

CUBA

Economic Freedom Score



World Rank: **177**

Regional Rank: **29**

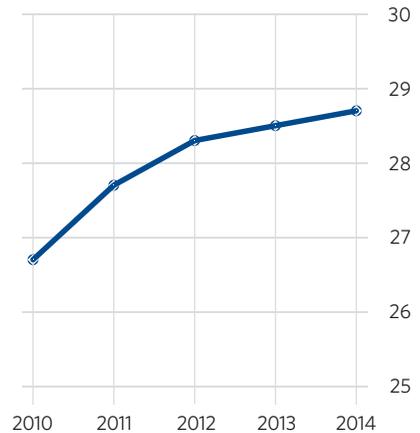
Cuba's economic freedom score is 28.7, making its economy one of the world's least free. Its overall score is 0.2 point higher than last year, with deteriorations in trade freedom, fiscal freedom, monetary freedom, and freedom from corruption counterbalanced by an improvement in business freedom. Cuba is ranked least free of 29 countries in the South and Central America/Caribbean region, and its overall score is significantly lower than the regional average.

Over the 20-year history of the *Index*, Cuba's economic freedom has been stagnant near the bottom of the "repressed" category. Its overall score improvement has been less than 1 point over the past two decades, with score gains in fiscal freedom and freedom from corruption offset by double-digit declines in business freedom and investment freedom.

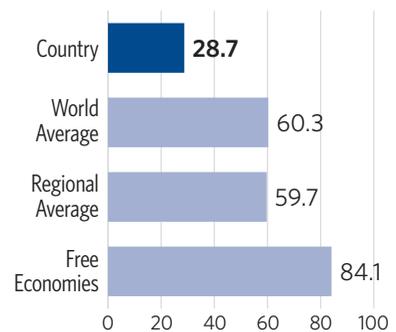
Despite some progress in restructuring the state sector since 2010, the private sector remains constrained by heavy regulations and tight state controls. Open-market policies are not in place to spur growth in trade and investment, and the lack of competition continues to stifle dynamic economic expansion. A watered-down reform package endorsed by the Cuban Communist Party has trimmed the number of state workers and expanded the list of approved professions, but many details of the reform remain obscure.

BACKGROUND: A one-party Communist state, Cuba depends on external assistance (chiefly oil subsidies provided by Venezuela and remittances from Cuban émigrés) and a captive labor force to survive. Property rights are severely restricted. Fidel Castro's 82-year-old brother Raul continues to guide both the government and the Cuban Communist Party. Many workers earn only poverty-level wages, agriculture is a shambles, mining is depressed, and tourism revenue is volatile. Though the Communist government maintains strict control of the economy, it recently loosened restraints on local enterprises in an attempt to maximize their commercial potential. Restrictions on foreign travel have been eased, but the state continues to monitor it closely.

Freedom Trend



Country Comparisons



Quick Facts

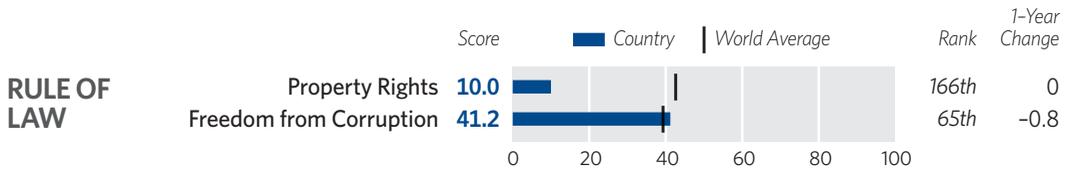
Population: 11.2 million
GDP (PPP): \$126.3 billion
 3.0 % growth in 2012
 5-year compound annual growth n/a
 \$11,313 per capita
Unemployment: n/a
Inflation (CPI): 5.5%
FDI Inflow: n/a
Public Debt: 35.3% of GDP

How Do We Measure Economic Freedom?

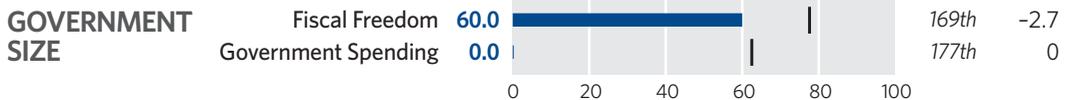
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
 Data compiled as of September 2013.

THE TEN ECONOMIC FREEDOMS



Official corruption remains a serious problem, with a culture of illegality shrouding the mixture of limited private enterprise and a vast state-controlled economy in a country where there is little respect for the rule of law. Only state enterprises can enter into economic agreements with foreigners as minority partners; ordinary citizens cannot participate. Most means of production are owned by the state.



The top individual income tax rate is 50 percent. The top corporate tax rate is 30 percent (35 percent for wholly foreign-owned companies). Other taxes include a tax on property transfers and a sales tax. The overall tax burden is 24.4 percent of GDP. Government spending is around 67 percent of GDP, and public debt is around 35 percent of the domestic economy. Despite reforms, the government continues to play a large role in the economy.



Despite reform measures introduced in recent years, private entrepreneurship is limited and tightly controlled by the state. The public sector remains the major source of employment, and state intervention continues to distort the labor market. The government tries to contain inflation directly by using price controls and regulating the limited areas of free-market activity and indirectly by controlling monetary expansion.



Cuba's average tariff rate is 10 percent. The country's planned economy deters foreign trade and investment. The financial sector remains heavily regulated, and access to credit for entrepreneurial activity is seriously impeded by the shallowness of the financial market. The state maintains strict capital and exchange controls.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+12.4	Business Freedom	-20.0	Trade Freedom	0
Freedom from Corruption	+31.2	Government Spending	0	Labor Freedom	0	Investment Freedom	-10.0
				Monetary Freedom	+2.9	Financial Freedom	0