

## *Opportunities and Implications*

*Eloise Linger*

The title “Opportunities and Implications” implies there are new economic opportunities. However, to understand the significance of the new opportunities, it would be helpful to review exactly how far Cuba’s economy fell during the “Special Period in times of peace,” declared to have begun in late September 1990. The research seeks to answer the question of whether the country has surpassed the crisis, to examine the new sources of income and growth, the new relations of political forces in the hemisphere that seem to be sources for hope for the material improvement and well-being of the people of Cuba.

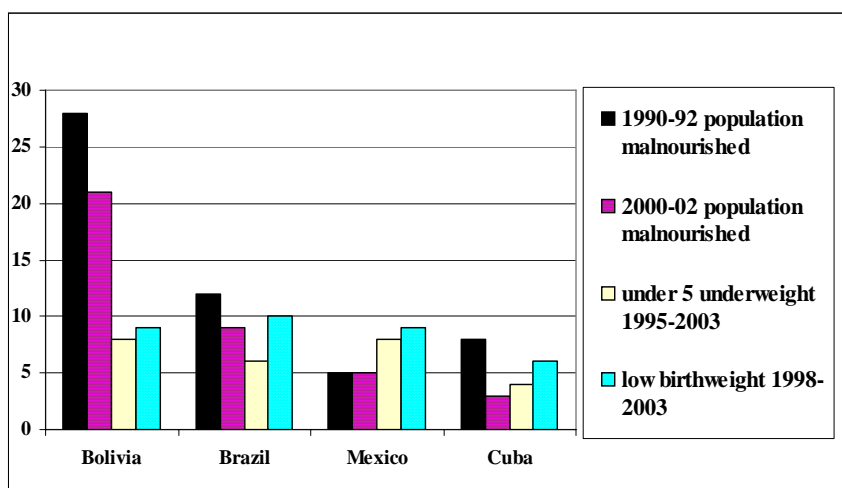
How severe was the crisis?

After the implosion of the Soviet bloc countries, in a very short time, Cuba lost 86 percent of its foreign trade, which included large quantities of Eastern European foods. One would expect wheat to be imported to a semi-tropical island, but even potatoes and poultry from abroad had replaced Cuban agricultural products. Massive investment in the growth and automation of the harvesting of sugar, a remarkable trend over the 1970s and 1980s, had led the island into an almost traditional mono-crop (sugar) dependency. Those economic decisions backfired as the buyers, who had paid more than the world market price for sugar, disappeared. World sugar prices continued plummeting and, even worse, many antiquated mills simply could not compete in the global marketplace.

Add to these factors a sharp drop in Soviet petroleum deliveries. Most workers found it impossible to get to work on time, if at all. “By the end of 1992, nearly 40 percent of national bus service and train schedules had been suspended. Lack of spare parts exacerbated Cuban transportation woes.” (Perez, 1995) The lack of transportation also lowered internal commerce, and led to a massive food crisis as trucks could not get the fuel to bring food to

the cities, and the population lost truly vital food supplies—viandas, vegetables and fruits from the Cuban countryside. The years 1990-1994 were, indeed, grave for social conditions, as Figure 1 shows. Aside from the long-held conviction that Cubans were far better off than many of the peoples of Bolivia and Brazil, where widespread hunger and disease had been around a long time, two other facts emerge from the graph.

FIGURE 8-1. Malnourishment in Four Countries.



Source: UNDP: Human Development Report, 2005

First, in the years 1990-1992, a very health-conscious, educated country experienced malnourishment. Second, with the cumulative effects of undernourishment in adolescent girls, eight to 10 years later, despite heroic efforts of medical providers to attend to pregnant women, more than 5 percent of babies were born with low birth weight in the years 1998-2003.<sup>1</sup> At the personal level, on several mornings, families left for school and work with nothing more than a breakfast of sugar water, hoping there would be something solid to eat, if a lunchtime meal were offered at the place of work or study. They could, however, always expect the daily allotment of one large roll per person that should have been available in the morning to be available later in the day. The percentage of Cuba's population that was malnourished far surpassed the percentage in Mexico in the years 1990-1992, the beginning of the "Special Period." Food supplies would become even more scarce for two more years, until late 1994. It is no joke, nor exaggeration, that in the years

1. It will take more years before the impact shows up in long-term trends for life expectancy.

1992, 1993 and 1994 there were no pets to be seen in the streets of Havana, in the context of hunger and the great need for protein.<sup>2</sup>

What about other sources of nutrition? “Domestic production of meat, milk, and eggs was hampered by the lack of imported animal feed.” (Perez, 1995) Cubans abroad sought to send aid to their families; dollar stores emerged to earn foreign currency, which alleviated severe needs for those lucky enough to have dollars after the U.S. currency was legalized in 1993. Only the state-organized mobilization of military youth, with some fast-growing potatoes and traditional viandas saved parts of the country from starvation. Soy was not very popular with Cubans, but it is a safe wager to say that soy helped save lives. The government also launched a major concentration on poultry production to return the very vital egg to Cuban kitchens.

The other result of declining petroleum imports was a 38-percent drop in the GDP in the early 1990s, officially 35 percent cumulative for the years 1989 through 1993 (Campbell, who cites both Bohemia, May 1995, and the *Economist Intelligence Unit*, 1996). Using 1989 as base year of 100 percent, Cuban non-sugar production had fallen by 1993 to only 10 percent to 15 percent of the 1989 level (Campbell, 2000, based on Hiram Marquetti Nodarse, CEEC [Center for Study of the Cuban Economy, 1996].

Many economists and observers of life in Cuba have discussed the crisis of the 1990s, and enough has been said to conclude that it was, indeed, very serious for the well being of the people on the island. The cotidiana (everyday life) is still no bed of roses in 2006, but food supplies and medicines and transportation have certainly improved for many in Cuba. Rising urban pollution attests to more cars and trucks on the streets, many of them old and spewing smoke that sets off asthma attacks and respiratory problems. But at least most people have more to eat, which is physically observable in the bodies of young and old as they walk in the streets.

---

### *Climbing out of the deep hole*

When and how Cuba began to climb out of the depths of deprivation in 1994 is a somewhat contentious issue, because despite overall healthy economic indicators, some sectors of the population, those without foreign currency and those on fixed income, are still living in relatively dire straits. Nevertheless, several economic strategies enable us to say that what began as uncertain innovations and restructuring of Cuba’s economy now are showing positive results.

---

2. These observations are personal for several neighborhoods in the City of Havana, and based on anecdotal reports by acquaintances living in other cities and towns in Cuba at the time.

### Nickel, the reliable natural resource

Throughout the decades of U.S. embargo, and the close economic relationship with the Soviet bloc, Cuba had a long-time investment partner in Sherritt International that mined Cuba's nickel. In 2004, Cuban nickel sales brought in more than US\$1 billion due to exceptionally high commodity prices for nickel. Sherritt's Canadian coal was used to help produce Cuban nickel, cobalt and electricity. Sherritt's worth was also enhanced by its discovery of oil in Cuban waters. Luckily for both Cuba and Sherritt, high nickel prices continued through 2005.

TABLE 8-1. Nickel Production (1993-2004 with projections through 2008)

Year	Nickel Production (metric tons)
1993	26,900
1997	67,700
2001	76,530
2003	71,700
2004	76,500
2006, projected+16k	92,500
2008, projected	100,000

Source: Sherritt.com/Sherritt reports 2004 earnings

Sherritt's net income has increased almost six-fold over the years 2002-2004, as Table X.2 shows.

TABLE 8-2. Sherritt Income From Nickel (in U.S.\$)

	12/31/04	12/31/03	12/31/02
Net Income	133,332,800	61,959,480	23,654,494

Source: Deloitte & Touche LLP, C.A., Toronto, Ontario, Canada. June 2, 2005

With its profits from Cuban nickel and its rapidly expanding energy sales, Sherritt's Dec 31, 2005 earnings are listed as US\$164.7 million (or US\$155.2 million excluding certain items). Nickel plus cobalt reserves in the northeastern part of the island are among the world's largest, and Cuba is the world's sixth-largest producer of nickel. So we should expect, logically, that Sherritt International is not the only force seeking to develop Cuban nickel mining and production.

China's rapid industrialization makes it hungry for resources and its state-owned Minmetals signed an agreement to invest in a new unit to produce

22.5 million tons/year at the ferronickel extraction unit at the mothballed Las Camariocas plant, also located near Moa Bay. If the figure was correctly stated, China will extract 250 times the amount of ferro-nickel that Sherritt is planning—and a Chinese company may spend up to US\$600 million to allow reactivation of the old mothballed plant. In trilateral agreements, Venezuela and China will be working with Cuba to develop new ferro-nickel processing facilities.

### **The tourism and foreign investment gamble**

In the late 1990s, Cuba's investment in tourism finally yielded dramatic earnings. By opening the economy to relatively large-scale foreign investment, new tourist facilities arose rapidly on almost every natural beach, and by 1993 Cuba welcomed over half a million tourists. By 1996 the number reached one million. By 1997, income from tourism rose sharply as more tourists came and they spent on average a lot more dollars on the island (Campbell, 2000: 178). By 2000, Cuba was ready and came close to receiving two million tourists.

Additionally, "Health tourism" for mineral baths and for surgery in the specializations of cardiology, neurology, ophthalmology, nephrology and orthopedics, in addition to cancer treatments and other specialized treatments, boosted Cuba's struggling healthcare system. This specialized Cuban "niche" of tourism for healthcare brought badly needed hard currency into the hospital systems and specialized clinics of the island. (Oswald and Henthorne, 2000) Although the September 11, 2001 terrorist attack almost ruined tourism throughout the Caribbean and elsewhere, in recent years the tourists, including those coming for treatments, have started arriving in large numbers for Caribbean sun, song, and sand.

Between 1990 and 1997, gross revenue increased almost tenfold from the joint ventures in tourism. Before large-scale foreign investment in biotechnology, manufacturing, and expanded mining and oil explorations, as early as 1995, over 100,000 Cubans were working in the joint venture tourist industry (Campbell, 2000: 179).

There has been much discussion elsewhere (and lots of Cuban jokes) about the tragic fact that neurosurgeons, full professors, and medical personnel have left their posts for higher-paying jobs as taxi drivers and hotel employees who receive hard currency tips. Many other devastating results of the tourist influx have challenged (and at the same time, paradoxically, enhanced economic conditions for) Cuban family life. Sociologically speaking, tourism has been both a blessing and a curse, but economically, in the late 1990s and again after the 2001 travel jitters receded, Cuba's tourist

industry, including its ugly side, has brought a restructuring of the Cuban economy and a great deal of badly needed hard currency.

One must add, however, that to sustain tourists with the comforts they expect—from hotel sheets to luxury foods, to taxis and toilet paper—Cuba's foreign debt would have to increase. Balance-of-trade deficits widened through the 1990s. On the brighter side, foreign debt as a percentage of goods and services began falling in 1993, and the rate or proportion was down by more than one third between 1993 and 1996. (Carranza, 2000) Imports kept rising both for the tourist industry and for internal consumption.

Yet, by late 2005, “export earnings and strong growth in services exports were sufficient to keep the current-account balance positive, with a surplus officially estimated to be around US\$300 million.” This surplus, in turn, will boost Cuba's ability to obtain better interest rates for its external financing (*Economist Intelligence Unit* [EIU], 2006). In another acrobatic twist for the island's economy, tourism, a service export, had surpassed sugar, a goods export, and the tourism export earnings would intensify through 2005, while sugar accounted for only 10 percent of Cuba's 2005 export earnings.

### **Humbling King Sugar**

The 2005 figure of sugar earnings below US\$200 million reflects a gradual phasing out of many out-dated sugar mills and the displacement of tens of thousands of sugar workers. The social problem of a vast unemployed layer of the workforce was acknowledged as early as the 1990s when it became obvious that many of the Cuban mills could not produce at competitive levels. Given the continuing fall in demand and prices, the painful decision was made to rely less on Cuba's longtime top export earner and somehow retrain and find gainful employment for many thousands of its workers.

Besides hard currency from tourism, Cuba's major goods exports, nickel and ferro-nickel remained high, in part due to continuing high prices for nickel in 2004 and 2005. Of total earnings from goods exports, almost 50 percent was accounted for by nickel in 2005. Although output of the mineral was disappointing (a fact attributed to the heavy rains in the second half of the year that hindered operations in the open-cast mines), strong global nickel prices ensured an increase in income. (EIU, 2006) After nickel and ferro-nickel, tobacco products are the third largest export goods earner, and pharmaceuticals, medicines, and biotechnological innovations may soon rise above the level of tobacco, especially if tobacco consumption continues to fall.

### **Biotechnology built up from the 1980s**

A personal friend recounted the skepticism among party circles when Fidel Castro presented the idea to build a new industry, something big and bold that

could help end disease and suffering. It should be cutting-edge, set an example, and help meet the needs of Cuba's population and of others in the world. Before the fall of the Soviet system, a huge complex was built on the outskirts of Havana, and an entire scientific research community settled into new, nearby apartment complexes. Once the country began offering joint venture investment, the logical next step was to turn Cuba's well-educated corps of biochemists, physicists, and medical research doctors into a productive force, then find companies that could invest and work with Cuban scientists to produce and market medicines, several of which were the first of their kind to be introduced to the world.

Herber Biotech, a major joint venture investor, now exports from Cuba to more than 50 countries products obtained from genetic engineering, chemical synthesis, derivatives of the human placenta, and genetic medicines, recombinant vaccines against Hepatitis B, the combined vaccine against Haemophilus Influenzae Type B and a tetravalent against diphtheria, pertussis, tetanus and Hepatitis B. The company also produces five generic anti-retroviral medicines for AIDS treatment, the anti-viral recombinant interferon Alfa 2b, and a transference factor used to increase the immune response. (EIU, 2006)

Cuba also has 271 companies with quality management systems meeting international ISO standards that guarantee the quality of products, total quality management, and stability over time of the product's quality. (EIU, 2006) The growth in pharmaceutical exports would help Cuba become less susceptible to the many unforeseen variables in the volatile business of tourism.

Pharmaceutical goods increased greatly the income from export goods, which now account for only 30 percent, down from 90 percent of export earnings in 1990, before the economy began its crisis and structural transformation. (EIU, 2006) In the opinion of some Cubans, their industries are turning out terrific, proven vaccines and innovative medicines, but they are not being packaged and marketed in a way to compete on the world market. If that were to change and medical exports were to expand, then the goods-to-services ratio of export earnings could put the Cuban economy on more solid footing.

### **“Human capital” for health, education and multilateral politics**

Until recently, the large growth in services earnings since 1990 came primarily from international tourism, but in 2005 another kind of service export accounted for a significant percentage of service export earnings. The so-called “Doctors-for-oil” arrangement between Cuba and Venezuela in 2005 made up nearly half the services exports. Whether the amount is literally a barter that would increase proportionally the amount Venezuela pays for

Cuban health services as oil prices go up, is not known. If so, the ratio could vary greatly for Cuba, depending on fluctuating oil prices. Although not yet officially confirmed, public speeches have suggested that the amount in 2005 may have exceeded US\$500 million in the Venezuela-Cuba trade. (EIU, 2006)

If the figure of 20,000 Cuban medical doctors in Venezuela is also correct (Spadoni, 2005), then Cuba should not have to worry too much about its oil needs, and could use its income on badly needed infrastructural needs, especially electricity and transportation that affect directly the well-being of people's lives. Venezuela is a crucial ally for Cuba and at the moment it seems that Cuban expertise is vital for Venezuela's previously ignored majority, and a positive factor for maintaining the popularity of Hugo Chávez in the more humble neighborhoods of cities and countryside.

Besides health care workers in Venezuela, Cuba developed and signed more than 100 agreements with Brazilian universities, in the context of advancing integration in the region and for the project of the Latin American universities. How many agreements came under the Cardoso government, and how many after the election of Lula is not so important as the main point: the agreements with Brazil allow highly trained Cubans to help with the socio-economic development of Brazil, a badly needed answer to old practices of corruption and inefficiency.

Recent talks between Bolivia's new president, Evo Morales, and Fidel Castro suggest even more agreements for one of the continent's most needy populations. As more progressive candidates continue winning elections in other countries, the question arises: How many doctors and nurses does Cuba have, and could these bilateral agreements put a strain on the number of healthcare providers remaining in Cuba? In response, one must acknowledge that the opportunities for education and healthcare in remote areas and poor urban neighborhoods throughout the continent will create immeasurable goodwill for Cuba in global circles. Furthermore, each graduating class from Cuba's new international School of Medicine means more healthcare and goodwill, and more doctors to slow down disease and death of the poor.

---

### *Does Cuban economic growth = the end of the Special Period?*

In Table X.3, the *Economist Intelligence Unit's* "Real GDP" calculations for the years 2000-2005 are somewhat less glowing than Cuba's own "sustain-

able social” measure<sup>3</sup> (EIU, 2006). Nevertheless both sets of calculations show the economy climbing “out of the hole.”

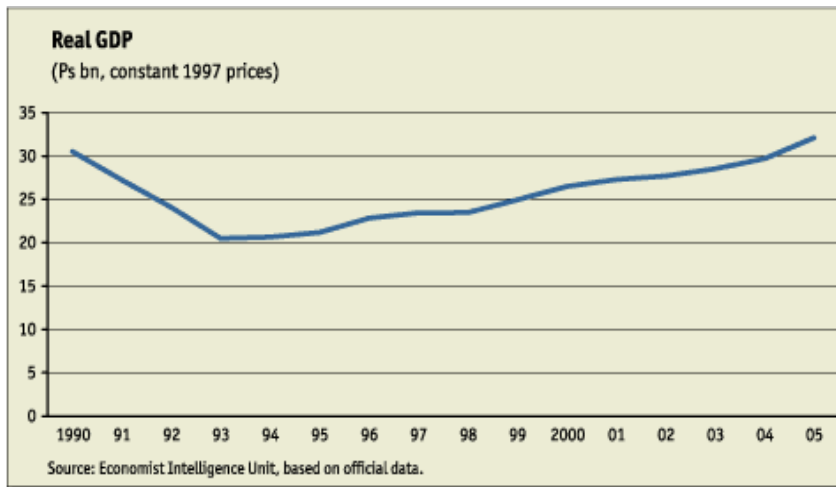
TABLE 8-3. Real GDP vs. Cuba’s ‘Sustainable Social’ Measure

	<b>Real GDP</b>	<b>Sustainable Social Measure</b>
2000	26,482	30,531
2001	27,268	31,447
2002	27,686	32,013
2003	28,502	33,229
2004	29,706	35,024
2005	32,082	39,172

Source: Oficina Nacional Estadísticas, reprinted from EIU, February 1, 2006

Regardless of those details, whether we consider the “sustainable social” or the traditional calculations represented in the 2000-2005 table, the conclusion is clear: Cuba’s economy is finally growing significantly. Furthermore, from the more conservative EIU calculation of “Real GDP” (Figure X.2) it seems that the most harrowing sacrifices may soon be alleviated by a more prosperous economy.

FIGURE 8-2. Cuba’s Real GDP



3. Cuba’s calculations seek to quantify the intangible production that is estimated in pesos and time for service work in schools, offices, social agencies, and medical facilities, possibly household care of the elderly and the young, i.e., work that is performed for infrastructure and not for directly marketable goods.

Thus, recent global economic and political factors have given cause for Cubans to smile. It seems that in the socio-economic sphere some positive changes are on the way for the Cuban people—although they may have to endure a few more years of power outages and (relative) food shortages.

### **Newer opportunities imply better conditions of life**

Next to food, Cuba's greatest need has been for petroleum to keep its electricity and its economy moving. Money from sales of nickel and its services exports (especially tourism but also the medical and teaching services to other countries) all contribute to Cuba's ability to climb out and stay out of the deep hole of economic crisis. Cuba has oil, but not enough thus far to meet its own domestic needs. Cuban oil development more than tripled in the first dozen years after the loss of Soviet oil shipments in 1990 and 1991. Domestic barrels per day quadrupled from 1990 to 75,000 barrels per day in 2004—no small achievement, but most of it was not the right kind of oil and additional technology is required to use it to meet Cuba's domestic needs.

New offshore explorations for oil and minerals, and many joint venture plans, are no longer of the small company variety, but, rather, involve large-scale metals manufacturing and major oil companies. Oil explorations continue and Cuba, as in the past, is not giving out much information about the results. One reason is probably the false raising of expectations for rapid improvement, when in fact it takes about seven years to prepare a region with known reserves for deep, underwater drilling.

Offshore, deep-water discoveries have been made by Montreal-based Pebercan, Toronto-based Sherritt International, the Spanish company Respol, and possibly a Chinese exploration company. Sherritt found one field with 100 million barrels of oil reserves in December 2004. China's Sinopec, has announced an agreement with the Cuban state oil company, Cupet, to produce oil from a coastal oil field with known reserves in the northwestern part of Cuba. In light of other Chinese investment in Cuba, Sinopec, China's second largest oil company, stated in 2005 the goal of helping boost oil production to meet 60 percent of Cuba's domestic oil needs by 2006. SINOPEC, Petro China and CINOOC—China National Offshore Corporation—are all involved in a large agreement, probably already underway, for more coastal and deep-water explorations.

The list is long, but a short list provides some idea of the scope of explorations and global eagerness to get at the virtually virgin fields of oil that surround much of Cuba's long coastlines. New Delhi's Videsh Ltd. will invest in seven oil and gas blocks it acquired in Cuba, blocks known to hold more than four billion barrels of oil reserves. Videsh also entered into an agreement with Repsol-YPF of Spain to acquire 30-percent participating interest in the

deepwater exploration in Cuba. (*Economic Times, India*, 2005) Brazil's state oil giant Petrobras began in 2005 to increase its energy co-operation in Cuba, and after an initial hesitancy, is now planning (or carrying out) deep-water offshore prospecting.

After securing his political stature and legitimacy, President Hugo Chavez led Venezuela to become Cuba's top trade partner in 2004.<sup>4</sup> PDVSA of Venezuela also will search for oil and plans to help Cuba in refining and marketing. A new CUPET/ PDVSA lubricants plant, and a facility for storing 600,000 barrels a day of residual petrochemicals will be built in Matanzas. PDVSA also will help reopen the oil refinery and terminal in Cienfuegos, a facility built with Soviet technology in 1990 but which ground to a halt almost immediately due to its high energy consumption. (*Agence France Presse*, 2005) In late 2005, South Africa's state-owned oil firm, PetroSA and South African mining and energy sectors also signed a general co-operation agreement with Cuba. Strengthening relations between Cuba, Venezuela and China have resulted in trilateral agreements for building manufacturing plants for stainless steel (made with Cuban ferro-nickel), updating infrastructure with freight trains and buses, lots of new buses, that will be built in Cuba for local use and for export. New freight and new passenger trains will also help Cuba's population to once again have a more dependable means of transportation. China, in fact, has become Cuba's second most important trading partner after Venezuela.

### **Food supplies from the U.S.**

Years of draught and severe hurricane damage, made food imports a dire necessity and for the first time in decades U.S. farmers and agro-business began selling to Cuba. Under the pressure of U.S. agricultural producers and humanitarian groups, the U.S. government allowed agricultural producers and pharmaceutical manufacturers to sell to Cuba, with certain restrictions. Food imports from the US climbed steadily from 2001 to 2004, and seem to have peaked at around US\$400 million in 2004.<sup>5</sup>

The U.S. International Trade Commission showed "only" US\$361.4 million in 2005, a decline, but still a sizable amount for Cuba, which by law must pay in cash for U.S. goods. ([http://dataweb.ustic.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.ustic.gov/scripts/cy_m3_run.asp)) The numbers are not yet available for early 2006. It is likely that the new Bush administration restrictions of 2004 that require not only

4. Venezuela exported goods worth around US\$1.4 billion (US\$1.1 billion for oil and around \$300 million for food and other products), accounting for 22 percent of Cuba's total trade in 2005. Based on trade talks between heads of state, Castro and Chávez, Cuba is expected to buy US\$2 billion from Venezuela in 2006.

5. In 2004, the Bush administration placed greater restrictions on sales, cut family visits by 2/3, ended short academic exchanges, and ended much educational travel to Cuba. The Bush White House, however, is hurting the U.S. farmers more than Cuban consumers.

cash payments, but now cash payments in advance of a shipment's leaving a U.S. port, will lead Cuba to turn away from its "natural trading partner" to import more from Brazil, Canada and Vietnam.

Canada is now seeking to increase food exports to Cuba. The Netherlands and other Europeans supply food (especially cheeses, snack foods, and chocolates for increasing numbers of tourists). Vietnam and Brazil are supplying rice and other foods, much to the consternation of U.S. rice producers.

The most important point for our inquiry, however, is that Cubans are able to import more, and there is more food available, although the prices may be very high for Cuban salary earners, even those at the high end of the salary scale. While not all U.S. sales in the graph above were food supplies, most were. Cuba was finally able to buy food from the most logical "natural" supplier, since shipping down the major rivers and across the Gulf of Mexico from Mobile, New Orleans, Galveston, or Baton Rouge, is far less costly than long ocean voyages.

What does all this mean for the ordinary Cuban family? The farmers' markets (that had been closed since 1986) re-opened in October 1994, and most families found a better supply of food for their dinner tables, even good, fresh (and costly) meats at several outdoor markets. Russian oil began flowing in larger amounts back into Cuban ports, which permitted a larger deployment of volunteers into various phases of agriculture and, by 1995, egg production was up to 45 percent and poultry was up to 46 percent of 1991 levels. By 2006, Cuban agriculture seemed to be closer to its earlier levels, but we will have to wait for the statistics.<sup>6</sup>

At the family level, clothing, food, medicine, and transportation remain highly serious challenges for all. Although the food supply has increased, the "special period" is continuing on some levels. Certain imported medicines are still available only for dollars. In a step away from total education subsidies, students have had to start buying their books and pencils. At the community level, there are some signs of pothole repairs and work on buildings, but schools, roads and other infrastructure continue to deteriorate, and most people are still lacking several basic consumer needs a few years into the new millennium.

Cuba's trade expansion with China involves sugar exports to China, and, just as in the U.S., Cubans are also buying cheaper Chinese consumer goods such as clothing, shoes, and small appliances. We can predict that if the political trends continue and more Latin American populations elect left-leaning governments, and if China's connections with Latin America continue to grow, Cuba will be in an even better position in the global political and eco-

6. Fuller bellies and refrigerators were observable in early January 2006, in the City of Havana. This might have represented the availability of extra foods around the holidays, or there might be a real upward trend of ongoing food production and distribution.

conomic spheres. I now return to other social implications of rapid growth for the quality of life in Cuba.

What about family-owned businesses or the *cuenta propistas* which support families? After a long period of a weakened state, of growing gaps in income and access to goods and services, inequalities in access to food, the Cuban state is now re-centralizing, and seeking to establish an economy that is accountable, that can show accurately the performance of both state and private enterprises. The Cuban state is focusing on reducing the high degree of theft from state enterprises. In fact, many of the youth who ended up in the highly promoted social worker program did so as a way of avoiding jail for delinquent actions. A most interesting point, which says a lot about internal Cuban politics today, is that many, in fact “thousands,” of these new social workers are reported to have been turned into tax collectors. Revenue collection and stopping theft (which is usually of state goods or parts that are used by the *cuenta propistas*, skilled workers who privately sell their services as mechanics, plumbers, carpenters, and so on) has become a state priority.

The leadership of the state apparently believes that by collecting more taxes on income, and thwarting some of the massive theft of state goods, they can slow the widening social gap between those becoming rich and those remaining poor. Whether the growing economy and its international ties will enable or hinder these re-centralizing and leveling moves by the state remains to be seen.

Can we conclude with optimism about food, housing, education, and healthcare? For ordinary folks, the expanding economy is good news. Gas exports are up and oil production is increasing. Whether U.S. agricultural imports will climb back to the 2004 levels is almost irrelevant, if Cubans have enough food imports from other countries like Brazil, Canada, Vietnam and the European Union. More imports mean that simple antibiotics, anti-inflammatory pills, spices, sanitary products for women, shampoos and other goods, which once were very scarce for those without dollars, will again become affordable.

More foreign investment should mean more jobs. Everyone will benefit from the expansion of businesses, for example the Centro de Inmunología Molecular that now employs about 400 workers. The Center’s research, production and quality control of medications, ranging from anti-rejection drugs for transplant patients, to genetic research for treatment of everything from anemia to tumors to cancer, will pay salaries that support many hundreds of family members. Cuba also benefits politically from the development of new drugs, by its treatment of patients at Cuban clinics, and by humanitarian acts such as sending doctors to Pakistan, where the Minister of Health credited Cubans with examining between 70 percent and 80 percent of the earthquake

victims in a mountainous region. Such acts of kindness are not forgotten and, in the future, will help Cuba's long-term economic trade and political partnerships.

Finally, now that emergency food supplies have been secured, we can end with the biggest problem facing both the population and the economic functioning of the island as a whole. Electricity, whatever the source, is the energy on which all else depends. Can Venezuelan and Chinese projects (and low-cost loans) enable the repair or replacement of the crumbling infrastructure for electrical power? In early 2005, Castro in his explanation to the population of the long "apagones" or power outages, stated that the country could not meet even 50 percent of the demand by the population and its economic production. Some entire areas or grids have to be shut down in order to make repairs on others. In October 2004, 118 factories had to close and schools and workplaces closed one-half hour early for several months due to grid repairs.<sup>7</sup> Vivian Bustamante reported in *Trabajadores* that 400 new trucks were being purchased for electrical workers to provide for the most rapid repair schedules possible, which, of course, also depends on supplies of gasoline, which seems likely with Venezuela's large oil shipments.

Salaries were raised significantly in late 2005, but in January 2006, several Cubans were complaining that their raises were all going to pay the increases in the cost of electricity, a move aimed to curb consumption and bring in revenue to help upgrade the entire system.

The promise of upgrading of schools and school equipment, and the renovation of thousands of older housing units, while also building new housing and new schools for the needs of a larger population, has led to the December 2005 decision to allot 70 percent of the national budget to social programs in education, health, culture and art, science and technology, sports, and social security and work. In 2006, plans were announced and housing construction begun for hundreds of thousands of new housing units. Furthermore, plans were unveiled to construct new schools, a complete replacement of all schools, presumably ecologically sound, schools.<sup>8</sup>

To summarize, it looks as if Cubans, who have suffered so long under the cruel twist of world events, may be seeing the proverbial light at the end of the tunnel. If their electrical infrastructure were completely revamped, life would be easier. If more trains and buses were available, they could go see their families more often—and maybe take a long-awaited vacation trip.

---

7. Besides major grid repairs and energy supply, Cuba needs to replace 10,563 miles of power lines and replace 44,000 power line poles to modernize the country's electricity distribution system (*Granma*, May, 2005).

8. Many people in Cuba wonder why the well-constructed older schools in the neighborhoods cannot be renovated, in order to spend money on other, more badly needed construction.

Finally, if the Latin American political context creates more friendly governments, and if Cuba's human capital can help overcome some of the worst problems of ignorance, malnutrition and disease, then many others' higher standard of living would become something even bigger to report.

### **Bibliography**

- Agence France Presse, "Castro gets best possible economic news: Venezuela's PDVSA to search for oil off Cuba." English. April 28, 2005.
- Bustamante, Vivian. 2005. *Trabajadores* May 27, 2005.
- Campbell, Al. 2000. "The Cuban Economy has Turned the Corner: Question now is Where is it Going?" In *Cuban Transitions at the Millennium*, Eloise Linger and John W. Cotman, eds. Largo, Md: International Development Options.
- Julio Carranza. 2000. "External Finances and the Limits of Economic Growth in Cuba: 1996-1997." In *Cuban Transitions at the Millennium*, Eloise Linger and John W. Cotman, eds. Largo, Md: International Development Options.
- Economist Intelligence Unit. 2006. "Country Report, Main Report," February 1, 2006.
- Energy Intelligence Group, Inc. 2005. Oil Daily. January 13, 2005.
- Granma staff. 2005. "Cooking with Fidel: As blackouts multiply, Castro pleads for power thrift." www.Granma.cu. May 27, 2005. Accessed, May 28, 2005.
- Oswald, Sharon L. and Tony L. Henthorne. 2000. "Health Tourism: A Niche Strategy for Marketplace Survival in Cuba." In *Cuban Transitions at the Millennium*, Eloise Linger and John W. Cotman, eds. Largo, Md: International Development Options.
- Pérez, Louis A. Jr. 1995. *Cuba: Between Reform & Revolution*. USA: Oxford University Press, 2nd edition.
- Pérez-López, Jorge F. and José Alvarez, eds. 2005. *Reinventing the Cuban Sugar Agroindustry* (Rural Economies in Transition). Lanham, MD: Lexington Books.
- National Post's Financial Post & FP Investing (Canada) 2005. Toronto Edition. January 29, 2005.
- Spadoni, Paolo. 2005. "Truth about Cuba's economy lies in middle," (Special to the Sentinel) *Orlando Sentinel*, August 29, 2005.

