

# CUBA'S EXTERNAL SECTOR AND THE VI PARTY CONGRESS

Jorge F. Pérez-López

As the Cuban Communist Party convened its VI Congress in mid-April 2011, the external sector of Cuban economy continued to be under stress. Although the worst of the global financial crisis was over and international financial flows had begun to recover, Cuba faced a severe liquidity crunch. Speaking to the National Assembly of People's Power in December 2010, President Raúl Castro cited improvements in some external sector indicators (such as goods exports and tourist arrivals), but acknowledged that the freeze on accounts of foreign businesses and on foreign transfers in place since 2008 would not be eliminated until 2011.<sup>1</sup>

This paper examines the recent performance of the external sector of the Cuban economy and assesses how it might be shaped by the guidelines adopted by the VI Congress of the Cuban Communist Party. The first section reviews recent performance of Cuba's external sector while the second describes and comments on external sector guidelines adopted by the VI Congress and how they might affect the external sector. The paper concludes with some observa-

tions on prospects for the external sector and for Cuba's future growth performance.

## RECENT PERFORMANCE OF CUBA'S EXTERNAL SECTOR<sup>2</sup>

The balance of payments (BOP), a set of accounts that records all monetary transactions between a country and the rest of the world, is the most appropriate framework for examining the performance of a nation's external sector. The BOP scheme has two principal divisions or accounts: (1) the current account, which shows the net amount a country is earning and spending from trade of goods and services (exports minus imports), factor income (payments made to foreign investors) and other cash transfers (remittances, foreign aid); and (2) the capital and financial accounts, which record the net change in ownership of foreign assets, including foreign investment, loans and reserves.

Cuba has not published full balance of payments statistics (comprising the current account and the capital/financial account) since 2001.<sup>3</sup> Thus, the most recent issue of the official statistical yearbook, *Anuario Estadístico de Cuba 2009*,<sup>4</sup> contains information on

---

1. "Discurso pronunciado por el General de Ejército Raúl Castro Ruz, Presidente de los Consejos de Estado y de Ministros, en la clausura del Sexto Período Ordinario de Sesiones de la Séptima Legislatura de la Asamblea Nacional del Poder Popular, el 18 de diciembre de 2010," <http://emba.cubaminrex.cu/Default.aspx?tabid=35152>

2. This section of the paper draws from Jorge F. Pérez-López, "The Global Financial Crisis and Cuba's External Sector," in José Raúl Perales, editor, *The Cuban Economy: Recent Trends*, Report on the Americas No. 28 (Washington: Woodrow Wilson International Center for Scholars, July 2011).

3. The statistical yearbooks for 2002 and 2003, for example, repeat the same BOP data that appeared in the 2001 yearbook, namely BOP statistics for 1997–2001.

4. Beginning in May 2011, the Oficina Nacional de Estadísticas began to release individual sections of the *Anuario Estadístico de Cuba 2010*. The section on the external sector was not available as of the time this paper was finalized, in late August 2011. See [www.one.cu](http://www.one.cu).

**Table 1. Cuban Balance of Payments, 2000–2007 (million dollars)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Current Account Balance	-392.4	-461.8	-696.2	-605.3	-343.0	20.0	116.0	140.2	-215.0	488.0
Goods exports, f.o.b.	1540.2	1456.1	1675.3	1621.9	1421.7	1671.0	2180.0	2369.3	3167.0	3830.0
Goods imports, f.o.b.	-4229.0	-4365.4	-4795.6	-4469.0	-3810.0	-4245.0	-5098.0	-7604.3	-9498.0	-10083.0
Balance of goods	-2688.8	-2909.3	-3120.4	-2847.1	-2388.3	-2574.0	2918.0	-5235.0	-6331.0	-6253.0
Services (credit)	2592.1	2854.7	3114.1	2571.1	2540.3	2979.0	3450.0	6550.0	6667.0	8192.0
Services (debit)	-660.0	-692.0	-808.1	-640.0	-625.0	-650.0	-740.0	-175.0	-211.0	-292.0
Balance of services	1932.1	2162.7	2306.0	1913.1	1915.3	2329.0	2710.0	6375.0	6456.0	7900.0
Balance of goods and services	-756.7	-746.6	-814.4	-916.0	-563.0	-245.0	-208.0	1140.0	125.0	1647.0
Balance on income	-448.7	-514.1	-622.2	-502.2	-600.0	-650.0	-650.0	-633.2	-618.0	-960.0
Balance on current transfers	813.0	798.9	740.4	812.9	820.0	915.0	974.0	-367.2	277.7	-199.0
Financial Account Balance	4.9	484.9	805.4	594.5	300.0	200.0	800.0			
Global Balance	17.0	23.1	109.2	-10.8	-43.0	220.0	916.0			

Source: CEPALSTAT database. Latest update: October 18, 2010.

selected items of the current account through 2007 but does not contain any information on the capital/financial accounts. Partially filling this gap, CEPAL has published summary BOP statistics, presumably on the basis of information provided by Cuba's Oficina Nacional de Estadísticas; these statistics, for the period 1998–2007, are given in Table 1. This section of the paper relies on the BOP statistics published by CEPAL.

Because Cuba uses at least three different currencies,<sup>5</sup> there is considerable uncertainty about which currency is used by the Cuban government in its external accounts. While the *Anuario* and other official statistical publications report external sector statistics in pesos, international organizations (such as CEPAL) report the same figures in U.S. dollars. In what follows, we will follow this convention and use pesos and dollars interchangeably in discussions of Cuban BOP and other foreign sector statistics.

### Current Account and its Components

**Goods Trade:** Rows 2–4 of Table 1 present data on Cuban goods (or merchandise) exports, imports,<sup>6</sup> and trade balance (value of exports minus value of imports) for the period 1998–2007. Goods trade was

in deficit every year of this period. According to Cuban statistics (Table 2), the goods trade deficit peaked at nearly \$6.6 billion in 2006, a new record, dropped slightly in 2007 to nearly \$6.4 billion, and ballooned to a new record of \$10.6 billion in 2008, falling to \$6.0 billion in 2009 (when exports and imports fell sharply as a result of the global financial crisis). In one of its periodic publications, CEPAL has reported that Cuban goods exports in 2010 increased by 59.7% with respect to 2009 and goods imports by 19.5%, so that the goods trade deficit in 2010 was roughly \$6.0 billion, essentially the same as in 2009.<sup>7</sup>

In 2009 goods trade turnover (sum of exports and imports) fell by 34.1%, while exports tumbled by 21.4% and imports by 37.4%. Exports fell across nearly all categories—mining industry, sugar industry, fisheries, tobacco, agriculture, miscellaneous products. One of the few bright spots was exports of medicines and pharmaceutical products, whose value rose by nearly 78%, to about \$520 million, more than twice the \$226 million generated by exports of the sugar industry. Imports of capital goods and of intermediate goods (the latter includes raw materials) fell by roughly 39%. Imports from even Cuba's clos-

5. In 2011, the following currencies were used in Cuba: (1) the Cuban peso (CP), the official currency, which is not freely exchanged in international markets for other currencies; (2) the convertible Cuban peso (CUC), a currency created in 1994 that is exchangeable in international markets and was originally valued at par with the U.S. dollar; and (3) the U.S. dollar (USD), whose circulation in the island was legalized in 1993.

6. Following BOP statistics conventions, the value of imports in Table 1 is shown with a negative sign.

7. CEPAL, *Cuba: Estudio económico de América Latina y el Caribe 2010–2011* (July 2011), <http://www.eclac.org/publicaciones/xml/1/43991/EEE-Cuba.pdf>.

est allies suffered substantial declines: imports from Venezuela fell by 42% and from China by nearly 21%. The recovery of Cuban exports in 2010 is attributed primarily to the strengthening of international prices for exports of sugar and nickel. Goods imports in 2010 were still below 2008 levels, constraining overall economic growth. Higher oil import prices in 2010 resulted in the oil bill accounting for 42% of imports (compared to 27.9% in 2009); wheat and corn imports also rose significantly in 2010.<sup>8</sup>

**Table 2. Merchandise Goods Trade, 2001–2010 (million pesos)**

	Exports	Imports	Trade Balance
1998	1512.9	4229.0	-2716.1
1999	1496.0	4391.3	-2895.3
2000	1676.2	4843.3	-3167.1
2001	1622.0	4851.3	-3229.3
2002	1421.7	4188.1	-2766.4
2003	1688.0	4672.8	-2984.8
2004	2332.1	5615.2	-3283.1
2005	2159.4	7604.3	-5444.9
2006	2924.6	9497.9	-6573.3
2007	3685.7	10079.2	-6393.5
2008	3664.2	14234.1	-10569.9
2009	2879.0	8909.5	-6030.5
2010	4597.8	10646.9	-6049.1

**Source:** Oficina Nacional de Estadísticas, *Sector Externo en Cifras: Cuba 2009* (La Habana, 2010); 2010 from CEPAL, *Cuba: Estudio económico de América Latina y el Caribe 2010–2011*.

The commodity and partner country composition of Cuba's goods trade changed significantly in recent years. Sugar's contribution to exports continued to fall sharply,<sup>9</sup> with nickel consolidating its position as

the main export commodity. In 2009, Cuba's top-five goods exports markets—Venezuela, China, Canada, Netherlands, and Spain, in that order<sup>10</sup>—took close to two-thirds of Cuba's exports. Imports of intermediate goods (which include oil) dominate the Cuban goods import basket, accounting for about two-thirds of the total value of imports. The top-five sources of Cuban goods imports in 2009—Venezuela, China, Spain, the United States, and Canada, in that order—accounted for about 64% of total imports. Venezuela has climbed to become Cuba's top supplier of goods imports primarily because of oil shipments.<sup>11</sup>

In recent years, about three quarters of Cuba's imports of consumer goods have consisted of foodstuffs—e.g., cereals such as wheat, which are not extensively cultivated in the island for climatic reasons, but also a range of other food products such as rice, milk, chicken meat, beans, that could be produced in higher quantities domestically but are not because of the lackluster performance of the agricultural sector. The fact that the United States—a country that maintains a trade embargo on the island—ranks among Cuba's top-five suppliers of goods imports and is a key supplier of foodstuffs is notable. Cuba's rapidly growing goods imports from China have been financed by credits extended from that Asian nation to Cuba since 2004 to purchase Chinese goods such as electro-domestic appliances (particularly rice cookers, refrigerators), electronic products (particularly television receivers), and transportation equipment (particularly buses for local and

8. CEPAL, *Cuba: Estudio económico de América Latina y el Caribe 2010–2011* (July 2011), p. 5.

9. Sugar exports accounted for about 8% of Cuban merchandise exports in 2009, a remarkable drop from the 80–85% share they held during the second half of the 1980s.

10. Canada and the Netherlands held these positions in large part because they are the primary outlets for Cuban nickel exports. Venezuela and China have emerged as significant markets for Cuban goods exports, in line with the strengthening of Cuba's political relations with these nations.

11. Since the mid-1990s, Venezuela has been the main source of Cuban oil imports, a position formalized in a cooperation agreement (*Acuerdo Integral de Cooperación*) signed in October 2000 by Presidents Castro and Chávez. Venezuela committed to supply Cuba with 53,000 barrels per day (b/d) of oil and oil products under favorable financing terms in exchange for Cuban technical support and assistance in the areas of education, public health, sports, and scientific research. In December 2004, the two sides revised the agreement and increased the guaranteed oil supply level under concessional terms to 90,000 b/d.

**Table 3. Cuban Services Exports and Tourism Revenue (million dollars)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Services exports	3114	2571	2450	2979	3450	6550	6667	7952	8566	8134	na
Tourism revenue	1948	1849	1789	1999	1915	2150	1969	1982	2090	1899	2025
Tourism revenue/ services exports (%)	62.6	71.6	72.2	67.1	55.5	32.8	29.5	24.9	24.4	23.3	na

**Source:** ONE, Anuario Estadístico de Cuba 2010 and earlier issues.

inter-provincial transportation). As is discussed below, Chinese credits dried up in 2009, heavily affecting imports from that country.

**Services trade:** Rows 5-6 of Table 1 present data on Cuban services exports and imports. It is evident from these data that throughout the period 1998–2007, Cuban services exports substantially exceeded imports, so that Cuba consistently recorded positive balances (surpluses) in the services account. The services surplus was in the range of \$2–\$3 billion during 1998–2004, but rose to over \$6 billion in 2005 and nearly \$8 billion in 2007.

Despite the strong performance of the services sector, the goods and services trade balance (Row 7) was in deficit during 1998–2004 (although following a declining trend) because of the large goods trade deficit, although it turned positive in 2005–2007. Exports of services in these years were: \$6.6 billion in 2005, \$6.7 billion in 2006, and \$8.2 billion in 2007. In 2007, the goods and services trade balance recorded a surplus of \$1.647 billion, compared to -\$916 million (deficit) in 2001, a truly remarkable balance of payments turnaround.<sup>12</sup>

It is very difficult to analyze the performance of services trade since Cuba does not publish disaggregated statistics on either exports or imports of services, with

the exception of tourism. Table 3 compares Cuban official statistics on gross tourism income during 2000–2010 with the value of total services exports. Gross tourism revenue hovered around \$2 billion per annum through the entire period. From 2000 to 2003, gross tourism income accounted for 65–70% of the value of services exports; this share fell to 33% in 2005, 30% in 2006 and under 25% in 2007–2009 (the calculation cannot be carried out for 2010 because data on the value of services exports are not available), as exports of professional services boomed in the latter years. According to CEPAL, in 2010 tourism accounted for about 25% of services exports, which would mean that overall services exports were roughly \$8.1 billion and non-tourism services exports about \$6.1 billion in that year.<sup>13</sup> Another source has reported that services exports in 2010 amounted to \$8.7 billion.<sup>14</sup>

The large jump in the value of Cuban services exports beginning in 2005 coincides with the time period when Cuba has been a significant “seller” of health and other professional services in Venezuela and in other countries. One source has estimated that in 2006, Cuban medical services exports amounted to some \$2.4 million;<sup>15</sup> another source refers to estimates of overall professional services valued at

12. See Jorge F. Pérez-López, “Cuba’s Wondrous Balance of Payments Turnaround,” in *Cuba Today and the Road Ahead* (Center for Inter-American Policy and Research, Tulane University, 2009). [http://stonecenter.tulane.edu/uploads/Perez-Lopez\\_updated-1318949179.pdf](http://stonecenter.tulane.edu/uploads/Perez-Lopez_updated-1318949179.pdf).

13. CEPAL, *Cuba: Estudio económico de América Latina y el Caribe 2010–2011*, p. 5.

14. Jorge Mario Sánchez Egozcue, “La Relación Crecimiento Económico y Sector Externo, una evaluación de la dinámica entre las presiones coyunturales y las distorsiones endémicas,” Centro de Estudios de la Economía Cubana, Universidad de la Habana (Junio 2011). The \$8.7 billion in services exports in 2010 reported by Sánchez Egozcue is in line with the \$8.785 billion in Cuban commercial services exports in 2009 reported by the World Trade Organization. See <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CU>

15. Julie Feinsilver, “Médicos por petróleo,” *Nueva Sociedad*, 216 (July–August 2008), p. 121, quoting an estimate attributed to a report issued by the Indian Embassy in La Habana posted on the internet. See also Feinsilver, “Cuba’s Health Politics At Home and Abroad,” in *Morbid Symptoms: Health Under Capitalism: Socialist Register 2010*, edited by Leo Panitch and Colin Leys (London: Merlin Press, 2009).

around \$2.4 million in 2005, with the bulk of such exports being medical services exports to Venezuela.<sup>16</sup>

There is virtually no information on how Cuban services exports are priced. However, for purposes of computing its national accounts, for the last several years Cuba has been valuing public medical and social services at “market prices,” an approach that is not consistent with international national income accounting methodology.<sup>17</sup> This methodological change has resulted in a much larger contribution of the services sector to the national economy and to faster growth rates than otherwise. This is a critical research area, where more detailed information from the Cuban government or from trading partners would be necessary to ascertain the methodology underlying the pricing of Cuban health, education, and other exported services to Venezuela and other countries.

**Income:** The factor income sub-account (Row 8) records employee compensation paid to non-resident workers and investment income receipts on external financial assets and liabilities, including on foreign direct investment and portfolio investment. The income sub-account was reportedly in deficit for the entire period 1998–2007; for most of the period, the income sub-account reported a deficit that hovered around \$550–\$660 million, but rose to \$960 million in 2007. It is not unreasonable to assume that the net outflows of income recorded in Table 1 represent profits and payments to foreign direct investment partners (joint venture partners). As has been discussed above, Cuba froze payments to joint venture partners in 2008.

**Current transfers:** Net transfers (Table 1, row 9) were in the range of \$800 million to \$1 billion over the period 1998–2004, according to CEPAL, but declined to a negative \$367 million in 2005, a positive \$278 million in 2006, and a negative \$199 million in 2007.

Cuba does not publish disaggregated data on current transfers but, for the period 1996–1998, CEPAL provided data on three components of current transfers: (1) donations; (2) remittances; and (3) other transfers.<sup>18</sup> During this period, remittances represented about 85% of current transfers. Although there is considerable disagreement over the size of cash remittances to Cuba, it has been estimated that they were \$500–\$600 million per annum during the second half of the 1990s and may have exceeded \$1 billion per annum in the early 2000s.<sup>19</sup> CEPAL has estimated that remittances in 2010 were close to \$2 billion, some 17.3% higher than in 2009 (which would mean remittances of \$1.6–\$1.7 billion in 2009).<sup>20</sup>

Cuba does not publish statistics on the value of donations that it receives from abroad or makes to foreign countries but statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development suggest Cuba received an average of about \$60 million per annum in 1990–99; since 2000, donations ranged from \$56 million in 2000 to \$127 million in 2008, confirming that donations have represent a relatively small share of current transfers.

There is no explanation for the sudden drop in net current transfers in 2005–2007. A contributing factor was probably a set of restrictions on travel and remittances to Cuba imposed by the U.S. Government in

16. Julie Feinsilver, “La diplomacia médica cubana,” citing estimates by The Economist Intelligence Unit. These estimates are also used by José Félix Oletta, “La Misión Barrio Adentro, Objetivos Más Allá de la Salud,” *Cuba in Transition—Volume 17* (Washington: Association for the Study of the Cuban Economy, 2007).

17. See, e.g., Jorge F. Pérez-López, “Cuba 2005: The ‘Alice in Wonderland’ Economy,” *FOCALPoint* (January-February 2006). See also Jorge F. Pérez-López and Carmelo Mesa-Lago, “Cuba’s GDP Statistics Under the Special Period: Discontinuities, Obfuscation and Puzzles,” *Cuba in Transition—Volume 19* (Washington: Association for the Study of the Cuban Economy, 2009).

18. CEPAL, *La economía cubana: Reformas estructurales y desempeño en los noventa* (Mexico: Fondo de Cultura Económica, 2000), Table 30.

19. See Jorge F. Pérez-López and Sergio Díaz-Briquets, “Remittances to Cuba: A Survey of Methods and Estimates,” *Cuba in Transition—Volume 15* (Washington: Association for the Study of the Cuban Economy, 2005).

20. CEPAL, *Cuba: Estudio económico de América Latina y el Caribe 2010–2011*, p. 5.

June 2004.<sup>21</sup> While these restrictions could have resulted in a decline in family remittances from the United States, they cannot explain the huge drop in current transfers beginning in 2005 and particularly the fact that the transfers turned negative in 2005 and 2007. One possibility may be that Cuba began to account for foreign assistance that it provides free of charge to other countries, but there is no statistical information to buttress this conjecture. In April 2009, the Obama Administration removed the bulk of U.S. restrictions on travel and remittances to Cuba by Cuban-Americans;<sup>22</sup> CEPAL attributes the increase in remittances in 2010 in part to the relaxation of restrictions on remitting from the United States.

### Capital and Financial Accounts

The capital and financial accounts counterbalance the current account, recording flows of capital and financial assets that support the economy and the production of goods and services. CEPAL does not provide detailed information on the capital account but it does provide summary statistics on the financial account (Table 1, Row 10). The financial account balance data in Table 1 suggest that Cuba had modest access to foreign financing during the period 1998–2004; foreign financial flows rose as high as about \$800 million in 2000 and 2004. Again, because information on the components of the financial account is not available, it is not possible to say very much about the behavior of external financing. Two key areas for Cuba within the financial account are: (1) foreign investment; and (2) foreign loans and credits.

Official statistics on flows of foreign investment were published at a time as part of Cuba's balance of payments statistics. For 1993–2001, annual investment flows fluctuated significantly, from \$563.4 million in 1994 to \$4.7 million in 1995.<sup>23</sup> Since around 2004, foreign investment activity has been dominated by projects with state-owned or -operated entities in

Venezuela and China, primarily in sectors such as oil exploration and refining, mining, tourism, biotechnology, and electronics. No incoming foreign direct investment statistics have been published since 2001.

Similarly, Cuba does not publish statistics on flows of foreign capital—loans, credits, and other financial sector transactions. Statistics published in the statistical yearbook (see Table 4) refer only to stock of foreign debt and are not up to date (the 2009 issue of the yearbook contains hard currency foreign debt statistics for 2004–2007 only). Moreover, information on the identity of creditors or on terms of the debt are very sparse.

**Table 4. Cuban Official External Active Debt, 2004–2007 (million dollars)**

	Total	Short Term	Medium and Long Term
2007			
Total debt	8,908	1,982	6,926
Government credits	4,360	645	3,894
Bank credits	1,862	756	1,109
Supplier credits	2,507	581	1,926
2006			
Total debt	7,794	1,947	5,846
Government credits	3,945	734	3,212
Bank credits	1,371	318	1,054
Supplier credits	2,477	896	1,581
2005			
Total debt	5,898	922	4,976
Government credits	2,787	261	2,526
Bank credits	1,147	346	801
Supplier credits	1,964	314	1,649
2004			
Total debt	5,806	1,579	4,227
Government credits	2,573	798	1,775
Bank credits	1,312	424	888
Supplier credits	1,921	357	1,564

**Note:** In addition to the active debt indicated above, Cuba has reported an “inactive” debt (deuda inmovilizada) of some \$7.6 billion in 2007. This debt, which has not been the subject of renegotiation since 1986, is mostly (60%) official debt with Paris Club creditors.

**Source:** ONE, Anuario estadístico de Cuba 2009 and earlier issues.

21. For a description of the measures see, e.g., Mark P. Sullivan, *Cuba: Issues for the 110th Congress* (updated September 24, 2008), Congressional Research Service.

22. See [http://www.whitehouse.gov/the\\_press\\_office/Fact-Sheet-Reaching-out-to-the-Cuban-people/](http://www.whitehouse.gov/the_press_office/Fact-Sheet-Reaching-out-to-the-Cuban-people/).

23. Official balance of payments data from *Anuario estadístico de Cuba 2002* (La Habana: Oficina Nacional de Estadísticas, 2003) and earlier issues.

To summarize recent trends, economic performance in 2008 was adversely affected by natural causes—hurricanes that wreaked havoc with the agricultural sector, the transportation and communication infrastructure, and the housing stock—and the onset of the global economic crisis. World market prices soared for key commodity imports, such as food and oil, while they fell sharply for Cuba's key commodity export, nickel.<sup>24</sup> Caught in the global credit crunch, Cuba advised creditors in Japan, Germany, France and China that it would need to reschedule some of its debt payments due in 2008; moreover, in the second half of the year, foreign businessmen (joint venture partners, commercial distributors of imported goods and services) began to experience delays in payments from state entities.<sup>25</sup>

With the deepening of the global financial crisis, Cuba's liquidity problems grew. In response, the Cuban government slashed imports of a range of consumer, intermediate and capital goods and called on workers to work harder and to do more with less. Cuba also juggled its credit portfolio, seeking to restructure some deals, delaying payments to creditors, and restricting transfers by foreign companies operating in the island, including joint ventures. An estimated \$1

billion in the accounts of some 600 companies in Cuban banking institutions were frozen in early 2009.<sup>26</sup>

In the first half of 2010, changes in commodity prices favored Cuba,<sup>27</sup> the number of tourists rose, and reportedly so did remittances.<sup>28</sup> The financial situation remained fragile, however. In March 2010, Cuba offered foreign business 2% interest per annum over five years on accounts that had been frozen,<sup>29</sup> in essence turning the frozen assets into loans. With a large and unstable non-performing debt, Cuba had very limited access to international credit markets.

### THE VI PARTY CONGRESS AND THE EXTERNAL SECTOR

Within the Economic Policy Commission created by the Cuban Communist Party (CCP) in 2010 to develop a blue print for future economic and social development there was a working group that was tasked with addressing external sector issues. There is no information on the composition or methodology used by the working group. Its product became Chapter 3 of the draft economic and social guidelines issued by the Party in November 2010.<sup>30</sup> Specifically, Chapter 3 consisted of 45 guidelines (numbered 64–108) cov-

24. Former Minister of Basic Industries Yadira García has been quoted as stating at the end of 2008, the international price of nickel fell from \$53,000 to \$9,000 per ton; the value of Cuban nickel exports in 2008 was approximately \$552 million compared to \$2,700 million in 2007. See "Los ingresos por la exportación de níquel cayeron drásticamente," *Cubaencuentro* (December 26, 2008), <http://www.cubaencuentro.com/cuba/noticias/los-ingresos-por-la-exportacion>.

25. Marc Frank, "Financial crisis one more woe for beleaguered Cuba," Havana, Reuters (October 3, 2008); "Global crisis, storms hit Cuba finances," Havana, Reuters (December 17, 2008). See also Patricia Grogg, "Impossible to Escape Impact of Crisis—Experts," Havana, IPS (October 22, 2008).

26. Marc Frank, "Cuban payments crisis goes on, businesses in limbo," Havana, Reuters (June 23, 2010). See also Juan O. Tamayo, "Cuba faced worst economic crisis in '09," *The Miami Herald* (January 1, 2010). For efforts by foreign governments to lobby for payment on behalf of their citizens see, "Los gobiernos extranjeros, bajo presión por los cientos de millones de dólares congelados en la isla," *Cubaencuentro* (November 11, 2009), <http://www.cubaencuentro.com/es/layout/set/simple/cuba/noticias/los-gobiernos-extranjeros>.

27. International prices of nickel recovered to about \$21,000 per ton in January-August 2010, 43% higher than the average price of \$14,700 per ton in 2009; over a like period, international prices of key Cuban imports oil and food rose by 12% and 2%, respectively. Note that in 2009 the international price of sugar was 18.2 cents per pound and 19.3 cents per pound in the first 8 months of 2010, very favorable prices for sugar exporters. Cuba is not able to take advantage of the high prices of sugar as it has dismantled its sugar industry and barely produces sufficient sugar to meet domestic demand and make some insignificant exports. Commodity price information from World Bank Commodity Price Sheet, [http://siteresources.worldbank.org/INTDAILYPROSPECTS/Resources/Pnk\\_0910.pdf](http://siteresources.worldbank.org/INTDAILYPROSPECTS/Resources/Pnk_0910.pdf).

28. Esteban Israel, "U.S. relatives could spur new Cuba businesses," Havana, Reuters (September 23, 2010).

29. Marc Frank, "Cuba offers payback plan for frozen bank accounts," Havana, Reuters (March 2, 2010).

30. *Proyecto de Lineamientos de la Política Económica y Social* (November 2010), <http://www.cubadebate.cu/wp-content/uploads/2010/11/proyecto-lineamientos-pecp.pdf>.

ering overarching topics (guidelines numbered 64–67) plus those related to foreign trade (68–84), foreign debt and credit flows (85–88), foreign investment (89–100), and foreign cooperation and international economic integration (101–108).

According to CCP authorities, the extensive discussions of the draft guidelines conducted country-wide from December 2010 to April 2011 generated over 3 million comments and over 780,000 suggestions/opinions; about 400,000 suggestions were accepted for further consideration and potential incorporation into the blue print. The final document approved by the Party Congress in April 2011 consisted of 311 guidelines;<sup>31</sup> out of the original 291 guidelines, 94 (32%) were accepted without change, 197 (68%) were modified or combined with others, and 36 new guidelines were added.<sup>32</sup>

The guidelines dealing with the external sector underwent relatively little change in the discussion process leading up to the Congress and during the Congress itself. The text of 27 (60%) of the original 45 external sector guidelines remained unchanged, while changes were made to 18 others (40%), including two guidelines that were merged into one. No new guidelines were added to the chapter. Thus, the final document approved by the Party consisted of 44 guidelines bearing on the external sector.

## General Guidelines

The four overarching guidelines related to the external sector are largely platitudes and offer little that is new or has practical significance. Examples are guidelines proclaiming the importance of ensuring that the country's trade, fiscal, credit, labor, and tariff policies are strictly applied in order to promote exports and strengthen import substitution, or enunciating the imperative to meet international commercial commitments.

Interestingly, two of the four general guidelines relate to ethical behavior by government officials involved in international transactions—including one calling for the strict separation of duties between decision-making officials who authorize transactions and those who implement them (e.g., negotiate contracts). No doubt this emphasis stems from corruption and fraud that have plagued Cuba during the revolutionary period and even earlier<sup>33</sup> but have risen to the top in recent years with the removal from office—under the cloud of corruption—of top officials involved in managing aspects of the external sector, including the president of the food import agency,<sup>34</sup> the vice-president of the enterprise responsible for marketing cigars abroad,<sup>35</sup> and high officials responsible for managing the nation's international air-

31. *Lineamientos de la Política Económica y Social del Partido y la Revolución* (as approved on April 28, 2011), <http://www.cubadebate.cu/wp-content/uploads/2011/05/folleto-lineamientos-vi-cong.pdf>

32. *Información sobre el resultado del Debate de los Lineamientos de la Política Económica y Social del Partido y la Revolución* (May 2011), [http://www.cubadebate.cu/wp-content/uploads/2011/05/tabloide\\_debate\\_lineamientos.pdf](http://www.cubadebate.cu/wp-content/uploads/2011/05/tabloide_debate_lineamientos.pdf).

33. For an overview of economic corruption in Cuba, see Sergio Díaz-Briquets and Jorge Pérez-López, *Corruption in Cuba: Castro and Beyond* (Austin: University of Texas Press, 2006).

34. Pedro Alvarez Borrego, president since 1998 of Alimport, the Cuban government enterprise that controls all Cuban food imports from the United States and elsewhere, was reportedly removed from his position in June 2009 pursuant to a corruption investigation. According to press reports, Alvarez Borrego left Cuba surreptitiously in December 2010 and currently resides in the United States. See Juan Carlos Chávez, "Ex presidente de Alimport habría desertado de Cuba," *El Nuevo Herald* (January 7, 2011), <http://www.elnuevoherald.com/2011/01/06/865048/presidente-de-alimport-habria.html>

35. Manuel García, vice-president of Habanos, S.A., the international marketing arm of Cuba's cigar industry, was reportedly arrested in August 2010 together with ten of his staffers on graft and corruption charges. García and his accomplices were accused of accepting bribes and selling Cuban cigars at a discount to black market distributors. See Juan O. Tamayo, "Report: A leader of Cuba's cigar industry arrested," *El Nuevo Herald* (April 28, 2011); see also "Cuba's Cigar industry 'Smoked Out': Rolling Up Under-the-Counter Trading in Emblematic Product," *The Economist* (April 20, 2011).

line,<sup>36</sup> the food industry,<sup>37</sup> the tourism industry<sup>38</sup> and most recently the telecommunications industry.<sup>39</sup>

### Foreign Trade

The largest number of guidelines regarding the external sector deal with foreign trade. Seven of the original 17 foreign trade guidelines did not undergo any revision or amendment during the discussion process, while 9 experienced limited changes. Two of the draft guidelines were merged, so that a total of 16 guidelines dealing with foreign trade remained in the final document approved by the Congress.

The foreign trade guidelines address, on the one hand, exports and imports, and on the other, goods and services exports. To a large extent, the guidelines are aspirational and lack practicality: for example, increase the volume of exports (goods and services), upscale the mix of export offerings toward more value-added exports, diversify the export offer (goods and services) as well as the geographic markets for Cuban exports (goods and services), ensure that export commitments are strictly met and attention is paid to quality and timeliness, promote import substitution. Despite the extensive discussion and review process that the draft guidelines underwent, the final guidelines remained devoid of practicality. Just to cite two examples:

- In response to 112 suggestions from citizens in 12 provinces, one of the foreign trade guidelines was amended, substituting the call for “creating at the national level a real interest for exports” by one for “creating an export vocation.” Arguably an export “vocation” entails a more profound commitment to promoting exports than a simple “interest,” but it is not clear how the two concepts differ operationally, how/who would create such a vocation, or how a vocation—as opposed to an interest—would translate into more robust export growth.
- The draft guideline calling for “broadening and consolidating the international pricing mechanisms” for Cuban commodity exports to protect (stabilize) export revenues was the subject of 33 suggestions from citizens in 9 provinces. The guideline that was adopted calls for “broadening and consolidating mechanisms to protect prices of products traded in international commodity markets that Cuba exports (nickel, sugar, coffee, oil, among others) as a way to protect prices in the economic plan.” Suffice it to say that the volatility of international commodity prices has been a feature of international trade from time immemorial, and the number and variety of schemes that both importing and exporting

36. General Rogelio Acevedo, president of the Cuban Institute of Civil Aeronautics and head of the Cuban international airline Cubana de Aviación was removed from his position in March 2010 under corruption charges. Acevedo had led the Institute and Cubana since 1989. See “Raúl Castro destituye a Ministro de Aeronáutica Civil de Cuba,” *El Nuevo Herald* (March 9, 2010), <http://www.elnuevoherald.com/2010/03/09/671326/raul-castro-destituye-a-ministro.html>; and Juan O. Tamayo, “Cubana de Aviación es centro de escándalo de corrupción,” *El Nuevo Herald* (April 3, 2010), <http://www.elnuevoherald.com/2010/04/03/688409/cubana-de-aviacion-es-centro-de.html>.

37. Alejandro Roca Iglesias, long-time Minister of the Food Industry, was dismissed from his post in 2009 under corruption charges. He was sentenced to 15 years imprisonment in May 2011 in a proceeding that also involved Chilean businessman Max Marambio. Marambio, co-owner (with the Cuban state) of the joint venture Rio Zaza, once a very successful producer of processed foods and drinks, was sentenced *in absentia* to 20 years in jail. Other food industry officials were also sanctioned with shorter sentences. See “Cuba ex-minister Roca-Iglesias jailed for corruption,” BBC News (5 May 2011), <https://www.bbc.co.uk/news/world-latin-america/13303005>; “Corruption in Cuba: The cleanup continues,” *The Economist* (May 6, 2011); “Condenan a ex viceministro y otros funcionarios por caso de corrupción,” EFE (May 10, 2011).

38. In December 2003, Cuba dismissed Juan José Vega, President of Cubanacán Group, the largest international tourism enterprise in the island, under charges of corruption. See Pablo Alfonso, “Escándalo sacude a la cúpula del turismo en Cuba,” *El Nuevo Herald* (December 5, 2003). Allegedly as a result of a corruption scandal, Minister of Tourism Ibrahim Ferradaz and several other high-level tourism officials were also dismissed. See Wilfredo Cancio Isla, “Cuba’s tourist economy in trouble,” *Miami Herald* (April 4, 2007).

39. In early August 2011, journalists reported that senior executives of the state-owned telecommunications company ETECSA had been arrested under charges of corruption and the president of the corporation and other officials had been suspected from their duties pending an investigation. See, e.g., Juan O. Tamayo, “Escándalo de corrupción en ETECSA,” *El Nuevo Herald* (August 8, 2011); Marc Frank, “Cuba arrests telephone executives in corruption sweep,” Reuters (August 9, 2011).

countries have tried over the years—to a large extent unsuccessfully—to stabilize commodity prices through international commodity agreements, commodity price stabilization schemes, buffer stock schemes and so on is massive.<sup>40</sup> How Cuba could operationalize the “protection” of international commodity prices so that they would align with prices used in its domestic planning is totally unclear and a favorable result probably quite unrealizable.<sup>41</sup>

Our condition as outside observers did not allow us to witness the discussions that were held throughout the country regarding the draft guidelines. However, in his report to a plenary session of the Party Congress, Minister of the Economy and Planning Marino Murillo provided a revealing glimpse of these discussions. Referring to the guideline calling for acceleration of import substitution, Minister Murillo noted the concern expressed by a deputy to the Assembly that import substitution not be pursued until domestic consumption needs were fully satisfied.<sup>42</sup> On the surface, these two issues do not seem to be related and therefore the deputy’s concern appears unwarranted. However, as Minister Murillo explained, there is more to the story than meets the eye. He gave the following example: take a commodity for which 150 units were imported in year 1; if in year 2 only 100 units are imported because 50 additional units are produced domestically, import substitution has

been at work. However, the deputy’s concern was that, in the past, based on the *expectation* that an additional 50 units would be produced domestically, imports were reduced to 100 units. In the (likely) event that the production plan was not met and the additional 50 units were not realized, the total supply was insufficient to meet domestic consumption needs.

As has been set out in the first part of this essay, services exports have been the lifeline of the Cuban external sector in the last five years. Two of the guidelines specifically address services exports, calling for: (1) the development of an integral strategy for professional services that prioritizes sales of services as part of projects or technological solutions; and (2) the development and implementation of a strategy to guarantee new markets for exports of medical services and goods produced by the medical-pharmaceutical sector.

To date, the modality of services exports that has been most prevalent is direct contracting of professionals; according to this modality, Cuban experts—for example physicians, medical personnel, sports trainers, teachers—employed by the Cuban state, are assigned to jobs abroad. The Cuban government profits from this arrangement principally from the differential between what it charges foreign governments for the services provided by the experts and what it pays the Cuban experts (plus living expenses

40. By way of example, international agreements to eliminate subsidies and stabilize production and prices of sugar date back to 1864. In the twentieth century, Cuba, by then a premier sugar producer and exporter, led several efforts to negotiate international arrangements to stabilize sugar prices which were largely unsuccessful. See, e.g. Jorge F. Pérez-López, *The Economics of Cuban Sugar* (Pittsburgh: University of Pittsburgh Press, 1991), especially Chapter 10.

41. Larry Catá Backer has made the very pertinent suggestion to the author that the notion of stabilizing international prices of Cuba’s commodity exports may not be as implausible as it seems if it were considered only with respect to trade within the ALBA-TPC (Alianza Bolivariana para los Pueblos de Nuestra América-Tratado de Comercio de los Pueblos) countries. Rather than on market principles, trade pursuant to the TPC is based on the principles of “solidarity, reciprocity, technology transfer, taking advantage of the advantages of each country, conservation of resources and include credit agreements to facilitate payments and collections.” See “¿Qué es el ALBA-TCP?” at <http://www.alianzabolivariana.org/modules.php?name=Content&pa=showpage&pid=2080>. The notion of stable prices in international trade over extended periods of time harks back to the days of the now-defunct Council for Mutual Economic Assistance (CMEA or COMECON), the association of former socialist countries, under whose umbrella socialist countries fixed prices of exports and imports over 5-year periods. Cuba benefitted from this arrangement—with regard to exports of sugar and imports of oil—from the 1960s through the end of the 1980s. See, e.g., Jorge F. Pérez-López, “Sugar and Petroleum in Cuban-Soviet Terms of Trade,” in Cole Blasier and Carmelo Mesa-Lago, editors, *Cuba in the World* (Pittsburgh: University of Pittsburgh Press, 1979) and Pérez-López, “Cuban-Soviet Sugar Trade: Price and Subsidy Issues,” *Bulletin of Latin American Research*, 7:1 (1988).

42. “Análisis de los Lineamientos de la Política Económica y Social del Partido y la Revolución,” Primera Jornada, *Granma* (December 17, 2011).

if applicable). Although data to compute this differential are not available, it is known to be substantial, in no small part because Cuba charges foreign countries for services provided by its experts in hard currencies, while the experts draw their salaries from the Cuban government in pesos (a stipend in convertible currency may also be added); recall that the exchange rate is in the range of 20–25 Cuban pesos per U.S. dollar or convertible peso.

The guidelines also recognize the risks associated with heavy concentration of Cuba's medical services exports on a single market, namely Venezuela, and call for diversification of markets. For several reasons, Venezuela is arguably a unique market for Cuban medical exports because:

- the Venezuelan state has the financial capacity to pay for Cuban medical exports, to a large extent because of revenue generated by oil exports to the United States;
- the Venezuelan government has decided to tackle the country's medical services deficit through government-run programs;
- the Venezuelan government is willing to disregard complaints from Venezuela's medical professionals about the encroachment from Cuban medical services providers;
- Cuban professionals are a good fit with respect to language, culture and ability to interact with patients; and
- perhaps most importantly, Venezuela's political commitment under Chávez to the survival of the Cuban regime means that it is willing to acquire Cuban medical services irrespective of conditions and price.

It is indeed prudent—and quite reasonable—on the part of Cuba to seek to diversify the clientele for its medical services exports. There is some evidence that in addition to Venezuela, Cuba has generated some revenue from exports of medical services to Angola, Haiti, South Africa and perhaps Qatar,<sup>43</sup> but neither these clients nor others that may be waiting in the wings possess the characteristics of the Venezuelan market.<sup>44</sup>

### Foreign Debt and Credit Flows

The four draft guidelines on foreign debt and credit flows were adopted without change by the Party Congress. Two of the guidelines address debt re-scheduling while the other two focus on management of future incoming credit flows.

As has been discussed in the first part of this essay, Cuba's foreign debt is quite significant. Servicing of the debt in convertible currency has been a serious challenge since the early 1980s, with Cuba making several efforts to renegotiate terms of its debt with public and private creditors. In 2007, the most recent year for which official data are available (see Table 4), Cuba reported that in addition to the foreign debt of some \$8.9 billion, it also had an inactive debt (*deuda inmobilizada*) amounting to \$7.6 billion, 60% of which (about \$4.6 billion) was with governments participating in the Paris Club. According to the latter organization of creditor countries, Cuba's official debt to its members as of December 31, 2010 was \$30.5 billion,<sup>45</sup> with the very significant difference between the two (some \$25 billion) most likely attributable to Cuba's debt with the former Soviet Union, not recognized by Cuba, that was assumed by the Russian Federation, a Paris Club member since the 1990s. It should be noted that Paris Club website

43. See, e.g., Andrew Jack, "Cuba's Medical Diplomacy," *FT Magazine* (May 15, 2010) and María C. Werlau, "Cuba's Cash-for-Doctors Program," *Wall Street Journal* (August 16, 2010).

44. Analyst Mauricio Vicent describes Cuba's deal with Venezuela regarding professional services exports (he reports 30,000 Cuban public health professionals and 10,000 other professionals in other fields working in Venezuela in 2011) as *un negocio irreplicable*, i.e., an unrepeatable deal. Mauricio Vicent, "Cuba vive la enfermedad de Chávez como un asunto prioritario de política interna," *El País*, July 1, 2011. [http://www.elpais.com/articulo/internacional/Cuba/vive/enfermedad/Chavez/asunto/prioritario/politica/interna/elpepuintlat/20110701elpepuint\\_15/Tes](http://www.elpais.com/articulo/internacional/Cuba/vive/enfermedad/Chavez/asunto/prioritario/politica/interna/elpepuintlat/20110701elpepuint_15/Tes).

45. Paris Club, *Amounts due to Paris Club Creditor Countries by Foreign Sovereign and Other Public Debtors as of 31 December 2010*, [http://www.clubdeparis.org/sections/donnees-chiffrees/encours-du-club-paris\\_1/downloadFile/attachedFile\\_2\\_f0/2010a.pdf?no-cache=1309416967.75](http://www.clubdeparis.org/sections/donnees-chiffrees/encours-du-club-paris_1/downloadFile/attachedFile_2_f0/2010a.pdf?no-cache=1309416967.75)

indicates that over the existence of the Paris Club (1956–2011), there has not been a single debt re-scheduling agreements between Cuba and its official creditors.

Cuba evidently has had better success with its commercial creditors, obtaining fresh supplier credits from Venezuela, China, Brazil, and other countries, that have allowed it to more or less manage its commercial debt. Recall that beginning in 2008, Cuba essentially froze all dollar accounts of commercial entities and joint ventures operating in the island because of a serious liquidity problem; three years later it is only beginning to authorize a limited number of transfers. To be sure, it is perfectly reasonable to aspire to a more dynamic debt rescheduling process and to “guarantee” that the new terms concluded in a renegotiation process are strictly adhered to, but terms and conditions of debt rescheduling are governed by economic performance and soundness of adjustment plans rather than by promises and fiats from the debtor country.

The two guidelines dealing with management of financial flows are quite appropriate, but the fact that they are needed at all is a potent indication of the disorder of Cuba’s economic management system. It is not unreasonable to expect that loans and other incoming financing would be incorporated into the national economic plan or that there would be criteria for seeking external financing based on their expected economic return. Again, the fact that there is need to revise regulations or issue new ones to incorporate these criteria is indicative of disorder and lack of adequate financial management.

### **Foreign Investment**

Five of the twelve draft guidelines dealing with foreign investment underwent minor adjustments during the review process. Some of the changes were technical in nature, e.g., substituting for the term International Economic Associations the broader concept of “any form of foreign investment,” while others were essentially fine-tuning, e.g., adding the concept that one of the benefits of foreign investment is employment creation.

Relatively little in the guidelines is new or innovative. The guidelines restate the current Cuban government view that foreign investment’s role is to complement domestic investment and should be targeted to fulfilling the economic needs of the country within the framework of the state’s economic and social plans. Other guidelines call for diversifying the country of origin of investors, identifying and publicizing investment opportunities for foreign investors, incentivizing the creation of special economic zones aimed at increasing exports, and analyzing the promotion of investment in industries that produce non-exportable goods demanded by other sectors of the economy or promote import substitution. Consistent with the emphasis on increasing economic discipline, the foreign investment guidelines call for more concreteness with respect to commitments made by foreign investors and more “rigorous” enforcement of such commitments.

### **Foreign Cooperation and International Economic Integration**

The six draft guidelines on foreign cooperation and two on economic integration were not significantly altered during the discussion process. Most of the economic cooperation guidelines are hortatory, but two are quite pointed with respect to recognizing the costs of Cuban foreign aid. One guideline proposes that Cuba continue to engage in international “solidarism” (that is, Cuban foreign aid to other countries) but calls for the establishment of domestic accounting and control systems to analyze the cost of solidarism. Another guideline calls for considering as criteria in decision-making about providing foreign assistance the possibility of payment from the recipient government, or at a minimum of compensation for costs incurred. These two initiatives are consistent with, and would strengthen, Cuba’s efforts to turn its foreign aid program into revenue-generating services exports.

With regard to economic integration, the guidelines give priority to the Bolivarian Alliance for the Americas (ALBA), the regional integration scheme led by Venezuela. It commits Cuba to work with celerity and intensity to advance the economic, social and political objectives of ALBA.

## EXTERNAL SECTOR AND ECONOMIC GROWTH PROSPECTS

Cuba's external sector has undergone significant changes in recent years. The product composition and structure of Cuban foreign trade have changed significantly. Goods trade has been overtaken by very fast-growing services trade. Within goods trade, there has been a rearrangement of key export and import commodities, with sugar relinquishing its long-standing leading role within exports to nickel and biotechnology products. Finally, the structure of merchandise trade by partners has also changed, with Venezuela and China leading goods trade partners. The data reviewed in this paper suggest that Cuba has continued to run significant merchandise trade deficits, and that their size has risen in recent years.

Cuban statistics on services trade are essentially non-existent. What little data are available indicate that Cuba has run substantial services trade surpluses, particularly since 2005, that offset goods merchandise trade deficits and even resulted in positive balances in the overall merchandise and services trade account in some years. There are many questions about the composition and valuation of services exports which will not be answered until underlying data are released by Cuba or by the partner countries.

A small island economy with limited natural resources, Cuba has traditionally relied on imports of intermediate and capital goods to generate national wealth. Foreign exchange is essential to finance such imports and, to the extent that exports do not generate sufficient levels of foreign exchange, foreign capital and financial flows must close the gap. Thus, balance of payments (foreign exchange) restrictions limit the growth of the Cuban economy.<sup>46</sup>

Estimates of Cuba's income elasticity of demand for imports by Vidal Alejandro for the period 1950–2005 indicate that such elasticity has been rising since about 2000 and reached a near historical high in 2005.<sup>47</sup> This means that Cuba's reliance on imports to generate output, maintain productive employment, and achieve general economic growth has been deepening. Vidal Alejandro further argues that a number of structural factors have slowed down the growth of Cuban exports, investment, and GDP: (1) expansion of services sectors while other sectors such as agriculture and industry lag behind; (2) lack of diversity in the export basket, with services exports being overwhelmingly responsible for maintaining balance of payments equilibrium; (3) low multiplier for services exports; and (4) low productivity in the state sector.

The expansion in services exports in recent years has undoubtedly had a favorable impact on the balance of payments and relaxed the foreign exchange constraint. In the mid- to long-term, the question is whether such strong export performance can persist should preferential arrangements cease to exist. As two Cuban economists have put it:

The growing dynamism of the tertiary [services] sector in our country is framed within a system of privileged bilateral relations with Venezuela and China, that is, in a context where there exist, to some extent, special conditions regarding supply and financing. The possibility of taking advantage of this opportunity also to penetrate other markets requires additional coordinated actions regarding services exports to meet competitive conditions present in international markets.<sup>48</sup>

A turn-around of the external sector is essential for Cuba's economy to grow. The guidelines for the sec-

46. See, e.g., Juan Carlos Moreno-Brid, "Crecimiento económico y escasez de divisas," in CEPAL, *La economía cubana: Reformas estructurales y desempeño en los noventa* (México: Fondo de Cultura Económica, 2000), 238–248; Guadalupe Fugarolas-Ude, Isis Mañalich Gálves, and David Matesanz López, "Empirical Evidence of the Balance of Payments Constrained Growth in Cuba: The Effect of Commercial Regimes since 1960," MPRA Paper No. 6993, Munich Personal RePEc Archive (February 2008); and Pavel Vidal Alejandro and Annia Fundora Fernández, "Relación comercio-crecimiento en Cuba: Estimación con el filtro de Kalman," *Revista de la CEPAL*, 94 (April 2008).

47. Pavel Vidal Alejandro, "El PIB Cubano y el Sector Externo," paper presented at Evento XX Aniversario del CEEC, Seminario sobre Economía Cubana y Gerencia Empresarial, La Habana, May 27–29, 2009.

48. Mariana Martín Fernández and Ricardo Torres Pérez, "La Economía de Servicios," *Cuba Siglo XXI*, no. 75 (April 2007), at [http://www.nodo50/cubasisgloXXI/economia/martinf\\_310307.pdf](http://www.nodo50/cubasisgloXXI/economia/martinf_310307.pdf).

tor approved by the VI Party Congress by themselves are not likely to have much impact on its performance. As mentioned above with respect to the overarching guidelines for the external sector—but applicable to the guidelines overall—the guidelines are largely platitudes and offer little that is new or has practical significance. Cuban dissident economist Espinosa Chepe has described changes proposed by the guidelines as “few, limited and late in coming.”<sup>49</sup> Meanwhile analyst Ritter has said the following:

The “*Lineamientos*” are in effect an ambitions and comprehensive “wish-list” or statement of aspirations. Many of the 313 recommendations are fairly obvious, trite and general statements of reasonable

economic management. Some statements have been made repeatedly over a number of decades, including those relating to the expansion and diversification of exports, science and technology policy, the sugar agro-industrial complex, or the development of by-products and derivatives from the sugar industry (an objective at least since 1950). Restating many of these as guidelines can’t do much harm, but certainly does not guarantee their implementation.<sup>50</sup>

It remains to be seen if in the process of drafting legislation and rules to implement the guidelines, or in implementing them, there might be some concrete actions that affect positively the structure and performance of the Cuban external sector.

---

49. “Economista afirma que los cambios son ‘pocos, limitados y tardíos,’” EFE, La Habana (April 4, 2011). See also Oscar Espinosa Chepe, *Cambios en Cuba: Pocos, Limitados y Tardíos* (La Habana, February 2011).

50. Archibald Ritter, “El VI Congreso del Partido y los Lineamientos,” *Espacio Laical*, No. 132 (June 2011).