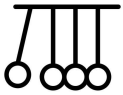


TURKEY'S UNHEARD VOICES

The Cuban Economic Crisis

ECONOMICS

Zeynep Duru Görmeli



Introduction

Cuba has experienced an unstable past that includes significant political injustices which have influenced its present socioeconomic problems. Miguel Díaz-Canel serves as



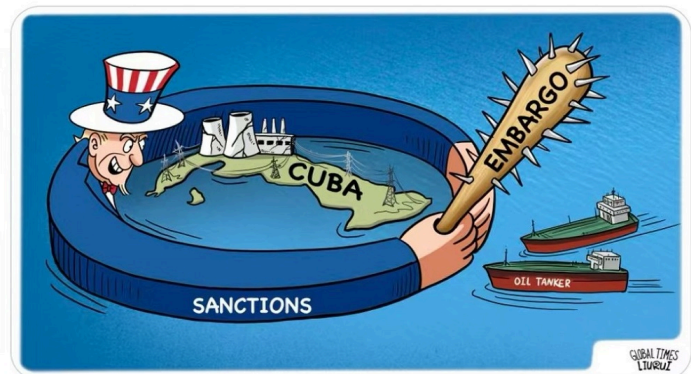
president and the leader of the Communist Party of Cuba. In a world where free-market neoliberal capitalism is becoming increasingly dominant, this political structure causes significant disadvantages in Cuba which later on leads to economic challenges and social inequalities. One must return to the fundamental causes of this complex economic problem in order to truly comprehend it.

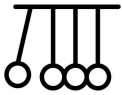
Therefore, it is necessary to investigate the history which resulted in Cuba's economic decline from a comparatively prosperous nation to one that is in a state of stagflation.

Historical Background

Once among the wealthiest countries in Latin America in the 1870s, Cuba's economic strengths were mostly based on its sugar industry, which turned into the foundation of its whole economy. Its location, just 145 km from Florida, where the tropical temperature offered perfect conditions for sugar farming, provided ideal conditions for sugar cultivation. The island's rich soil and mild climate drew notable foreign

investment, particularly from the United States of America. Early in the 20th century, American investors owned more than half of Cuba's sugar output as well as a sizable share of its utilities and railroads. But this economic development was not shared fairly; most people lived in poverty while wealth was concentrated among a tiny elite segment of landowners and foreign investors. Cuba's social statistics showed this inconsistency; life expectancy was only 59.4 years by 1958, despite its middle-ranking GDP per capita in Latin America, positioning Cuba in the lower half of world rankings. Driven by wealthy American visitors looking for leisure and entertainment, tourism also began to grow at this time. Cuba's dictator, Fulgencio Batista aggressively pushed tourism with his plans to build luxury hotels and casinos in the 1950s. However, since this economic model mostly depended on foreign investment and the





use of Cuba's natural resources by multinational companies like Standard Oil, Texaco, and Royal Dutch Shell, it was unsustainable.

The 1959 Cuban Revolution, under Fidel Castro and Che Guevara, aimed to correct the said disparities by nationalizing assets held abroad and distributing land. Dominated by



American companies, Castro's government gained control of important sectors including sugar, oil, and telecoms. Although popular among the working class, these acts caused tension with the United States and resulted in a trade embargo which severely affected Cuba's economy. Cuba's response was looking to the Soviet Union for support and signing a trade agreement in which sugar was traded for Soviet oil. Cuba's relations with the Soviet Union grew closer once it joined the Council for Mutual Economic Assistance (COMECON) in

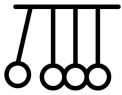
1973. But this reliance made Cuba vulnerable to outside pressure.

The Special Period

With the fall of the Soviet Union in 1991, Cuba entered the "Special Period," a period known for its severe economic struggle. Cuba's trade volume dropped 80% after Soviet subsidies and trade alliances were lost, and its GDP fell by 35% in four years. The crisis was further worsened by the worldwide drop in sugar prices since Cuba could not rely on Soviet price assurances. Severe food, gasoline, and basic goods shortages in the nation drove people to turn to drastic means for survival. Daily calorie intake dropped dramatically (from approximately 2900 calories per day in the 1980s to 1800-2000 per day), and accounts surfaced of people staving off hunger by eating zoo and domestic animals.

The Cuban government responded to the crisis by enacting limited market reforms meant to help to stabilize the nation. Despite the continuous U.S. embargo, tourism was portrayed as a major industry for economic recovery and foreign investment was promoted. Mostly via the help from Cuban Americans, the legalization of the U.S. dollar in





1993 helped incorporate necessary foreign money into the economy. Apart from that, the government opened agricultural markets in 1994 so that farmers could sell above-quota output at market rates, lowering black-market activity but also drawing attention to the flaws in Cuba's socialist structure. Regardless of these changes, Cuba's economy stayed unstable: sugar output kept dropping and the tourism industry struggled to fully recover. Outdated infrastructure, low agricultural output, and inefficiencies in state-owned businesses (SOEs) hindered the government's attempts at economic diversification. Early in the 2000s, Cuba's GDP per capita had dropped behind that of other Latin American nations.

The Present Economic Crises

The economic difficulties Cuba experienced during the 1990s Special Period were only the start of a chain of crises still affecting the country. As international trade and investment decreased, limiting the flow of foreign money and escalating already existing shortages, the global financial crisis of 2008 further worsened Cuba's weak economy. Under the Trump administration, U.S. sanctions also grew more severe, limiting trade and foreign investment which isolated Cuba from world markets. These policies compromised Cuba's capacity to draw foreign investment, a vital component of its plan of economic recovery.

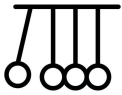


The COVID-19 epidemic is one of the major reasons for the economical state of Cuba as of late. One of the main sources of income on the island, tourism, accounted for around 10% of Cuba's GDP before the pandemic, came to almost total stop as travel restrictions were enforced internationally. This fall in tourism income had a negative impact on the economy,



including retail, transportation, and hospitality, all industries most dependent on visitor spending. The epidemic also threw off world supply chains, which made importing food, medicine, and fuel especially challenging for Cuba. The resulting shortages caused skyrocketing prices, and inflation rates, which further reduced the buying power of common Cubans, reached almost 30%. Especially with underprivileged groups like

Afro-Cubans, the pandemic also worsened social inequality. Afro-Cubans, who already faced



systemic discrimination and limited economic opportunities, were disproportionately affected by the crisis. While 58% of white Cubans have incomes less than \$3,000 annually, that percentage reaches 95% among Afro-Cubans according to a 2021 report. The gap highlights the unequal distribution of the financial burden as underprivileged groups suffer the most from the crisis.

In recent years, Cuba has endured a serious currency crisis and increasing debt. Further eliminating its credibility in international financial markets, the government has fallen behind on its debt obligations to the Paris Club and other creditors. Furthermore, Cuba has announced plans to carry out a dual-currency system, which was completed in 2021 with the removal of the convertible peso (CUC) from circulation. Additionally, between 2011 and 2015, Cuba has obtained debt forgiveness from several countries; China offered \$6 billion, Russia, \$32 billion, Mexico, \$340.9 million. Furthermore, provided Cuba kept regular payments, the Paris Club agreement in 2015 helped to reduce the debt by forgiving \$8.5 billion of its \$11.1 billion debt. However, Cuba struggled to meet the criteria even with favorable terms, it failed on its Paris Club payments in 2019 and asked for a moratorium.

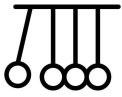
Conclusion

Policy mistakes, structural flaws, and outside factors faced together have resulted in Cuba's current economic crisis. The COVID-19 epidemic, the escalation of U.S. sanctions, and the ineffective solution attempts have all added to the country's financial unrest. Comprehensive and inclusive reforms have never been more needed as Cuba struggles with rising debt, inflation, and social inequality. The government's capacity to solve the underlying causes of the crisis while negotiating the difficulties presented by external pressures and global economic uncertainty will determine the success of these reforms.



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