

China Has Forgiven Nearly \$10 Billion In Debt. Cuba Accounts For Over Half.

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Via la Revolucion! Cuba's President Miguel Diaz-Canel (left) and former Cuban president Raul Castro wave flags during a May Day parade this year. Cuba has been the largest, single beneficiary of Chinese debt forgiveness.

Ramon Espinosa/ASSOCIATED PRESS

Over the last 18 years, China has written off around \$9.8 billion in debt to other countries. [Cuba accounts for over half of it.](#)

The communist-led, closed-market economy has been a dependent nation since it was a Soviet outpost in the Cold War. And now, not all that much better off than it was in the 1980s, China funds have been as important to the left's most romanticized Caribbean getaway as Venezuela's highly discounted crude oil. Cuba had \$6 billion in debt canceled in 2011, an outlier of the dozens of nations on the receiving end of Chinese government loans, based on a report by Development Reimagined and the Oxford China Africa Consultancy published in April.

In 2007, the biggest year for debt forgiveness by Chinese entities, some 25 nations saw their debt written off. But even those 25 nations were no match for the Cubans. They had a sum of just \$838 million wiped out, over six times less than Havana.

President Donald Trump's efforts to pressure Cuba into dropping its support for Venezuela's leader and South America's biggest Cuba fan, Nicolas Maduro, have added to the island's woefully underinvested economy.

Cuba's government now seems unable to get food to its people, much like the Venezuelans (who also cannot get medicine and gasoline to its people).

This month, [Cuba actually took to rationing certain food items](#), using the rations as a means to blame Trump for tightening U.S. economic sanctions.



The Cuban government has rationed chicken, eggs, rice, beans, soap and other basic products in the face of a grave economic crisis they are blaming, in part, on the U.S.

Ramon Espinosa/ASSOCIATED PRESS

One tightening stems from the newly imposed rules under the old 1996 Helms-Burton Act. While it is not a sanction, Title III of the Act threatens with U.S. lawsuits anyone who sells goods and services to companies that operate from land that was appropriated by the early revolutionary government of Fidel Castro.

“If there is someone in Cuba making a profit off of property that used to belong to you or your family, then you can attempt to sue them in a U.S. court,” says Richard Matheny, a partner with Goodwin in Washington, D.C. That can only be accomplished if the party that owns the land now in Cuba also owns something in the U.S. that can be attached to a legal judgement.

There have been around 513 claims filed against Cuba over the years, says Matheny. The present value of those claims is estimated to be around \$8 billion.

Cuba might need more Chinese aid as well as fresh lending from Beijing's multinational lenders.

China's “Free Money” Machine



Brothers in communism: Cuba's Communist Party chief Raul Castro with President Xi Jinping at Revolution Palace in Havana.

Cubadebate, Ismael Francisco/ASSOCIATED PRESS

China's debt cancellation policy is similar to that of the Western lenders.

And while Cuba takes the cake in terms of the monetary value, all of the volume comes from Africa.

Over the 18-year period ending in 2018, around 50% of China's cancellations have gone to highly indebted poor countries, mostly in Africa. Over 20 African nations on the receiving end of Chinese government loan have seen their loans forgiven, with about six of them getting free cash twice.

Last year, the First Forum on China Africa Cooperation pledged some \$60 billion to Africa, implying further debt reductions are likely based on past results.

As an aside, some of the top lending nations in 2018, including China, and multilateral lenders eliminated nearly \$100 billion in debt for 36 countries of which 30 were in Africa.

All of these African countries are in bad shape. No one is complaining about writing off debt to countries usually also faced with some humanitarian or health crisis.



The war-weary nation of Sudan is one of the most destitute in Africa. Like Western lenders, Chinese lenders have forgiven Sudanese debts numerous times over the last 18 years. (AP Photo/Sam Mednick)

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The majority of countries getting Chinese loans have only received debt forgiveness once.

Between 2000 and 2018, 57% of China's recipients saw their debt slate wiped clean. The next highest number saw 21% seeing what was once a loan being turned into a gift.

Only 2 countries—Sudan and Zimbabwe—were on the receiving end of debt forgiveness more than three times, [according to the Oxford China Africa Consultancy](#) at Oxford University.

Outside of Africa, other large cancellations include Pakistan (\$500 million) and Cambodia (490 million).

Cuba is financially better off than all of those nations.

Cuba GDP per capita is over \$8,000, which is at least four times that of Pakistan's and Cambodia's. Cuba's total GDP output is also larger than Cambodia by a factor of four.

Yet for a country that prides itself as being the picturesque wonderland of hip, anti-Yankee, *socialismo* ... the land of Mambo has uncharacteristically seen debt cancellations from many sources, not only from the Chinese government.



The Chinese have nothing on the Russians, though. No other country has wiped Cuba's debt clean like the Russians, including under Vladimir Putin.

Valeriy Sharifulin, Sputnik, Kremlin Pool Photo via AP/ASSOCIATED PRESS

From 2008 to 2015, investment in Cuba fell 17% and exports fell 5%. It produces little and has a significant trade deficit. Its deficit would be even worse if not for oil subsidies from Venezuela. In that case, it would need even more money from foreigners just to pay its politicians and pension funds.

If debt cancellation to Cuba was an actual loan, the \$6 billion China gave to the Cuban government would be one of China's biggest loans ever.

Between 2011 and 2014, many years after the Cold War, four countries wrote Cuba off as a loss. Mexico, Japan, China and Russia wrote off a combined \$40 billion, based on the study by Development Reimagined. That's equal to about 50% of Cuba's current GDP. What the Castro government did with that money is anybody's guess.