



ECOSOC: Economic and Social Council

Student Officer: Eda Ünan

Issue: Curtailing the Cuban economic crisis

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Committee: Economic and Social Council (ECOSOC)

Issue: Curtailing the Cuban economic crisis

Student Officer: Eda Ünan – President Chair

I. Introduction

Cuba, a country where the northern Caribbean Sea, the Gulf of Mexico, and the Atlantic Ocean meet, has had a tumultuous history of political inequalities, which caused economic and social issues today. The government of Cuba is alluded to as a “unitary Marxist–Leninist one-party socialist republic”, with Miguel Díaz-Canel of the Communist Party of Cuba serving as President. Unfortunately, with this political landscape, Cuba struggles in a world dominated by free-market neoliberal capitalism.

The economy in Cuba is characterized as a planned economy commanded by state-owned enterprises (SOEs).

This means that firms cannot usually have a big power in the market, but the government controls the market operations, to benefit the public and have more equality. However, this leads to a decrease in economic activity as firms cannot operate at their most efficient levels, proving higher costs and inflation.

Since the late 2020s, the manipulation of the market by the government has led to lower investments for the private sector, causing higher wages and increasing prices that these wages do not match. With an ever-increasing high cost of living, the inability to relieve post-pandemic stress, an economic embargo from the United States, and the failure of the government to implement efficient policies, Cuba has been in an inflationary spiral. These monetary issues not only harm private companies, but also result in distress in employees with low pay in contrast to inflation in prices, subsequently decreasing supply of necessities, deteriorating public services, and regular power outages, which in the long run led tons to flee the country. (Morris, 2024)

It is of utmost importance to solve this economic crisis through a number of thorough economic and social reforms. However, while reading this report, delegates should keep in mind that they should first understand the root causes of the crisis that has been occurring since hundreds of years ago and examine the situation by not reforming the whole economic system of the country.



Picture 1: The Map of Cuba (Britannica)



II. Involved Countries and Organizations

United States of America (USA)

The US has had a huge influence on the Cuban economy, both historically, with its ties with the Batista regime in the early 1950s, and politically, with its embargo on the socialist regime that started in the late 1950s.

1. Early Interventions and Dependency

After the Spanish control of Cuba switched to the United States control in the early 20th century, the hegemon held a significant degree of power over Cuba's economy. Cuba, during that era, was characterized as a dependent country that could only exist with the imports of another nation, as its production possibilities were limited and far behind the industrialized world. The US took advantage of this and implemented the Platt Amendment of 1901, which effectively made Cuba a US protectorate, established the U.S. right to intervene in Cuban affairs, and dictated Cuba's foreign policy and financial dealings. Hence, nearly all Cuban relationships were commanded by the US government during this era. Following this, by the 1920s, US companies started to manage about 60% of Cuba's sugar industry, the country's biggest source of production. This shows the extent of reliance of the Cuban economy on American trade and investment, laying the foundation for future economic instability by restricting Cuba's autonomy and binding it to the fluctuations of American interests and market demands.

In October 1929, as the Wall Street stock market crashed, the Cuban economy, which was highly reliant on the US, collapsed greatly as well. Cuba's economic decline during the Great Depression could be seen with the collapse of its sugar industry, which totaled 80-90% of national agricultural output. Due to Cuba's reliance and inability to create an autarky, there became a severe drop in Cuban export revenue, since sugar prices plummeted from nearly 2.96 cents to 1.47 cents per pound, approximately cut to half. This drastic reduction in sugar prices crippled Cuba's economy, leading to widespread factory closures. Hence, unemployment soared, and wages for sugar workers dropped to a small amount of 25 cents for a 10-11-hour workday. With the Depression also causing a significant blow to Cuba's tourism industry, the tourism revenue fell from \$26 million in 1928-1929 to under \$5 million in 1933-1934. These economic hardships caused national income to shrink from 708 million pesos in 1925 to 294 million in 1933, contributing to social unrest and ultimately leading to the resignation of the president for the Batista regime to take the throne. (Knight, Drinot, 2014)



2. The Batista Era and Economic Ties

As General Fulgencio Batista took power from the 1930s to the late 1950s, Cuba grew more economically reliant on the US. Batista's government favored U.S. investments, particularly in sugar production, tourism, and casinos, which led to American corporations controlling much of Cuba's wealth and natural resources, not only sugar production. This economic dependence, added to widespread corruption under Batista, concentrated wealth within a limited elite, leaving most Cubans in poverty, and creating huge inequalities that resulted in the rebellion in the working class. This economic downturn led to growing resentment in the working population which consisted of more than half of the nation's population, laid the groundwork for Fidel Castro's revolution.

3. Trade Embargo and Economic Isolation

The Cuban Revolution of 1959, wherein Fidel Castro organized a successful coup to overthrow the unequal Batista regime, drastically shifted Cuba's political orientation to a socialist, planned economy, leading to the nationalization of American-owned industries and increased ties with the Soviet Union. In response to this and the breach of the Platt Amendment, the US imposed a partial trade embargo on March 14, 1958, which was then extended to a full embargo in 1962. This embargo, which is still in effect today, blocks the nation's access to the US market, disrupting its primary source of income, as Cuba cannot easily



Picture 2: Fidel Castro making a statement of victory following the revolution that overthrew Fulgencio Batista (Getty Images)

withdraw its dependency from the US in a very short term, leading to immediate economic hardship. Deprived of vital resources and trade options, Cuba sought economic assistance from the Soviet Union, increasing its vulnerability to changes in the political landscape.

Cuba's dependence on Soviet economic support concealed the full impact of the U.S. embargo until the early 1990s when the Soviet Union collapsed. After the collapse, Cuba fell into a severe economic crisis known as the "Special Period." Cuba experienced extreme shortages in food, fuel, and other basic goods during this time.

With the growing dissent in the US against the socialist regime, the government implemented another act. The Helms-Burton Act of 1996 further tightened the embargo on Cuba, discouraging foreign investment by penalizing non-US companies that engaged in trade with Cuba. This law exacerbated the country's economic difficulties by deterring foreign businesses and limiting Cuba's opportunities to attract international investment. The resulting economic isolation prevented the Cuban government from securing



adequate resources to modernize its infrastructure and improve its industries, contributing to the stagnation, with increasing prices and decreasing output causing a recession, that has continued into the 21st century.

4. The Cuban Thaw and Limited Relief

In 2014, President Barack Obama initiated a policy shift to ease and normalize US-Cuba relations, easing some travel and trade restrictions. This “Cuban Thaw” allowed increased remittances, boosted tourism, and provided small economic relief for Cuba. However, this progress was largely reversed during the Trump administration, which reimposed restrictions, further limiting Cuba’s economic decisions and cooperation with the world. The cycle of engagement and restriction from the United States has created an unpredictable environment, hindering Cuba’s economic planning and ability to sustain growth. (CFR, 2020)

5. Current Challenges and the Continuing Embargo

Today, the US embargo continues to limit Cuba’s economic development. Restrictions on the import of essential goods, technological exchanges, and financial services constrain Cuba’s ability to participate in the global economy. The embargo also restricts Cuba’s access to resources needed to modernize infrastructure and address current challenges, such as healthcare shortages and fuel scarcity. Additionally, the embargo’s impact has been compounded by the recent COVID-19 pandemic, worsening the economic crisis for ordinary Cubans who struggle with inflation, unemployment, and shortages of basic goods.



Picture 3: A caricature about the US embargo on Cuba (Latuff, 2007)

Venezuela

In the early 2000s, with shared ideological stances against neoliberalism and a desire for economic self-sufficiency in the Latin American regions, the relationship between Venezuela under Hugo Chávez and Cuba under Fidel Castro grew into a strong alliance. Their joint declaration in 2004, in which they criticized the US-supported Free Trade Area of the Americas (FTAA), asserted that the agreement would only worsen poverty and increase inequality in the region, as the US was planning to form subordinate economies to benefit itself. Both leaders vouched for economic integration based on cooperation, forming a framework for bilateral support that would be particularly beneficial for Cuba.

The cornerstone for this economic partnership between Cuba and Venezuela was oil. According to Javier Corrales, a prominent professor of political science at Amherst College, in 2000, Chávez and Castro signed the Convenio Integral de Cooperación, which provided Cuba with 53,000 barrels of oil daily, later



increased to 90,000 barrels by 2005. For Cuba, this subsidized oil was critical, supporting the country's energy needs while also enabling Cuba to re-export a portion of the oil to generate revenue. This arrangement significantly cushioned Cuba from energy-related economic strains and was instrumental in Cuba's Energy Revolution, a campaign to decentralize and decarbonize its energy infrastructure beginning in 2005. With Petrocaribe's discounted oil rates, Cuba could sustain energy use without bearing the high costs typically associated with oil imports. (Corrales, 2005)



Picture 4: Venezuela's then-president-elect Hugo Chavez, flanked by then-Cuban leader Fidel Castro at the Jose Marti airport in Havana in 1999 (Getty Images / CNN, 1999)

Although both nations benefitted from each other's sectors, Venezuela's economic problems led to a significant decline in its support for Cuba, reflecting the instability that was created by Cuba's dependency on Venezuela. Since Cuba cannot supply necessities to continue daily life and production of the nation, like oil, it is highly dependent on its neighboring nation. As Venezuela has been a long dependent supply of subsidized oil, with its economic downturn due to political crises, Cuba has

not been able to buy affordable oil. Amid Venezuela's economic crisis, the country's exports to Cuba dropped sharply from \$5.1 billion in 2014 to \$1.6 billion in 2016, and Cuban exports to Venezuela declined from \$2 billion to a mere amount of \$642,000 in the same era. The slowdown in trade also saw a significant decrease in oil supply as political tensions in Venezuela intensified. In 2019, the Venezuelan National Assembly, controlled by the opposition, voted to cut oil shipments to Cuba, aiming to save millions of dollars daily. This not only leads to unsustainable recessions but also a rise in a factor of production that is needed for the supply to match demand in the nation. In the end, it disrupted Cuba's energy stability and amplified the economic strain as the country struggled with fuel shortages.

III. Focused Overview of the Issue

To understand this deep and multifaceted economic issue, one needs to go back to its basic causes. Hence, the history that led to Cuba's economic downturn from being a relatively prosperous country to one with stagflation due to political crises has to be examined. After that, the economic problem at hand can be mended piece by piece by adding the political and social problems that arose from the crisis, to form a well-backed solution to combat it for the good of all.

1. Historical Background

Cuba, one of the highest-income countries in Latin America by the 1870s, had a booming sugar industry, on which it based its economy. This economic prosperity arose from its geographical location;



Cuba is approximately 90 miles (nearly 145 km) away from Florida, where a favorable climate has been created to make the country an ideal supply of sugar. These factors led to significant US investment into the economy, and by the early 20th century, the United States came to control more than half of all sugar production, a big part of the economic infrastructure, including railways and utilities. Although Cuba's Gross Domestic Product (GDP) grew during this period, income inequality was high, and the benefits of the economic growth were unevenly distributed. Wealth was concentrated among landowners and foreign investors, leading to significant money being leaked out of the economy to investments abroad.

In 1958, Cuba's per capita (per person) GDP ranked in the middle of Latin American countries. Despite its economic growth, life expectancy was set at 59.4 years, placing Cuba in the lower half of global rankings. This was highly due to the unequal distribution of wealth, resulting in the lower classes still being in poverty relative to other nations.

Tourism also became a significant sector, fueled by wealthy American tourists visiting for leisure activities. As the 1950s progressed, Cuban dictator Fulgencio Batista worked to attract even more tourists by planning to develop hotels and casinos along the Malecón in Havana. Additionally, the Cuban oil industry was dominated by large international corporations, such as Standard Oil, Texaco, and Royal Dutch Shell. However, in the long run, this dependency on big corporations and outer nations for basic commodities and revenue is bound to cause detrimental problems in the economy.

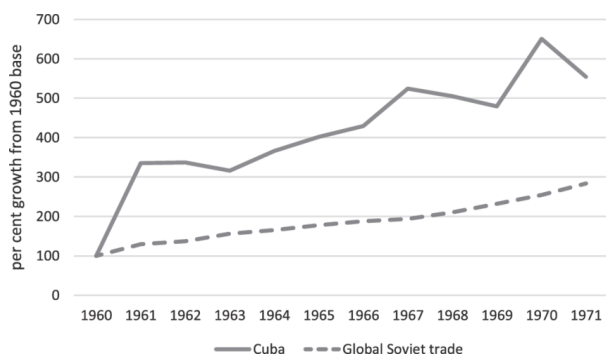
As income inequality persisted, where the Batista regime favored the wealthy and made the nation reliant on the US, a revolution was much needed to reform the nation into an independent and equal country. Fidel Castro, an educated and socialist-minded man through his friendship with Che Guevara, conducted the Cuban Revolution in 1959 with an objective to transform the economy. When he came into power, his first policy was to redistribute the land by taking the acres owned by the wealthy and giving them to the working class. Then, he embarked on a widespread nationalization process of foreign-owned assets. This meant that the means of production that the US owned would not be in power. For instance, in March 1959, Cuba seized control of the Cuban Telephone Company, a subsidiary of the International Telephone and Telecommunications Corporation, marking the beginning of extensive government control over the economy. These seizures, which included industries such as oil and sugar, totaled around \$9 billion in assets, primarily owned by American corporations. While getting dissent from foreign countries, Cuba's new socialist government also introduced subsidized healthcare and education and won significant domestic support.

However, as the relations with the US strained, this led to a change of economic actions. Cuba grew much closer to the Soviet Union, as they shared the same ideologies in a capitalist-driven globe. Through this collaboration, the Soviets supplied Cuba with goods that they were lacking, especially, oil. However,



Cuban refineries, controlled by Shell, Texaco, and Esso, refused to process Soviet oil. Castro responded by nationalizing them. The United States retaliated by cutting Cuba's sugar quota, a critical blow to the Cuban economy. In response, Cuba signed its first trade agreement with the Soviet Union, exchanging sugar for fuel. By 1962, the US embargo (talked more in the "Involved Countries" section) against Cuba expanded to

cover almost all imports, isolating Cuba economically from its largest market.



Picture 5: Soviet trade growth with Cuba and globally, 1960-71 (Vneshtorgizdat, 1971)

In order to mend the cracks that arose from the economic embargo, Cuba grew closer to the Soviet Union than it ever previously was. In 1973, Cuba joined the Council for Mutual Economic Assistance (COMECON), a committee consisting of socialist nations pledging to aid each others' economies, solidifying its economic dependence on the USSR.

Under Comecon, Cuba could trade sugar for Soviet oil at favorable terms, allowing the re-export of oil for hard currency, which Cuba used to import goods from other countries outside COMECON. This arrangement allowed Cuba to finance social investments and maintain its socialist landscape.

In 1970, Fidel Castro launched the "Ten-Million-Ton" sugar harvest campaign, which was an over-achieving attempt to boost sugar production and encourage economic growth. Despite aiding the Cuban working population, the campaign fell short, yielding 7.56 million tons. Castro took personal responsibility but later blamed the failure on the misallocation of resources and the focus on sugar at the expense of other economic sectors. This failure highlighted some challenges within Cuba's centrally planned economy, especially the inefficiencies stemming from over-reliance on a single industry, which is bound to have detrimental issues in the future if the sugar industry falls.

As it was heavily reliant on one industry where production fell short than expected, there needed to be enough money for the government to aid its projects to better the social landscape. Hence, the only source of income came to be borrowing money from other nations. However, Cuba's economic growth slowed in the 1980s as it faced mounting debt. This led to the country defaulting on its \$10.9 billion debt in 1986 to the Paris Club, halting payments by 1987. Cuba defaulted again on \$750 million in Japanese loans in 2002. Although the debt defaults exacerbated Cuba's isolation from exporting its sugar, the country was partially insulated from economic repercussions due to ongoing Soviet subsidies.

Hence, the Soviet Union's dissolution in 1991 caused a severe hit on the Cuban economy, which was dependent on Soviet subsidies and favorable trade terms. With COMECON failing, Cuba lost 80% of its trading partners, and its GDP dropped by at least 35% in 4 years. In addition to these issues, global sugar



prices plummeted, and Cuba could not be shielded by the Soviet price guarantees. This era, known as the “Special Period” saw extreme shortages in food, fuel, and basic goods. Cuban citizens resorted to alternative food sources, with reports suggesting that they had to eat domestic animals and zoo animals to survive. Daily calorie intake dropped, although mortality rates remained relatively stable due to a strong emphasis on maintaining a social safety net.

To control the economic crisis, the government implemented market reforms to a limited extent, even though the nation is characterized by an economy with high government control. Out of these small reforms, tourism was promoted as it was a vital sector in pushing economic growth, foreign investment was encouraged, even though there was still an embargo, and self-employment was legalized in select professions. The US dollar was also legalized, boosting transfers of money from Cuban Americans and injecting much-needed foreign currency into the economy. However, due to most Cuban Americans being those who fled due to their dissent to Castro’s regime, this policy did not prove to be very efficient. Additionally, the liberalization of agricultural markets in 1994 allowed state and private farmers to sell above-quota production at market prices, reducing black-market activity, but increasing political contradiction as Castro pledged equal markets in the agricultural sector.

Although these reforms paved the way for moderate economic recovery, with GDP growth reported at 0.7% in 1994, followed by more robust growth rates of 2.5% in 1995 and 7.8% in 1996, sugar production was still unstable, which slowed again in the late 1990s. Reflecting on the mistakes made during the Special Period, Castro admitted that Cuba’s dependence on sugar was unsustainable, given collapsing global sugar prices and rising oil costs.



Picture 6: Cuba's GDP growth rate between 1980 and 2012 (%)

The sustained growth of the tourism sector aided the economic well-being, leading to a 6.2% GDP increase in 1999. According to the government, GDP growth reached 11.8% by 2005. Although there were improvements, Cuba fell from its high rank of GDP per capita in the Latin American countries by 2007, as other competing nations grew more prosperous by trading with the United States.

Due to the inability to trade with the biggest economy in the region, nay, the world, Cuba slouched behind in economic growth. Although the United States’ economic embargo was intended to exert economic pressure on Cuba in the hopes of instigating political change, every year, the United Nations holds a vote on whether the embargo is justified, with the U.S. and a few allies frequently voting in favor. In 2016, the United States abstained from the vote for the first time, signaling a temporary thaw in relations



near the end of Obama's regime. However, in 2024, the embargo remains largely in place, even though the government of Cuba has gone away from its socialist goals. In a 2020 report to the United Nations (UN), Cuba estimated that the total cost of the embargo amounted to \$144 billion for both nations.

2. The Present Economic Crisis

Taking all of the historical information at hand, with the ongoing embargo and the lack of successful measures against inflation, as new economic shocks hit Cuba, it would not be able to recover back to its prosperous times.

As Fidel Castro was in poor health and his brother, Raúl Castro got assigned as president, he implemented a new approach to economic policies, which can be explained by his infamous quote, "Either we change course or we sink." in December 2010. He aimed to increase productivity and reduce inefficiencies. Hence, as he implemented the 2011 reforms, he legalized 201 business licenses, allowed the leasing of state land, and authorized private home and car sales. It can be deduced that he skewed away from the conservative socialist approach to adhere to the growing economy of the capitalist world. In 2013, the government established a special economic zone in Mariel, which attracted foreign investment by exempting the zone from standard economic regulations. In addition, Cuba announced plans to carry out a dual-currency system, and this process was completed in 2021 with the removal of the convertible peso (CUC) from circulation.

To implement these measures and better the economy, Cuba also had to better its budget deficit that arose from its high debt to outer nations. In doing this, the government could alleviate its international obligations. Cuba secured debt forgiveness from several countries between 2011 and 2015, with a \$6 billion debt cancellation from China, \$32 billion from Russia, and \$340.9 million from Mexico. Additionally, the Paris Club agreement in 2015 served as a cornerstone in bettering the debt, forgiving \$8.5 billion of Cuba's \$11.1 billion debt, provided that Cuba maintained consistent annual payments. Although favorable terms were provided, Cuba struggled to keep up with the requirements, defaulting on its Paris Club payments in 2019 and requesting a delay in the payments of debt.

With these issues, as the COVID-19 pandemic hit, Cuba's economy worsened. The pandemic halted tourism - one of Cuba's biggest sources of income - and disrupted supply chains as workers could not go to work. Essential good prices rose, with heightening US sanctions under the Trump administration. These issues worsened the scarcity of basic resources, ranging from food to fuel.

As the Trump administration intensified sanctions to protect its domestic industries in the pandemic by restricting remittances, foreign investments were also limited, and Cuba was once again designated as a "State Sponsor of Terrorism" in 2021. Hence, Cuba's ability to engage in international trade was impeded,



and these sanctions also deepened the currency crisis and worsened the shortage of cash that is needed for essential imports. To respond to the increasing economic pressures, the government of Cuba authorized private initiatives in over 1,800 occupations. The purpose of this change was to increase employment opportunities and attract domestic investment, which would potentially diversify Cuba's economy beyond SOEs. Although several reforms were implemented, the Cuban economy still struggles with severe challenges, including inflation, inadequate production capabilities, and a struggling tourism sector recovering from pandemic disruptions.

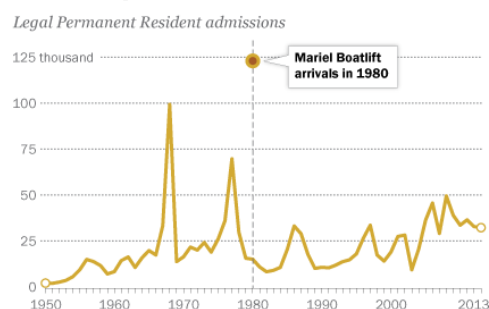
In recent years, Cuba's economy has been in a worse downturn due to the additional US sanctions with the addition of persistent difficulties in accessing international credit markets due to unresolved and delayed debt obligations. Even though foreign investments have increased in 10 years, the outer inflow of money remains insufficient to sustain economic growth. Issues such as the inefficiency of SOEs, low agricultural productivity, old infrastructure, and social inequalities continue to impede economic growth, leaving it open to external shocks.

Now, although the inflation rate is around 30%, people suffer from a limited supply of gas, power outages, and low wages due to stagflation. Due to this, Cubans have started to seek refuge in other countries to work at better-paying jobs.

3. Social Issues

One of the biggest factors that put Cuba in a cycle of economic downturn was the economic inequalities that spanned through the country, limiting the purchasing power of a particular group in the economy, The widening social inequalities, particularly affecting Afro-Cubans, made those who are discriminated have fewer opportunities in the emerging private sector. A 2021 survey revealed that 95% of Afro-Cubans have annual incomes below \$3,000, compared to 58% of white Cubans. This disparity not only makes reforms unsustainable but increases political dissent in the government.

Cuban Immigration Waves, 1950 to 2013



Picture 7: Graph of Cuban Immigrants (Pew Research Center, 2023)



IV. Key Vocabulary

Inflation: The sustained rise in prices of goods and services over time. The increase in prices of items compared to the previous period.

Recession: “a period when the economy of a country is not doing well, industrial production and business activity are at a low level, and there are many people unemployed” (Cambridge Dictionary, 2024)

Stagflation: “Economic growth is sluggish, meaning businesses aren’t producing at full capacity, there aren’t enough jobs to keep everyone employed, and, as a result, consumers drastically reduce spending because they have less money to spend.” (Britannica Money, 2023)

Socialism: “social and economic doctrine that calls for public rather than private ownership or control of property and natural resources” (Britannica Money, 2023)

Planned economy: “an economic system in which the elements of an economy (as labor, capital, and natural resources) are subject to government control and regulation designed to achieve the objectives of a comprehensive plan of economic development” (Merriam-Webster Dictionary, 2024)

Marxism: “Marxism is a social, political, and economic philosophy named after the 19th century German philosopher and economist Karl Marx. His work examines the historical effects of capitalism on labor, productivity, and economic development, and argues that a worker revolution is needed to replace capitalism with a communist system.” (Investopedia, 2024)

Free market: “free market, an unregulated system of economic exchange, in which taxes, quality controls, quotas, tariffs, and other forms of centralized economic interventions by government either do not exist or are minimal. As the free market represents a benchmark that does not actually exist, modern societies can only approach or approximate this ideal of efficient resource allocation and can be described along a spectrum ranging from low to high amounts of regulation.” (Britannica Money, 2024)

Neoliberalism: “Neoliberalism is a policy model that encompasses both politics and economics. It favors private enterprise and seeks to transfer the control of economic factors from the government to the private sector. Many neoliberal policies concern the efficient functioning of free market capitalism and focus on limiting government spending, government regulation, and public ownership.” ((Goudarzi et al., 2022)

State-run enterprises: “A state-owned enterprise (SOE) is a business entity created or owned by a national or local government, either through an executive order or legislation.” (Wikipedia, 2003)



Privatization: “If a government privatizes an industry, company, or service that it owns and controls, it sells it so that it becomes privately owned and controlled” (Cambridge Dictionary, 2024)

Autarky: “Self-sufficiency in economic terms. A country is said to be autarkic if it is closed to international trade. Similarly, individual agents are said to be in autarkic equilibrium when they are self-sufficient and do not trade with one another.” (Oxford Reference, 2024)

Protectorate: “a country that is generally controlled and defended by a more powerful country” (Cambridge Dictionary, 2024)

Gross Domestic Product (GDP): “GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time” (IMF, 2019)

Remittance: “When migrants send home part of their earnings in the form of either cash or goods to support their families, these transfers are known as workers’ or migrant remittances. They have been growing rapidly in the past few years and now represent the largest source of foreign income for many developing countries.” (IMF, 2019)

Special Economic Zone (SEZ): “A special economic zone (SEZ) is an area in a country that is designed to generate positive economic growth. An SEZ is normally subject to different and more favorable economic regulations compared to other regions in the same country, including tax incentives and the opportunity to pay lower tariffs.” (Investopedia, 2024)

Convertible peso: “The convertible peso (sometimes given as CUC\$ and informally called a cuc or a chavito) was one of two official currencies in Cuba, the other being the Cuban peso. It had been in limited use since 1994, when its value was pegged 1:1 to the United States dollar.” (Wikipedia, 2004)

Defaulting: “to fail to do something, such as pay a debt, that you legally have to do” (Cambridge Dictionary, 2024)

V. Important Events & Chronology

Please write a timeline concerning the agenda item. Make sure that it is detailed and includes all of the essential dates.

Date (Day/Month/Year)	Event
02/03/1901	The Platt Amendment was enacted.
29/10/1929	The Wall Street Stock Market crashed.
10/03/1952	Fulgencio Batista overthrew the government.



Every year, as stated in the “Focused Overview of The Issue”, the UN holds a discussion and vote to assess the need for the US embargo on Cuba. Delegates can find the most relevant resolutions above and can check all relevant documents from here:

<https://digitallibrary.un.org/search?cc=Resolutions%20and%20Decisions&ln=en&p=cuba%20economic&f=&rm=&sf=latest%20first&so=d&rg=100&c=Resolutions%20and%20Decisions&c=&of=hb&fti=0&fti=0>

VII. Failed Solution Attempts

In Cuba’s history, there have been multiple failed solution attempts that primarily aided the country in guiding itself through the capitalist world as a centrally planned economy.

As Fidel Castro took over and the US put an embargo on Cuba, the nation grew a lot closer to the Soviet Union, as stated. With this cooperation, both supplied each other with the goods that they needed. While Cuba exported sugar to the Soviet Union, the Soviets exported oil to Cuba, covering the scarcities created by the embargo. After this, Cuba joined COMECON, where its trade with socialist countries flourished more than ever. However, as the Soviet Union collapsed in 1991, Cuba lost 80% of its trading partners, and its GDP dropped by at least 35% in 4 years. In addition to these issues, global sugar prices plummeted, and Cuba could not be shielded by the Soviet price guarantees. People came to be in extreme poverty and lacked basic commodities such as food.

In 1970, Fidel Castro launched the "Ten-Million-Ton" sugar harvest campaign. However, the campaign fell short, coming up with 7.56 million tons. This failure highlighted some challenges within Cuba’s centrally planned economy, especially the inefficiencies stemming from over-reliance on a single industry, which is bound to have detrimental issues in the future if the sugar industry falls.

Cuba’s economic growth slowed in the 1980s as it faced mounting debt. This led to the country defaulting on its \$10.9 billion debt in 1986 to the Paris Club, halting payments by 1987. Cuba defaulted again on \$750 million in Japanese loans in 2002. Although the debt defaults exacerbated Cuba’s isolation from exporting its sugar, the country was partially insulated from economic repercussions due to ongoing Soviet subsidies.

To control the economic crisis that arose from a budget deficit, tourism was promoted as it was a vital sector in pushing economic growth, foreign investment was encouraged, even though there was still an embargo, and self-employment was legalized in select professions, as stated above. The US dollar was also legalized, boosting transfers of money from Cuban Americans and injecting much-needed foreign currency into the economy. However, due to most Cuban Americans being those who fled due to their dissent to Castro’s regime, this policy did not prove to be very efficient.



The liberalization of agricultural markets in 1994 allowed state and private farmers to sell above-quota production at market prices, reducing black-market activity, but increasing political contradiction as Castro pledged equal markets in the agricultural sector.

Raul Castro implemented the 2011 reforms to overcome the inflationary spiral that was created; he legalized 201 business licenses, allowed the leasing of state land, and authorized private home and car sales. In 2013, the government established a SEZ, which attracted foreign investment by exempting the zone from standard economic regulations. In addition, Cuba announced plans to carry out a dual-currency system, and this process was completed in 2021 with the removal of the convertible peso (CUC) from circulation. However, Cuba also had to better its budget deficit that arose from its high debt to outer nations. In doing this, the government could alleviate its international obligations. Cuba secured debt forgiveness from several countries between 2011 and 2015, with a \$6 billion debt cancellation from China, \$32 billion from Russia, and \$340.9 million from Mexico. Additionally, the Paris Club agreement in 2015 served as a cornerstone in bettering the debt, forgiving \$8.5 billion of Cuba's \$11.1 billion debt, provided that Cuba maintained consistent annual payments. Although favorable terms were provided, Cuba struggled to keep up with the requirements, defaulting on its Paris Club payments in 2019 and requesting a moratorium.

As the Trump administration intensified sanctions to protect its domestic industries in the pandemic by restricting remittances, foreign investments were also limited. Hence, Cuba's ability to engage in international trade was impeded, and these sanctions also deepened the currency crisis and worsened the shortage of cash that is needed for essential imports. To respond to the increasing economic pressures, the government of Cuba authorized private initiatives in over 1,800 occupations. The purpose of this change was to increase employment opportunities and attract domestic investment, which would potentially diversify Cuba's economy beyond SOEs.

Although several reforms were implemented, the Cuban economy still struggles with severe challenges, including inflation, inadequate production capabilities, and a struggling tourism sector recovering from pandemic disruptions.

VIII. Possible Solutions

While forming solutions, delegates have to keep in mind that Cuba is still a centrally planned economy. So, government intervention is key to providing possible solutions.

To devise solutions, the economy should be reformed from all perspectives. Social inequalities should first be addressed, as a country with high-income equality provides higher economic growth. Overall, objectives to combat stagflation should be thought of, such as increasing the supply of items to produce



goods, such as oil and factories, and decreasing the price of the utilization of these through subsidies. To correct the inflationary spiral, firms should be aided in their production, or government revenue has to be created by privatizing SOEs. However, since it does not fit into the government style, Cuba can resort to different ways such as selling products to other countries. This can only be made in a sustainable way by producing diversified products, not only sugar.

Additionally, Cuba can choose to increase human capital, which is “knowledge, skills, and health that people invest in and accumulate throughout their lives, enabling them to realize their potential as productive members of society”. (World Bank, 2019) This can be made through retraining programs that would increase employment and skills, subsidizing education that would provide better employees, and creating employment opportunities within the government. These would all increase the overall output of the economy, the GDP, and natural employment.

Although these are stated, delegates should tend to use the knowledge gained from reading this report and come up with their creative solutions. It is not easy to unfold and tackle a complex issue that is very multifaceted. So, do not use these solutions as gospel, but only as an influence, and create your own!

IX. Useful Links

- Country programme document for Cuba (2020-2024):
<https://www.undp.org/sites/g/files/zskgke326/files/2022-08/cub-2020-2024-eng.pdf>
- <https://www.theguardian.com/commentisfree/cifamerica/2010/sep/10/fidel-castro-cuba-communist>
- Cuba's New Social Structure: Assessing the Re-Stratification of Cuban Society 60 Years after Revolution
https://web.archive.org/web/20190528171323/https://www.giga-hamburg.de/en/system/files/publications/wp315_hansing-hoffmann.pdf
- US-Cuba Relations <https://www.cfr.org/backgrounders/us-cuba-relations>
- <https://www.britannica.com/place/Cuba>
- Cuba, Venezuela, and the Americas: A Changing Landscape
<https://web.archive.org/web/20161129151659/http://archive.thedialogue.org/PublicationFiles/CubaVenezuelaandtheAmericasAChangingLandscape.pdf>
- Cuba at the beginning of the 21st century – possibilities for economic transformation
https://www.researchgate.net/publication/272816633_Cuba_at_the_beginning_of_the_21st_century_-_possibilities_for_economic_transformation

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