Cuba’s Economy: Prospects for Change

CSIS, Washington
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Cuba’s Economy: Prospects for Change

• Drivers of change so far
  – Ideology
    • Constants: collectivism, basic needs, sovereignty
    • Changes: leadership; economic circumstances
  – Economic circumstances
    • 1990-91 shock and after

• Prospects for change
  – ideology and economic circumstances today
Prospects for change:
external economic circumstances

Net external financing
Net current transfers
Other services
Tourism
Other goods
Medicines
Tobacco products
Nickel
Sugar
Prospects for change: external economic circumstances today

The options
- Sugar: slimmer
- Nickel: duller
- Tobacco: mature
- Medicines: take-off?
- Other goods: scope?
- Tourism: hard times; US?
- Other services: markets beyond Chavez?
- Remittances: more?
- Finance: OECD or not?
Prospects for change:
domestic economic circumstances -
stagnation

Reforms: agromarkets, perfeccionamiento, financial system, auditing, land redistribution, self-employment – and joint ventures
Prospects for change:

domestic economic circumstances -
dualism

Relative prices are extremely distorted = obstacle to liberalisation
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• Ideology today
  – Since 1990: principles tempered by “ad hoc-ism”
  – Now: *greater pragmatism*
  – BUT the constants remain: “no surrender”

• Economic circumstances today
  – Domestic
    • *Stagnation and dualism => reforms under way*
  – External
    • Search for new sources of growth => *further evolution; US??*
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Questions?

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Direction of trade: exports

1990
USSR
= 66% of goods

1990
Venezuela
= 11% of goods
+ c. 50% Of “other services”
= c. 20% of total?
GDP by expenditure

Real GDP index, 1989=100

An export-led recovery
Oil and gas
(000 bpd)
External debt (US$ m)
Dualism inflates foreign currency incomes relative to peso incomes

Value of US$100 as multiple of average monthly wage
Dualism and income distribution: the basic needs guarantee

1990

- Other goods
- Rent, utilities
- Rationed food

US$ equivalent

1993

- Other goods
- Rent, utilities
- Rationed food

US$ equivalent
Dualism and income distribution: the collapse of peso wage differentials
The recovery: national income

Real GDP growth (%) - Real GDP (1990=100)