

# CUBA SUFFERS - SANCTIONS AND CORONA CRISIS DESTROYS THE ECONOMY



Cuba, a police state with a strong public health system, was able to quickly control the spread of COVID-19, even as the pandemic plunged the richest nations into crisis. However, now Cuba suffers. Cuba's economy, together with the tourism sector, already affected by US sanctions and a poor government, was particularly vulnerable to the economic devastation that followed the corona crisis.

As nations shut down airports and closed borders to combat the spread of the virus, tourist travel to Cuba plummeted and the island lost a major source of foreign exchange, experiencing one of the worst food deficits ever in almost 25 years.

Food is usually found only in government-run stores, which stock from imports and charge in US dollars. **The strategy, also used back in the 1990s during an economic crisis known as the Special Period, is used by the government to collect foreign exchange from Cubans who have savings or receive money from friends or relatives abroad.**

Even in these stores, goods are scarce and prices can be unreasonable. The reliance on dollar stores, a move aimed at bolstering the socialist revolution in a country that prides itself on egalitarianism, has worsened the economic inequality, some Cubans say.

Cuba's economy was in trouble even before the coronavirus. The Donald Trump administration has worked hard to strengthen the decades-long trade embargo and has gone after Cuba's foreign exchange sources. The US has also sanctioned oil tanker companies that sent oil to Cuba from Venezuela, while also cutting commercial flights from the United States to the island.

Last month, US Secretary of State Mike Pompeo also announced the end of charter flights. After the Cuban state energy company Corporación Panamericana was sanctioned, even cooking gas had to be rationed.

And then COVID-19 put a stop to tourism. Foreign exchange coming from Cuban expats began to dwindle as the virus resulted in massive job losses in the United States.

After that, the Cuban government was left with far less income to buy the products it sells in state stores, resulting in a shortage of basic goods across the island. Earlier this year, the government warned that personal hygiene products would be hard to come by.

Cuba suffers while facing the "triple threat of Trump, Venezuela and COVID," said Ted A. Henken, professor at Baruch College and co-author of the book *Entrepreneurial Cuba*. "COVID was what pushed them over the edge."

Moreover, last week, Donald Trump, announced new sanctions prohibiting Americans from staying in any hotel in Cuba, from buying tobacco or alcohol there to bring back to the United States, or from traveling to the island to attend professional conferences. To implement the sanction, the State Department created a new List of Prohibited Accommodations, which affects 433 hotels on the island.

The pandemic, and the recession that followed after, forced the government to announce that, after

years of promises, it would implement a series of economic reforms designed to reactivate the private sector.

The Communist Party said in 2016 that it would legalize small and medium-sized enterprises, but no action was taken to do so, so business owners remain unable to obtain financing, sign contracts as a legal entity, or import goods. Now, a change is expected including more lines of work to be legalized, although no details have been announced.

Cuba also has a history of offering reforms only to rescind them months or years later, entrepreneurs said.

However, the Cuban government blames Washington for the current situation. “We cannot export what we want, because every time we export to someone they try to cut off that export,” said President Miguel Díaz-Canel, referring to the United States in a speech this summer. “And every time we are trying to secure credit, they try to take it away. They try to prevent fuel from reaching Cuba. And then we have to buy in third markets, at higher prices. Why is this not talked about?”

Díaz-Canel stressed that despite the difficulties, Cuba led a successful battle against the coronavirus: “The health system did not collapse, and,” he said, “no children or health professional died of this disease.”

With 11.2 million people, Cuba had just over 5,000 coronavirus cases and 115 deaths by Friday, September 18, one of the lowest mortality rates in the world. By comparison, Puerto Rico, with 3.2 million people, had five times more deaths.

Each time someone tested positive for COVID-19 in Cuba, they were taken to the hospital for two weeks, even when asymptomatic, and those that were exposed were also placed in isolation for two weeks. Apartment buildings and even entire city blocks that became sources of infection were entirely closed to visitors.

After March, people who flew to the country were also put in quarantine centers, and medical students went door to door to examine millions of people every day. Face masks (or nasobucos, as they are known on the island) are mandatory, and the fines for being caught without one are strict.

With international flights at a virtual standstill, immigration officers are now assigned to stand guard outside quarantined apartment buildings, making sure no one goes in or out 24 hours a day.

At a quarantined building in Boyeros, a neighborhood near the Havana airport, an immigration officer sat in the shade while messengers and family members brought food for those inside.

The strategies worked. However, when the authorities began to lift restrictions in July and opened beaches, bars and public transportation, the nation’s capital saw a spike in cases and a curfew was imposed in Havana.

“Cuba is good at handling crisis and in preventive health care,” said Katrin Hansing, professor at Baruch College who spent the peak of the pandemic locked in Cuba. **“Support for the government was remarkable,” she said, “even if the lines at the stores were long, people felt safe from the virus.”**

Now, many Cubans hope that economic reforms will bolster the private sector and allow independent business operators to kick-start the economy.

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