CUBA: THE LAST ONE TO THE GLOBAL ECONOMIC TABLE

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INTRODUCTION

The shiny new car, innovative smart phone, and latest fashion trends all have one thing in common: globalization. This ever-popular concept is the backbone of worldwide commerce and the modern economy. American trade, travel, and technology develop everyday because of globalization. Its effect is tantalizing. But for a country that "has remained frozen in time for more than [fifty] years" the concept remains unfamiliar. The 1950s backdrop in Cuba seems to be the scene of an old movie, but is actually the reality of an economically isolated country for its citizens. American companies and people anxiously await the day they can invest in the untainted potential of Cuba. With the U.S. embargo easing its regulations, the possibility of a more prosperous Cuba seems to be more of a reality. Globalization of Cuba would provide a presence within the global economy that would create a better life for its citizens.

This paper will analyze the different facets of economic globalization in Cuba. Section one will discuss globalization generally and its effect on a country's economy. Section two will define the roles of trade and commerce in a communist government. Section three will establish the current status of the Cuban economy. Finally, this report will analyze potential Cuban initiatives that would promote globalization and provide economic stability for the country.

I. DELECTABLE GLOBALIZATION

Transnational trade influences cultures, economies, citizens, and politics within every participating nation, and contributes to globalization. "Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology." The theory of globalization promotes "interdependence" between the economies of the world and allows countries to access different goods

and services. International trade, trade agreements, transnational corporations, the World Trade Organization, the World Bank, the International Monetary Fund, and foreign investment are just a few of the working parts to economic globalization. There is no doubt that this concept impacts the world economy everyday.

Globalization has been the forefront of economic development since the industrial revolution. Notably, as discussed in Section III, the industrial revolution is partially responsible for the rise of communism. But studies have shown that East Asian economies, many of which were communist, have significantly improved after transitioning to capitalist markets. This is a clear indication of globalization. Participation in globalization can empower countries to "utilize their comparative advantages, introduce advanced technologies, foreign capital, and management experience." Although there is evidence that developing countries may be harmed by globalization due to exploitation of the poor by the rich, the benefits of increased investment, foreign capital, and standards of living are undoubtedly more beneficial than problematic.

Globalization's largest impact is on the economy; however, it also affects culture and politics. Opponents of capitalism believed that "[globalization], which is implicit in capitalism, not only destroys the heritage and tradition, but is incredibly unstable. [I]t operates through a series of crisis..." Globalization inherently involves democracy; people's rights are significantly expanded through this process due to increased business opportunities and access to resources previously lacked. This explains

7. Id. Socialists "believe that capitalist societies rewarded greed for power and wealth at the expense of economic justice, social cooperation, and common good."
11. Shangguan, supra note 3, at 4. ("[T]he number of developing countries that have benefited from economic globalization is smaller than [twenty].")
the resistance to the global movement by countries that prefer to preserve their customs and political beliefs. Countries participating in international trade “are much more likely to be democracies that respect civil and political liberties than those that are relatively closed.” At the end of the day, the politics of a country undoubtedly influence its economy.

II. COMMUNISM SOURS GLOBALIZATION

From the time Cuba gained its independence from Spain in 1898 until 1902, Cubans did not truly know the meaning of independence, as the Cuban culture, politics, and economy were largely influenced by the United States. But when Fidel Castro successfully defeated Fulgencio Batista, the Cuban dictator, in 1959, America strongly supported Castro’s rise in what they naively believed to be a step towards a democratic Cuba. The Cuban Revolution was known as a socialist movement and appeared to have very little connection to communist principles. But in the end, Castro’s promise of a democratic country faded as he “used control of the military to consolidate his power by repressing all dissent from his decisions, marginalizing other resistance figures, and imprisoning or executing thousands of opponents.”

Cuba officially named Communism the one and only political party of the nation in 1976. In the “revised constitution of 1992 it was defined as the ‘organized vanguard of the Cuban nation.’” Communist favors a socialist form of government that claims entitlement to property, including land and goods, for the equal benefit of all citizens.

Karl Marx, who actively opposed capitalism through the industrial revolution, was the founding father of communism. He undoubtedly opposed the concept of globalization because it went hand-in-hand with capitalism. Marx believed in a classless society in which wealth would be spread among citizens through the rule of government. The most important aspects of communism include the support of economic equal-

15. Id. Examples of countries that have transitioned from authoritarian/communist governments to democracies or more open societies include Taiwan and China.
18. Cuba: Communist Era, supra note 16.
19. Id.
ity, “state ownership” of business, and a strong military that helps enforce the state’s initiatives. When the government controls economy through communism, prices are set by the state rather than by the normal trends of supply and demand, employees earn equal wages regardless of their hierarchy and productivity, and the government determines the goods to be produced. This was the exact approach Castro took in 1960 when he “nationalized all U.S.-owned businesses, including oil refineries, factories, and casinos.” With this indisputable communist alignment, the United States ceased diplomatic relations with Cuba and instituted an embargo that has lasted over fifty years since then.

A command economy generally emerges from a communist government. A command economy is problematic because it hinders economic development in terms of international trade by failing to produce popular exports. Communism has faded throughout the world because it compels shortages of goods and products, slows growth, lowers the standard of living, and deters economic growth. Notably, the centralized form of government in communist countries creates an authoritarian regime that controls every aspect of the country’s politics, economy, and social life. Although the benefits of communism appear in aspects of education, employment, and health-care, the economic development of the nation staggers during these types of regimes. This causes unfortunate consequences because international trade encourages foreign investment, which injects foreign capital into the developing economy. Communism discourages these important economic driving factors when the government continues to exert complete control over the investments and businesses. Countries that have embraced communism have found their
citizens in tragically impoverished situations, and Cuba has been no exception.

III. THE POACHED CUBAN ECONOMY

The communist regime in Cuba provoked the creation of an isolated country without a niche in the global economy. The country’s situation may easily be attributed to the lack of private rights and access to technology. In the beginning of its communist rule, it appeared that the Cuban economy would survive even through the U.S. embargo; but the facade quickly faded as the Soviet Union crumbled and could no longer provide Cuba the subsidies that comprised twenty-five percent of the economy. Since then, the economy has failed to have a worldwide presence. The gross domestic product (GDP) of Cuba in 2013 was $77.15 billion. In comparison, the United States had a GDP of $17.42 trillion. Cuban GDP growth ranks 167th out of 222 ranked countries. It is the 136th “largest export economy in the world” at $2.43 billion, and 125th in imports at $6.72 billion. Cuba’s most profitable industries producing exports include sugar, petroleum, tobacco, nickel, and medicines. The top imports include petroleum and wheat from China, Spain, Brazil, Canada, and Mexico. The uneven trade balance could be attributed to the U.S. Embargo, also indicates that Cuba has yet to become a self-sustaining nation as Communism expected. This is especially evident in the fact that Cuba imports almost eighty percent of its food. “[T]he Cuban government estimates that more than fifty years of stringent trade restrictions has amounted to a loss of $1.126 trillion.”

The communist’s goal to have state-owned businesses also means that very few people are self-employed, and the government determines every basis of employment, from pay and benefits to the freedom to unionize
and cost of goods. Due to these principles, an average Cuban makes about twenty dollars a month. This number is much smaller than those more globalized nations such as the United States, the United Kingdom, or Chile. Cuba Ranks 109th on the overall Globalization Index but ranks 165th out of 207 countries in terms of economic globalization, a showing that the country is far from globalized. On the scale of economic freedom, Cuba has a score of 29.6, meaning that it is one of the least free economies in terms of trade and money. The presence of Cuba within the international market is relatively obscure due to the suppression of private individuals partaking in entrepreneurial opportunities, which is the sole right of the government. But in order to make an economy grow, every person must have the opportunity to take advantage of new opportunities in different markets. "Importantly, economic growth is not the consequence of some master economic plan managed by the government. It results from millions of people individually seeking what is in their own interests by providing what is in the interest of others." A communist government that controls every aspect of the economy actually hinders economic development, because rarely there would be increases in jobs and wages which would stimulate citizens to work, and it would fail to attract foreign capital to the nation.

Interestingly enough, Cuba has managed to preserve communism in spite of years of pressure to change. But along with this preservation has come the sacrifice of many important aspects of economic growth;

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53. 2015 KOF Index of Globalization, supra note 51.
55. Id.
57. Id.
Cuba's economic decline partly results from the lack of access to technology. Technology is a main force behind globalization because it improves communication and eases the difficulties of international transactions. But "[l]ess than five percent of Cubans have access to the internet." The lack of access to technology impedes Cuba's interaction with the world. The Cuban government only allows certain individuals to have access to the internet or the public may gain access by visiting certain locales and paying five dollars an hour. Technology enhances the economy through trade and investment by facilitating management, manufacturing, distribution, and job growth of different industries. In order for Castro to provide Cubans a more prosperous life, the government will have to focus on remaining relevant in a globalizing world by reforming economic initiatives and providing adequate access to technology.

IV. HEATING UP THE CUBAN WORLD

With President Obama easing restrictions between America and Cuba, the possibility of Cuban globalization would revolve around increased access to technology, the creation of international trade initiatives, and the promotion of a more capitalist economy. So far, the normalization of international relations between Cuba and the United States has only involved "eas[ing] restrictions on remittances, travel, and banking . . . ." Additionally, President Obama promised that U.S. telecommunications companies would be allowed to provide services to Cuba. This is a vital first step towards globalization in order to improve access to technology in Cuba. Shortly thereafter, the Cuban government announced that they would also be establishing Wi-Fi in public places around the island even though the state-run telecommunications company will continue to charge for the service. Regardless, it is a positive change that promotes engagement in international trade. International trade provides for economic growth that results in progress and better standards of living for residents. Cuba must also initiate favorable laws to foreign investors in order to promote global trade. Unfortunately, it doesn't appear that the United States will be eradicating the Trade Embargo with Cuba anytime soon. Considering that before the Cuban Revolution eighty-five percent

59. What is Globalization?, supra note 2.
60. Dews, supra note 49.
63. Renwick, supra note 48.
64. Id.
of trade was with the U.S., lifting the embargo would immediately help the Cuban economy.\(^6\)\(^7\) Despite the slowness of reconciliation, Cuba must continuously make efforts to revitalize the economy.

In 2014, Cuba passed the Foreign Investment Act.\(^6\)\(^8\) "In the preamble to the [act], the Cuban National Assembly makes clear that the underlying basis for the law is Cuba's need to provide greater incentives to attract foreign capital, new technologies, and know-how to increase domestic production and better position Cuba to export to international markets."\(^6\)\(^9\) The law guarantees tax incentives to investors but reestablishes government control over the investments.\(^7\)\(^0\) The opportunity to invest expanded into areas of tourism, utilities, and real estate.\(^7\)\(^1\) Every venture must be approved by the government and cannot “affect defense, national security, national patrimony or the environment.”\(^7\)\(^2\) Interestingly, the law allows for one-hundred percent foreign ownership or joint ventures with Cuban partners.\(^7\)\(^3\) This liberalized economic approach will definitely help with growth but will also continue to cause difficulties because the Cuban government plans on remaining communist. Although this is another step in the right direction, it conveys that the government is unwilling to completely let the reigns go and be influenced by complete globalization.

Finally, another vital component of globalization in Cuba will include expanding private business ownership. This is completely contrary to Cuban ideologies that prefer “a government that can seal its citizens off from the rest of the world” in order to “easily control them and deprive them of the resources and information they could use to challenge its authority.”\(^7\)\(^4\) Current initiatives like the foreign investment law also fail to mention its application to Cuban citizens.\(^7\)\(^5\) This may be a difficult hurdle for Cuba to overcome. Although the socialist culture of Cuba appears successful with the establishment of new schools and increases in the literacy rate of the country, the economy continues to decline and a


\(^{70}\) Id.


\(^{72}\) Alcalde, supra note 69.

\(^{73}\) Valdes-Fauli, supra note 71.

\(^{74}\) Griswold, supra note 14.

\(^{75}\) Alcalde, supra note 69 ("It is not a law intended to promote individual domestic entrepreneurship with foreign money").
reform is desperately needed. It will be important for Cuba to take advantage of their highly educated population by allowing them to act on their ambitions and contribute to economic growth and society. Instead, the socialist goals that have created this educated population go to waste every day. Because communism controls wages, all government-sponsored jobs in which people are educated provide minimal pay. The tourism industry diverts citizens to less meaningful occupations because there is a chance to make more money through tourists that pay in dollars. Thus, the fear of losing its fundamental beliefs and political system will continue to belittle citizens and restrict Cuba from growing with the global economy. Allowing private ownership of property and goods would promote globalization but it would diminish the basic principles of communism and create democratic influences in Cuba, which the government actively intends to avoid.

V. CONCLUSION

Cuba remains a diamond in the rough. But with the restoration of relations with the United States building the possibility of a more globalized economy, Cuba could become an economic force with its fertile lands, natural resources, and educated workforce. Globalization is important for the progress of the entire nation. In order for Cuba to become economically sound it may have to sacrifice its long-standing principles. This was evident through the fall of the Soviet Union, which was attributed to the success of globalization in promoting “democracy, human rights, and a market economy” and the Soviet’s fear of remaining isolated from the rest of the world. Instead of completely abandoning communism, Cuba could end up revitalizing its economy as China has done. Communist China has managed to remain authoritarian while modernizing technologically and economically in order to keep up with the global market. Conceptually, globalization remains a strong force within the modern world. Cuba will develop within this realm when it sets aside its pride and allows economic principles contrary to its political structure. Globalization will lead to a more sustainable Cuba where citizens may create a better life economically, culturally, and politically.

78. Id.
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