



Towards a new industrial policy for Cuba

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Why talking about industrial policy?

- ▶ Economies do not grow as “balloons”
 - ▶ Structural change matters
- ▶ Structural transformation as a key component in the development process
- ▶ Developing countries: efficient change will not happen spontaneously
- ▶ Need for deliberate actions: industrial policy
- ▶ Inefficient structural change at the root of Cuba’s main challenges
 - ▶ Low productivity
 - ▶ External constraint



Industrial policy

- ▶ Differences among industries along key economic dimensions
 - ▶ Economic public goods
 - ▶ Technological platforms: ICT and physical infrastructure
 - ▶ Evolving comparative advantages
 - ▶ Need for state intervention
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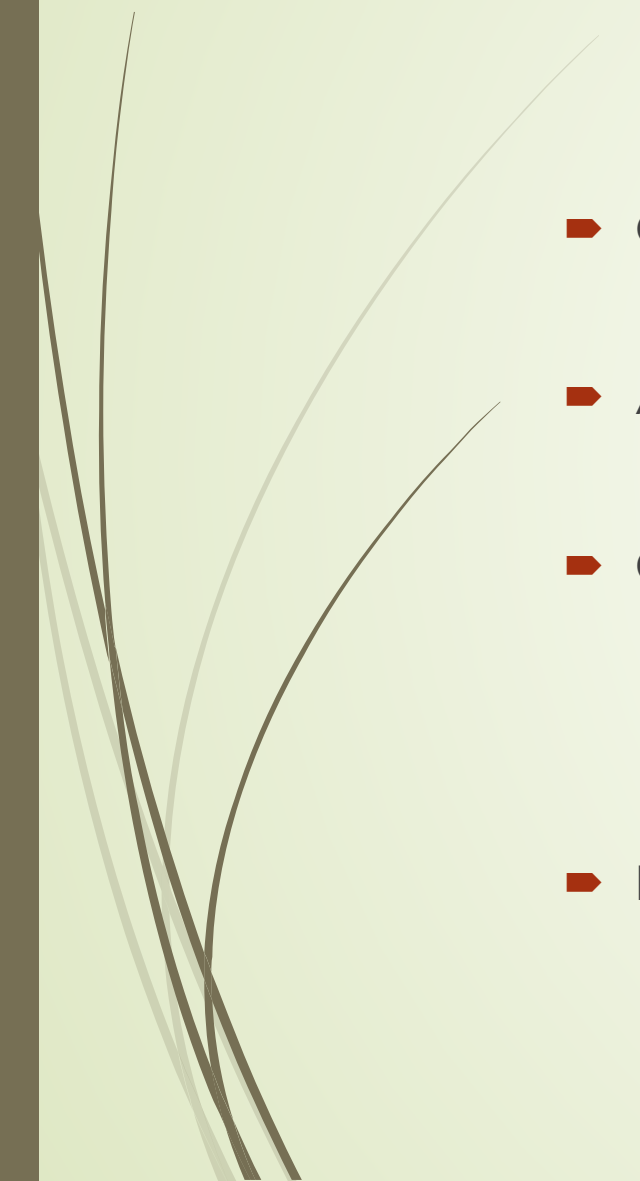


Industrial policies in Cuba (1959-1989)

- ▶ Context
 - ▶ Cuba was not a market economy
 - ▶ Favorable external conditions
- ▶ Principles
 - ▶ Vertical
 - ▶ Administrative
- ▶ Goals
 - ▶ Inward industrialization
 - ▶ Goods producing activities
- ▶ Instruments
 - ▶ Soft financing



Industrial policies in Cuba (1990-2010)

- Overall shift to macroeconomic stabilization
 - Absence of an explicit development strategy
 - Changing sectoral focus
 - From goods to services
 - Activities with high short-term impact on balance of payments
 - Downsizing of the manufacturing sector
- 



Cuba's productive transformation

- ▶ Poor performance in goods-producing industries
- ▶ Manufacturing decline
 - ▶ Sugarcane
 - ▶ Capital goods
- ▶ Tradable service sectors
 - ▶ Few linkages
 - ▶ Poor job creation
- ▶ ICT



Recent changes

- ▶ New organizations
 - ▶ Ministry of Industry
- ▶ Passing of new policies
- ▶ New FDI Law
 - ▶ First sectorial priorities
 - ▶ Generic activities: infrastructure, wholesale



Discussion



- ▶ Premises
 - ▶ International markets
 - ▶ Narrow concept of industrial policies
- ▶ Policy dialogue
 - ▶ Emerging economic agents
 - ▶ Inclusive agenda
- ▶ Diagnostics
 - ▶ Comparative advantages
 - ▶ 3 cores: natural resources, human capital, logistics



Discussion

- ▶ Instruments
 - ▶ From ex-ante to ex-post support
 - ▶ Monetary and fiscal policies
- ▶ Implementation
 - ▶ Economic development strategy
 - ▶ Specialized agencies: FDI and export promotion



Concluding remarks

- ▶ Diverse economic landscape
 - ▶ More complexity
 - ▶ More options for policy
 - ▶ Process matters
- ▶ Capacity building at the government level
 - ▶ Learning from others