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Internal events in Cuba

Demography below population replalcement rate since 1978, fewer kids born, 11.2 M population now and already declining even without emigration. Life expectancy similar to USA and W Europe, with similar causes of death(cancers and heart disease).

Why has Cuba’s government lasted so long? Educate girls and they will take charge of their lives, 85% graduate HS, reduces fertility rate. Consequences are closing primary schools and opening assisted living for elderly. Less work for pediatrics and more for geriatrics. Cuba has excellent demographers but Fidel refused to pay attention. Median age is 45, 1 in 5 over 60, unprepared to care for elderly. Unfunded pension liability is colossal.

Pubic opinion poll of public transpaort and of public services – only 1/6 apporved, state was doing badly except education and health care. Beieved that gradnparents and kids were well served. PISA test showed Cubans up with East Asians, a full std dev ahead of Latin America – though less so now. Under Raoul for ten years [9 since 2008], number of university students has dropped 70%, for lack of budget.

Ordinary people lack faith in future because of poor economic performance. Officially there is no poverty, but U of Havana colleagues developed “population at risk” [poverty] category with four categories,

Income $1 below per week, cf World Bank $2 per DAY.

You do not grow your own food (not even garden at back of house).

You do not have your midday meal at gov cafeteria.

You do not receive tips or remittances in hard currency.

1/5 Cubans are found at risk.

Cuba does not compute GDP by global standard method – they use own method which is unpublished. Even by official standard, growth has been zero to 2%, except one year at 4% and 2016 actually fell.

Reason is end of Soviet support for Cuba, subsidizing sugar economy. Sugar economy went bankrupt and only produces 1/5M tons/year and ¾ ills have been shuttered or are museums.

Cuba does not feed itself, imports significant quantities, in part from US (thanks to Bush exception to embargo).

Cuban manufacturing is a tribute to 1950s tech, supply of goods is extremely limited.

Very slowly adopted measures for service sector as core of economy, despite hindrance fo government running it.

1. Export of professional services to Venzuela and others, but under Chavez V ‘s barter of petroleum for doctors, bodyguards and other professionals. Service exports well exceed value of the petroleum.

However, with decline of markets Cuba has lost some of income.

Median physician expat pays effective tax rate of 94%, so doctor earns very little. Most Cuban doctors are women, and they will soon learn they could earn vastly more aborad hence emigration rate.

2. Welcome international tourists to Cuba, a good move economically, and tht part of Cuban deal will likely continue under Trump administration. IN response to sonic attacks on two dozen diplomatic personnel, US withdrew all but one diplomat and required Cuba to do likewise in DC. Cubas’ net tourism visits will have increased again. Canada is top origin of tourists.

3. Remittances hard to estimate but sociologists and anthropologists try and US gov estimates higher at $2.5 BN. Median salary of a Cuban is $1 per day, so remittances important.

4. Authorized ‘self employment’ (with remittance money often), and with 4 estimated working per licence, 2M jobs. Challenges for small businesses. One buys 1950s cars from US, and repairs them, but cannot import so couple takes empty suitcases to Miami twice a week and brings back spare parts as personal effects. 13 employees, and ROI is 18 months. Tax rate jumps with 6th employee and with employee 11th. So tax hurts job creation but is intended to prevent accumulation of wealth. Three family members have a license for one part of business, to avoid paying higher taxes. Sunday job driving tourists paid double the weekday job as a mechanical engineer. Cuban economy has dysfunctons even without US economic sanctions, owing to Cuban government.

Raoul Castro young at 86 years old, but announced in second inauguration would step down Feb. 2018 (though not as First Sec of the CP). Raoul is planning for succession but Politburo of 17 members, 8 born before 1945, 9 younger but 4 are newly added and inexperienced. Bad planning.

Another factor for change is Cubna national elections which used to be one candidate one seat. Now grouping candidates and seats into collective districts so that each voter gets 3 choices (blank, annul, or selectively vote for one winner without another). So, does give CP an indication of candidates who are more or less population. Straight ticket is recommended but voters can avoid it. In the last general election 1.8 M voters voted nonconforming, 1//5 of Cubans. Cuban gov has been considering reforming voting, but so far has not done so.

Reason for differences in voting seems to be Key’s “friends and neighbors politics” – local candidates got higher totals than national candidates of politburo.

Every five years have CP congress; one motion was to change official slogan “Sovereign, Independent, Socialist, Prosperous and Sustainable.” Motion was to insert “democratic” – failed but Raoul announced new slogan by decree(!).

Question time

No state banks giving ordinary citizens a mortgage, so depend on remittances of tens of thousands a month, few authorized to transact so quasi illegal market developing as Cuban front person buying a property for investment by a Miami resident. Problem is risk of drug money laundering.

Why trade embargo not draconian? Very comprehensive but has fewer US staff monitoring sanctions than with Iran. Ongoing impact remains important but I think not as much as other factors mentioned. Main impact is now at margins – things Cuban gov would be undertaking it canot – paying much more for shipping and insurance. Even though any one of us under Obama and Trump could use a credit card – but cannot in practice because banks fear regulatory burden of Cuban transactions. Trump has reauthorized agri exports, tourism reaffirmed under Trump. If sanctions were lifted, would Cuban economy get moving again, would help economy but not as much.

Are Cuban security forces reliable? Proud of professionalism. Crossed Atlantic for 2 wars in Angola and one in Ethiopia, during Cold war – unlike USSR and USA in failed wars. But equipment is obsolete. One idea is US to give fast patrol boats to chase drug smugglers. When Raoul was minister of armed forces, in cold war with 11.2 M pop, sustained bigger percent in war than US did in VN war. Since early 1990s, only one big riot in Cuba. Regime very successful in preventing riots and the big one in 1999 was put down by Interior troops only. Armed forces very loyal and professional, accustomed to civilian control (though many ministers ex forces. Would these forces respect a new civilian authority if it happened – hard to know.

Would we expect a shrinking economy with a shrinking population? Highly educated workforce could help this but incentive system is not there, an talented people do not work hard. State permits FDI only when it sets salaries.

Obesity rate in Cuba? Don’t know but at beginning of 1990s after collapse of Soviets, there were severe cases of malnutrition. Impression is Cuba is below median by Latin standards of obesity.

Briefed McNamara for the Cuban missile crisis reunion conference (exhausting) and car drove really well but roads were bumpy, infrastructure lacking.

Next program Venezuela.