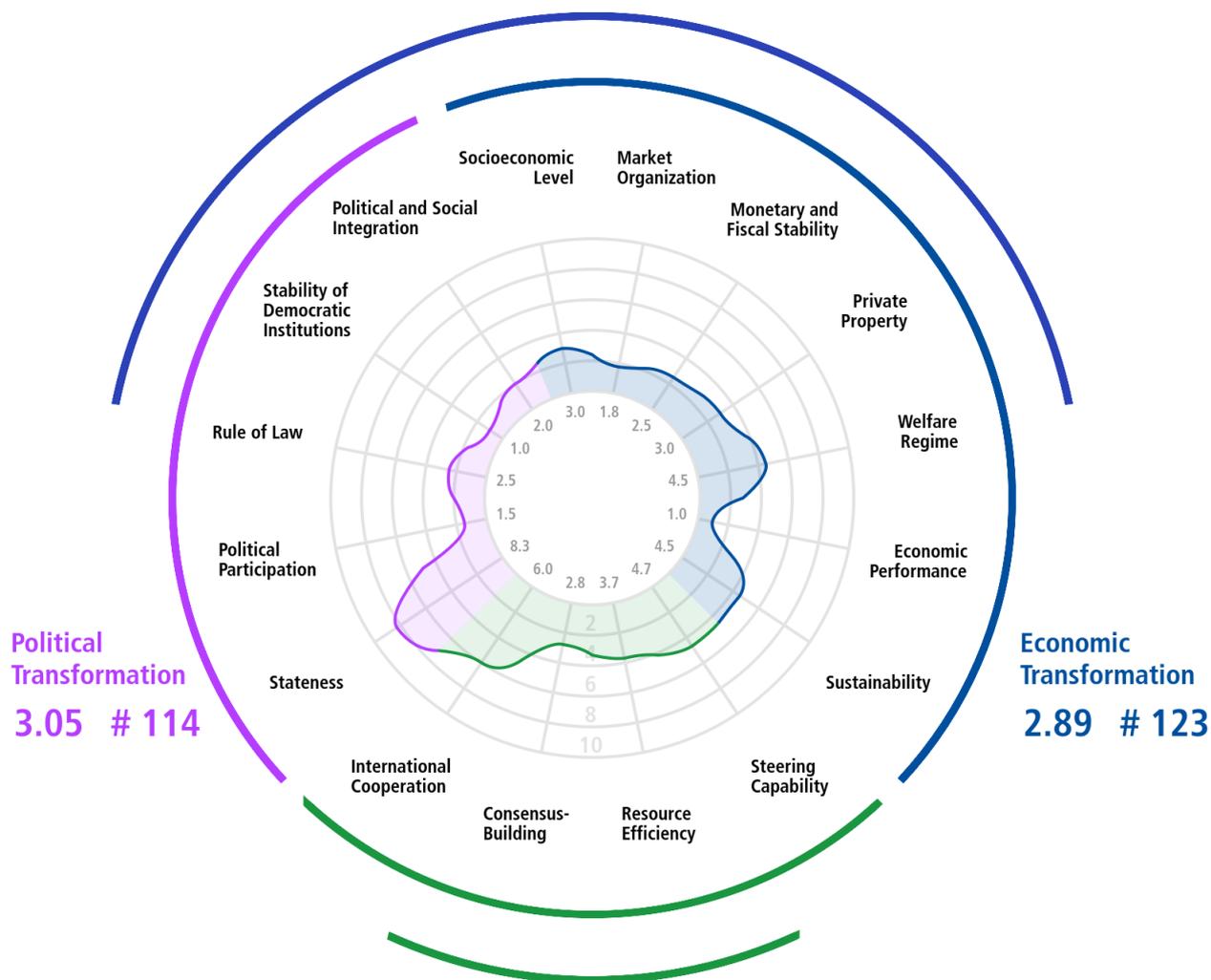


# Cuba

## Status Index

**2.97 # 122**

on 1-10 scale out of 137



**Political Transformation**  
**3.05 # 114**

**Economic Transformation**  
**2.89 # 123**

## Governance Index

**3.80 # 101**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>11.0</b>	HDI	<b>0.762</b>	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	<b>-0.4</b>	HDI rank of 193	<b>97</b>	Gini Index	-
Life expectancy	years	<b>78.1</b>	UN Education Index	<b>0.740</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>77.7</b>	Gender inequality <sup>2</sup>	<b>0.296</b>	Aid per capita \$	<b>15.2</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

Since 2022, more than one million Cubans have left the island in the country's largest-ever wave of emigration. This mass exodus results from an increasingly dire socioeconomic situation combined with a loss of hope that conditions might improve, especially after the government crushed the July 11, 2021, street protests without opening any meaningful societal dialogue. The Cuban American community in the United States and the preferential treatment for Cuban immigrants in the United States were also strong pull factors.

Economically, with negative growth rates in both 2023 and 2024, Cuba is far from recovering from the devastating impact of the COVID-19 pandemic, which brought international tourism – the island's main industry – to a standstill. Decades of underinvestment have left much of the infrastructure and industry obsolete and decrepit. This culminated in October 2024, when the power grid suffered a nationwide blackout and electricity was not restored for more than three days. Moreover, a lack of fuel, fertilizers and machinery, coupled with low wages and distorted prices, drove agricultural production to an all-time low, resulting in severe shortages of food for the population and sharp price increases for the few products that were available. By the end of 2024, the government had decided to put the brakes on the already slow-moving and incoherent economic reform process. Not only did it impose price caps and controls to counter inflation, but political fears dictated that the expansion of the emerging private sector be limited and further controlled.

Internationally, Cuba faced the U.S. embargo and additional sanctions, which were ramped up during the first Trump administration. President Biden undid a few of the latter but waited until his final days in office to remove Cuba from the U.S. list of “state sponsors of terrorism” – a particularly tough sanction, as it cut Cuba off from all normal financial relations with Western banks. Trump, however, reinstated Cuba on that list as soon as he began his second term in January 2025.

In Cuban society, the loss of support for the Díaz-Canel government has become palpable, although independent surveys that could provide substantial data on this are not permitted. Raúl Castro has repeatedly appeared in public to underscore his backing for his successor and the cohesion of the political elite. Far from opening new venues for dialogue and allowing more pluralistic voices, political discourse has hardened. With the return of Trump to the U.S. presidency and Cuban exile hard-liner Marco Rubio as his secretary of state, U.S.-Cuba policy will likely be marked by a radicalized, high-pitched discourse that will allow the Cuban government to present itself as the guardian of national sovereignty. The more aggressive the United States is, the more hard-liners in Havana will stress the logic of the besieged island, where – in the face of the enemy – all must close ranks and no dissent can be tolerated. As a result, even if the economy continues to collapse, there is no process of gradual liberalization or democratic transition in sight. Economic reform will also shy away from private sector expansion, and instead seek investment and trade from friendly political governments on preferential terms. Poverty and inequality are also likely to increase.

## History and Characteristics of Transformation

Cuba's political structure remains deeply influenced by the 1959 revolution, which ushered in a Communist Party regime and a state-controlled economy. This continuity has persisted as leadership passed from Fidel to Raúl Castro in 2006 and then to Miguel Díaz-Canel in 2018. The 2019 constitutional reform further affirmed the Communist Party's role as the "leading force in the state and society." The armed forces that emerged from the 1959 revolution continue to play a pivotal role in the regime, occupying key positions in the state, party and economy.

Following the collapse of the Soviet Union, socialist Cuba faced a profound crisis in the 1990s, from which it has not fully recovered despite occasional periods of growth. In 2006, a gradual economic reform agenda was initiated. However, progress has been slow, and measures have been inconsistent and incomplete. While this approach has helped maintain stability among political elites, it has not led to significant economic dynamism. The monetary reform in January 2021 triggered an inflationary process that has devalued salaries, and exacerbated the divide between those Cubans with access to U.S. dollars via remittances and those who must make ends meet with what they earn or "resolve" domestically.

Postrevolutionary Cuba has always been highly dependent on the international context, from dependence on the Soviet Union during its first three decades to an alliance with oil-rich Venezuela in the 2000s. Although Cuba today maintains diversified international relations and Russia has increased its engagement with the island, international support remains far from sufficient to make up for the debacle of Cuba's domestic economy.

Relations with the United States, Cuba's nearest neighbor and natural trading partner, have been strained by an economic embargo and long-standing hostilities dating to the early days of the revolution. The struggle against U.S. imperialism has shaped Cuba's domestic politics, with

national unity in the face of the enemy serving as the key legitimization narrative to disallow dissent or pluralist media. There was a brief window for change when Raúl Castro and U.S. President Barack Obama restored diplomatic relations in December 2014, but hard-liners in both Havana and Washington ultimately prevailed. Following Trump's election in 2016, U.S. policy toward Cuba reverted to a more aggressive Cold War stance.

The Cuban Revolution initially achieved remarkable social equality, though it is essential to acknowledge the emigration of hundreds of thousands of upper- and upper-middle-class Cubans to the United States since the early 1960s, forming a politically influential immigrant community in the United States. Within Cuba, state employment served as a key avenue for social advancement, particularly for the lower classes. However, starting in the early 1990s, a decline in state salaries reversed this trend. Economic necessity compelled the government to allow parallel hard-currency retail channels. This began in 1993 with the legalization of the U.S. dollar. The dollar was subsequently replaced by the dollar-pegged "convertible peso" and, most recently, the dollar-pegged "moneda libremente convertible." This dual-currency system created a significant divide between those with access to hard-currency channels, often through remittances or employment in tourism, and those reliant on government salaries paid in devalued Cuban pesos. Consequently, structural social inequalities have become more pronounced. These inequalities also mirror the pre-revolutionary social hierarchies on the island, as the predominantly "white" emigrant community's remittances disproportionately benefit Cuba's "white" population, leaving Afro-Cubans structurally disadvantaged. Given that the political system is founded on the promise of social justice and equality, these inequalities are politically sensitive and contribute to a lack of elite consensus on a comprehensive economic reform agenda.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Administrative and security institutions are present throughout the country, and there are no armed groups outside the state's control. Although discontent remains widespread after the 2021 street protests, which were swiftly quelled, acts of protest remain sporadic and locally limited. Violent crime rates remain very low. Cuba cooperates with the United States and other countries on drug-trafficking interdiction and punishes drug traffickers severely. The Cuban state's monopoly on the use of force remains uncontested across 99% of its territory, apart from the U.S. naval base at Guantánamo Bay.

Cubans share a strong sense of national identity (cubanidad) across racial, ethnic, social and political lines. Cubanidad is not necessarily linked to stateness but to a cultural concept of nation. As such, it extends to much of the Cuban diaspora. Frustration with the current political situation has discredited official narratives of patriotism. With the surge in emigration, transnational social ties and transborder media, cubanidad has become increasingly delinked from identification with the state for many Cubans. For instance, many Cubans on the island support their favorite athletes even when they play in U.S. leagues or for other nations in the Olympics. With transborder media, a good share of the national public sphere transcends the borders of stateness.

No group on the island is denied access to citizenship. However, upon emigrating, Cubans lose most political and civic rights. Questions of dual citizenship also arise. A 2019 constitutional reform eliminated the ban on Cubans acquiring a second citizenship. Most Cuban emigrants live in the United States, where many have obtained U.S. citizenship.

In recent years, about 150,000 Cubans have acquired Spanish citizenship through Spain's so-called grandchildren's law (Ley de Nietos), many without ever leaving the island. Cuba's 2013 migration law has facilitated emigrants' repatriation. More than

Question  
Score

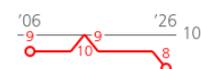
Monopoly on the  
use of force

10



State identity

8



20,000 Cuban emigrants have used this law to obtain dual citizenship, although most continue to reside primarily overseas. These processes raise concerns about the rights and responsibilities of emigrants and dual citizens in relation to their home country.

In 1992, the government changed its status to a secular state. The impact of Cuba's multiple religious communities on public policy is limited to the religious sphere. However, the government often seeks tacit agreements, particularly with the Catholic Church. The Catholic Church has acted as a key intermediary in securing the release of political prisoners. Pope Francis was instrumental in the reconciliation between the United States and Cuba during the Obama administration. In exchange for the Catholic Church's moderate and stabilizing political role, the Cuban government has shown greater regard for the core interests of the Church. Meanwhile, relations with the growing number of Protestant churches, predominantly Pentecostal, are more strained.

The political influence of religious groups became evident during the debate on the constitutional reform project in 2018 – 2019 and the subsequent referendum on a new family code in 2022. Religious groups were given the opportunity to express their opposition to the proposed legalization of same-sex marriage in a way that previous government policies had not allowed. Eventually, the government relented and removed the proposal from the draft of the constitution. The government then held a separate referendum on the progressive family code proposal, which won majority approval among votes cast (although abstentions reached a new high).

The administrative structure's capacity to provide basic public services throughout Cuba has declined over the years. Mass emigration in recent years has led to further deterioration. Judicial and law enforcement authorities are present throughout the country's territory. However, other bureaucratic functions often perform poorly due to a lack of human and material resources. Education and health care, two of the Cuban Revolution's landmark achievements, continue to be provided universally and free of charge, but their quality has declined dramatically. Cuba maintains a universal pension system. However, inflation has caused pensions to lose most of their former purchasing power. A ration card system provides a basic set of foodstuffs for the entire population at subsidized prices, although the amount provided falls far short of what is needed for monthly consumption.

Public administrative services, such as tax collection and issuing documents, are universal but sluggish and cumbersome. Qualified public servants are lost to more appealing job prospects in the private sector or emigrate because of low wages. Meanwhile, those remaining in state administration grapple with painfully low morale and pervasive petty corruption.

The state has, in principle, maintained its monopoly on education and health services, but some private and informal alternatives have emerged as complements. For example, in education, this includes tutoring and private instruction in foreign

No interference of religious dogmas

10



1

Basic administration

5



1

languages and the arts. In the health sector, medication has become hard to access through state pharmacies; however, those with access to hard currency can now legally buy medications online, in addition to purchasing medications abroad or via the black market. In both sectors, petty bribery has become common.

The public transportation system (urban, provincial and interstate) lacks vehicles, maintenance and fuel and fails to meet demand. Private collective taxis fill some gaps, but high fuel prices and shortages also affect this sector. According to the World Development Indicators 2024, 94.7% of citizens had access to a basic water source in 2022. Nonetheless, shortages, rationing and interruptions have become frequent. Consequently, those Cubans who can afford it have installed water tanks on their roofs to store water. The chronic lack of energy supply leads to frequent power outages. In 2024, failures in obsolete power plants and electricity grid systems caused nationwide power outages that lasted for days.

## 2 | Political Participation

Cuba is a single-party system that rejects pluripartidism and does not hold competitive, free and fair elections. Within the single-party system, elections for the National Assembly are held regularly, and the National Assembly, in turn, elects the executive. The candidate nomination process includes effective screening mechanisms that prevent candidates from running without official approval. However, citizens have the option to abstain from voting, cast blank or null votes, or selectively vote for candidates – contrary to the Communist Party’s expectation that citizens vote for the entire list of candidates. Voting is not mandatory, but there is strong mobilization and social pressure to participate. In the March 2023 elections, more than 24% of the Cuban electorate chose to abstain, 6.2% of votes cast were left blank and 3.5% were declared invalid – clear signs of disapproval. Nevertheless, two-thirds of eligible voters participated. Among these participants, 27.9% did not adhere to the official line, opting instead to selectively vote for individual candidates. When all votes are combined, only 49.4% of the electorate – less than the symbolically significant 50% – fully followed the party’s directives.

In a tightly controlled state and society with a one-party system, political decision-makers face no constraints on their power to govern except their capacity to do so. They are not democratically elected; instead, they control all nomination processes. In national parliamentary elections, all official candidates win. No social or political actors can defy the power of the Communist Party of Cuba (PCC).

Free and fair elections



Effective power to govern



The constitution grants rights of association and assembly only “in accordance with the goals of the socialist society.” In practice, these rights face severe government restrictions. Independent civic groups are not permitted to obtain legal status or take to the streets. When they do seek public action, they are typically dispersed, and the participants are arrested.

The one major episode of social unrest in recent years, the street protests of July 11, 2021, was quickly and heavily reined in by state security. Many protest leaders were driven to emigrate, while hundreds of other participants received severe prison sentences of up to 30 years. (Some of those imprisoned could be released early in the Vatican-brokered prisoner release of January 2025.) These measures accelerated a mass emigration movement, in which more than one million Cubans left the island.

There is an array of academic, cultural and professional societies that are sometimes referred to as “non-governmental associations.” These, however, are ultimately subordinated to state and/or party authority. Within these confines, they tend to struggle for relative degrees of autonomy in articulating some of their constituency’s interests. Furthermore, Christian churches, including the Catholic Church, along with some other religious institutions, have legal standing that is not organically subordinated to state and party structures. This grants them the right to associate and assemble freely, but only within the confines of their own spiritual spaces.

The constitution (Article 53) stipulates a state monopoly on mass media. However, social media and the internet have become widespread, constituting a proto-public sphere through which all types of non-government opinions are expressed and circulated. While this is largely tolerated by the authorities, independent journalists and social media activists on the island face restrictions. Several digital media sites are blocked, and independent journalists experience harassment, intimidation and defamation. After the repression of the 2021 protests, many prominent social media activists were compelled to leave the island. Among officially authorized publications, the journal TEMAS is the leading forum for intellectual debate; it can be critical but always stays within government boundaries. More traditionally, the Catholic Church has several religious and lay publications. In private settings or at street level, Cubans tend to express a wide range of opinions.

## Association / assembly rights

2

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## Freedom of expression

2

'06 \_\_\_\_\_ '26 10



### 3 | Rule of Law

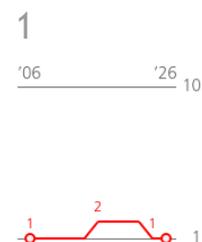
The constitution defines the PCC as the “guiding force” in state and society. The formal separation of institutional powers is thus ultimately subordinate to the PCC’s Politburo, the supreme center of power. Hence, there is no institutionalized system of checks and balances in the sense of a liberal multiparty democracy. The National Assembly (parliament) rarely amends legislation and, when it does, only in minor ways. In 2022, a referendum on a new family code was held, but this was exceptional, and the instrument has not been used (nor discussed in official bodies) since. The courts operate under civil law traditions. However, when it comes to political topics, they have no autonomy. This was illustrated both in the trials following the 2021 protests and in the release of prisoners during negotiations with the Biden administration over removing Cuba from the list of “state sponsors of terrorism.”

The judiciary is institutionally differentiated but not independent, as its decisions and doctrines ultimately rest with the PCC, which the constitution designates as the supreme power. The lack of judicial independence was underscored when, in the wake of the 2021 protests, state leadership demanded severe sentences for protesters. The courts handed down the harsh sentences demanded. The executive nominates justices to the Supreme Court (Tribunal Supremo Popular, TSP), while the National Assembly elects and may remove justices and other judges by a simple majority. Judges nominally serve life terms. The constitution subordinates the TSP to the National Assembly. Only the National Assembly can declare laws or rules unconstitutional. TSP justices and lower-level judges may be removed by a Council of State vote.

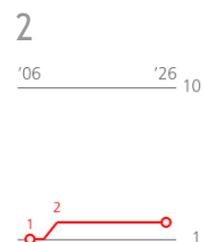
The courts follow rules of procedure for civil and criminal cases and apply the law in a manner typical of a traditional civil law system. They may rule fairly only in non-political matters. Crimes involving violence carry harsh penalties. In civil and family cases, the TSP affirms 85% of decisions from courts of appeal, but this also means that in a minority of cases the appeal succeeds. The appeal success rate in other jurisdictions is unclear.

Under Raúl Castro’s leadership, the long-dormant Comptroller General’s Office was reinvigorated and began to conduct audits systematically. When conducting these audits, it relies on backing from the highest political authorities. However, there is no transparency about any of the cases. Additionally, civilian oversight does not apply to the military or its business complex, the Business Administration Group S.A. (Grupo de Administración Empresarial S.A., GAESA). GAESA has continually expanded its role in the economy; a luxury skyscraper hotel in Havana’s central district has become its highly prominent flagship. The funding of this and other projects is shielded from public view and discussion. The military operates with limited accountability to formally elected state authorities. One of Fidel Castro’s

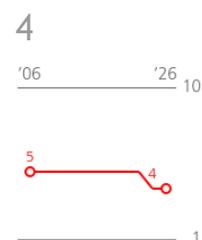
Separation of powers



Independent judiciary



Prosecution of office abuse



grandsons became notorious for ostentatiously displaying a life of luxury on social media, generating public outrage. However, he appears immune to any serious investigation into the origins of his wealth.

At times, cadres have been removed for wrongdoing or corruption, without a trial or any details being made public. This makes it impossible to determine the extent to which these dismissals were motivated by anti-corruption concerns or other political agendas. Moreover, independent media reporting and institutions to ensure transparency are absent in Cuba. Beyond corruption, leaders tend to be shielded from prosecution for wrongdoing, such as excessive force in repressing protests, disproportionate jail sentences and similar violations that, in other Latin American countries, have frequently led to legal proceedings against officeholders. In addition, there is no public space for #MeToo campaigns or similar movements that single out the personal misconduct of officeholders.

Civil rights and the rule of law are subordinated to the single-party system and are granted only in accordance with its framework. In this context, civil rights do not meet liberal standards. Equal access to justice and due process are a sham precisely in those cases where they should be guaranteed – in politically relevant cases of “citizens against the state” – while otherwise they apply in principle. State repression is largely preemptive; when repression is manifest, it typically includes harassment and low-level physical violence. However, when social unrest spilled into the streets on July 11, 2021, the government used extensive force to rein in the protests. Since then, intimidation has effectively prevented other protests from surfacing, with mass emigration becoming the dominant option for channeling public discontent.

The 2018 constitutional reform and President Díaz-Canel continue to emphasize that the nation is a “state of law” within the parameters of the socialist political system. However, when faced with the 2021 protests, this claim did not hold up, as evidenced by the use of irregular forces to repress the protests and by trials against protesters that disregarded fair judicial process. Even if the formal role of defense lawyers is upheld, the trials showed that they have little say in “political” cases and that, in such cases, effectively no institutions exist to protect citizens from violations of their rights. Moreover, neither the National Assembly nor any other public body or state media have allowed any debate on this. This also applies to the case of a July 2021 protester who was shot dead; the state did not publish any meaningful investigation into the matter.

Violent crime is rising but remains low compared with other countries in the region. Citizens’ fundamental rights to life and physical integrity are much better protected in Cuba than in most other countries. Nonetheless, safeguards against arbitrary arrest are seriously deficient. Short-term arrests have become the government’s routine tactic to intimidate dissidents and long-term jail sentences have been reintroduced since the 2021 protests. Yet, political opponents do not fear assassination or being “disappeared.” Prison conditions are harsh, but there is no evidence of systematic torture.

Civil rights

3

'06 '26 10



While the 1959 revolution abolished all forms of institutionalized racism, some discrimination based on skin tone persists. Similarly, significant progress has been made toward equal rights for women, but gender biases continue to permeate social practices and power structures. In the last decade, Cuba has made substantial advances in safeguarding the rights of LGBTQ+ citizens, including recognition of same-sex marriage and transgender rights. These civil rights achievements were officially codified in a new family code in 2022, which is perhaps the most progressive in the Americas. Faith-based discrimination has largely been overcome, except in cases where it is associated with political anti-system attitudes.

#### 4 | Stability of Democratic Institutions

According to the BTI definition of “democratic,” there are no functioning democratic institutions in Cuba. Moreover, Cuba does not have a multiparty system. The PCC claims to govern on behalf of the majority, and under its definition the political system is governed democratically. The political system is differentiated in its institutional setup, features a strong sense of bureaucratic rationality and is present throughout the country’s territory.

Cuba does not have democratic institutions, according to BTI’s definition of “democratic.”

It is unclear whether the small number of opposition groups and dissidents share the BTI’s concept of democracy. Most do rhetorically, but this has never been tested in real politics. The radicalization of U.S. politics since the first Trump presidency has fueled intransigent and illiberal positions in Cuba.

#### 5 | Political and Social Integration

Cuba is a one-party (communist) state and system that does not allow a plurality of political parties to articulate societal interests. The PCC has a strong national presence and maintains a functioning bureaucratic apparatus. The party is interwoven with the state, the military, and the security apparatus, and it sponsors and controls the key mass organizations for workers, youth, women, farmers and professional associations. It operates within an authoritarian system in which top-down management outweighs its function of providing societal feedback to government policies (although the latter exists to some degree). While President Miguel Díaz-Canel personifies the generational shift in leadership, he does not possess supreme

Performance of democratic institutions



Commitment to democratic institutions



Party system



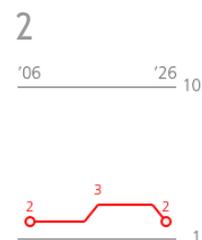
power in the same manner as Raúl or Fidel Castro. Instead, his authority appears to be highly contingent on the power dynamics within the Politburo and the top military leadership.

The constitution enshrines the PCC as the supreme actor in the state and society. Consequently, societal entities operate under the aegis of the PCC. The labor confederation, women’s federation, smallholder farmers’ association, committees for the defense of the revolution (neighborhood block associations), veterans’ association, and youth and student associations at various educational levels are the largest of these mass organizations. While they advocate for some of their constituencies’ interests, they are ultimately controlled by the PCC. Although party leaders do not officially use the term “transmission belts” (associated with Leninism), they view these organizations as fulfilling that function. A variety of professional associations also exist that, to some extent, represent the interests of their members but also answer to and are under the control of the party leadership. In recent years, the leadership’s grip over the associations has tightened. Informal associations, such as those among filmmakers, have seen their operational space reduced and have in part been forced to dissolve. Over the years, the smallholder farmers’ association (ANAP) has been successful in lobbying for its members. Among the professional associations, the Union of Writers and Artists (UNEAC) has been the most outspoken. Among interest groups operating independently of the PCC, there is no coordination.

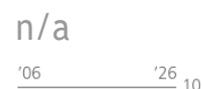
There are a few organizations that fall outside this scheme. The most important is the Catholic Church, which has been given space for limited-circulation publications and has been allowed to host a small-business training program for entrepreneurs. On various occasions, the Catholic Church has played a mediating role, such as in the release of political prisoners in 2010 and 2025. But mostly, the Catholic Church and other churches seek to lobby on their own behalf or on so-called family issues.

Cuba does not allow independent surveys gauging approval of democratic norms.

Interest groups



Approval of democracy



n/a

Solidarity is a key tenet of the revolution. In everyday life, Cubans have a tradition of helping one another access goods and services, whether in formal, informal or black-market settings. Family relationships have emerged as key social units. However, in general, social capital is severely impaired by the corrosive effects of state control, and the profound economic and social crisis. In particular, extensive emigration has eroded the social fabric and social capital of Cuban society.

There are three main spaces in which social capital has emerged and become important. First are transnational family ties with Cuban émigrés in the diaspora, many of whom support their family members on the island through remittances and joint intra-family investments in bed-and-breakfasts and other small businesses. Second, religious and faith-based communities have grown and created social networks of their own, including strong bonds of elective kinship found in Afro-Cuban syncretic religions such as Santería. Within these religious spaces, spiritual comfort goes hand-in-hand with material help. Third, in the private sector, whether legal or informal, small-business owners build networks with one another, even when they are competitors.

A strong basis for in-group mutual support predates the 1959 revolution and has continued since. In addition to religious communities, in-group mutual support has been organized around national or regional migration backgrounds. Some of these support networks have experienced a resurgence in recent years, relying on and strengthening the social capital of their shared in-group. That social capital is founded on ethnic, national and cultural ties. On the downside, petty theft has become widespread, with corrosive effects on trust.

Social capital

3

'06 '26 10



1

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The Cuban revolution led to one of the world's least unequal societies in material terms. However, with the end of the Soviet Union's economic support for Cuba after 1989, poverty and inequality have grown. Standard methods of international comparison have limited value in the Cuban context. Cuba's Office of National Statistics does not provide meaningful income-based measurements. The monetary reform of January 2021 has failed to eliminate multiple currencies in operation within the Cuban economy. As the Cuban peso and peso-denominated wages in the state economy have dramatically depreciated, access to hard currency has become central to the restructuring of Cuban society.

Question

Score

Socioeconomic barriers

3

'06 '26 10



1

At the beginning of 2025, the informal market rate for the Cuban peso reached CUP 340 per \$1. According to official data, state salaries translate to \$17 per month. Pensions, by comparison, can be much lower, between \$6 and \$16 per month, with poverty among elderly people a growing concern. However, taken in isolation, income-based data are misleading. Housing costs in Cuba are very low, and education and health care are free and universal; however, the quality of these services has diminished dramatically in recent years because of a lack of resources and failure to retain qualified personnel. While the state has cut back on its former welfare state ambitions, the baseline of the food ration card system remains in place, even if it fails to cover daily needs. Nonmonetary achievements have traditionally explained Cuba's relatively high ranking in the Human Development Index (85th out of 193 countries in 2022, down from 77th in 2012). Cuba's ranking has declined but arguably not to the extent that would reflect the profound economic and social crisis that has taken hold of the country in recent years. The daily power cuts – and particularly the nationwide blackout in October – underscore the level of decay that basic infrastructure and service provision have reached.

The Cuban economy has not yet recovered from the devastating impact of the COVID-19 pandemic. For many Cubans, living conditions have become precarious. Food, medicine and other basic goods are in critically short supply and, when available, are very expensive. A carton of eggs now costs CUP 3,000 – more than half a professional's monthly salary. According to serious, albeit unofficial, estimates, at least 30% of the population lives in extreme poverty (mainly elderly, rural and Afro-Cuban populations). Although there is no reliable data, emigration since 2022 has been the largest in Cuban history. This drain on the labor force has further worsened conditions on the island.

Having access to hard-currency income has become the key factor behind the widening gap in income and living standards, with the most significant contribution coming from remittances sent by the Cuban diaspora. Most Cubans living abroad are phenotypically “white,” so remittances – which largely circulate within family lines – primarily benefit white households on the island. With an annual total of around \$3 billion, remittances play a role in perpetuating social and racial stratification in society. As remittances serve as the primary source of capital for starting a private business, social and racial inequality becomes deeply ingrained in the structure. Official Gini coefficient calculations, which only consider peso incomes, are therefore meaningless in a society affected by a dual-currency gap.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	-	-	-	-
GDP growth	%	1.3	1.8	-1.9	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	2.1	1.8	1.7	<b>1.5</b>
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-9.1	-2.4	-6.6	-
Import growth	%	-4.6	-9.2	-2.1	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	33.8	32.7	25.5	-
Public education spending	% of GDP	9.4	8.4	-	-
Public health spending	% of GDP	12.6	10.5	-	-
R&D expenditure	% of GDP	0.3	0.4	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

In Cuba's socialist economic order, the state continues to own and operate all large enterprises. Limited market opportunities have been expanded since the mid-1990s and especially since Raúl Castro embarked on a gradual economic reform process in 2010. Although his successor has formally pledged to continue this course, reforms have in practice been marked by an incoherent back-and-forth between liberalizing steps and increasingly restrictive measures. While the legalization of micro, small and medium-sized enterprises in 2021 marked a significant step forward from previous "self-employment" modalities, many restrictions remain, while new ones have been added. By the end of 2024, the state stressed that its priority was "control"

Market organization

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of the private sector, not its expansion. Price caps have eroded producers' incentives and restrictions of different sorts have been applied in the name of saving energy, thereby negatively impacting business activities. Across the board, restrictive government measures have increased distrust in the state's commitment to private sector activities. The dominant role of the state in the economy has been reaffirmed and foreign investment increasingly focuses on companies from non-Western countries. A thriving black market persists, with a significant portion of the labor force engaged in informal work or moonlighting to supplement income from formal state employment.

In addition to existing problems and U.S. sanctions, the COVID-19 pandemic sent Cuba's economy spiraling downward. The monetary reform of January 1, 2021, failed to make Cuba's economy more coherent with a single national currency. The circulation of the U.S. dollar-pegged "convertible peso" was terminated, but its place was largely taken by the newly introduced "moneda libremente convertible," a dollar-pegged bank-card-only currency. While the Cuban peso continues to suffer inflationary pressures, both formal and informal euro- and dollarization have increased. State-owned enterprises, suffering from years of underinvestment, remain largely inefficient, and broad sectors of the population cannot afford the high prices on formal and informal markets.

In principle, Cuba welcomes FDI, but the negotiation process and actual operations are slow and tedious. Foreign investors are typically obliged to partner with Cuban state-owned enterprises and hire workers through a state hiring company. However, a growing share of foreign investment comes from non-Western companies to which different politically negotiated rules apply and there is limited transparency in their business operations. In December 2024, Cuba announced for the first time the transfer of agricultural land to a foreign investor, a Vietnamese rice production company.

The Cuban armed forces' holding company, GAESA, is the largest player in the Cuban economy. It operates primarily in dollarized sectors, such as tourism, and is neither accountable to the Ministry of Economy nor subject to market competition. According to leaked documents, GAESA holds \$4.2 billion in "current assets" that are not included in official statistics.

The government does not view state monopolies negatively; it sees them as consistent with the planning logic of state socialism. As a result, monopolistic or oligopolistic structures dominate most sectors of the economy. Cuba is not part of the International Competition Network (ICN). The state barely polices its own enterprises, although the courts at times prosecute and convict abusive administrators. The government also sees the value of monopolies in attracting foreign firms to invest. The vast military-run GAESA business holding has been particularly strongly shielded from competition or even civilian institutional oversight.

Competition policy

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Anti-monopoly rules are implemented only in the small private business sector to prevent what the government deems “enrichment.” At the same time, the government seeks to prevent this sector from becoming large enough to compete with state-owned enterprises. For instance, only in exceptional cases have bed-and-breakfasts been allowed to develop into hotels, so that the higher-priced state sector for tourist accommodations remains shielded from private competition. More recently, the government announced that micro, small and medium-sized enterprises importing goods (e.g., food, construction materials and toiletries that are sold in most small, private supermarkets and other stores in Cuba) can resell these goods only at wholesale prices and exclusively to the government.

Until 2020, only state-owned enterprises and foreign firms in joint ventures with state-owned enterprises were authorized to engage in foreign trade. Since 2020, small private businesses have also been authorized to engage in import and export activities. In 2024, however, the state tightened the rules, countering the growth of these private sector activities. Instead, online supermarkets – usually in cooperation with foreign private firms and state-controlled entities on the island – have expanded.

Cuba’s economy is structurally dependent on international trade. Cuba imports a diverse range of manufactured products and a significant portion of the food consumed on the island. Aside from remittances, its primary hard-currency earners include tourism, the export of medical services and a few goods, such as tobacco, nickel, coffee and some biotechnology products. Cuba has been subject to a comprehensive U.S. embargo for decades, cutting it off from its closest and most natural market. In addition, the Trump administration put Cuba back on the list of “state sponsors of terrorism,” thereby disrupting financial transactions. European banks operating in Cuba have repeatedly been subjected to billion-dollar fines for violating U.S. sanctions. Consequently, many banks have ceased doing business with Cuba, exacerbating the burden on foreign trade with the island. The other main constraint on international trade is Cuba’s limited domestic production and productivity. Cuban tariff rates are low. The simple average MFN applied tariff remained 4.4% in 2023, but non-tariff constraints on trade are extremely high.

Cuba has a poorly developed banking system. Individual checking and savings accounts are not widely available. The proliferation of hard-currency stores, where customers pay with dollar-denominated debit cards, has led many Cubans to open hard-currency accounts at Cuban banks. High inflation in the Cuban peso has eroded peso-denominated bank savings and undermined trust in the peso as a currency.

Only state banks are authorized. However, in June 2024, Russia’s Novikombank opened a representative office in Cuba as part of growing economic ties between Moscow and Havana. There is no capital market, although the state issues bonds to finance the deficit and compels state-owned enterprises to purchase them. Since 2014, state banks have been required to purchase bonds from the Republic of Cuba issued to finance the national budget deficit.

Liberalization of foreign trade



Banking system



Several types of loans are available, most allocated to building maintenance and repair and to agriculture rather than to small private businesses. As a result, startup capital for the private sector primarily comes from family members abroad. Because most émigrés and remittance recipients in Cuba are phenotypically “white,” Afro-Cubans are largely excluded from opportunities in the emerging private sector.

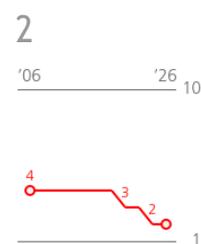
## 8 | Monetary and fiscal stability

There is no independent central bank in Cuba. The January 2021 monetary reform triggered strong inflationary pressures. While inflation slowed somewhat in 2024, analysts agree that the rise in the cost of living remains considerably higher than official statistics indicate, which as of October 2024 put year-over-year inflation at 28%. The informal market exchange rate between the Cuban peso and U.S. dollar serves as a useful proxy, with \$1 valued at around CUP 160 in 2023, while nearly doubling from CUP 200 to CUP 400 per \$1 in 2024, and settling at CUP 340 to \$1 at the start of 2025. Given weakness in Cuba’s domestic economy and reluctance to reform the inefficient state sector, inflationary pressures are likely to persist. Cuba’s economy is more dollarized and euroized than ever before, and confidence in the Cuban peso has fallen to a new low. Though runaway inflation may have eased, many products can now be acquired primarily (or only) with hard currency, particularly in the rapidly expanding online retail sector. The government has officially acknowledged that it is once again partially re-dollarizing the economy.

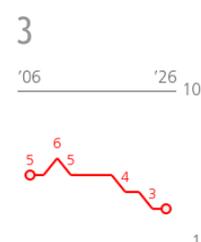
To offset the effects of COVID-19, the country adopted a countercyclical, expansionary fiscal policy, increasing the fiscal deficit. In 2020, Cuba lost about half of its foreign exchange revenues and it still has not recovered to pre-COVID-19 levels. In 2023, the country’s fiscal deficit reached CUP 94,959.1 million, equivalent to €3,449 million at the official exchange rate for legal entities, representing an expenditure 38.8% higher than income. The economy contracted by 1.9% in 2023 and GDP again decreased in 2024. According to official data, the state financed the deficit by issuing Republic of Cuba bonds that Cuban banks were obliged to purchase. Given the political imperative to maintain social cohesion, considerable subsidies will be maintained, even at the expense of an ongoing fiscal deficit. Cuba last reported its foreign debt at \$19.6 billion in 2019.

Cuba’s reserves are typically kept confidential, but semi-official data indicate they totaled \$11.5 billion in 2019 and were estimated to have fallen by \$2.5 billion, or 22%, through 2021. While no new data have been made public, the situation is unlikely to have improved. Payment arrears on trade credits with Western partners have accumulated, becoming a major problem for Cuba’s foreign trade. Relations with new partners have also become rocky, as shown by the withdrawal of the Turkish floating power plants over unresolved payment issues. Cuba is not a member of international financial institutions such as the IMF, World Bank or IDB. Although there is cooperation with the CAF Development Bank of Latin America, it has not yet yielded large-scale credits.

### Monetary stability



### Fiscal stability



## 9 | Private Property

Property rights in Cuba are weak. After 1959, the revolutionary government confiscated all large businesses without proper compensation. Individuals were allowed to keep no more than one urban and one rural home. All rental property became state property. Over time, Cubans who rented expropriated homes were allowed to become the owners of those homes. Smallholder farmers retained their property. Private property (beyond “personal” property) did not receive constitutional standing until the 2019 constitutional reform. Legislation legitimizing small and medium-sized businesses was finally passed in 2021. Before then, the private sector was considered merely “self-employment,” without the full legal standing of private business. Houses used as restaurants or bed-and-breakfasts had to be personal property and therefore were not considered a “means of production.”

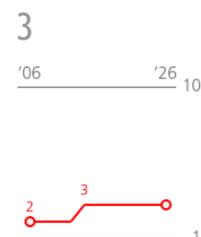
Although the law, in principle, respects personal property, restrictions limit what owners can do with it. Reform measures initiated by Raúl Castro have created real estate and automobile markets. Only Cubans residing in Cuba can buy or sell real estate. In recent years, many Cubans living abroad and foreigners have bought properties in the name of a relative or friend.

A recent reform authorized the leasing of idle state land for agricultural production. Initially, leases were limited to 10 years, though they were renewable. At the end of this period, everything built on the land would revert to the state. The term has since been extended, but the practice of leasing rather than property ownership remains. The government can grant and revoke licenses for self-employment. It can also grant and revoke authorizations for foreign companies interested in investing in Cuba.

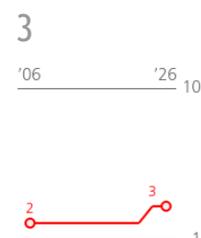
The domestic private sector remains limited to modest enterprises. The 2019 constitutional reform grants the private sector constitutional standing. In mid-2021, a law on micro, small and medium-sized enterprises was passed; by mid-2024, 11,044 private enterprises (plus 222 state-run enterprises) were registered. In addition, there are about 500,000 “self-employed” workers under the previous legislation, which set much narrower limits. Self-employed workers largely consist of single-person or family operations in services or crafts. A vast network of informal and black-market activities also employs hundreds of thousands of people, though not necessarily in full-time jobs.

In 2024, several new restrictions were enacted to strengthen state control over the emerging private sector, including largely banning private actors from engaging in wholesale business as their primary purpose. Moreover, the government may set price caps on private services or revoke state-issued self-employment licenses at will, and it has occasionally done so publicly to deter behavior it disapproves of.

Property rights



Private enterprise



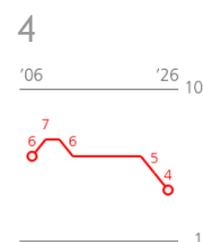
## 10 | Welfare Regime

In the classic socialist model, the most fundamental social safety net rested on full employment in the state economy, combined with pensions for the elderly, which, in principle, gave everyone the means to sustain a dignified life. This was complemented by free, universal health and education services, the two flagship achievements of the Cuban Revolution. The ration card system also provided basic food supplies at subsidized prices to the entire population as a form of “unconditional basic income” in kind. Over the past three decades, all these mechanisms have been severely eroded. With the devaluation of the Cuban peso, state salaries and pensions have lost their central role, making access to hard currency via remittances or other means crucial for material well-being. More than three million working-age Cubans are neither employed by the state nor seeking state employment. Shortages in the peso-based retail circuit have become pervasive. Many products are no longer available, except either in markets where prices are set by supply and demand and have skyrocketed, or in hard-currency markets.

Since the COVID-19 pandemic and the failed monetary reform of January 2021, the number of Cubans living in extreme poverty or facing precarious living conditions has increased dramatically. The ration card system has been maintained, though at much lower levels than in previous years. The discussion of eliminating its universal character in favor of targeted food programs for vulnerable groups has, de facto, been taken off the agenda, probably because too large a share of the population would fall into the latter category. Some social policies aimed at vulnerable populations have been introduced on an ad hoc basis but are far from sufficient. Rather than the state, family ties have become a vital factor in determining how Cubans get by. Other forms of social capital, including religious affiliations and neighborhood ties, have also gained significance.

Health and education services remain in place, although their quality has declined significantly. Thousands of qualified teachers have left their jobs due to low state salaries. During the COVID-19 pandemic, Cuba’s biotech sector proved its worth by successfully developing two homegrown COVID-19 vaccines and the health care system carried out a nationwide vaccination program. However, since then, health care standards have declined dramatically. Nearly all material resources and medications are in severely short supply. It has become legal to buy medications from online supermarkets with hard currency (or have relatives abroad pay for them) and people are often expected to do so as doctors face empty shelves. Due to low state wages, many medical professionals have changed profession, launched private businesses (e.g., bed-and-breakfasts) or provided medical services informally alongside official employment. Malnutrition has become a serious concern among socioeconomically vulnerable groups, particularly in eastern provinces. While official data indicate that life expectancy at birth remains among the highest in Latin America, they arguably fail to fully account for the downturn in recent years.

Social safety nets



Many Cubans live in poor housing conditions, yet extremely low housing costs mean Cubans do not face forced evictions. Mass emigration in recent years has reduced housing pressures. Still, informal settlements on the outskirts of Havana persist due to continued migration pressure from the provinces to the capital.

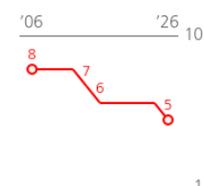
Cuba achieved significant equality of opportunity by the 1980s, overcoming many of the profound class, gender and race inequalities that dominated pre-1959 Cuba. The law clearly prohibits racial or gender discrimination. Territorial differences were also mitigated by the 1980s. Since the end of Soviet subsidies in 1990, social inequalities have re-emerged and clearly mirror racial divisions. These divisions have deepened in recent years because of the escalating economic and social crisis. Family remittances from the Cuban diaspora disproportionately benefit phenotypically white Cubans. With the economic reform process under Raúl Castro, social inequalities have become ingrained. Remittances have become the key source of investment capital for opening private sector businesses, clearly disadvantaging Afro-Cubans. This is creating a profound structural re-stratification of Cuban society.

The same inequalities have played out in the mass emigration wave since the end of 2021. Only individuals with family abroad or the ability to sell property could afford the costs of the land route to the United States. Likewise, the January 2023 change in U.S. policy closed the land route but opened new regular visa facilities that require a financial sponsor in the United States, primarily benefiting Cubans who already have family there. Social mobility is declining. Opportunities in the sports and cultural sectors, black market activities, and access to privileges through positions in the military or state security apparatus may partially mitigate these trends but only to a limited degree. The state's decreasing capacity also reduces its ability to support vulnerable sectors of society.

Access to most public offices does not show discrimination by race, class or gender but rather by political loyalty. In military leadership positions, women remain rare. In the (largely powerless) National Assembly, the state deliberately seeks to ensure adequate representation of Afro-Cubans and women. Religious discrimination in university access, once prevalent, has disappeared. The substantial reduction in university enrollment has negatively affected people from lower-income families. According to the World Development Indicators, the literacy rate is 99.8%, while the female-to-male enrollment ratio is 1.0 in both primary and secondary schools and 1.4 in tertiary education. In 2023, gross enrollment ratios for the three levels were reported at 98.1, 95.44 and 48.94, respectively. For 2024, the World Bank reports a labor force participation rate of 41.7% for women, compared with 71.3% for men; however, these data are hardly reliable because they do not account for the highly important informal labor market and hard currency revenue.

Equal opportunity

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## 11 | Economic Performance

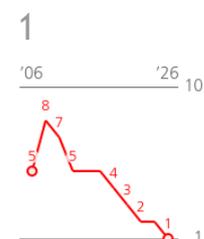
In 2023 and 2024, Cuba experienced negative growth. For 2023, the government reported a 1.9% decline in GDP; for 2024, no figure has been released yet, but the economy minister admitted it will again be negative. For 2025, the forecast is a mere 1.0% growth, but this will likely need to be revised downward. GDP in Cuba is calculated using a rather arbitrary exchange rate and fails to account for the vast informal economy. Hence, while year-over-year changes in GDP data reflect – albeit imperfectly – the economy’s general trend, GDP in absolute terms (and with them GDP per capita) is of little use in providing a realistic picture of the state of the economy.

The economic reform process has been inconsistent and contradictory. In 2024, the government emphasized that the priority is controlling the incipient private sector, not its growth. Several new restrictions were imposed, while meaningful reform of the large and inefficient state sector continues to be postponed. As a result of external constraints and failed domestic policies, industrial and agricultural production has plummeted to all-time lows. Official statistics published in September 2024 give an idea of the magnitude of the decline: Compared with 2019, production of cement was down by 61%, cooking oil 89%, coffee 45%, pork 90%, bread 28%, beer 52% and industrially produced fertilizer 96%. While all this raises import demand, the country’s leading foreign-exchange earner – tourism – still hovers 35% below pre-COVID-19 levels, with 2.7 million visitors compared with more than four million in 2019. Cuba was once the world’s largest sugar producer, yet the current harvest stands at merely 4% of what was produced in 1989, failing to meet even domestic demand. Since 2015, Cuba’s exports have continually fallen to ever-new lows. The chronic trade deficit has not increased dramatically only because of severe reductions in imports. Data for 2023 show an 11% reduction in international trade. Fuel imports fell by no less than 31%, resulting in knock-on effects that led to a virtual implosion of Cuba’s domestic economic activity.

Given this dire situation, Cuba has become highly dependent on external funding and support. At the household level, this occurs through remittances from family members who have emigrated. At the state level, it comes from politically friendly countries, as Cuba’s diplomacy continues to mobilize aid shipments, oil on preferential terms and soft credit lines. Russia has become the most important external partner in this regard. Economic problems are compounded by U.S. sanctions.

Inflation has slowed but remains high. Official data are of little help because they measure only state-set prices and do not account for prices in legal or illegal private markets, which account for most consumption. A good proxy for the scope of inflation is the Cuban peso/U.S. dollar exchange rate in the informal market, where

Output strength



the Cuban currency's value was halved in 2024. Official unemployment data (reported at 3%) are irrelevant because few individuals formally register as unemployed. According to more meaningful estimates, 33–50% of the Cuban workforce neither hold formal employment nor seek it, as most earn a living through work or transactions in informal markets. Since wages are suppressed, the loss of formal employment does not have the same impact on income as it does in other countries.

## 12 | Sustainability

The government considers environmental concerns but typically subordinates them to economic and political considerations. The Ministry of Science and the Environment is responsible for providing a framework for environmental assessment and intervening when environmental concerns are relevant to a project. Its effectiveness varies and it often fails to prevent environmentally harmful projects.

Serious environmental damage has affected the water supply, partly linked to climate change (lower rainfall) or to the overexploitation of aquifers. The water supply is frequently compromised by outdated, leaking pipes. Waste management is also a significant problem. A failing garbage collection system leads to waste accumulating in urban areas and rivers, causing pollution and increasing the risk of dengue outbreaks. Furthermore, garbage collection does not systematically offer recycling. Moreover, laws protecting animals are in place, but independent NGOs are not allowed to monitor or promote animal rights issues.

Cuba has a low carbon footprint not because of effective environmental policies but because of low levels of consumption and the collapse of most of the country's industrial sector. Currently, Cuba's outdated power plants operate far below their installed capacity. Donations of (fossil fuel-based) decentralized generators from China and (fossil fuel-based) power-generating ships from a Turkish company have to some extent eased the severe energy crisis, yet regularly scheduled power cuts remain in place. By the end of 2022, Cuba had a mere 258 megawatts (MW) of installed solar power. Since then, plans have expanded and – in cooperation with and largely funded by China, Algeria and the OPEC fund – more solar plants have been set up, are being built or are planned. In 2025, Cuban authorities plan to add 55 new photovoltaic solar plants to the system. According to the national energy transition strategy, 92 parks are planned by 2028 to provide more than 2,000 MW of power. However, implementing these plans depends on funding, technological capacity and human resources in Cuba.

A new decree, published on November 26, 2024, requires high-energy consumers in Cuba, whether state-owned or private entities, to invest in renewable energy sources amid the worsening energy crisis. They must ensure that half of the electricity consumed during daytime comes from renewable energy sources. If they are unable

Environmental  
policy

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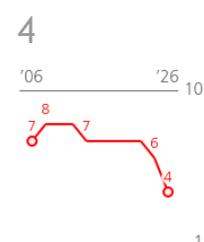
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to do so, they must establish contracts with the state-run Unión Eléctrica and connect to photovoltaic parks. It remains unclear to what extent this law will be implemented. Although tax policies do not play a significant role in addressing ecological concerns, increased tariffs for electricity could reduce consumption. Solar panels are exempt from tariffs. Moreover, the sudden decline in tourist arrivals, the prohibition on U.S. cruise ships and depleted state coffers have halted the plan to transform the bay of Havana into a recreational rather than industrial harbor.

Education has been a major priority for the revolutionary government. Education is free and universal from kindergarten through higher education. However, the quality of primary, secondary and tertiary education has declined since the 1990s. The sector is affected by a lack of teaching materials and resources. Low state wages have led to a mass exodus of qualified staff from education and research to better-paying sectors, such as tourism, or to emigration. There are no private schools, except for some private day care facilities. However, better-off families compensate for the declining quality of schooling by hiring private tutors. It has become difficult to pass university entrance exams without private after-class instruction, making access to higher education once again dependent on social status. The U.N. Education Development Index (EDI) fails to reflect the dramatic decline in Cuba's educational standards, keeping Cuba on top of the list of Latin American countries.

Havana boasts a large biotech cluster, which proved its worth in the successful development of two domestically produced COVID-19 vaccines. This led to a temporary boost in income for scientific staff, but it has not been maintained. The hard-currency squeeze in recent years has affected this sector and all other R&D investments. Given these limitations, Cuba's education and science sectors cannot keep up with the pace of technological innovation and increasingly fall behind in the use of digital technologies. The latest available U.N. data show that Cuba's R&D expenditures as a share of GDP were 0.32% in 2021, compared with 0.6% in 2019.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

In Cuba, it is difficult to distinguish the current political leadership from many of the country's structural constraints. After more than six decades of political continuity, much of what is considered “structural” is the outcome of transformations that have occurred since the Cuban Revolution. President Díaz-Canel emphasizes that his tenure is entirely in line with the historical leadership of Fidel and Raúl Castro. President Díaz-Canel inherited a stagnant, inefficient economy that suffers from severe, long-term underinvestment in infrastructure and maintenance; profound monetary distortions; low levels of productivity; and excessive reliance on a handful of products and services. Cuba's lack of economic diversification and productivity has been a long-term structural constraint, partly external and partly self-induced.

The conflict with the United States is a key external structural constraint. Since the early 1960s, the U.S. trade embargo has severed Cuba's connection to its nearest natural market for almost all products and services. Under U.S. law and regulations, all economic transactions between the United States and Cuba remain prohibited unless authorized by the U.S. Treasury Department. U.S. sanctions also greatly affect Cuba's relations with third countries, as demonstrated in recent years by the severe U.S. penalties imposed on European banks for violating U.S. sanctions. President Trump further tightened sanctions and put Cuba on the U.S. list of “state sponsors of terrorism,” which cut the island off from regular Western banking services.

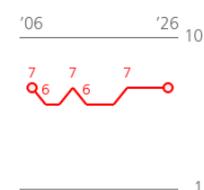
Another external structural factor, in part an asset and in part a constraint, is the large Cuban émigré community in the United States, whose leaders traditionally align with hard-line U.S. policies toward Cuba. However, this community also maintains extensive ties with the island's population and provides a substantial inflow of remittances, estimated at \$2.5 billion in 2023.

Cuba has a well-educated labor force, but work incentives and wages in the state sector are very weak. This has led many professionals to leave the state sector and either emigrate or seek more lucrative opportunities in the private sector or the black market. The government's aversion to allowing the private sector to grow beyond narrow limits could be considered a structural constraint.

Cuba is periodically hit by hurricanes that cause varying levels of damage. Climate change has worsened droughts that have affected Cuban agriculture in recent years. The intensity of tropical storms is also predicted to increase. Cuba had been relatively free of tropical infectious diseases for an extended period; however, dengue and Zika

Structural  
constraints

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have resurfaced as significant health concerns. Like other nations reliant on tourism, Cuba has experienced a profoundly disruptive economic downturn due to the COVID-19 pandemic and tourism has since recovered more slowly than in other Caribbean islands.

After 1959, the Cuban revolutionary process eliminated most independent CSOs and the independent media. In their place, official state-sponsored media, trade unions and mass organizations were created. The mass organizations include the Committees for the Defense of the Revolution (organized at the neighborhood level), the Union of Cuban Workers, the Cuban Federation of Women, the Union of Cuban Youth, the Association of Small Farmers and the Veterans' Association. These do not meet the criteria of civil society because of their subordinate status to the PCC and the state.

There is a wide array of professional associations, all of which ultimately respond to the PCC or state institutions. Even if they do not qualify as CSOs, they are a key part of civic life in a single-party state. The Writers and Artists Union is an important forum where the limits of what can be said and discussed in Cuba are contested. Some scientific associations, groups of intellectuals, and emerging bottom-up digital media groups serve as examples of evolving civil society entities. Independent media have partly taken on the role of de facto political opposition. The government regards many of these as counterrevolutionary activities funded from abroad that aim to topple the regime.

In addition, many artists take a critical look at the current state of politics in their work. Many are connected through social and professional ties, and on social media. Time and again, this has led to public or semipublic protests, such as the San Isidro Movement in 2020 or as part of the larger outburst in the 2021 protests. Since then, civic engagement on the island has decreased as emigration and other individual “exit” solutions have surged.

In Cuba, civil society can be understood partly in terms of networks rather than associations. The LGBTQ+ community has actively engaged in civic action despite lacking organizational autonomy. Similarly, Afro-Cuban activists have networks aimed at influencing society and politics. With the large emigrant community and ongoing emigration, transnational social ties and civil society activities have become essential parts of Cuban public life.

Social trust is difficult to assess. Family bonds have become central. There is evidence that the Roman Catholic Church, Afro-Cuban religions and evangelical communities of faith have been involved in public affairs. These groups played significant roles in discussions surrounding the 2018 – 2019 constitutional reform and the 2022 referendum on the new family code.

#### Civil society traditions

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Incidents of political violence are rare. However, nationwide street protests in 2021 shook the island. Although they were mostly nonviolent, police cars were overturned and stones were thrown in some cases. The state was quick to rein in the protests through police action and through plainclothes security agents wielding wooden bats and metal bars. A protester was shot and killed by police. In the wake of the protests, hundreds of participants were sentenced to long prison terms. Since then, several minor and disconnected protests have been registered, but none has led to wider dynamics or violent protest action. However, the level of conflict, aggressiveness and intolerance in verbal communication on political matters has clearly increased, on social media as much as on the streets. This is consequential in a context where manifest “voice” is repressed and conflict seethes.

Although criminal violence remains very low, growing poverty and inequality are fueling an increase in assaults and robberies. Social cleavages are reappearing, particularly in urban areas such as Havana, causing frustration and anger in a society socialized to value equality. Specifically, racial inequality has risen since the 1990s. To date, no one in Cuba has politicized the potentially significant social divide based on race. Nevertheless, frustration is growing among Afro-Cubans, who receive fewer remittances than “white” Cubans, many of whom are experiencing impoverishment. Religious discrimination was once severe but has been largely overcome.

Among the émigré community, class attitudes align with racial prejudices and strong overtones of political revenge. During the first Trump era, a younger social media-savvy cohort of radicalized voices gained significant prominence. Their toxic rhetoric not only bashes the PCC and the government but also calls to boycott all intellectuals and artists in Cuba who do not fully break with the regime and its institutions.

## II. Governance Performance

### 14 | Steering Capability

Since the 1989 crisis, the Cuban government’s strategic priority has been to preserve the country’s political system and maintain the cohesion of the political elite. Another priority is to avoid social unrest by, on the one hand, providing basic food and services, such as health care and education, to the population, and, on the other hand, maintaining credible repressive threats to dissuade public protest or political opposition. Preserving national independence, the heritage of the 1959 revolution and a positive image of Fidel Castro are also overarching priorities.

In 2006, when Raúl Castro took office, one of his priorities was to formulate an agenda for gradual economic reform and secure approval from the institutions of bureaucratic socialism. Strategic guideline documents containing an initial set of

### Conflict intensity

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### Question

Score

### Prioritization

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reform measures were approved at the 2011 and 2016 party congresses and were institutionalized in the constitutional reform approved in 2019. This process was endorsed by his successor. Cuba's economy has been centrally planned since the early 1960s, and the government presents an annual budget and plan for approval by the National Assembly.

The 2019 constitutional reform was the outcome of a deliberate process of top-down design, state-controlled public consultation and eventual approval in a national referendum. A similar systematic process occurred with the new family code, which was approved in a 2022 referendum. Economic policy priorities have included the 2021 monetary reform, and the restoration of economic growth and improvement of wages, which have been on the agenda for years.

The government has proved effective in its primary political goal of maintaining regime stability, despite an economic crisis and a leadership transition from Fidel and Raúl Castro to a younger generation of cadres. However, it has failed to meet its stated economic policy objectives and to implement the reform agenda outlined in the guideline documents established during Raúl Castro's term and endorsed by his successor. Although the long-awaited monetary and exchange rate reform took effect in January 2021, it did not achieve its primary aims. Instead of reinstating the Cuban peso as the sole national currency, it triggered inflation that eroded trust in the peso and led to the re-dollarization of a significant share of the economy.

In general, implementation of the economic reform agenda has remained incomplete and contradictory. This is largely due to political tensions within political structures, and to the weakening of the state's strategic capacity to organize, implement and administer economic policies. The surge in emigration in recent years has included many professionals essential to the functioning of an effective administrative apparatus. As a result, the state's capacity to implement reform measures competently has deteriorated.

Legalization of small, medium and micro businesses came in 2021 after many years on the agenda. Since 2016, many other reform objectives, such as increasing the efficiency of state-owned companies, have largely stalled. The halfhearted leasing of idle land to farmers has yielded little or no improvement in agricultural production. The reimposition of price controls contradicts measures implemented to stimulate production. Policies aimed at creating a non-state sector large enough to absorb the excess workforce from the inefficient state sector have not been implemented coherently. The planned transition from a social security system based on universal coverage (e.g., ration cards) to one targeting the needy has not been implemented. Expansion of the cooperative sector has been rudimentary.

The government has failed to revive the economy and achieve pre-COVID-19 economic levels. Instead of delivering the growth and recovery promised by economic plans, shortages of all sorts have become pervasive. Twenty years after

#### Implementation

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Fidel Castro declared an “energy revolution,” electricity generation is so precarious that scheduled blackouts are routine. Cuba’s obsolete infrastructure remains highly vulnerable to failure, as evidenced by a three-day nationwide blackout in October 2024.

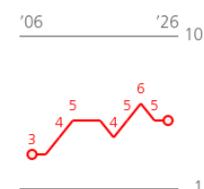
Beyond the economic sphere, the Díaz-Canel government has effectively implemented the reform of the country’s constitution in 2019 and passed a new progressive family code in 2022, both approved by nationwide referendums. The government has defended national sovereignty vis-à-vis the United States. However, Cuba has become highly reliant on foreign funding, making it politically dependent on the external powers that support it, especially Russia. The country is far from food sovereignty. Moreover, the popular perception of the 1959 revolution’s heritage and of the figure of Fidel Castro has significantly eroded.

Díaz-Canel’s government has learned from Raúl Castro’s ability to keep the regime afloat: elite cohesion is more important than economic growth. At the same time, Díaz-Canel recognizes that technological modernization is imperative and, drawing on China’s experience, that digital media can be compatible with sustained Communist Party rule. During his tenure, residential and especially mobile internet access has become widely available and the services rolled out have produced a major source of revenue for the state. The government’s policy approach is top-down. The government relies on a range of monitoring activities to gauge popular perceptions and inform itself about them, though these activities are opaque and arguably unreliable. The government’s learning includes the use of emigration as a safety valve for social discontent, as it has failed to integrate that discontent in more constructive ways, such as by opening the recognized public sphere to a broader spectrum of opinions.

In economic policy, Cuba’s leadership has long been reluctant to draw serious lessons from the negative experiences of state-run socialist economies, at home and abroad. It is particularly notable how little it appears to learn from the Chinese and Vietnamese cases of economic reform under Communist Party rule. In sectors such as sugarcane and other forms of agriculture, for example, there has been little substantive change, even as harvests have reached new lows. At the end of 2024, however, an agricultural enterprise was transferred to foreign ownership for the first time. As Russia has emerged as Cuba’s key international ally, Russia’s economic experience also seems to have become influential, particularly in the opaque dealings of Cuba’s GAESA. The completion of an extravagant high-rise luxury hotel in central Havana has become emblematic of this opaque, military-controlled business model, which strengthens the economic base on which the political elite can draw.

Policy learning

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## 15 | Resource Efficiency

Cuba's one advantage in resource utilization is that only a small fraction of the nation's resources is allocated to luxury consumption or transferred to Swiss bank accounts and similar destinations. However, the government makes efficient use of only a portion of the available human, financial and organizational resources because political considerations take precedence over efficiency. This is especially evident with administrative personnel because the Communist Party screens all senior appointments to government offices, state-owned enterprises, hospitals, universities and other institutions.

The state sector of the economy, still by far the country's most important employer, has long been profoundly economically inefficient. To date, all reform measures to make this sector efficient have been postponed because of concerns about the social effects this would have. In recent years, shortages of fuel and most other inputs have exacerbated these inefficiencies.

The monetary distortions and the state sector's exceedingly low wages have prompted a drain of qualified individuals who seek employment in tourism or the private sector, or emigrate altogether, undermining the efficiency of public administration and state-run services. In addition to this internal brain drain, many of Cuba's highly educated and dynamic citizens find the material rewards and career prospects on the island inadequate, leading to substantial net emigration. In the three years following the resumption of travel after the COVID-19 pandemic, more than one million Cubans emigrated, taking the Cuban state's human capital investment to the United States and other countries.

Budget planning and implementation lack transparency. Since 2016, Cuba has run a chronic fiscal deficit. Support from foreign countries – in the form of donations, credits or in-kind shipments on preferential terms – has become a key part of the state's economic survival strategy. This may qualify as an efficient use of the country's diplomatic resources but hardly speaks to the efficient use of domestic economic resources.

Regarding organizational resources, socialist Cuba has long been known for its accomplishments in education but has been unable to maintain the sector's quality amid economic crises. Exporting medical and other professional services through state-to-state contracts has become a way to earn hard-currency returns on the country's human capital investments. Some of its biotechnology advances, such as the successful development of COVID-19 vaccines, have been truly remarkable scientific achievements, benefiting from substantial past investments in the biotech sector, but they have also shown clear limitations because of the inability to access most of the world market.

Efficient use of assets

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The process of pro-market economic change, authorized in the 2011 VI Party Congress, improved the government's capacity to coordinate conflicting objectives. However, it never evolved into a coherent policy program and has instead suffered from an endless stop-and-go dynamic. Monetary and exchange rate reform implemented on January 1, 2021, failed to establish a coherent monetary system. While market reforms advanced with the legalization of small, medium and microenterprises, restrictions and price-setting policies are deliberately hampering growth. By the end of 2024, controlling and containing the private sector officially became the prime goal, not its contribution to economic development.

The large business sector controlled by the Cuban military's entrepreneurial arm, GAESA, operates largely outside the regular economic policy framework. As GAESA's relative weight in the Cuban economy has increased, its special position has become more of a problem for policy coordination.

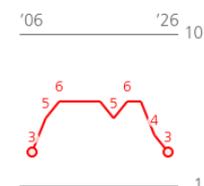
The primary concerns of the political leadership center on maintaining regime stability and preserving elite unity. Yet, these priorities often undermine effective and consistent policy implementation. From a narrow political standpoint, the surge in emigration since 2022 serves as an efficient safety valve to alleviate political discontent. Nevertheless, this significant loss of human resources has dire consequences for the country's economic and social development prospects.

Production and service managers hoard when scarce products become available to ensure they have the necessary inputs for their work. In other words, they demand and store more than they need, creating large inventories and spot scarcities elsewhere in the economy. Underpayment also characterizes much of the Cuban economy. Both hoarding and underpayment are manifestations of what happens when coordination is impaired.

In the past, corruption seems to have been less of a problem in Cuba than in other Latin American, Caribbean and former communist countries. Nevertheless, government corruption has become an issue due to the convergence of several forces. This includes the opening of a hard-currency sector under state control, for instance. External trade and investment also lack transparency or proper public accounting, most prominently in the case of GAESA or newly emerging online markets. Economic partners such as Russia in which state-capitalist companies operate with little to no transparency or public control also play a role, as do limited market-based economic openings with a weak legal base. Petty corruption in everyday life has also become more common. There are no independent institutions or media to act as watchdogs and ensure transparency. It is impossible to fully assess the extent and nature of corruption due to the lack of transparency in judicial processes and the absence of independent media reporting. Moreover, the lack of transparency makes it impossible to ascertain the validity of corruption charges, which may also be politically motivated, from both the inside and outside. The latter mainly come from the exile community in the form of corruption charges against key government

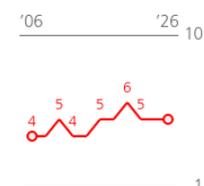
### Policy coordination

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### Anti-corruption policy

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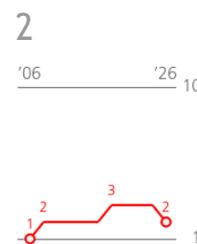
officials or their children (who often live abroad). However, increasingly, they are also heard as criticism and complaints among the Cuban population. Under Raúl Castro’s tenure, the comptroller general was empowered to pursue corruption cases wherever the evidence warranted it, including cases against powerful officials. There are no indications that this has changed under Díaz-Canel’s leadership – but also none that this process has become more transparent.

## 16 | Consensus-Building

The Cuban government adheres to the concept of “people’s democracy,” which differs fundamentally from the concept of democracy used in the BTI. Cuba’s single-party system does not allow political actors who seek to establish democracy as defined by the BTI. Since the nationwide protests in July 2021, the government has clamped down on critics and made it clear that it is not interested in societal dialogue or liberalization. Moreover, faced with the hostility of a second Trump administration, the Cuban government emphasizes closing ranks, and projecting a strong sense of unity and control. Discontent with the political system appears widespread, but no data are available on this. Organized opposition actors are limited to a few dissidents with public profiles and their small organizations. Because of increasing repression since 2021, some of these individuals have been arrested, have emigrated or both. Although some artists, intellectuals and social media voices have become known for speaking critically, they usually do not see themselves as political actors. Many have also been forced to leave the island or have chosen to do so over the past four years. The extent to which opposition groups genuinely embrace democracy has yet to be assessed. The Cuban emigrant community in the United States is characterized by vociferous anti-communist discourse. It is dominated by a Trump-inspired Manichaeian worldview that seeks polarization over consensus, and is largely illiberal and intolerant. The emigrant community’s social media presence reaches many in Cuba. As the economic and social crisis coincides with a deterioration in the Cuban government’s legitimacy, a sharply confrontational attitude seems to be gaining traction on the island. Prospects for consensus-building are low, as polarization is on the rise.

There is consensus among the ruling elite that socialism must incorporate some market elements. However, there is no consensus on how far this should go. There is also consensus on preventing the uncontrolled accumulation of private wealth. “Market economy” is not a term the current government would accept. Opposition groups, by and large, support a much bolder market economy, but they have never been tested on how they would steer such a transition. The emigrant community, for the most part, advocates radical disruption and a capitalist market economy with minimal state interference.

Consensus on goals



In the normative sense used by the BTI, the ruling elite within the government, the PCC and the military are anti-democratic actors who have effectively prevented the democratization of Cuba. Would-be reformers within the regime might seek to promote more dynamic and coherent economic reforms and create wider spaces for debate, including, at times, more autonomy for civil society actors, more pluralistic media and greater ideological tolerance. However, a transition to a multiparty liberal democracy is off-limits to anyone acting within the established political structures. The structural tensions between Cuba and the U.S. government, the property claims of Cuban Americans, and the radicalized rhetoric and threats from the Miami community in the United States glue together the present elite, and have effectively prevented any meaningful division between reformers and hard-liners from arising.

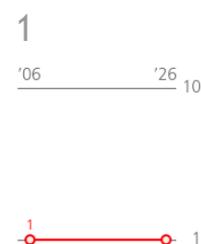
At present, outspoken democratic reformers can be found outside the state and party structures, within certain civil society groups, emerging independent media outlets, artists and small, explicitly political opposition groups. When discontent took to the streets on July 11, 2021, it manifested as unorganized protests without a specific set of demands, serving instead as a desperate plea for some form of change. The state responded with a heavy-handed approach, swiftly dispersing the protests and refusing to engage in political dialogue. While about 1,000 protesters received harsh jail sentences, many prominent voices, such as YouTubers and intellectuals from the cultural field, were allowed to leave the country.

One aim and accomplishment of the 1959 revolution was to narrow socioeconomic divides among social classes, racial groups, regions and urban and rural areas. Although these accomplishments are eroding and social and racial inequalities are returning, they have not yet become structurally ingrained social cleavages, as they were before 1959. Cuban identity is strong and transcends ethnic and social divisions. Racially based organization remains prohibited within social, economic and political institutions. However, associations based on national, ethnic and religious identities exist that engage in social and cultural activities, and reflect the various migrant groups that have come to Cuba over the centuries.

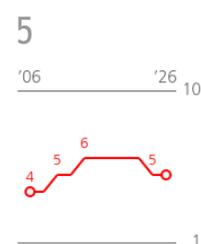
There has been an ongoing effort by the government to downplay growing racial inequalities and racism on the island. These issues are sensitive for a government that has prided itself on creating an egalitarian society. The government has adopted a policy to provide Afro-Cubans and women with adequate representation in the National Assembly and other state institutions, and the Communist Party. However, exceptions aside, key positions of power remain predominantly held by “white” male Cubans. Given rising racial inequalities and the frustration many Afro-Cubans feel about this, race could become an explosive issue in the future.

An obvious divide is political, not social: alignment – or lack thereof – with the government and the PCC cuts through society. In recent years, this polarization has intensified, driven by a severe economic crisis and the government’s failure to offer solutions or engage in meaningful dialogue with the public. Additionally, polarizing

Anti-democratic actors



Cleavage / conflict management



rhetoric disseminated through social media and the example of Trump's rhetoric in the United States have exacerbated this divide.

If the Cuban diaspora is counted as part of Cuban society, there is a massive social divide between about two million to three million people of Cuban descent living abroad and about 10 million Cubans living on the island. The government has adopted a more conciliatory stance toward emigrants. Since the 2013 migration reform, which simplified travel for Cubans, the distinction among travel, extended stays abroad and emigration has blurred. For the government, easier travel and emigration serve as an effective release valve for social discontent.

In Cuba, civic, economic and professional interest associations are subject to the PCC's guidance. Although embedded in a top-down structure, associations (some more than others) articulate some of the interests of their constituencies and sometimes express discontent in a carefully managed fashion. Although these are not CSOs in the full sense of the term, their struggles for autonomy and attempts to represent the interests of their members are relevant for state-society relations. Political leadership responds to these organizations; political leaders attend and speak at their events, and their concerns are heard. This representation and participation come in a strictly controlled form, managed by the state and party hierarchies. Open protest or acts of defiance are rare and dealt with swiftly.

When subcultures emerge that could encourage public protests, the typical state strategy is twofold: set limits and enforce them in exemplary cases, and open institutional channels for state-controlled public participation. The Agency for Cuban Rap Music is an example of such a co-optation strategy. During the 2021 protests, repression was followed by allowing emigration as a release valve. Since then, the government has implemented no liberalizing measures or opened any new societal dialogue. In the last days of the Biden administration, Cuba released about 100 prisoners as a quid pro quo for the lifting of some U.S. sanctions.

Beyond this pattern of state-controlled institutions, few organizations are formalized and represent substantial interests. Digital platforms have emerged as important forums for contestation. While the state tolerates this to some degree, independent journalists are repeatedly subjected to public defamation and harassment. The government does not view independent media as a legitimate actor with which to interact and blocks websites that are seen as too critical.

The political leadership maintains communication channels with communities of faith and is moderately responsive to them. The Catholic Church, in particular, has become an important mediator for the government. During the 2018 – 2019 constitutional reform process and the 2022 family code referendum, individuals were allowed to voice opposition to the proposed legalization of same-sex marriage. Although religious organizations voiced objections to the proposed code, campaigning for the "No" option was not allowed.

Public  
consultation

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Generally, the leadership neither addresses historical acts of injustice nor initiates a process of reconciliation. Nonetheless, there are a few positive signs. The government has adopted a conciliatory tone toward the Cuban diaspora. It distinguishes between Cubans abroad and a minority of political activists whom the government denounces. In addition, government policy toward homosexuals has changed substantially. In the 1960s and 1970s, homosexual men were sent to labor camps. In contrast, today, the Cuban state has emerged as a strong defender of LGBTQ+ rights domestically and internationally. The family code adopted in 2022 is considered one of the most progressive worldwide.

The hard-line cultural policy of the 1970s has been the subject of critical discussion within Cuba's cultural institutions. No formal apology has been issued and no former bureaucrats have been sanctioned for abuse of power. However, symbolic measures to rehabilitate the victims of these repressive policies have had a reconciliatory effect.

Given that the U.S.-Cuban conflict led to domestic confrontation in Cuba over the decades, Cuba's rapprochement with the United States under President Barack Obama was a significant step toward reconciliation. The reopening of embassies remains a political milestone.

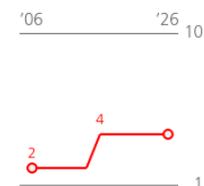
However, the government's violent repression of the 2021 protests and the lengthy prison sentences for mostly nonviolent protesters have created new injustices that have fueled polarization on and off the island. They have also revived memories of perceived past injustices that remain unresolved. With the radicalization of the Cuban community in the United States since the first Trump administration, the willingness to engage in any process of reconciliation has declined markedly on this side.

## 17 | International Cooperation

For decades, Cuba was highly critical of Western development assistance models and instead offered its own form of cooperation, particularly in education and health care, to countries in the Global South, especially in Africa. These programs have evolved over time but continue, to some extent, through Cuba's medical internationalism. In the current economic and social crisis, Cuba has had to change its stance toward receiving international assistance, and has become more dependent on cooperation and assistance from friendly governments. President Díaz-Canel has pursued an active travel agenda focused on countries not aligned with U.S. policies. The expansion of solar power plants is the clearest example of how such cooperation fits into long-term strategic development plans. However, beyond this, the government does not appear to have a long-term development strategy and is instead trying to stay afloat economically. To do so, it engages in short-term cooperation agreements of different types (ranging from trade and barter exchange to disaster relief) with friendly countries such as Russia, Venezuela, China, Mexico and some African countries, particularly Angola. In some instances, development assistance from

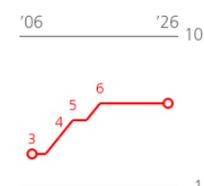
### Reconciliation

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### Effective use of support

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abroad does not come in the guise of “development assistance” but is instead carried out through trade practices that serve as a functional equivalent. For instance, although they have decreased, oil shipments from Caracas remain crucial for covering the island’s energy needs and have become a practice of continuous de facto subsidized trade relations.

U.N. organizations, such as UNDP and UNICEF, provide assistance in targeted areas, including malnutrition, medical assistance and private sector development. The largest single donor is the European Union. A few other countries, such as France, Spain, Japan, Italy and Norway, offer bilateral cooperation, yet assistance from individual European governments remains modest. A few international NGOs also provide development aid.

Cuba complies with the rules set by the international and regional organizations to which it belongs. It has been strongly committed to organizations that exclude the United States and the Global North and that do not interfere in domestic politics, such as the Group of 77 + China. In 2024, Cuba joined the BRICS+. Cuba does not accept the jurisdiction of the Inter-American Commission on Human Rights or that of the Inter-American Courts of Human Rights.

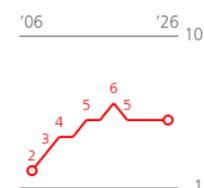
Cuba tends to be a reliable partner in the agreements it initiates and is known for its high level of professionalism when cooperating with international organizations such as the WHO. Cuba has also responded to numerous global crises, including the COVID-19 pandemic, sending medical brigades to three dozen countries, most prominently Italy. Cuba exported its COVID-19 vaccines to several countries.

Cuba systematically defaulted on its international debt in 1960, in 1986 and several times in the decades that followed. The economic downturn in recent years led to new arrears in debt service. In January 2025, Cuba reached a significant deal with the Paris Club of Western debtors to reschedule and alleviate the island’s debt burden.

Cuba signed nuclear nonproliferation agreements after the collapse of the Soviet Union and antiterrorist U.N. conventions after September 2001. Cuba has never supplied “blue helmets” to U.N. peacekeeping missions but has been an important and widely respected actor in the Colombian peace process. It has generally been uncooperative regarding civil human rights, labor standards and similar conventions, while being a vocal advocate of social human rights, such as access to health and education. Cuba has repeatedly been elected to the U.N. Human Rights Council, where it invokes national sovereignty to reject international insistence on respecting liberal human rights.

Credibility

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Cuba is a member of the Community of Latin American and Caribbean States (CELAC), although the organization has lost much of its earlier relevance. It participates in the Ibero-American Summits and the EU-LAC summit process and is a member of the Association of Caribbean States. Cuba is also a founding member of the Bolivarian Alliance for the Peoples of Our America (ALBA) alliance of left-wing governments, initiated in 2004 by Venezuelan President Hugo Chávez and Fidel Castro. Although ALBA has become largely inactive, President Díaz-Canel and other heads of state attended a December 2024 ALBA meeting in Caracas that celebrated the bloc's 20th anniversary. Despite an invitation to return to the Organization of American States in 2009, Cuba declined, refusing to accept the “Democracy Charter,” which has become the organization's constitutional bedrock. Cuba does not accept the jurisdiction of the Inter-American Commission on Human Rights or that of the Inter-American Court of Human Rights.

Cuba maintains diplomatic relations with all its neighbors, including the United States since 2015. Political relations with Latin American countries vary depending on ideological orientations and junctures. The 2022 electoral victories of Lula da Silva in Brazil and Gustavo Petro in Colombia improved relations with both countries, while the victory of Javier Milei in Argentina did the opposite. Venezuela is a significant political ally in international politics and Cuba maintains cordial relations with Mexico, which are not expected to change, as Claudia Sheinbaum takes over from López Obrador. Moreover, cooperation with Caribbean island governments is generally excellent. Cuba has provided disaster relief to many countries in the circum-Caribbean and has supported the fight against the COVID-19 pandemic with medical personnel.

Cuba cooperates with the United States on issues such as migration, search-and-rescue missions, drug-trafficking and scientific cooperation. Although this cooperation experienced setbacks during the first Trump administration, it has not been discontinued entirely. Under the Biden administration, regular consular services were reinstated at the U.S. embassy in Havana, and negotiations took place on a migration agreement. In the final days of the Biden administration, the White House removed Cuba from the list of “state sponsors of terrorism” – a step Trump reversed shortly after taking office for his second term.

#### Regional cooperation

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## Strategic Outlook

The second Trump presidency casts a shadow over Cuba's reform prospects as it dispels any prospect of negotiated support for gradual liberalization. Instead, among Cuban American hard-liners in the administration and high-pitched radicals in Miami, the Cuban economy's decline has triggered expectations of an "imminent" regime change on the island. Their strategy will be to return to maximum pressure and feed polarization that decries any dialogue or compromise as treason.

Against this backdrop, the Cuban government is unlikely to open up. The acute dangers that a U.S. return to an ultra-hawkish approach poses for regime survival will override all other policy considerations. Any political liberalization or the emergent private sector in the economy will be seen as a Trojan horse for imperialist regime-change strategies. While high rates of emigration in recent years has served as a release valve for social discontent, social tensions are likely to re-emerge as the economic crisis continues and emigration to the United States becomes more difficult. If the Cuban government fails to establish institutional channels for the meaningful expression of discontent, new outbursts of noninstitutional protest can be expected. Regarding opposition in Cuba, moderate and dialogue-oriented voices will be squeezed between polarizing forces, making any negotiated reform or transition scenario unlikely. Such all-or-nothing polarization increases the risk of violent confrontation and potentially traumatic outcomes.

None of this serves the interests of Canada, or most European or Latin American countries. These countries should maintain relations with Cuba to counter the toxic effects of extreme political polarization. For them, dialogue and cooperation are still the best means of pursuing their economic, social and political interests, even if a comprehensive reformist opening in Cuba is unlikely. Maintaining dialogue with Cuban authorities while upholding a firm commitment to democratic values and human rights will continue to be a delicate balancing act. Western contacts with Cuba's cultural scene should be maintained, as this sector is a vital force demanding more liberties from within Cuba; more than before, such contacts will need to be defended against pressure from forces that label activities on the island as regime-apologetic or worse. Similarly, cooperation with Cuba's academic and medical sectors, as well as the promotion of renewable energy, is well suited to Europe's policy approach of keeping doors open toward Cuba. Even so, political polarization across Latin America and the rise of right-wing governments, such as in Argentina, undermine the role that regional organizations, such as CELAC or the CAF Development Bank, can play.

Cuba is likely to pursue a strategy of "friend-shoring" trade and investment from non-Western countries such as China and Russia, and from the Global South. This may increase economic and political dependence, and foster a lack of transparency in economic matters. It could also provide new impetus for economic pragmatism – as in Vietnam's recent involvement in Cuba's coffee production – or support the much-needed energy transition, as with China-funded solar parks across the island. However, if Cuba wants to avoid increasing dependence on foreign benefactors,

maintaining economic ties with the West is imperative. The tourism sector is a clear case in which European and Cuban interests align against the U.S. strategy of maximum pressure. Domestically, given the near collapse of Cuba's agricultural sector, incentives to stimulate production are essential. Assistance from Western companies and development agencies could help counter dependence on Russia and other non-Western countries. Cooperation between the European Union and the Global South can provide viable ways to support such initiatives. Where U.S. sanctions affect third countries – such as in the case of Canada, and European and Latin American countries – these countries should pursue measures to shield their business interests from these pressures.