

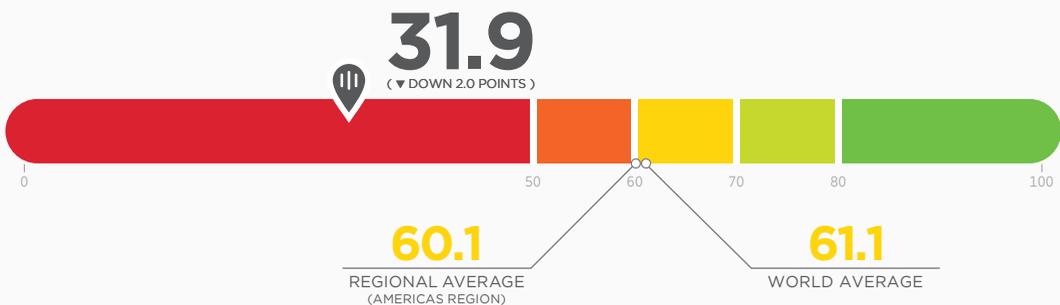
CUBA



Cuba's economic freedom score is 31.9, making its economy the 178th freest in the 2018 *Index*. Its overall score has decreased by 2.0 points, reflecting a plunge in **fiscal health** and declines in **government integrity, property rights**, and the **tax burden** indicator. Cuba is ranked 31st among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Cuba is one of the world's last Communist dictatorships, and state control of the economy is pervasive and economically inefficient. Although the nearly bankrupt government has eased rules on private employment in an effort to reshape the economy and improve efficiency, development of a job-creating private sector is unlikely. Much of the labor force performs low-productivity functions in the bloated government sector. All courts are subject to political interference, and private property is strictly regulated. Excessive bureaucracy and lack of regulatory transparency continue to limit trade and investment.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
None

CONCERNS:
Rule of Law, Investment Freedom,
and Financial Freedom

**OVERALL SCORE CHANGE
SINCE 2014:**
+3.2

FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
\$142.0 billion
-0.9% growth in 2016
5-year compound
annual growth 2.0%
\$12,390 per capita

UNEMPLOYMENT:
2.9%

INFLATION (CPI):
4.5%

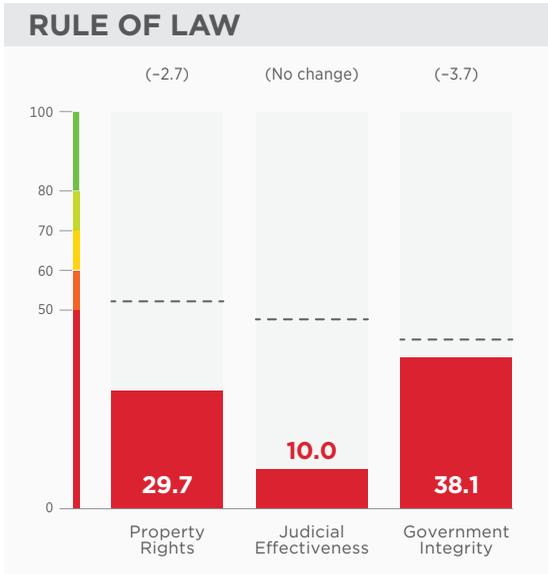
FDI INFLOW: n/a

PUBLIC DEBT:
42.5%

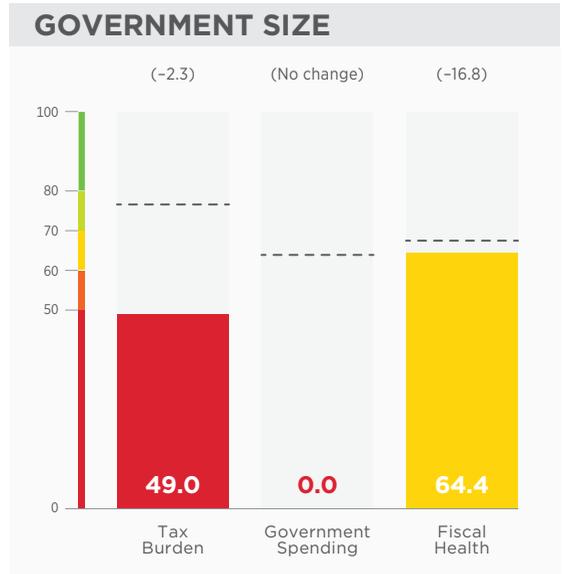
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: The late Fidel Castro's 86-year-old brother Raúl has announced his intention to step down from the presidency in February 2018 but to retain power as head of the ruling Cuban Communist Party. Raúl's only son, Colonel Alejandro Castro Espín, and his former son-in-law, General Luis Alberto Rodríguez López-Callejas, are being groomed to perpetuate the family's brutally repressive political and economic control of the island. Without significant supplies of subsidized oil from nearly bankrupt Venezuela, Cuba's dysfunctional economy is even more dependent on foreign exchange inflows from emigrants' remittances and the tourism-generated foreign currency that the Castro regime needs to survive. Workers do not earn living wages, the agriculture sector is starved for investment, and the banking system is primitive.

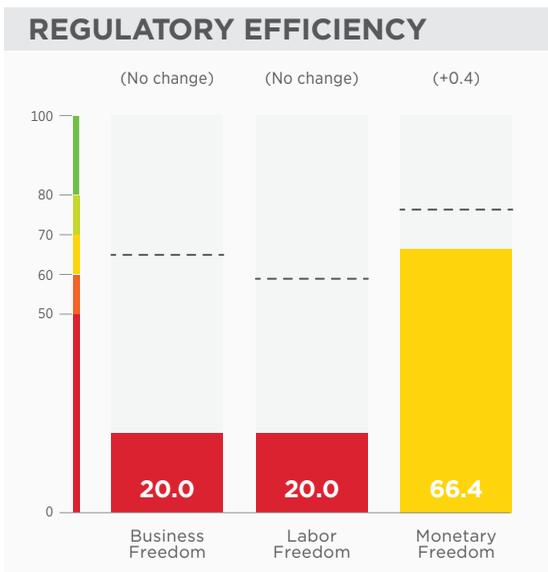
12 ECONOMIC FREEDOMS | CUBA



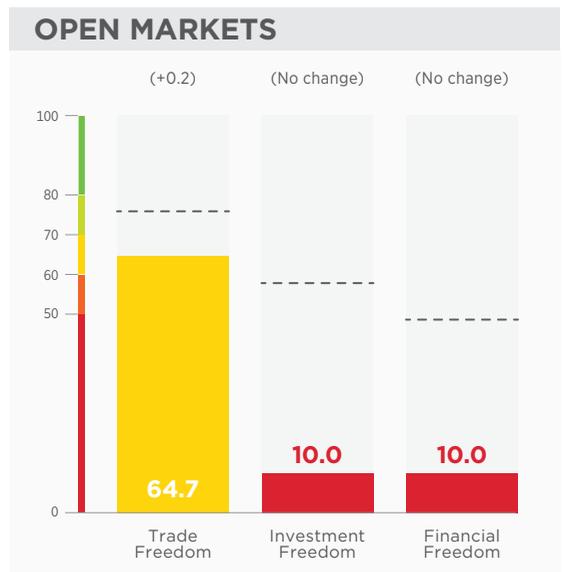
Property seizures by police without legal justification are common. The state owns most means of production. The nominally independent and heavily politicized judiciary is directly subordinate to the National Assembly and the Communist Party, which may remove or appoint judges at any time. Corruption is a serious problem, with widespread illegality permeating everyday life throughout the vast state-controlled economy.



The top income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include property transfer and sales taxes. The overall tax burden equals 41.2 percent of total domestic income. Over the past three years, government spending has amounted to 62.4 percent of total output (GDP), and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 42.5 percent of GDP.



Only limited private economic activity is permitted. Inconsistent and nontransparent application of regulations impedes entrepreneurship. State control of the formal labor market has led to the creation of a large informal economy. The regime has capped agricultural prices and has sought subsidized oil from Russia to replace the subsidized oil formerly supplied by nearly bankrupt Venezuela.



Trade is moderately important to Cuba's economy; the combined value of exports and imports equals 32 percent of GDP. The average applied tariff rate is 7.7 percent. Nontariff barriers significantly impede trade. The government screens and regulates foreign investment. The financial sector is heavily regulated, and financial-market shallowness severely impedes access to credit for entrepreneurial activity. The state maintains capital and exchange controls.