

CUBA

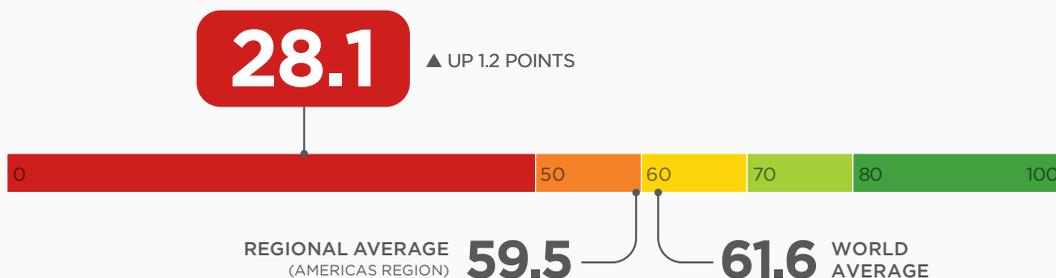
WORLD RANK: **176** | REGIONAL RANK: **31**
ECONOMIC FREEDOM STATUS: **REPRESSED**

Cuba's economic freedom score is 28.1, making its economy the 176th freest in the 2021 *Index*. Its overall score has increased by 1.2 points, primarily because of an improvement in the **government integrity** score. Cuba is ranked 31st among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

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. Sharp reductions in economic growth due to tougher U.S. sanctions and economic collapse in client state Venezuela have forced the Castro regime to backtrack on a set of very timid measures that were aimed at partial liberalization.

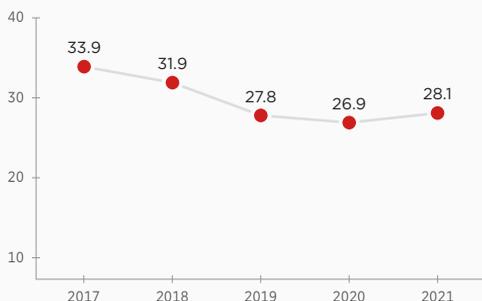
IMPACT OF COVID-19: As of December 1, 2020, 136 deaths had been attributed to the pandemic in Cuba. No current projection for the potential impact on economic growth is available.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.3 million

GDP (PPP):
\$159.4 billion
0.5% growth in 2019
5-year compound
annual growth 1.8%
\$14,080 per capita

UNEMPLOYMENT:
1.6%

INFLATION (CPI):
5.6%

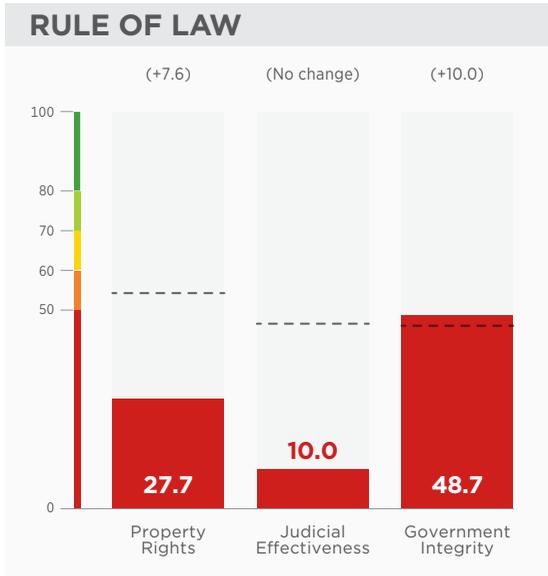
FDI INFLOW: n/a

PUBLIC DEBT:
51.9% of GDP

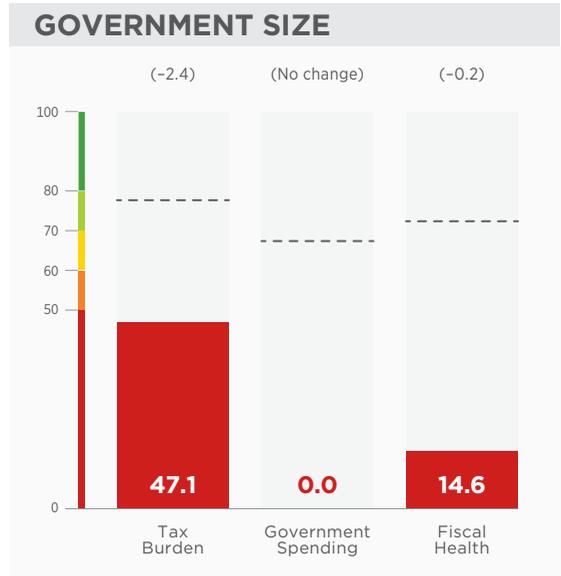
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Cuba has been governed by the Western Hemisphere's longest-ruling Communist dictatorship since 1959. 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. Under a government-run medical export scheme, Cuban health care professionals are sent throughout Africa and Latin America, and Havana seizes most of their salaries as a source of hard currency revenue. Cuba's sizable security and intelligence presence in Venezuela continues to undergird the regime of Nicolás Maduro. The deterioration of Venezuela's oil sector has led to shortages of fuel and electricity in Cuba.

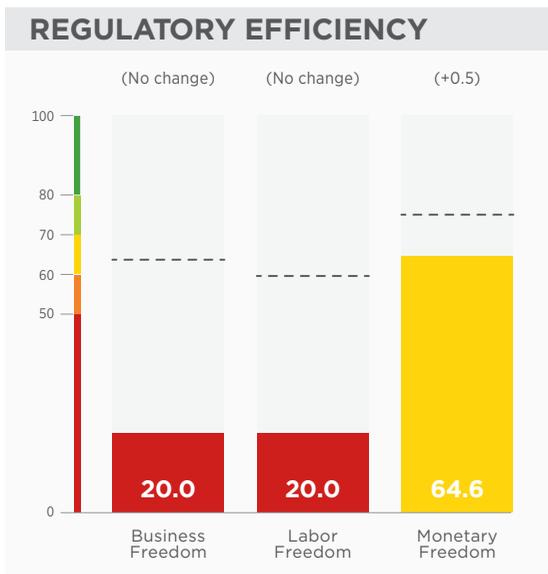
12 ECONOMIC FREEDOMS | CUBA



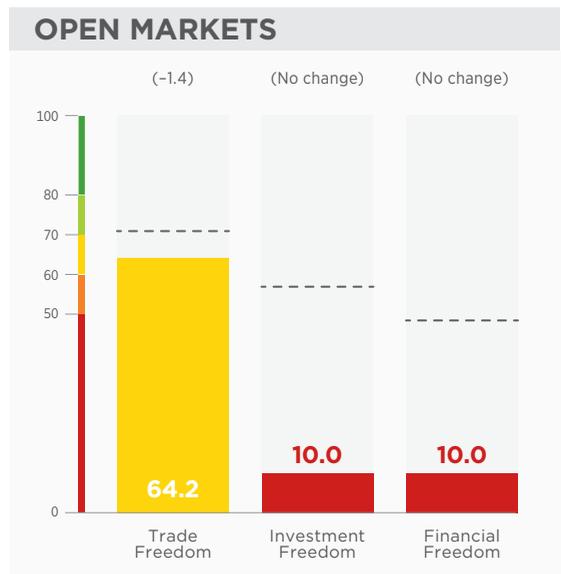
Although a 2019 constitution recognizes private property in theory, the state owns most means of production. There is practically no separation between the judiciary, the National Assembly, and the Communist Party, which can appoint or remove judges at any time. Corruption is a serious problem that remains unaddressed. Widespread illegality permeates both Cuba's limited private enterprises and the vast state-controlled economy.



The top individual income tax rate is 50 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 43.5 percent of total domestic income. Government spending has amounted to 64.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.7 percent of GDP. Public debt is equivalent to 51.9 percent of GDP.



Some retail self-employment is now allowed, and some state-sector jobs have been cut. More than 500,000 *cuentapropistas* or entrepreneurs are currently registered as self-employed. Continuing tough U.S. sanctions and reduced shipments of subsidized energy from bankrupt Venezuela have reduced the money available to the government to fund subsidies and have forced the widespread rationing of goods.



Cuba has four preferential trade agreements in force. The trade-weighted average tariff rate is 7.9 percent, and 50 nontariff measures are in effect. State-owned enterprises significantly distort the economy. Access to credit for private-sector activity is severely impeded by the shallow financial market. Despite a decade of incremental changes, the state remains firmly in control.