

CUBA

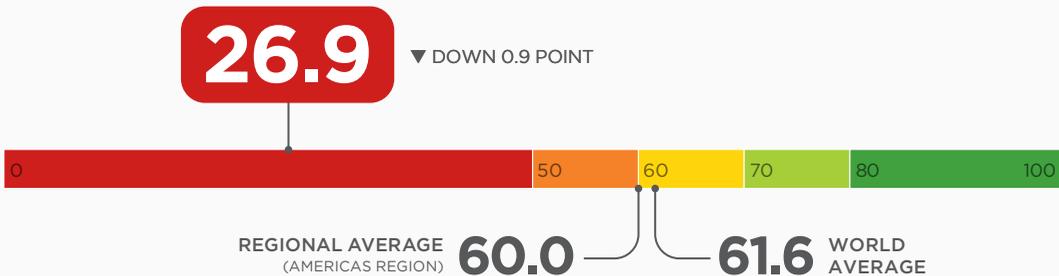
WORLD RANK: **178** | REGIONAL RANK: **31**
ECONOMIC FREEDOM STATUS: **REPRESSED**

Cuba's economic freedom score is 26.9, making its economy the 178th freest in the 2020 *Index*. Its overall score has decreased by 0.9 point due to a plunge in the score for **property rights**. Cuba is ranked 31st among 32 countries in the Americas region, and its overall score is one of the lowest in the world.

The Cuban economy has been at the bottom of the repressed category since the inception of the *Index* in 1995. Only two of Cuba's 12 *Index* indicators have scores above 50. The modest level of GDP growth reported by this Communist economy does not reflect the actual living conditions of most of the population.

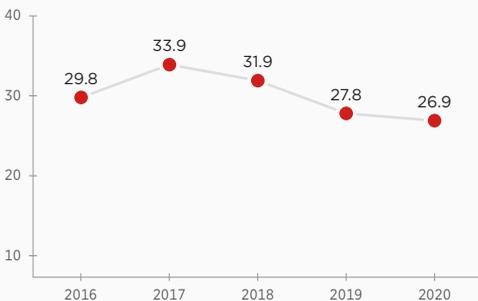
For the Castro regime, desperation is setting in as the Cuban economy begins to disintegrate. Panic-driven reforms were rolled out in 2019 both to loosen the regime's grip slightly by, for example, codifying the right to private property and private enterprise and to make foreign investment the highest priority.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -0.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.3 million

GDP (PPP):
\$155.9 billion
2.3% growth in 2018
5-year compound
annual growth 2.0%
\$13,750 per capita

UNEMPLOYMENT:
2.3%

INFLATION (CPI):
6.9%

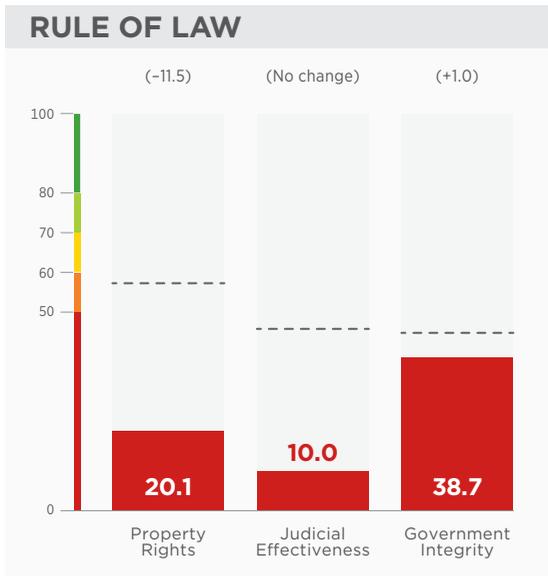
FDI INFLOW: n/a

PUBLIC DEBT:
51.0% of GDP

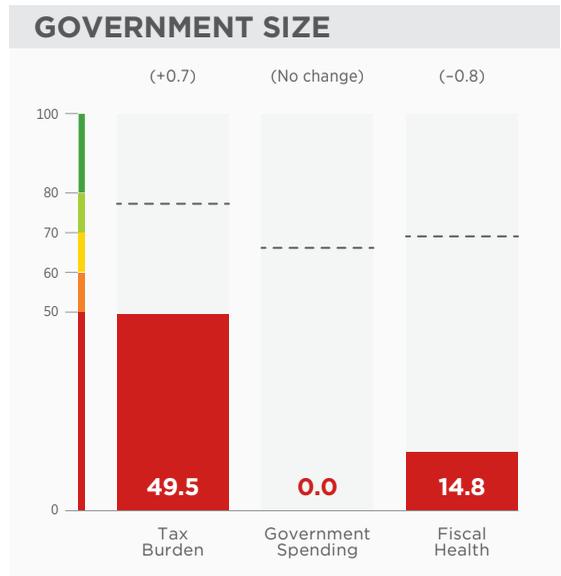
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Cuba has been governed by a Communist dictatorship for six decades. After Raúl Castro stepped down as president, Miguel Díaz-Canel was selected as a figurehead ruler in 2018, but Castro retains the real power as head of the Communist Party and the armed forces, which control much of the economy. Citing the regime's continuing repression of the Cuban people and its promotion of instability in Venezuela and Nicaragua, the United States has reimposed more stringent controls on travel and financial interactions with the island nation. Increased international sanctions on Cuba's allies in Venezuela have deprived Havana of subsidized oil and hard currency needed for import purchases. The state-run agriculture sector is starved for investment, and the banking system is primitive.

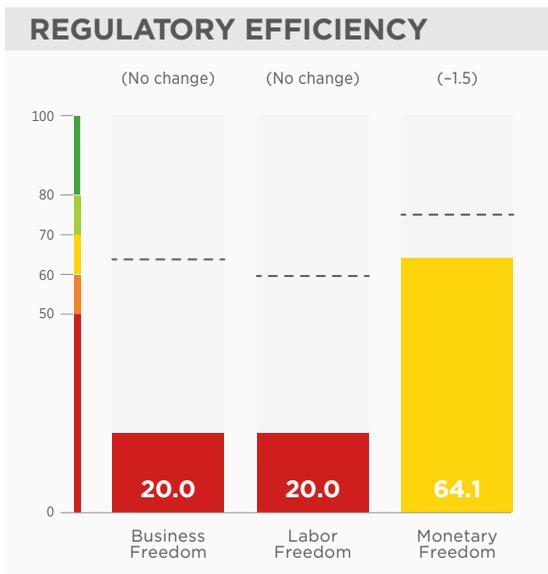
12 ECONOMIC FREEDOMS | CUBA



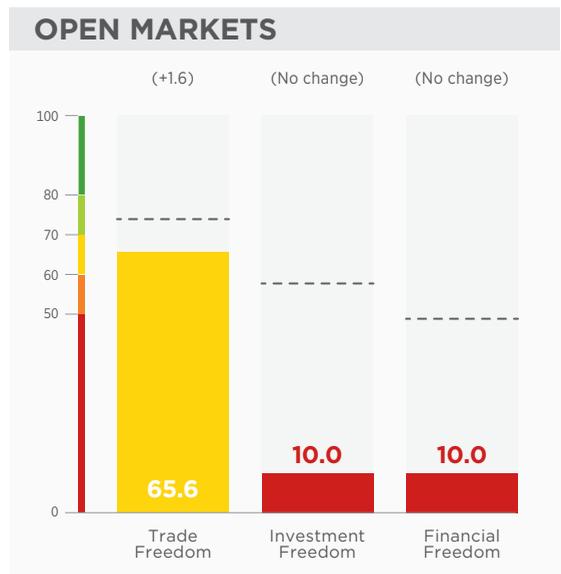
Most means of production are owned by the state. Property seizures by police without legal justification are common. There is practically no separation between the judiciary, the National Assembly, and the Communist Party, which can appoint or remove judges at any time. Corruption is a serious problem that remains unaddressed. Widespread illegality permeates the limited private sector and 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 40.6 percent of total domestic income. Government spending has amounted to 64.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 51.0 percent of GDP.



Cuba is not a member of the World Bank and is not included in the World Bank's 2019 *Doing Business* report. The state controls the formal labor market but has opened some retail services to what it calls self-employment. New U.S. sanctions in 2019 and the economic collapse of Venezuela, which had been providing Cuba with billions in energy subsidies, have forced the widespread rationing of goods.



The total value of exports and imports of goods and services equals 26.2 percent of GDP. The average applied tariff rate is 7.2 percent, and 50 nontariff measures are in force. 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.