In 2004, the Spanish oil company Repsol announced the discovery of high quality oil deposits in the Exclusive Economic Zone of Cuba (EEZ). The U.S.G.S. estimates the oil reserves at 4.6 million barrels, while the Cuban government estimates them at 20 million barrels. With the extraction of oil, Cuba may be able to reduce its dependency on oil imports and even become an important oil exporting nation. The EEZ has been divided into 59 blocks, 22 of which have been given to international oil companies through Production Cooperation Agreements (PCA) in which the companies agree to engage in certain exploration costs in exchange for 50% of the production rights.

### Summary

This study explored Cuba’s risk of experimenting the Oil Curse. This theory states that oil-related revenues impact the political and economic system of a nation. The consequences are the rentier, repression, and modernization effects. The political and economic institutions were examined. A tendency to fall into the Oil Curse was identified; specifically, manifesting the rentier and modernization effects. Further investigation should expand the analysis to quantitative analysis and related research should continue the analysis of the effective impact and potential revenues from the oil extraction of the EEZ.

### Theoretical Framework

The Oil Curse Theory states that the political and economic institutions before the oil extraction, determine how the oil-related revenues impact the political outcome and future economic conditions of the nation. The consequences of the oil curse are described by Ross (2001) in three main effects: rentier effect, repression effect, and modernization effect. The conditions of the Cuban institutions today, will influence the effects the emerging oil industry may have had on Cuba and its institutions.

### Objectives

- To evaluate the characteristics of the political and economic systems of Cuba.
- To foresee the allocation, by the potential revenues of the EEZ.
- To determine whether the propensity to fall into the oil curse exists.

### Method and Procedure

To examine the political and economic institutions of Cuba, thirteen characteristics were chosen: political regime, oil dependency, diversification of the economy, income distribution, education, growth, credit market, stock market, budgetary system, government effectiveness, control of corruption, regulatory quality, rule of law, voice and accountability, political stability and absence of violence, and level of education. Each of these characteristics were described, analyzed and linked with the corresponding effect of the oil curse in order to predict a possible future scenario for the institutions of Cuba as an oil-exporting country.

### Conclusions

Under the assumption that Cuba becomes an oil – exporting country and, after careful evaluation of the thirteen variables chosen to represent Cuba’s political and economic systems, we conclude that Cuba has a potential to fall into the Oil Curse. It is probable that both the rentier and modernization effects will manifest in a future scenario.

Nonetheless, we recognize that given the nation’s unique political and economic position in the international scene, it is hard to foresee the outcome of the development of the Cuban oil industry. In addition, we must not forget the possible future impact of the guidelines approved by the VI Congress of the Cuban Communist Party in April of 2011. These guidelines aim to implement reforms in areas like employment, tax reforms, and private sector enhancement, in order to improve the economic growth. This investigation serves as an initial step to understand a currently evolving political and economic phenomenon which consequences are still unknown.

### Limitations and Recommendations

An analysis of the prospective effects of oil exploitation on the political and economic institutions of Cuba cannot contemplate all of its results without assuming that the oil industry, in time, will develop. Further investigation should expand to a quantitative analysis and related research in order to continue the analysis of the effective impact and development the oil industry may have on Cuba and its institutions.

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