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**ECONOMIC COOPERATION OF RUSSIA AND CUBA IN THE  
MODERN STAGE**

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**Abstract**

Russian-Cuban economic and trade relations have a long path of historical development, during which there were periods of both intensive cooperation and a reduction in trade and economic support. After the collapse of the USSR, the leadership of the Russian Federation stopped supporting Cuba, which negatively affected Russia's international influence in the region. Cuba owed the Russian Federation, as the legal successor of the USSR, a significant debt, however, the Russian leadership did not use it either as an aspect of political and economic influence, or as a form of a possible investment mechanism. Declarative statements on the continuation of cooperation remained largely unfulfilled. Currently, there is a return to the active economic policy of Russia in the Western Hemisphere, and Cuba, whose economic and scientific development is largely due to Soviet support in the second half of the 20th century, continues to be a priority partner of the Russian Federation. The most promising areas of economic cooperation between the Russian Federation and the Republic of Cuba are currently the spheres of energy, transport, medicine and biotechnology, tourism, in which there is significant potential associated both with the history of union relations established in the second half of the 20th century, and with geopolitical interests of both states.

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## **1. Introduction**

Trade relations between Russia and Cuba date back to the end of the 17th century. As Shkunov (2016) writes:

The island attracted the attention of entrepreneurs from all over the world, first of all, with its unique products, which were in high demand on the world market. Cuban cigars, sugar, coffee and other goods could be found in almost all countries of Europe, North and South America, Asia, and Africa. The Russian Empire was no exception. (p.157)

In 1826 the first Russian envoy was sent to Cuba. In July 1902, after the formation of the Cuban Republic and the recognition of its independence by the Russian Empire, official diplomatic Russian-Cuban relations were established by mutual credentials between the first President of Cuba T. Estrada y Palma and Emperor Nicholas I. In July 1913, the Cuban consul arrived in the Russian capital (Figueroa, 2011), but in October 1917, after the Bolshevik coup, diplomatic relations were terminated (Pantjukhin, 2014).

During the Soviet period, until the liberation revolution of 1959, Cuba did not play a large role in the political and economic policy of the USSR, and diplomatic relations, restored in 1942, were again terminated in 1952, during the dictatorship of General F. Batista y Saldivar (Figueroa, 2011). The support of the Soviet Union for the liberation movement and the victory of F. Castro led to the beginning of close economic, military, and cultural cooperation. The USSR provided Cuba with significant gratuitous economic assistance and purchased agricultural and light industry products from a country that was under international sanctions (Veretennikova, 2016).

Shkunov (2016) especially notes that:

The entry of the Republic of Cuba into the Council for Mutual Economic Assistance (CMEA) in 1972 allowed it to move to a qualitatively new level of economic, scientific and technical cooperation with its socialist countries. Thus, she was included in the process of the international division of labour, which was in her interests. (p. 159)

Following the visit of the General Secretary of the CPSU M.S. Gorbachev's visit to Cuba, April 4, 1989 in Havana, the signing of the Treaty of Friendship and Cooperation between the Union of Soviet Socialist Republics and the Republic of Cuba for a period of twenty-five years, in which the parties assumed "to develop and improve economic, scientific and technical cooperation and trade cooperation in every possible way" (Electronic fund of legal and normative-technical documentation [EFLNTD], 2021b, article 2).

## **2. Problem Statement**

Since the early 1990s, the historical development of Russia has turned in a completely different direction. The USSR ceased to exist, and the cooperation with Cuba of the new Russian state was practically destroyed. Russian state organizations conducting economic activities in Cuba were liquidated, contracts

for the construction of industrial and agricultural facilities were frozen or terminated, and Soviet specialists were revoked. In 1993, despite the negative reaction of the Cuban leadership, Russian military specialists left the island.

The collapse of the socialist system of the Council for Mutual Economic Assistance (CMEA) in Eastern Europe brought significant losses to the Cuban economy. "According to experts, after the collapse of the USSR, Cuba's GDP fell by 35 percent. She lost markets for her goods in countries with which she was economically linked for more than thirty years" (Shkunov, 2016, p. 157). Attempts to restore the lost positions in economic relations, for example, the Declaration on Principles of Relations between the Russian Federation and the Republic of Cuba (EFLNTD, 2021a) adopted in May 1996, were, in fact, declarative and did not lead to the development of real economic cooperation. Trade turnover between the Russian Federation and the Republic of Cuba during the 2000s continued to decline: in 2000 it was \$ 385 million, in 2002 - \$ 322 million, in 2004 - \$ 233 million, in 2005 - \$ 186 million (Bekarevich & Kukharev, 2010). At the same time, it should be noted that in the political space Cuba continued to be an ally of the Russian Federation and the conductors of its interests in the region.

### **3. Research Questions**

Cuban foreign trade and economy was forced to reorient towards the countries of Latin and North America and Western Europe. Even in such a seemingly relevant sphere for Russia as the exploration and production of oil in Cuba, the achievements of the USSR were lost, and the contracts were transferred to Western firms (Zapariy, 2019). Cuba actively developed international tourism, transferring the disposal of the most promising assets to transnational corporations; free economic zones with incentives for investors were created, including in Havana (Zvonova, 2017).

Its competitors took advantage of the weakening of Russian influence in Cuba. And even the leadership of the United States of America pursued a policy of softening relations with Cuba, which continued to declare socialist principles. On February 23, 2009, the Republican faction's report "Changing policy towards Cuba is in the national interest of the United States" was submitted to the US Senate for consideration, in which it was proposed to ease economic sanctions against Cuba" (United States Senate, 2009).

"The senior Republican on the committee and its former leader, Richard Lugar, noted that the 47-year unilateral trade embargo against Cuba has failed to achieve the stated goal of "returning democracy" and that it is necessary to recognize the ineffectiveness of this policy and to engage with the Cuban regime in a way that promotes our interests" (Ulugova, 2017, p. 195). Moreover, the report noted that as a result of the negative reaction to the sanctions of many countries, including in Latin America, it was the United States, not the Cubans, that found itself in international isolation (United States Senate, 2009).

As Ulugova (2017), the change in the course of the American establishment was partly forced and became a response to the beginning of real rapprochement between Cuba and the Russian Federation. However, the restoration of relations turned out to be more difficult process than breaking them. Russian entrepreneurs are faced with such problems as increased international competition in the fields of oil and gas production, energy, and the automotive industry. After 2014, tensions are growing in relations between the Russian Federation and the United States of America and the EU countries, including with former

CMEA members, with the use of economic and political sanctions, attempts to pursue an isolationist policy towards Russia and its economic partners. All this actualizes the work on strengthening mutually beneficial economic cooperation between the Russian Federation and Cuba

#### **4. Purpose of the Study**

Studying the historical experience and the current state of Russian-Cuban trade and economic relations and cooperation in various fields of industry is one of the aspects of improving Russia's image in the world. In the context of the growing international tension, the growth of separatism in various regions of the world, the strengthening of the sanctions policy of a number of leading Western countries and the United States, the use of the positive aspects of the experience of cooperation and mutual assistance between the USSR and Cuba in the second half of the twentieth century, the memory of which is still alive in both countries can become one of the significant aspects of the further development of mutually beneficial economic relations.

In modern conditions of rapid information, communication and technological development, especially, an urgent problem is to reduce the negative aspects of this development in a traditional society, smooth out generational contradictions in society, as well as problems associated with the rapid obsolescence of technologies and, accordingly, the forced mobility of labour market participants. The historical and cultural experience of cooperation between Russia and Cuba has led to a general specific attitude towards the "explosion of innovations", the careful introduction of virtual technologies, which can and should further restore the depth and scale of economic, scientific and educational cooperation between the two states.

#### **5. Research Methods**

In this study, we used general scientific methods of objectivity, historicism, consistency, as well as methods of interdisciplinary analysis of socio-historical and economic phenomena.

#### **6. Findings**

In the summer of 2014, Russian President V.V. Putin signed an order to write off 90% of Cuba's debt to the Russian Federation (including as the successor to the USSR) and to invest the remaining 10% in the Cuban economy (Official site of the President of Russia, 2014). During his visit to the countries of Latin America, the President of the Russian Federation visited Cuba, during which a package of agreements on mutual cooperation, including economic, in the field of tourism, energy, and bio pharmacology, was signed. Press statements were released on 11 July 2014 (TASS. State News Agency, 2014). Since that time, there has been a gradual growth in Russian-Cuban economic, cultural and scientific relations, which is also shown by the growth of trade between the two countries.

In 2015, "Cuba exported goods to Russia in the amount of USD 56.1 million (an increase of 0.7%), and imported goods from Russia in the amount of USD 131.9 million (a decrease of 4.1%). The surplus in favor of Russia amounted to \$ 75.8 million. Russia took 14th place in the list of Cuba's trade partners. Its share in Cuba's foreign trade in goods was 1.2%, in Cuban exports - 1.7% (7th place), in imports - 1.1%

(15th place)" (Annual review of the state of the economy, 2016). Cuba's main trading partners were Venezuela (over 30%), as well as China (30%), Spain (11%), Brazil (5.1%) (González & Alonso, 2016).

In 2016, the Russian-Cuban trade turnover increased by 82.6% and amounted to USD 248.1 million (Annual review of the state of the economy, 2016). Major investment projects were outlined: the construction of four power units with a capacity of 200 MW each at the Cuban TPPs "East Havana" and "Maximo Gomes" and work on the reconstruction and modernization of the metallurgical plant "Antillana de Acero named after. Jose Marti" Annual review of the state of the economy, 2016).

With the support of Russia, a Biotechnology Center was opened in a suburb of Havana, which includes 38 companies, 22,000 workers, 7,000 scientists and engineers (Kolomyts et al., 2016). In 2018, the trade turnover between the Russian Federation and the Republic of Cuba reached \$ 387.9 million, which is 33.7% higher than in 2017. At the same time, an imbalance remains in the export of Russian goods to Cuba - \$ 372.7 million and imports - 15.2 million dollars. (Kommersant, 2019).

And yet, according to Terentyev and Vlasova (2020):

Russian companies still manage to withstand competition from their foreign partners. However, against the background of the growing activity of large, primarily American and Chinese corporations, the future of Russian enterprises and the Russian economic presence on the island remain under a question. (p. 29)

An important area of economic cooperation between the Russian Federation and Cuba is tourism, which has been actively developing in recent years. In 2018, 137 thousand Russian citizens visited Cuba, in 2019 - 178 thousand people. Nevertheless, in the total tourist flow to the island, amounting to about 4 million people (Travel Weekly, 2019), this figure is not impressive, especially since "Russian companies do not have significant representation in the tourism sector of Cuba" (Terentyev & Vlasova, 2020, p. 30).

In recent years, the Cuban government has taken measures to develop modern information and communication technologies, in particular, in 2018, the decree-law "On the computerization of Cuban society" (Gaceta oficial, 2018) was adopted, amended in 2019 by decree No. 359 "On development of the industry of computer programs and applications" (Decree to No. 359, 2019). Despite the fact that currently only one Russian information technology campaign "IC" is operating in Cuba, there are prospects for cooperation, primarily in the field of information protection of military, government, industrial programs and life support facilities, joint educational programs on information technology, investment projects of computerization of the oil and gas and mining industries of Cuba (primarily, the extraction of cobalt nickel), developments in the field of digital medicine and telemedicine, solutions in the field of digital and remote services for tourism, and a number of others (Tech Global, 2021). In these areas, Russia has extensive experience, including at the international level of cooperation, and a certain backwardness of Cuba in the field of information support can serve as a basis for Russian campaigns for joint development.

The prerequisites and legal basis for cooperation were laid down by the signing in July 2014 of the "Agreement between the Government of the Russian Federation and the Government of the Republic of Cuba on cooperation in the field of international information security" (EFLNTD, 2021c). The current problem of the difficulty of doing business in Cuba, associated with the significant influence of the state

and ideology on the life of Cuban society, is being successfully overcome. Thus, in the 2014 law "On Foreign Investments", the tax on doing business by investors was significantly reduced, first of all, the tax on the use of labour force and customs duties on the import of investment equipment were removed (Juriscuba, 2018). At the same time, it is precisely the aspect of state influence on the economic life of society that the Cuban mentality is most similar to the Russian one.

In 2019, trade between the Russian Federation and Cuba fell slightly, and it is hardly worth hoping for a quick recovery due to the restrictions caused by the coronavirus pandemic. Nevertheless, the Cuban direction remains relevant both in Russian policy, especially in the context of a new round of tension and US sanctions isolation policy, and in the field of economic cooperation. Nevertheless, if in the early 2000s, analysts believed that in the next decade "Cuba will be largely lost to Russia as a long-standing and friendly partner" (Novikov & Chelyadinsky, 2012, p. 23-27), then in the early 2020s. You can see more optimistic forecasts regarding the development of bilateral relations between the Russian Federation and the Republic of Cuba on many political and economic issues, in which the positions of the countries and their leaders coincide.

## 7. Conclusion

The Cuban direction of development of Russian international economic cooperation remains relevant in the context of modern international tension, as well as systemic modernization of the economy of societies associated with the accelerated development of information, communication and technological innovations. The experience of Soviet-Cuban cooperation and the Soviet Union's support for the liberation movement and a just socialist economic order in Cuba creates conditions for mutually beneficial and competitive cooperation between the Russian Federation and the Republic of Cuba in various fields of industrial production, the use of natural resources, science, education, medicine and tourism. The Cuban economic model is largely based on the Soviet experience, and, like in modern Russia, it is not without problems integrating into the world system. At the same time, the peoples of both countries retain a positive image of each other, the idea of friendliness and mutual support.

Since 2014, the modern leadership of the Russian Federation and Cuba has adopted a significant number of agreements and projective documents that can become the basis for such cooperation. In the long term, an active activity that supports both private initiative and government efforts is required in order to translate existing opportunities into reality.

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