

Cuba's Economy: Prospects for Change

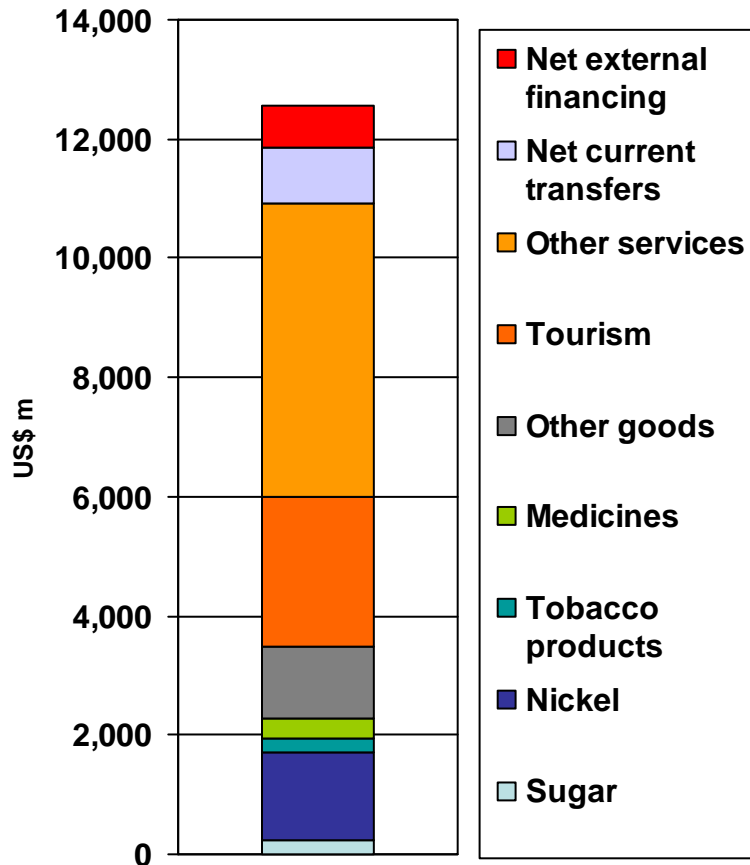
CSIS, Washington
December 2nd, 2008

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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

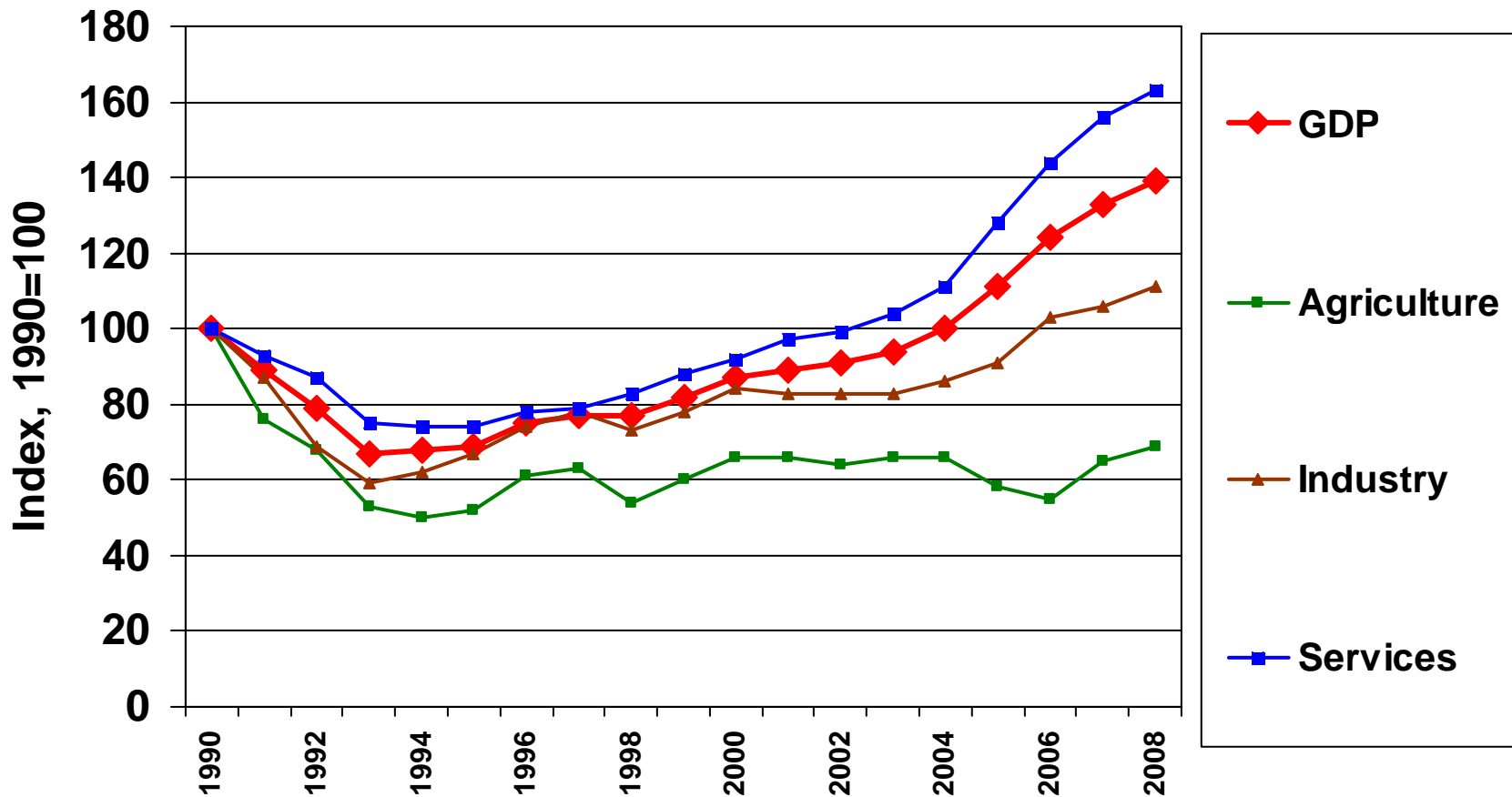
Prospects for change: external economic circumstances today



The options

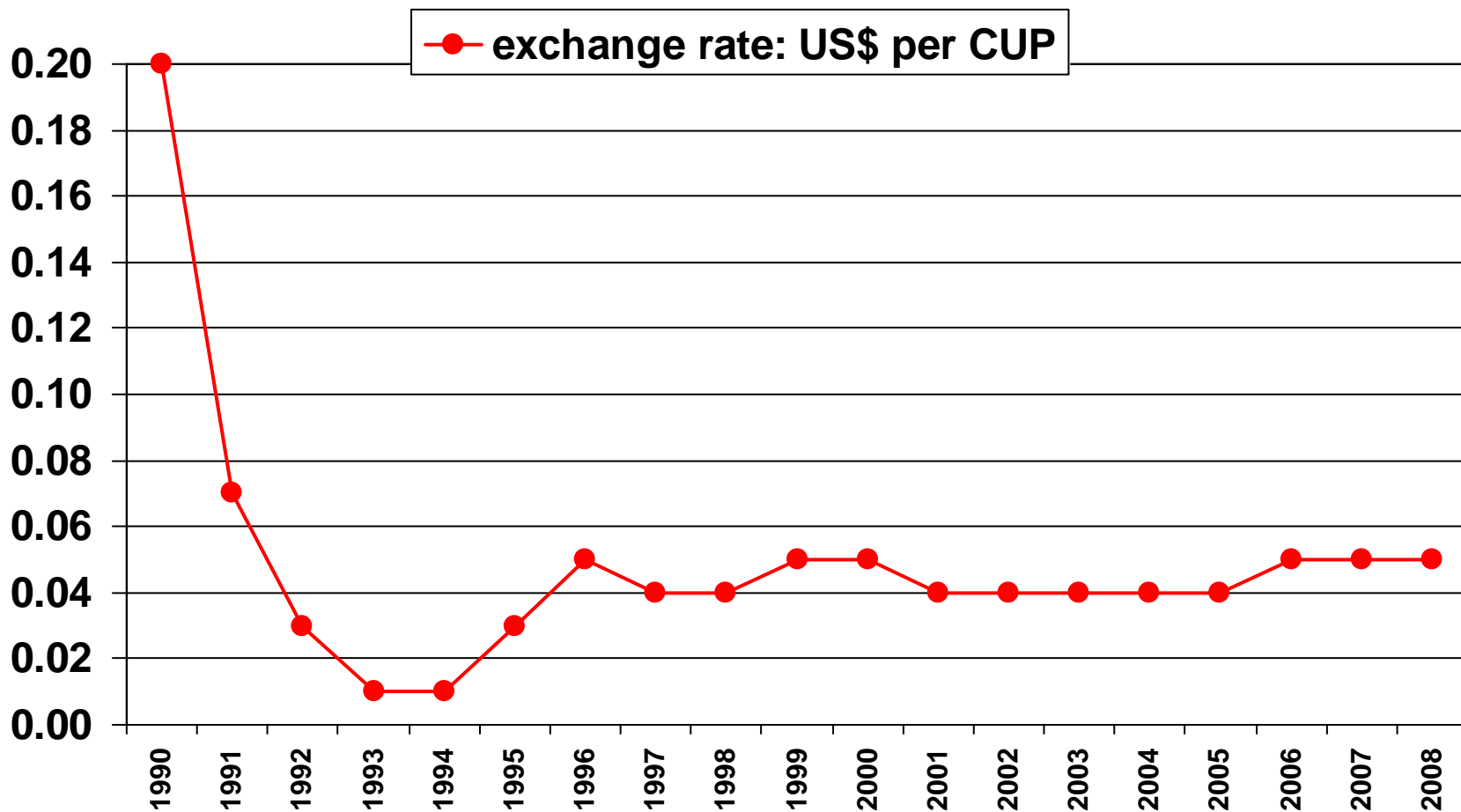
- Sugar: slimmer
- Nickel: duller
- Tobacco: mature
- Medicines: take-off?
- Other goods: scope?
- Tourism: hard times; US?
- Other services: markets beyond Chavez?
- Remittances: more?
- Finance: OECD or not?

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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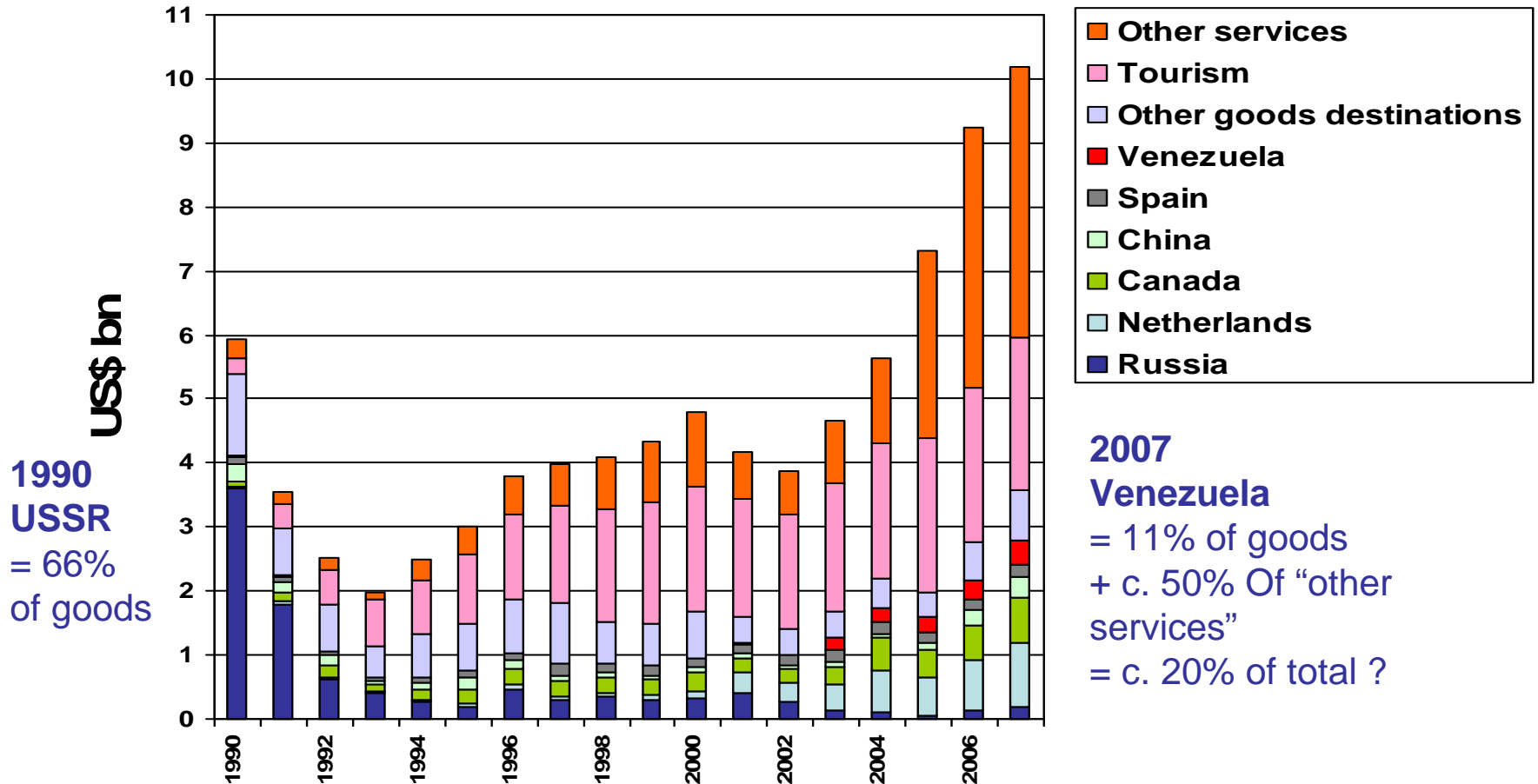
- Ideology today
 - Since 1990: principles tempered by “ad hoc-ism”
 - Now: *greater pragmatism*
 - BUT the constants remain: “no surrender”
- Economic circumstances today
 - Domestic
 - *Stagnation and dualism => reforms under way*
 - External
 - Search for new sources of growth => *further evolution; US??*

Cuba's Economy: Prospects for Change Questions?

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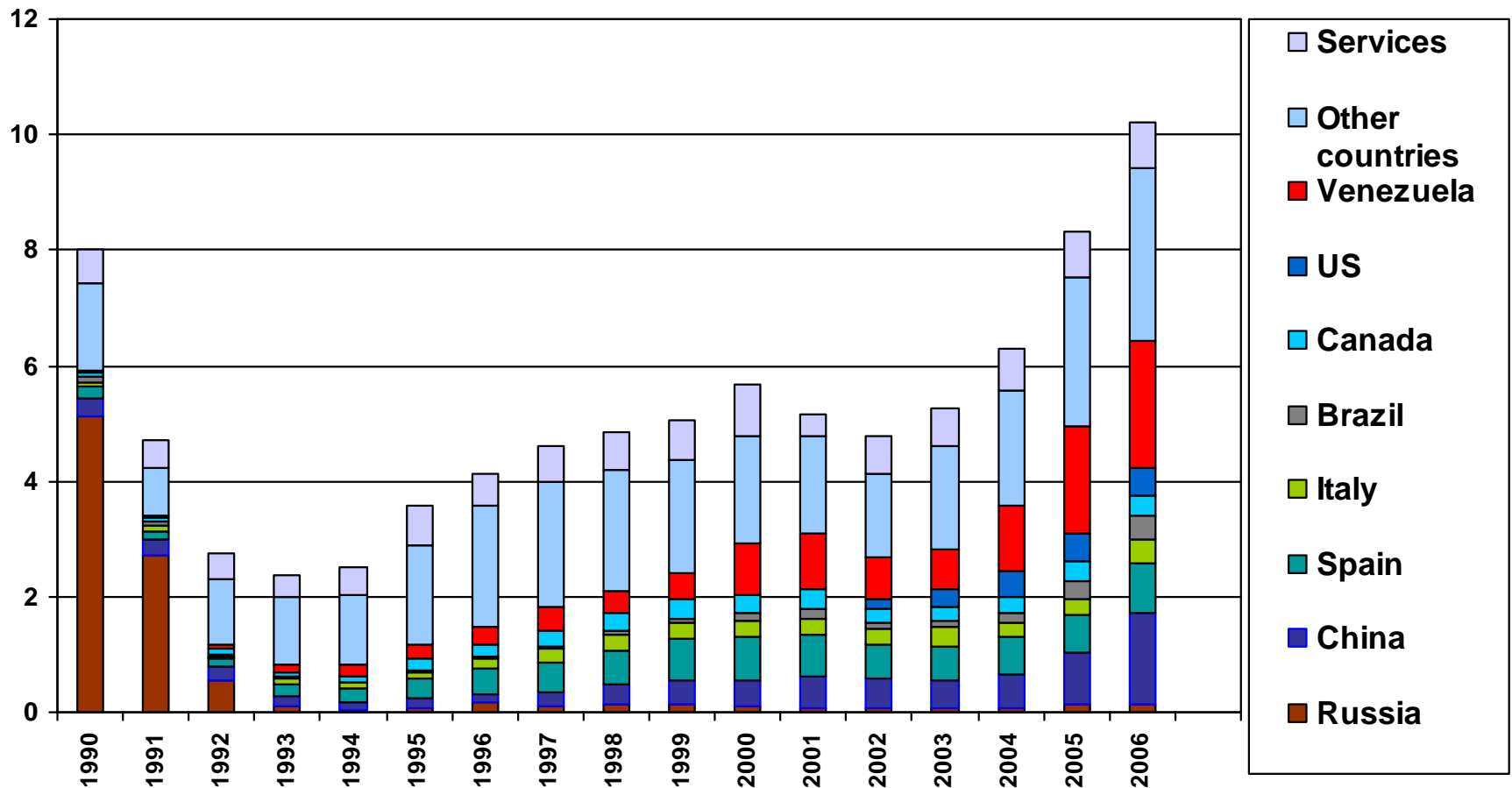
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Direction of trade: exports



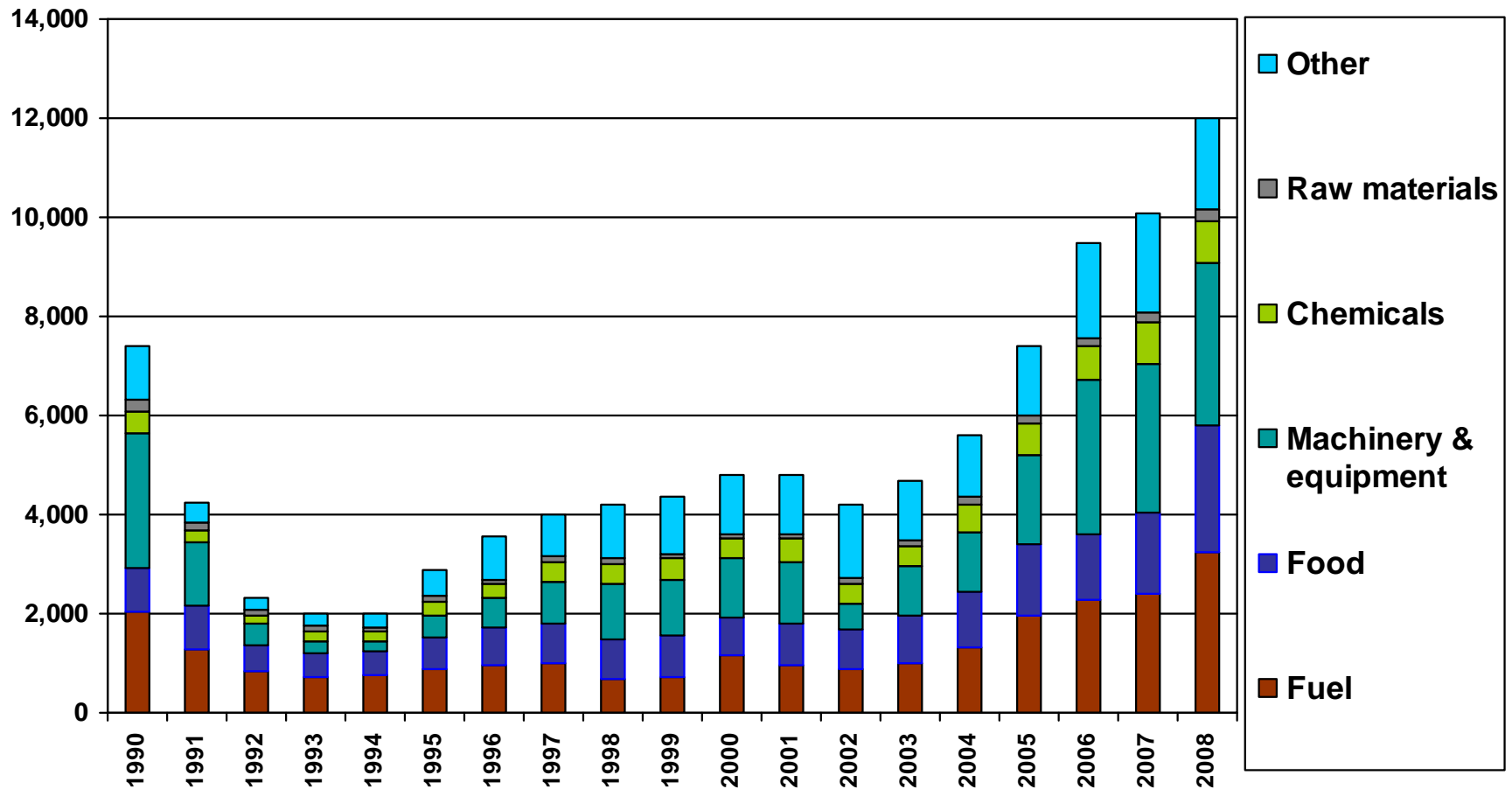
Direction of trade: imports

Imports
(US\$ bn)



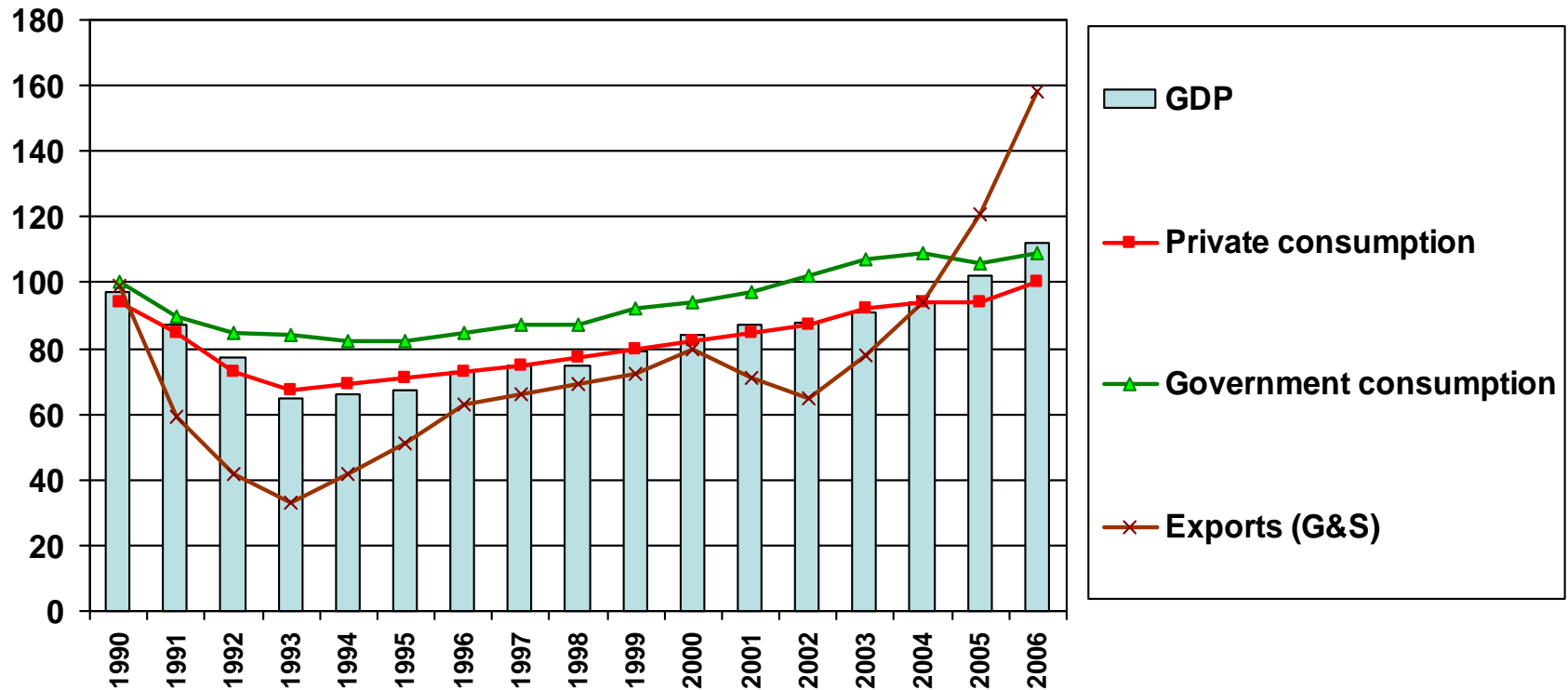
Imports by product

Imports
(US\$ bn)



GDP by expenditure

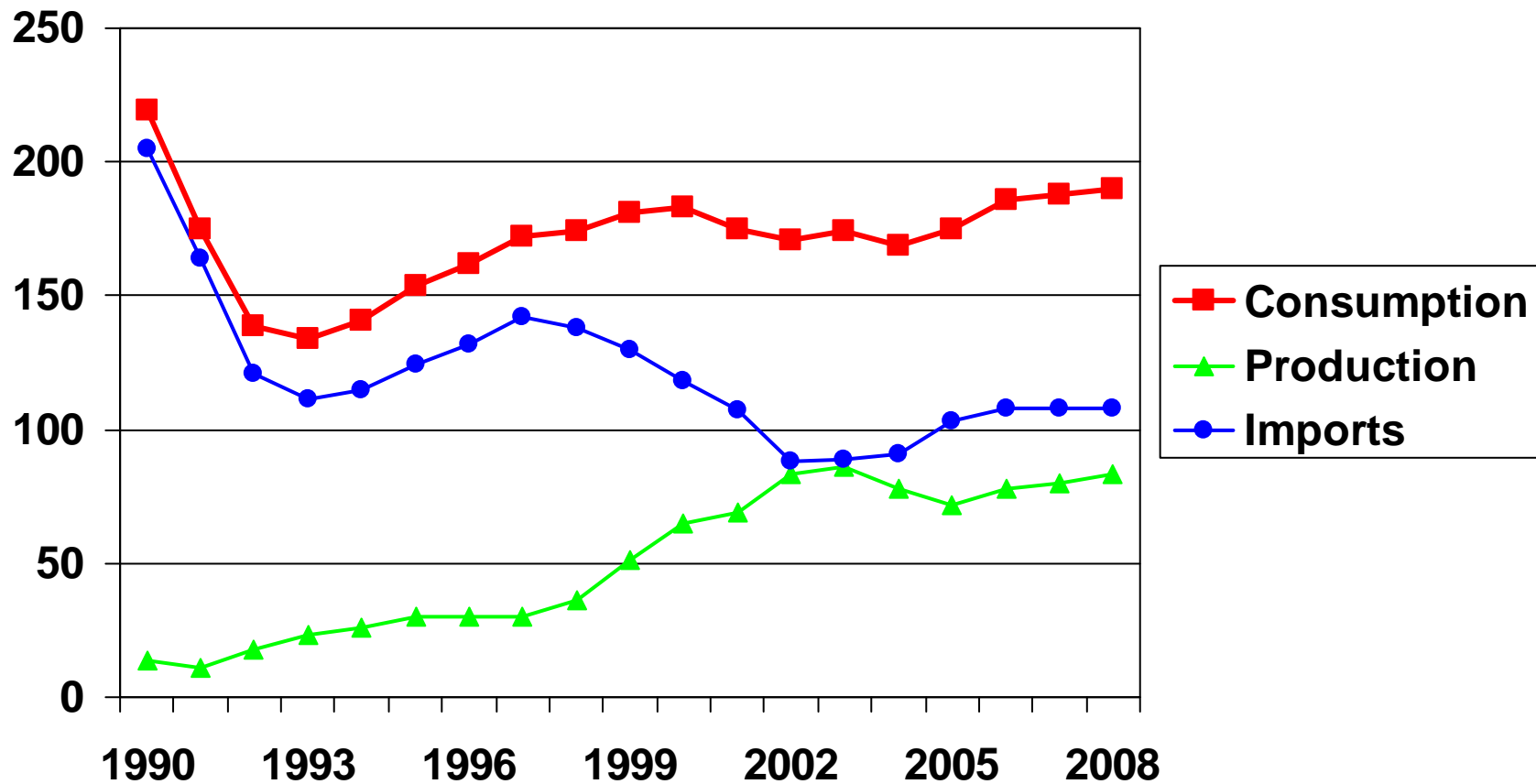
Real GDP index, 1989=100



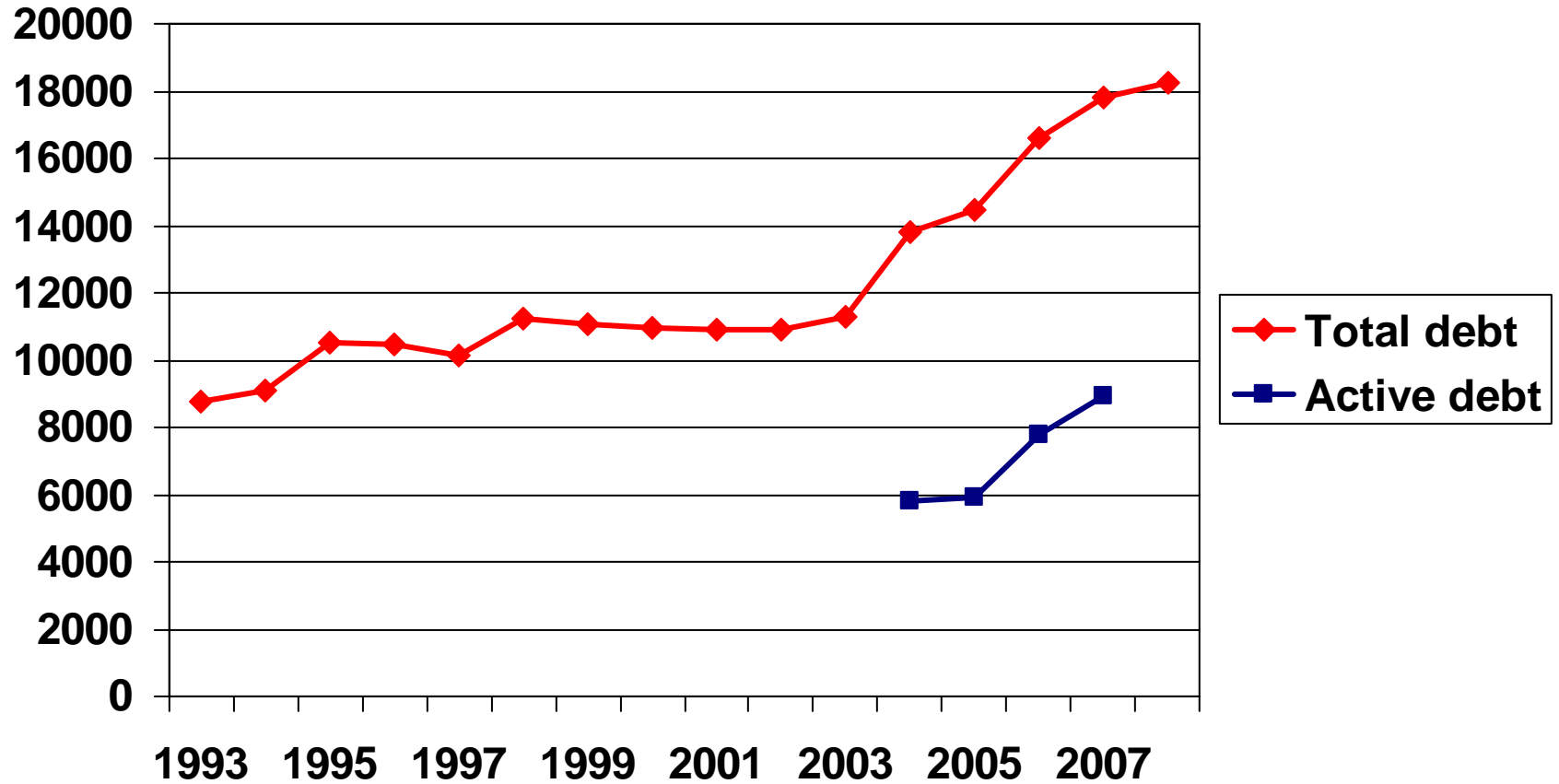
An export-led recovery

Oil and gas

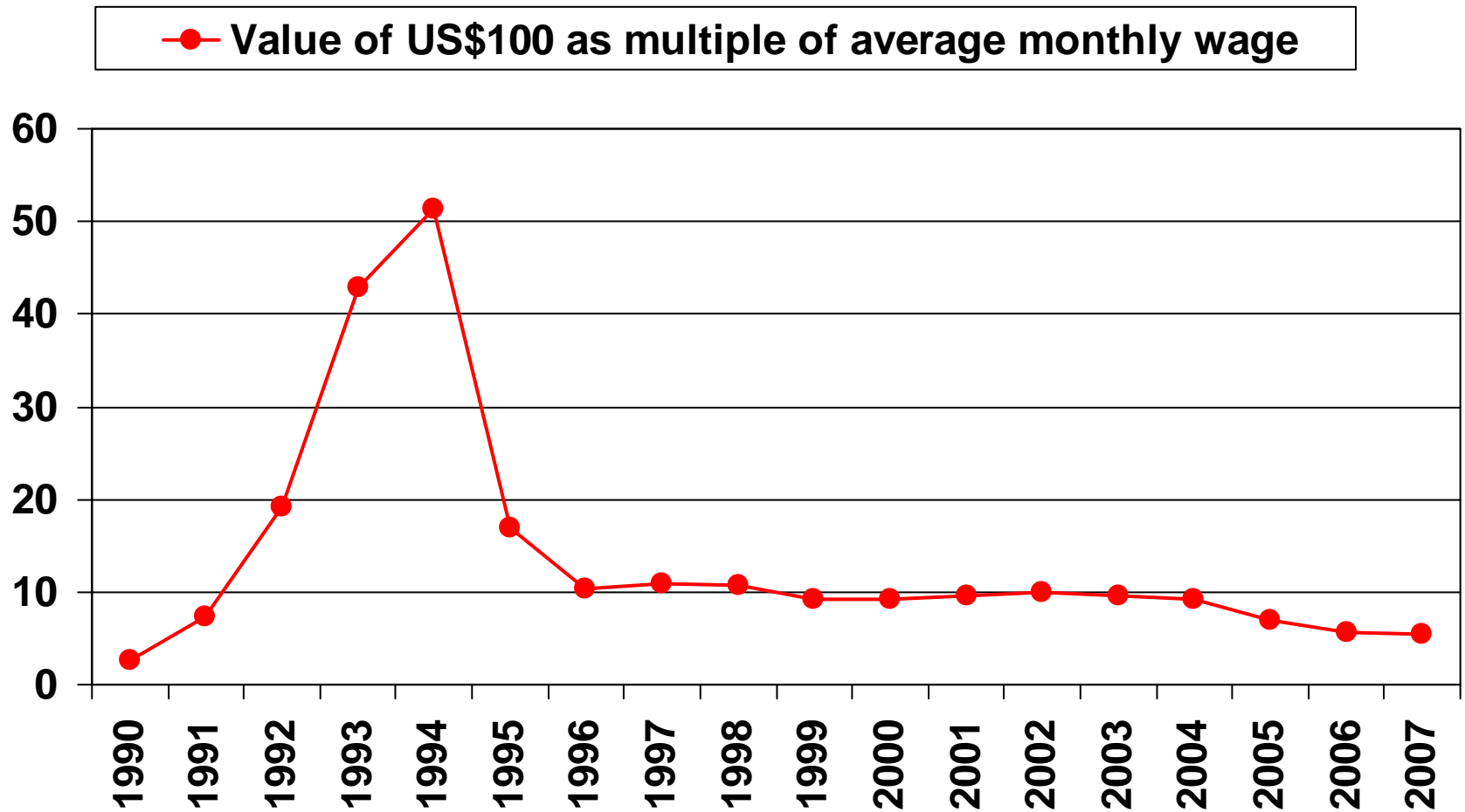
(000 bpd)



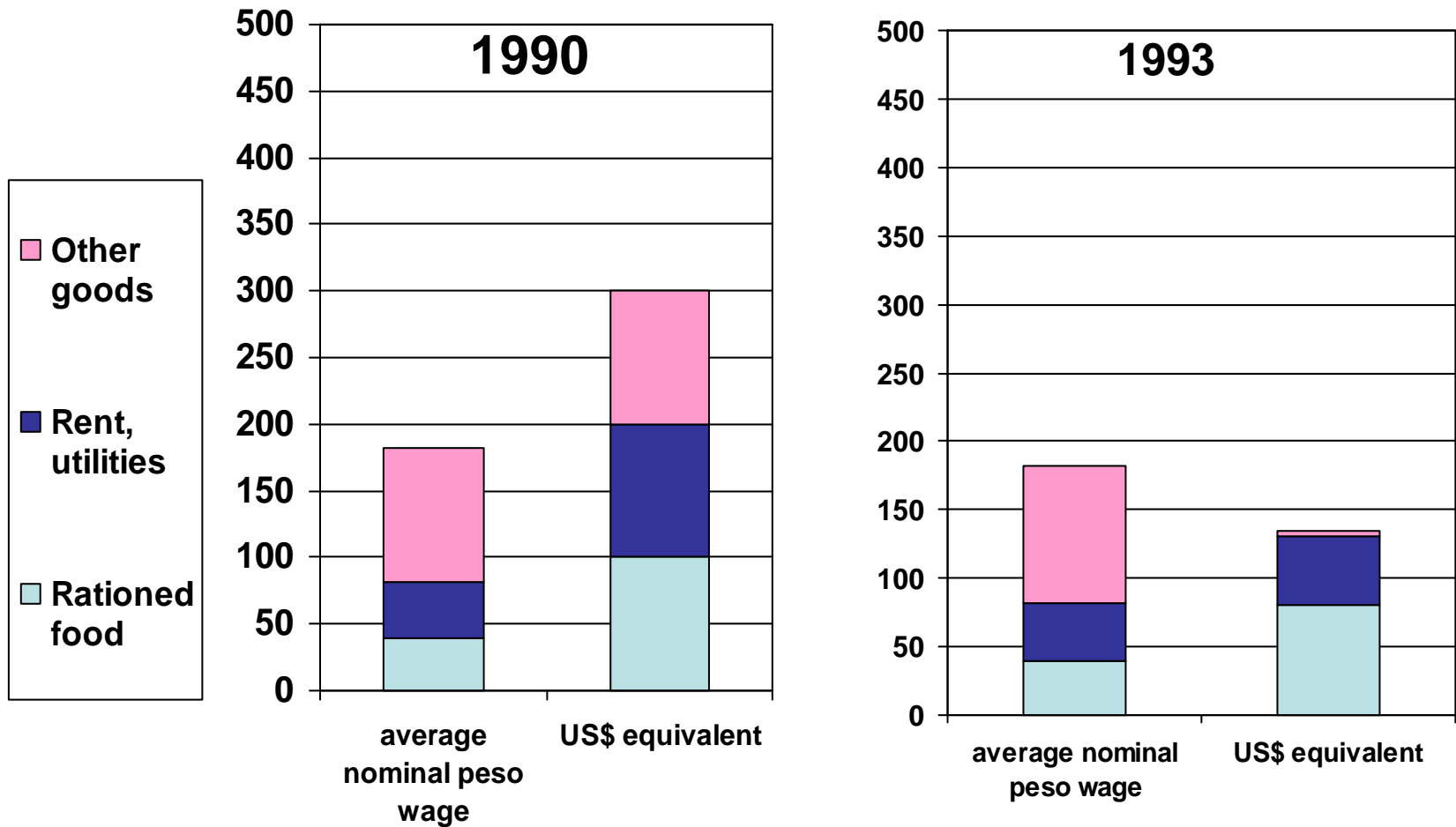
External debt (US\$ m)



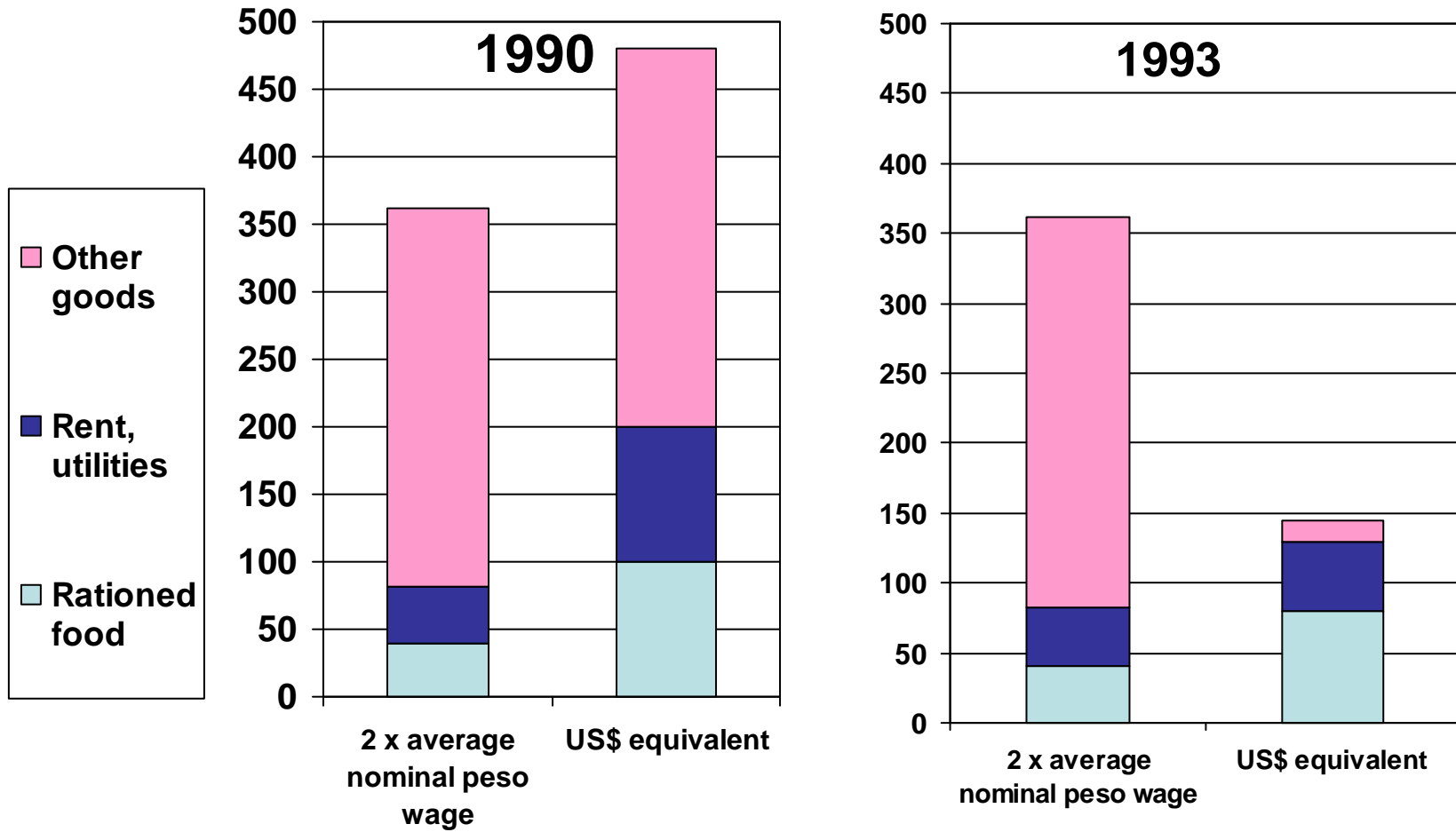
Dualism inflates foreign currency incomes relative to peso incomes



Dualism and income distribution: the basic needs guarantee



Dualism and income distribution: the collapse of peso wage differentials



The recovery: national income

