-2, A3). Cuba's current performance clearly involves something more than the improved conditions for the majority of Latin American countries.

This paper will not try to discuss the reason for the strong economic growth of Cuba in the last three years.² But I do want to dismiss as too simplistic one often heard explanation,

2. Certainly, the often cited explosion of economic relations with Venezuela and China is one important factor (Mendes and Marques 2008). But it is important to also note the ongoing (and under consideration for expansion) 1.2 billion dollar investment by Sherritt (Boadle 2007).

Table 1
Millions of Pesos

	2001	2002	2003	2004	2005	2006
Export of goods	1,621.9	1,421.7	1,688	2,332.1	2,159.4	2,904.9
Import of goods	- 4,851.3	- 4,188.2	- 4,672.8	- 5,615.2	- 7,604.3	- 9,503.2
Balance on goods	- 3,229.4	- 2,766.5	- 2,984.8	- 3,283.1	- 5,444.9	- 6,598.3
Export of services	2,571.5	2,450.3	2,961.9	3,788.7	6,803.5	6,945.1
Import of services	- 258.0	- 246.5	- 222.4	- 225.9	- 218.0	- 246.1
Balance on services	2,313.5	2,203.8	2,739.5	3,562.8	6,585.5	6,699.0

Source: ONE (2007)³

which will also give two interesting insights into the changed nature of the current Cuban economy. One often hears that high agricultural and raw material prices (especially nickel and tobacco) are behind the recent strong Cuban economic performance. First, Table 1 shows the balance on trade in goods and services from 2001 to 2006.

What we see is that while the export-goods earnings indeed achieved a significant gain in 2006 (after actually marginally falling in 2005), that gain was only about one-quarter of the gain in export-service earnings in 2005. Those export service earnings were then maintained and marginally increased in 2006. Hence the data in the table dismiss the assertion that higher raw material and agricultural products export prices, and hence earnings, were fundamentally responsible for the recent strong economic performance. More importantly, this table reveals an important aspect of today's Cuban economy: the continued rapid growth in importance of service exports in its external trade.

A second reason to dismiss the high price of raw materials and agricultural products as centrally important to the recent strong performance is that even among goods the export of "generic and biotechnological medicines moved up to second place behind nickel" (ECLAC 2006: 116). This too is indicative of an important ongoing change in today's Cuban economy, where knowledge-based goods and services have become important in their foreign trade (as well, of course, as domestically), something that has been possible only because of Cuba's commitment to education since 1959.⁴

3. Technical note. Unfortunately, the National Accounts no longer present exports and imports of services as they used to in the 1990s. They can be calculated, but there is a small point to be careful about. At www.one.cu, select Anuario Estadístico 2006. Table VI.1 gives exports and imports separately, but only for goods and services lumped together. Table VII.1 breaks down goods into imports and exports, but one has to add the "authorized donations" to exports and "received donations" to imports to get the number they list as "export of goods" in the Balance of Payments table VII.11 (where they only give data for 2005 and 2006). With this, one can create Table 1 above. Note that "services" so defined includes "goods acquired at ports and airports." One cannot correct for this, because it is given only net (but of course it is almost all exports), and it is given only in Table VII.11, hence only for 2005 and 2006. It had a value of 243 in 2006 and 210 in 2005, so not correcting for this does not significantly change the trends.

4. The economic leadership of Cuba has long seen a knowledge-based economy as their goal. In his December 2006 address to the National Assembly, the Minister of the Economy and Planning said: "We can count on the human capital created by the Revolution as a base for the development of the knowledge-based society that is the guarantee of the future" (Rodríguez 2006).

2.2. Food

In 1986, Cubans consumed 2,948 calories and 79.9 grams of protein per day. This caloric intake was above the 1989 level of Brazil (2,751) and just below Mexico (3,052) and Argentina (3,113). With the cessation of the publication of Cuba's major source of statistical data in 1990, the *Anuarios*, this information was no longer readily available. The American Association for World Health estimated that in the worst year of the crisis, 1993, the average intake dropped to 1,863 calories and 46 grams of protein, below even Haiti's 2,013 calories (Campbell 1999). Actual "minimum necessary calories" calculated by governments and international agencies depend on age, gender, and level of activity (e.g., UNU 1989). As an average minimum requirement, Cuba used 2,310 calories and 35.5 grams of protein in its last *Anuario* that had nutritional information⁵ (CEE 1989: 174). Although the publication of the *Anuario* resumed in the mid-1990s, food intake was removed from the new format, and data are not readily available to this day.

Since 2000 Jean Ziegler has been a Special Rapporteur of the Right to Food for the United Nation's Human Right's Commission. Following an eleven-day visit to Cuba at the beginning of November 2007, he concluded that "Cuba was a model in feeding its population." He noted that there are thirty-two countries in the world that have the right to food written into their constitution, and not all of those in fact do guarantee food to their people: Cuba is one that does (Weissert 2007). As of the writing of this article (12/30/07), Ziegler's report, which I expect will have some concrete statistics on the current food situation in Cuba, had not yet been posted.

The *International Herald Tribune* (IHT) printed a story of a U.S. visitor who lived in Cuba for a month in 2007 and ate what was included on a standard month's ration card plus what could be bought with an average Cuban monthly salary of 350 pesos. A bit less than half the Cuban population has no access to foreign currency earnings, so those without such access would have to live roughly this way. In fact their food intake is generally somewhat better, for they have established personal social networks that help those in greatest need; but the article nevertheless provides a good feel for the human dimension of the current food situation, and roughly matches this author's personal experience in Cuba. Rationed goods include "rice, legumes, potatoes, bread, eggs and a small amount of meat products. The government estimates that the ration provides a third of the 3,300 calories the average Cuban consumes daily" (IHT 2007). While 3,300 calories strikes this author as slightly high, and I would like to see the official government statistics, the IHT author does point out that the diet has become overly starch-rich, which has caused 30 percent of Cuban adults today to be classified as overweight. This latter number gives support to the position that caloric intake apparently once again rivals that of the top Latin American countries. These numbers and this author's personal observations support Ziegler's position that clinical hunger is not an issue in Cuba. As Ziegler stressed, that is a major accomplishment for any Latin American country and must not be underemphasized. At the same time, lowering the cost of more foods off the ration card other than starches is necessary for improved social health.

Notwithstanding that the food situation in Cuba as just indicated is not a huge social problem, it remains a problem, and Raúl has indicated throughout 2007 that he intends to immediately address it further. There are three central pillars to the present plans for

5. The IMF and World Bank today generally use 2,100 calories as their average figure for policy purposes.

Table 2
Housing Units Completed

Years	1985	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	41,170	36,326	27,128	33,465	44,499	57,318	54,479	44,963	41,997	42,940	35,805	27,460	15,590	15,352	39,919	111,373
State	27,265	22,510	16,933	21,813	24,034	30,206	26,504	21,267	19,347	20,670	17,202	19,643	7,318	8,295	14,585	29,692
Non-state	13,905	13,816	10,195	11,652	20,465	27,112	27,975	23,696	22,650	22,270	18,603	7,817	8,272	7,057	25,334	81,681

Source: ONE (2007: Table XI.1).

expanded and improved food production in Cuba. First, in accord with directives of the National Assembly meeting in December 2006, the Cuban government has both paid up its large debts to its own farmers, and it has greatly raised the prices paid to the producers (but not charged to consumers) of a number of food products. As an example, milk and beef prices have been tripled (Castro 2007; Peters 2007; Frank 2007a).

Second, and again inadequately discussed outside of Cuba other than in passing references to its existence, there is the urban agriculture program. Its twenty-eight subprograms have all been successful, and some exceedingly so. The most successful program has been the vegetable and condiment program. Urban agriculture output in this area has increased 1,000-fold from 1994 to 2006. As a result, Cuba now produces over one kilogram per capita of vegetables per day, compared to the FAO 0.3 kilogram recommended minimum consumption. "As a result, urban populations and institutions such as schools and hospitals have access not only to healthy, organic fresh produce but also to an impressive variety of it" (Koont 2008).

Finally, Cuba is looking for foreign investment in joint ventures in some areas of food production that are still performing inadequately to meet the domestic needs. As of the writing of this article (12/2007), Cuba had just one joint venture in agriculture out of its 233 joint ventures. According to the Director of the Department of Investment Project Evaluation and Management, Anaiza Rodriguez, Cuba is looking at proposals from Argentina, Venezuela, and other Latin American and European countries to produce soy and other grains and cereals (Frank 2007b).

2.3. Housing

"Housing is widely acknowledged by Cuban leaders to be one of the country's most pressing problems" (Hamberg 1990: 248). Written in 1990, this could have been written in 1960, 1970, 1980, 2000, or today. Housing was recognized as a problem on day one of the Revolution in 1959, but two conscious policy decisions combined to keep it that way to date. First, they decided that housing needs notwithstanding, they had to first greatly expand their productive (enterprises) and social (schools, hospitals, etc.) facilities before they moved massively to resolve the housing problem. Second, they decided, and successfully implemented, that one top priority of the Revolution would be to reduce the huge gap in all aspects of life between the city and the countryside. This second decision did not actually make the total housing problem worse, but it did determine that housing would improve in the countryside and severely deteriorate in Havana, the only place other than tourist resorts seen by so many visitors to Cuba to this day (Griffiths and Griffiths 1979: 122–3).

A National Housing Institute report issued June 27, 2005, estimated that 43 percent of Cuban housing required repairs. It further estimated that Cuba would have to build 50,000 houses a year for ten years to address its housing shortage (Wroclavsky 2005). Actual housing completions are shown in Table 2.

One sees from this table a number of interesting things concerning housing. First, if the estimates are correct and they need only produce 50,000 houses a year to resolve their housing shortage in ten years, this table indicates that resolving their housing problems certainly is an obtainable goal, given their historical production. Second, it is interesting that while housing production slumped with the depth of the crisis in 1993, it recovered to respectable levels by the mid-1990s when the total economic situation was still dire, but then declined in the late 1990s, plummeted in 2001–2002, and crashed in 2003–2004, all at a time when we have seen the economy had been doing continually better for almost ten years. Third, we see that following the statement of their goal in 2005, they indeed achieved an unprecedented year in 2006, and even if they only achieve half of that in 2007 (approximately their target), they will still meet the required 50,000 units. And finally, we see an important trend that appears likely to continue: state output was sharply boosted from 2004 to 2006, increasing over 3.5-fold, but non-state output increased over 11.5-fold. All indications are that in the near future this non-state output will continue to play a central role, while the state continues to make an important contribution. Prospects for resolving the permanent housing crisis in Cuba look better today than they have since (and since before) 1959.⁶

2.4. *Transportation*

Three months after assuming the powers of interim president in August 2006, Raúl Castro fired the Minister of Transportation. In March 2007, the new Minister of Transportation, Jorge Luis Sierra, declared that the basic system of transportation in Cuba had serious problems. Two major programs have been initiated.

In 2005, the Chinese automaker, Yutong Group, Ltd., began exporting coaches⁷ to Cuba, and had exported 1,200 by the end of 2006 (PDO 2007). During a visit to Cuba in June 2007, both government and non-government Cubans told this author that these had dramatically improved intercity bus transportation, that at that time nothing had been done about the (abysmal) city bus system (particularly in Havana), and that plans were to begin completely renovating that system in late 2007. By September 2007, Yutong had exported 200 city transport buses to Cuba. The current agreement calls for exporting to Cuba 5,348 buses or coaches for \$37.5 million from 2007 to 2009 (PDO 2007).

Government statistics support this picture. In 2006, the number of trips made transporting passengers⁸ in the urban regions declined by 1.7 percent (after an 8.9 percent decline the year before), while the number of trips made transporting passengers outside the urban areas increased by 13.5 percent (ONE 2007: Table XII.8).

6. Three short pieces that together give a rich picture of housing over the whole Revolution are Griffiths and Griffiths (1979), Hamberg (1990), and Kapur and Smith (2002).

7. Buses of the standard type used around the world for intercity transportation, with an aisle down the middle with two reclining seats on each side.

8. By trains or motor vehicles operated by the Ministry of Transportation or Poder Popular, excluding for tourists, students, or by taxis.

The other major transportation project about to begin is the renovation “to their original condition” of the train systems. In September 2007, Cuba received a \$100 million loan from Venezuela to upgrade the tracks, signals, and communications. In addition, they have contracted to buy 100 locomotives from China and 100 freight cars from Russia. The Transportation Minister said the repairs will allow trains to travel at 100 km/h instead of the present 40 km/h, an essential improvement not only to make long-distance train travel attractive to Cubans, but to cut train cargo transportation costs (*Reuters* 2007).⁹

2.5. Blackouts—(Almost) Resolved

A major complaint of the Cuban population for over a decade was the electrical blackouts. From 2005 to the present, over \$2 billion has been spent in renovating and modernizing the national electrical system (*Reuters* 2007). Blackouts still occur, but relatively infrequently (Martínez 2006), and they are no longer a significant complaint of the population.

It is interesting to note that the massive blackouts that persisted for many years were caused by a drop in electrical output of only 27 percent from the 15,024.7 Gw.h in 1990 to the low year of 1993. Following that, production climbed very slowly and steadily until it finally surpassed 15,000 Gw.h again in 2000. After that, it stayed fairly constant until 2005 (ONE 1998, 2006, 2007). In 2006, with the first results of “the energy revolution” (see Mendes and Marques 2008) being recorded, electricity output did increase 7.3 percent. But the real source of the resolution of the blackout problem was not boosting output, or in this case the related effective social drive to reduce consumption, but rather repairing an infrastructure that had deteriorated for at least a decade; parts of it were not properly maintained from the time they were built. This sort of problem has been a chronic weakness of the Cuban economy, and the apparent new heightened attention to repair as opposed to only new production is very much part of the economic reforms since the late 1990s, seen in Cuba as a longstanding focal concern of Raúl, and part of what is emerging new in Cuba today.

3. Conclusion

By focusing on a number of economic issues that immediately affect the population and that have been contentious in Cuba for decades (in addition to the standard GDP), this note has attempted to present a solidly statistical information-based picture of where Cuba’s economy stands today. The evidence supports both the claim of real and significant recent improvements in most areas of the economy, and that Cuba remains far from completely resolving its long-standing economic problems.¹⁰ It is the interplay between these two reality-supported impressions, with their opposing suggested implications in relation to the need for reforms, that forms the background for understanding the process of combined continuity and change that will now unfold under Raúl’s leadership.

9. The Minister of the Economy and Planning gave some additional information on recent transportation problems and developments in his last two yearly reports to the National Assembly (Rodríguez 2005, 2006).

10. Problems common to most of the Third World, and significant parts of the population of the First World.

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