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## **NORTHWEST PASSAGE**

CAPITAL ADVISORS

*April 2017*

### **“Trouble in Paradise”**

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Today, Cuba stands at a crossroads. During a recent visit, I had the opportunity to see firsthand Cuba’s dualities. On the one hand, it possesses all the hallmarks of paradise: tropical weather, beautiful beaches, warm and welcoming people, and, of course, its famous rum and cigars (for those who indulge). On the other hand, the country faces profound political and economic challenges presenting great opportunities, but also risks. Improving relations with the U.S., as evidenced by the political reforms implemented by the Obama Administration, may open new doors for prosperity after decades of a U.S. embargo. Yet, Cuba still relies on old allies and partnerships which are increasingly detrimental.

In many ways, Cuba faces the same dilemma which confronted the Soviet Union, later Russia, in the 1990s. As it was for Gorbachev and then Yeltsin, Fidel Castro and now his brother Raul have been forced to experiment with policies to liberalize the economy. But with experimentation comes missteps and failures. Just as these other leaders discovered, it’s hard to control the momentum of public expectations once starting down the road of economic liberalization. There is no reason to think Cubans will be any more patient with their political leadership, especially with the world’s largest capitalist economy only 90 miles away. The United States can do much to foster change by encouraging the Cuban government to adopt needed reforms.

One advantage for Cuba is geography; it has held a key geopolitical location ever since its discovery by Christopher Columbus in the late 15<sup>th</sup> century. Within the Caribbean, it is by far the largest and most populated island. Although briefly under British rule, Cuba was a Spanish colony until the Spanish-American War of 1898. It finally achieved independence in 1902 when the U.S. withdrew. However, the U.S.’s influence and presence continued over the course of the fledgling nation’s development, for good and ill. In January 1959, the pro-U.S. dictator Fulgencio Batista fell to Fidel Castro’s forces – the revolution had begun. The Castro regime gained control over politics, the economy and abolished private property, causing the wealthy and productive flee to the U.S., leaving behind most of their possessions.

Relations with the U.S. soured, bringing about the embargo and the U.S. supported Bay of Pigs fiasco. It was during the height of the Cold War that Cuba found its new ally, the Soviet Union, offering significant economic and military assistance. This new relationship gained international prominence, and ramped up anti-U.S.

sentiment by the Castro regime, climaxing in the Cuban Missile Crisis of 1962. The collapse of the Soviet Union decades later proved a disaster for Cuba, which became dependent on Soviet trade and support for its very existence. Soviet support was estimated to be approximately 20% of GDP. The end of the Cold War proved a difficult economic period for Cubans. Food and energy supplies became strictly rationed. For many on the island, life became a struggle for survival. The promise of a workers' paradise turned into a mirage.

Opportunistically, Venezuela, led by the self-styled socialist revolutionary, Hugo Chávez, stepped into the void left by the Russians and provided Cuba with extremely generous cash and energy allocations. Per one source, "under an agreement signed in 2000, Venezuela supplies Cuba with about 80,000 barrels of oil per day, a deal worth about \$1.3 billion."<sup>i</sup> In return, Cuba provided professional and technical support to Venezuela. Over 40,000 Cubans, mostly doctors and other health care professionals, were sent to work in Venezuela. Despite being a poor country, Cuba has historically maintained a quality health care and educational system, which has proven a valuable commodity in its trade arrangements. But now, the ongoing deterioration of Venezuela's government has led to dire economic consequences for Cuba. The rapid demise of Venezuela's economy threatens to starve Cuba of its cash and energy needs.

A half-century since the revolution, Cuba continues as one of the last planned economies. The government sets economic priorities, controlling virtually all means of production, and the labor force. However, private enterprise is slowly making its way into the Cuban economy under reforms instituted under Raul Castro, the current president. Today, over 20% of the workforce is privately employed. Increasingly, agriculture and tourism-related service industries are undergoing privatization. Select farmers can sell excess produce to consumers at local farmers' markets. In the cities, privately owned restaurants cater to foreign tourists. Although, in affirming the economic presence of the regime, restaurant owners must pay the Cuban government for the worker, who is then compensated by the state.

For the average Cuban, the pace of economic reforms is slow to improve their daily lives. Citizens still heavily rely on the government, receiving housing, healthcare, education and food at highly subsidized rates. Each Cuban receives a basic monthly food allotment consisting of rice and beans. Extras, like chicken or fish, are available for purchase at alternative markets. Few Cubans, however, have excess savings to purchase additional food or clothing. Household appliances and cell phones are available for purchase using the convertible peso (CUC) but are very much luxury items. Most Cubans are paid in either the Cuban peso (CUP) or CUC; the latter having a much higher official conversion rate. The average GDP per capita is stated as approximately \$6000, but monthly wages in Cuba typically range between \$20-\$120 per person when fully converted. To visitors, it becomes quickly apparent that there are two economies: one for those visiting Cuba with hard currency convertible to CUP's, and another for those living in Cuba with limited access to imported products.

Don't count on a capitalist revolution sweeping through Cuba anytime soon. It remains a one-party communist government committed to socialist ideals. However, change seems inevitable. Raul Castro is expected to relinquish power next year. His successor, while likely a loyal party member, is less likely to have the same revolutionary zeal. Reforms, while slow, will transform Cuba, likely moving it

ideologically closer to the US, perhaps leading to the strategic partnership destined by geography.

A primary source of uncertainty in this transformation is U.S. policy going forward. Will President Trump, as a self-professed dealmaker, sense an opportunity and continue down the path of reengagement laid out by the Obama Administration? Failure to do so will not only be a missed opportunity for both countries but also prolong the economic and political misery of the Cuban people still trapped in paradise.

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<sup>i</sup> Burnett, Victoria. "Amid Grim Economic Forecasts, Cubans Fear a Return to Darker Times." The New York Times. The New York Times, 12 July 2016. Web. 06 Apr. 2017. Quoting Jorge Piñon, an energy expert at the University of Texas