

Changes in Cuba



**A briefing from
Cuba Solidarity Campaign
Manchester Group**

Changes in Cuba

A briefing from Manchester Cuba Solidarity Campaign Group

There has been considerable media coverage of changes taking place in Cuba, especially since Fidel Castro announced that he would not stand for election for another term as President, and the National Assembly, in accordance with the Cuban constitution, elected Raúl Castro as President.

Western media coverage can be characterised by a number of 'scripts', of which the following are representative:-

1. *It is only a matter of time before the communist system in Cuba is replaced by a free market orientated democracy.*
2. *Cubans are now to get access to Western consumer goods – computers, mobile phones, stays in expensive hotels.*
3. *The Cubans are now embracing capitalism, for example privatising land.*
4. *There is no freedom of expression in Cuba but some brave people are speaking out.*

Government discourse is not very different. Although the UK government, in common with an overwhelming majority of the world's nations (i.e. all but the US and 1 or 2 client states) annually censures the US economic blockade of the island, government sources here and in the EU have a discourse of this form:-

It is important to maintain contact with Cuba so we can encourage change to a multi-party free market system.

Our view, and we believe that of the majority of Cubans, is different and to explain it we need to consider the following issues:

- What are the challenges facing Cuba now?
- What needs to change and what does not need to change?
- What do Cuban people want and think?
- What is the process of change in Cuba?
- What options does Cuba have?
- What is changing and what is not?
- What might happen next?

1. What are the challenges facing Cuba now?

Cuba is a Caribbean nation of some 11,000,000 people. It has for all but the last 50 years of its modern history been a colony, or neo-colony under first Spanish and then United States domination (except for a few months under the British). As such it was established as a primary producer economy, for much of its history a source of cheap calories for the colonisers, produced with the help of slave labour (at the time of the revolution in 1959 there were still many ex-slaves still alive¹). While its level of economic development was in a number of ways advanced for the region in 1959, it was still very much a dependent economy². Few such dependent economies have 'made it' into the ranks of the first world club and in terms of GDP per capita Cuba itself stands at position 94 out of 177 countries³.

On top of this basic positional weakness Cuba has four further problems:

1. The US blockade, rarely mentioned in the western press, but responsible for considerable damage to the Cuban economy:

Damage and harm caused to the Cuban economy by the United States blockade⁴

Cumulative figures up to 2005 - In millions of US Dollars -

Income not earned for exports and services 39,427.5

Losses arising from geographical relocation of trade 19,592.0

Damage to production and services 2,866.2

Technological blockade 8,483.2

Damage to services for the population 1,565.3

Monetary and financial damage 8,640.2

Impact of the brain drain 5,533.8

Total impact of United States blockade by 2005: US\$86,108,200,000
(86 billion US dollars)

2. Inefficiencies in the present organisation of the economy, many of them inherited from the uncritical adoption of soviet models and approaches - this led to both a centralisation of the economy and, especially after the loss of trade with the socialist countries and the adoption of a dual currency, a loss of incentive to producers.

¹ See for example Cimarrón (The memoir of a runaway slave) by Miguel Barnet, Havana; Gente Nueva, 1967.

² Since the collapse of the soviet bloc which meant a loss of 80% of Cuba's international trade, and a significant subsidy, Cuba has moved from a dependence on primary production exports to a more mixed pattern with tourism and human capital (in the form of health, scientific and educational workers) featuring strongly, but the relative disadvantage and dependence on other stronger economies persists.

³ UN Human Development Programme:

http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_CUB.html

⁴ <http://tinyurl.com/5loe5p> While these figures do not take account of the large subsidy from the soviet bloc until the 1990s, the blockade, intensified several times since then has profound impacts on every aspect of life in Cuba.

3. An increase in world commodity prices (such as oil and basic foodstuffs) and reduction in demand and competitiveness of some key Cuban products, especially sugar. As Raúl recently put it very clearly to the National Assembly:

In 2003, a barrel of oil cost about \$28. On the same date last year, it was already between 70 and 80. It has recently broken the \$145 barrier, more than five times what it cost just five years ago, and it is impossible to predict how far that escalation will go, given that its exhaustion on an international scale is more rapid than calculations predicted⁵.

The recent increases in commodity prices follow an increasing integration of the world economy also affects Cuba. Although Cubans are protected by subsidies for basic foodstuffs, transport, utilities (and of course health, education and welfare provision) they, like the economy as a whole have to pay world prices for many products.

4. These factors together contribute to a fourth, under-investment in the economy which reduces productive and distributive capacity, constrains wealth and increases reliance on imports.

Cuba then faces significant challenges resulting from its history and position in the world. This situation is not new, and there has been a continuity in Cuba's strategy to resolve its difficulties going back to the debates on economics in the early years of the revolution, through the 'rectification programme or the late 1980s, the special period beginning in the early 1990s, and up to the present reform period which we can date from Fidel's speech in late 2005 at the University of Havana when he suggested that the revolution could destroy itself from within if it did not address a number of significant problems⁶.

Some of the problems that had accumulated in Cuban society and economy by the middle of the first decade of the twenty first century are summarised in the next section.

2. What needs to change and what does not need to change?

Cuba faces a number of interrelated problems.

Economic: These problems stem firstly from Cuba's history, its place in the global economy and its treatment by its powerful neighbour to the north - as identified above. There is also distortion of the economy resulting from the trade emphasis

⁵ Speech given by Raúl Castro Ruz, president of the Councils of State and Ministers, during the conclusion of the First Ordinary Session of the 7th Legislature of the National Assembly of People's Power, Havana, July 11, 2008. <http://www.granma.cu/ingles/2008/julio/mar15/29na-raul-i.html>

⁶ Speech delivered by Dr. Fidel Castro Ruz, President of the Republic of Cuba, at the Commemoration of the 60th Anniversary of his admission to University of Havana, in the Aula Magna of the University of Havana, on November 17, 2005. <http://www.cuba.cu/gobierno/discursos/2005/ing/f171105i.html>

during the period of alliance with the socialist bloc - Cuba specialised in agricultural and mineral production at the expense of other sectors. Now it has been able to take some steps to develop a more balanced economy, but is still over-dependent on certain sectors (namely nickel and tourism)⁷.

... the structure of the economy, the system of economic planning and direction, the political structures, the institutionalisation of the country were designed using models that in general copied the soviet ones. Today we haven't overcome all the burdens from this model which is the socialism of the last century⁸.

Cuba's self-sufficiency in food was low during the periods of US domination and soviet co-operation, with agriculture focussed on export crops: Cuba is not self-sufficient in rice (a staple of the traditional Cuban diet) and it is outside the range of wheat cultivation. Great steps have been taken to improve food security through local production, but there is some way to go⁹.

Energy production was highly centralised in inefficient plants until recently (2006 was the year of the energy revolution which led to big improvements in supply and efficiency). Cuba remains dependent on imports of oil although through joint ventures it now exploits its own sources. Its alliance with Venezuela has helped it access oil supplies at a good price, but it remains vulnerable to external prices and supplies.

Political: Cuba is a country with a common social project that a majority of the population subscribe to to a greater or lesser degree. The revolution brought considerable benefits, particularly in the areas of health and welfare, education and culture. However, the Cuban revolution was nearly 50 years ago and there is a generational problem in that the majority of the population were born and grew up after the revolution. They have experienced its benefits but have no direct experience of Cuba before the revolution. A success of the revolution has been to raise expectations, to create educated, articulate and critical citizens, but this means that the renewal of the social project so it is owned by the mass of the people is essential, but not always easy to achieve. The inequalities that have arisen as a result of some of the steps Cuba had to take to survive in the 1990s (the dual use of national and hard currency, the reliance on remittances from family working abroad, the development of a tourism industry, the development of a small private sector) cause some resentment, especially among professionals who while typically sympathetic to the revolutionary project feel poorly recompensed for their work and commitment.

Together with this are some habits forced on Cuba by aggression from outside. In a state of siege it has been important for Cubans to present a unified front. But that unity can slip into a false unanimity so that people can tend to censor the expression of their ideas and accept the line from above. This has in some ways

⁷ Bell Lara, J. Globalization and the Cuban Revolution. Havana: Editorial José Martí, 2002.

⁸ Aurelio Alonso in Sobre la transición, p. 128 see note 28

⁹ - Cuba even imports foodstuffs from the USA and while this is sometimes presented as eroding of the blockade, it is also a source of vulnerability.

led to a surprising passivity, especially with regard to community-based issues and projects for improvement. This is despite a system of direct democracy with recallable representatives who have to report back to their electors on their governmental work, and the existence of a network of mass organisations. At times political control can be heavy handed (but Cuba is not a police State), but by and large people can and do express themselves freely; yet this expression has (until recently) not necessarily, or even often, been used to strengthen and deepen the revolutionary social project.

Bureaucratic: This word is used to describe a variety of restrictions on everyday life. These have generally been put in place for good reasons. For example, Cubans have to ask permission to have foreign guests staying with them: this is because Cuba relies on hard currency from tourists: people licensed to let rooms are taxed at a rate commensurate with the hard currency receipts and this money helps fund Cuba's health, education and welfare (which is actually efficient on international comparisons). So there is control and monitoring to prevent people freelancing in the room letting business and hence evading taxation, or moving to live in Havana and hence adding to the strain on housing, transport and the rest of the urban infrastructure. But the result can be resentment. Similar bureaucratic restrictions affect many areas of life in Cuba.

Corruption: The factors described above come together to create incentives for corruption. This is mostly just petty corruption, often an extension of the need to *resolver* as a daily requirement to make ends meet, but it is widespread. In objective terms life in Cuba becomes hard at the point at which the citizen tries to augment their level of consumption above the survival level (cultured, healthy but very austere) that the State guarantees. It is that gulf between the basic peso economy and the hard currency economy¹⁰ with its reliance on international capital accumulation and local diversion of collective resources that undermines social solidarity and teaches young Cubans that, you can (only?) make yourself more comfortable by dishonesty and petty crime and that the capitalist world is a treasure trove of delights. It reinforces social inequalities that themselves corrode socialist consciousness, while the diversion of resources itself impairs the working of public

¹⁰ Until the 1990s the Cuban peso was used for all transactions within Cuba. One of the compromises made during the special period was to legalise the holding of US dollars by Cuban citizens. This helped the economy to grow and also brought in taxes (only hard currency earners pay income tax). Cubans access dollars chiefly through remittances sent by relatives abroad and through contact with tourism (legally and illegally). In 2004 the dollar was replaced with a 'convertible peso' - convertible to hard (i.e. international) currency. Cubans are paid in national money ('Cuban pesos' rather than convertible ones) and this separate economy with its subsidised prices gives considerable economic protection to ordinary Cubans. However, some things are only available now by payment in convertible pesos and the Cuban peso does not buy much when exchanged for them. As a result a gulf has opened up between those Cubans with access to hard currency and those without. It is government policy to end the dual currency at some stage in the future - see below, but this will have to await economic improvement.

services and arrangements especially housing provision and transport), so increasing the pressure for individualist 'solutions'¹¹.

Raúl Castro himself has pointed out these problems:

*Wages today are clearly insufficient to satisfy all needs and have thus ceased to play a role in ensuring the socialist principle that each should contribute according to their capacity and receive according to their work. This has bred forms of social indiscipline and tolerance which, having taken root, prove difficult to eradicate, even after the objective causes behind them are eradicated.*¹²

There has been a national campaign against corruption but until this year (2008) it tended to rely on largely non-structural interventions, especially the deployment of the so-called social workers¹³.

As we will see, the current changes in Cuba are addressing this set of interrelated problems.

But rather than just identifying the problems that face Cuba, it is essential that there is some analysis of what should not change. On my second visit to Cuba in 2000 I visited a family, typical in many ways of Cuba. The grandparents had been active in the clandestine support movement for Fidel's revolutionary army. Some of the adult children held responsible posts in State agencies. Other family members ran a small business selling foodstuffs to local people in national currency. As we sat down for a *cafecito* in their modest house, in need of a paint job, with its ageing fridge and tv, a brother in law told me that I must understand that Cuba was a beacon for the rest of the world. He was right of course: the facts speak for themselves. Cubans now have longer life expectancy than we have in the UK. Their children on average are less likely to die in infancy than those in the USA (although maternal mortality rates are less impressive). Cuba has the highest number of doctors per inhabitant world-wide¹⁴. Their education is rated by UNESCO to be the best in Latin America¹⁵. Cuba's Human Development Index (HDI) exceeds its economic ranking by 43 places¹⁶. Its adult literacy rate is the second best in the

¹¹ Mestre, J. <http://www.rebelion.org/noticia.php?id=10079> 27-08-2007 En torno a la encomiable tozudez del socialismo cubano (On the admirable persistence of Cuban socialism). And www.rebelion.org/noticia.php?id=19079 20-08-2005 Anécdotas y reflexiones para defender la Revolución no sólo por sus logros. (Anecdotes and reflections to defend the Revolution not only through its successes.) Also see Petras, J and Eastman-Abaya, R. Cuba: continuing revolution and contemporary contradictions. <http://petras.lahaine.org/> www.canadiandimension.com/index.php August 2007.

¹² Speech on 26 July 2007, Camagüey. <http://tinyurl.com/5j45lw>

¹³ see page 17

¹⁴ <http://tinyurl.com/5ady7z>

¹⁵ <http://cubasocialista.com/ed1.htm>

¹⁶ UN Human Development Programme <http://hdrstats.undp.org/> see <http://tinyurl.com/286y4o>

world. It is the one country to combine a HDI above the acceptable cut off with an ecological footprint that is sustainable¹⁷.

Beyond these figures though there are other less quantifiable aspects of Cuba and its social system that should *not* change, and some of this is expressed in the following passage by the late Cuban writer Celia Hart¹⁸,

I wouldn't change the fact that in Cuba the children walk in the streets with shoes on their feet. As Haydee Santamaría said when asked why the Cuban shops had no shoes (long before the special period) "there aren't any shoes in the shops because they are on the feet of the children"

I wouldn't change that my child goes to school without my having to buy the exercise books. I wouldn't change that, although not sufficient every Cuban receives rice, every month, a little sugar and sometimes chicken. I wouldn't change that children up to the age of seven, whether they want it or not, can drink milk - today when half the world is hungry.

I wouldn't change the wonderful access to culture where day by day we are astonished by what people know about ... only in Cuba can a black girl become a classical ballerina and play Odette in Swan Lake or the Sleeping Beauty, making refined steps in ballet shoes, or can interpret Schubert. Only in Cuba can a child from one of the previously forgotten rural provinces represent us in international physics or mathematics competitions.

I wouldn't change, in the name of some attractive motive, a single one of our Olympic medals.

I wouldn't change our internationalist commitment [which for us is] the most natural thing in the world.

I wouldn't change the soul of this people.¹⁹

Oswaldo Martínez, a leading Cuban economist describes Cuban socialism like this:

Thinking about it in terms of its fundamental concepts socialism is the absence of exploitation of people by people, the practice of a very high degree of social fairness, the widest possibilities for access to culture, founded on access to education, the greatest possible development of science and technology. It must be constructed by men and women who are as cultured as possible, considering

¹⁷ World Wildlife Fund http://assets.panda.org/downloads/living_planet_report.pdf

¹⁸ C Hart: El signo de los cambios...en Cuba. Rebelión, 9-07-2008, <http://tinyurl.com/5j4gvb>

¹⁹ C Hart see note 18.

*culture, as Fidel has reminded us, as like a shield and a sword, inclusive, and free of historical luggage.*²⁰

A further point that is often missed in the West is the success with which Cuba has already managed its difficult situation. As reports by non-partisan bodies like Oxfam America²¹ (sic) and the New Economics Foundation explain, Cuba has been able to deal with what in other countries would have been a national disaster: the sudden collapse of its economy, losing 80% of its international trade, based as it was on favourable relationships with the other CMEA²² countries, including cheap oil, was the kind of shock that in other countries of the region would have meant social breakdown with high levels of violence, along with high levels of malnutrition and even starvation. In Cuba's case, although calorie intake did reduce for some years and there were instances of illness as a result of poor nutrition, the country was saved from collapse. This was only possible because of the capacity of the country to centrally plan and to mobilise its people, which in turn depended on a high level of perceived legitimacy of the government. With its access to arms (many are militia members) the Cuban people could mount a counter-revolution. If they wanted to they could easily overthrow their government, but while they may, and they do complain, they understand what the alternative would hold.

3. What do Cuban people want and think, and what is the process of change?

So what do the Cuban people themselves say? There is a saying that if there is a group of three Cubans in conversation, then there will be at least four opinions: Cubans are not backward in expressing themselves. But making sense of what the population thinks is at first a little more difficult as there are no published opinion polls. As noted above, Cuba has a system of direct democracy, expressed through local block committees (Committees for the Defence of the Revolution), and the mass organisations for women, workers, students, farmers, and so on. As long ago as 1975 it was clear that when working well this system produced a level of debate and decision making rarely found anywhere else²³. But as we have noted, this has not always worked well because of the tendencies to close ranks in the face of external interference and to a varying degree to control public expression of dissent. However soon after taking over as acting president Raúl called for a national debate and explicitly said that people should speak out fearlessly. He said that those in positions of authority needed to learn how to listen. Starting in August 2007 this took place in neighbourhoods, workplaces, universities and other settings with Cubans identifying key problems that needed to be resolved and also making

²⁰ Martínez, in *Sobre la Transición* – see note 28

²¹ Oxfam America, *Cuba: Social Policy at the Crossroads*, 2002. <http://tinyurl.com/6loo65>; New Economics Foundation,

A Green New Deal: Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices, 2008. <http://tinyurl.com/5jxcld>

²² Council for Mutual Economic Assistance – also known as Comecon.

²³ Harnecker, M. *Cuba: Dictatorship or Democracy?* Westport, Connecticut: Laurence Hill and Co. Second Edition, 1979.

proposals. The meetings, which went on up to October, were minuted so that for the government could work on them. The guidance note to those facilitating the discussions prescribed "an in-depth debate in an atmosphere of profound freedom and sincerity". According to those who participated there were no restrictions on what could be discussed. This was a bold step to take - if expectations of change were to be raised above what the government could realistically deliver, the likely result would be increased dissatisfaction.

The discussions tended to focus on the low purchasing power of wages, shortages in housing and public transport, the high cost of food and other economic questions and the various initiative-restricting rules, mentioned above²⁴. Reports of the meetings vary - it would not be surprising if the depth, breadth and quality of debate varied from meeting to meeting, just as the effectiveness of the CDRs²⁵ varies from neighbourhood to neighbourhood²⁶. Raúl stated that 215,687 meetings had been held, with participation by 5 million people who made 1.3 million proposals²⁷.

This was not the only input to the consideration of options. Raúl also asked the 3,000 state run enterprises to submit information on the main problems they face, with proposals for resolving them. There has also been considerable debate in Cuba's press – less in the national papers (although Juventud Rebelde has given considerable space to an analysis of shortcomings in the current system) than in more intellectually orientated journals such as Temas²⁸. Inevitably there will have been much debate and analysis which is not published.

The national consultation through mass organisations continued up to the general elections where new representatives on governing bodies from municipality up to the National Assembly were directly elected. The National Assembly then elected the Council of State and President (Fidel Castro decided not to stand again and Raúl was elected).

The National Assembly established a number of commissions to work on the problem areas identified in the national consultation. Some of the conclusions have already been announced and adopted as policy while others are expected.

A number of initiatives have been launched, some of them (usually the less fundamental) reported in the Western Press and others less so. There will be further changes so the summary that follows is at best a snapshot.

²⁴ <http://ipsnews.net/news.asp?idnews=39620> ,
<http://canadiandimension.com/articles/2007/10/01/1359>

²⁵ CDRs – Committees for the Defence of the Revolution. Established in the early years of the revolution they were to help prevent counterrevolutionary activities including sabotage by mobilisation of people in their neighbourhoods. Subsequently they acquired other functions concerned with the wellbeing of people in the locality. In many ways they function as the first level of the Cuban welfare system.

²⁶ Bleitrach, D. and Dedaj, V. Cuba es una Isla. Barcelona: Ediciones de Intervención Cultural/El Viejo Topo, 2006.

²⁷ Intervención ante la Asamblea del Poder Popular, Granma, 29 December.

²⁸ For example Sobre la Transición Socialista en Cuba: Un Simposio' (2007), Temas, 51-52 (April-September), p.126-162.

4. Cuba's Options

Before describing what changes are actually happening in Cuba it is worth identifying the main options available. These are not all mutually exclusive but they serve to indicate the terrain on which the development – or defeat - of the Cuban revolution will take place over the next few years. The options described chiefly concern the governance of the economy and not the question of Cuba's political system. There are two reasons for this emphasis. Firstly, it is the economy that is the root of Cuba's difficulties. Secondly, it is important not to accept the orthodox assumptions of commentators in the mainstream media that the necessary, desirable and inevitable political trajectory is in the direction of a multi-party representative system. In Cuba the people and their representatives are in power, and the constitution has provisions for their accountability – although there are limits to this. As a revolutionary democracy under sustained attack from the world's dominant superpower, it is not feasible to move to a system of multiple parties some of which would be the puppets or targets of external subversion²⁹. There is considerable debate within the revolution about how to increase the voice of the people and their role in taking decisions that affect them and we may see a changed and greater role for the mass organisations, but this will not, at least in the short to medium term, mean changes to Cuba's constitution and system of government.

Increased discipline and centralised control: This would leave the current arrangements more or less untouched, but improve coordination of the economy, take firmer action against ineffective officials and intensify the campaign against corruption. It would promote further initiatives designed to improve energy efficiency, transport and other infrastructure, but it would be hampered by the continued inefficiency of the economy and continued passivity of the people. Among other things it would be perceived outside the country as doctrinaire communism and this would make it less likely that productive collaborations with foreign companies could be agreed and it would also be less likely that Cuba would be able to benefit from trade agreements with Europe³⁰ or Mercosur. Cuba will not comply with foreign 'blackmail' but it does engage in realpolitik. After the national consultation this option seems unlikely as it would foster popular resentment.

Socialist trade alliances: The ALBA – Bolivarian Alternative for the Americas includes Cuba, Venezuela, Bolivia and Nicaragua. Cuba reaps a benefit from its human capital investment since 1959 in the form of health workers and teachers who work on public health and educational development in these countries. In return Cuba receives goods. This is a very valuable relationship in the case of

²⁹ See Agee, P. Terrorism and Civil Society: The Instruments of US Policy in Cuba.
<http://www.counterpunch.org/agee08092003.html> or
<http://www.informationclearinghouse.info/article4332.htm>

³⁰ Cuba was excluded from the Cotonou agreement with the European Union and its €10B aid programme in 2003 after it jailed people who were secretly receiving payments from the US government (see Felipe Pérez Roque's press conference:<http://www.granma.cu/documento/ingles03/012.html>).

Venezuela, but Bolivia and Nicaragua are both small economies with little to contribute. The other state with a friendly government, Ecuador, has not joined ALBA and nor have the supposedly centre-left governments in Brazil (although it is a major trading partner for Cuba), Argentina, Uruguay and Chile. Brazil for example has favoured an agro-exploitation-export economy and made unilateral trade deals with the US. The ALBA, while contributing much to Cuba's economy is as vulnerable as Hugo Chávez, and the USA will seek to remove this ally as a first step in the reconquest of Cuba. The prospect of other large economies joining the ALBA seems minimal: even if the broadly reformist *Partido Democrático Revolucionario* had not had the last Mexican presidential election stolen from it, it seems unlikely that Mexico, stuck in an unequal trade alliance with the US and Canada, would have joined the ALBA.

Decentralisation within socialist parameters: This approach would tackle one of the chief flaws in the current system, and one of those most complained about, its excessive centralisation of decision-making. This would decentralise power from ministries to localities and to production units. It would address one of the most widespread internal criticisms of the current system where, for example enterprises have had to seek authorisation from central bodies (national bank, ministries) for purchases and production targets have been centrally set (and typically not met). This decentralisation might follow the successful model promoted by Raúl in the army, where 79% of its food is produced by 24 military-agricultural enterprises.

The use of new management and market methods within a socialist framework: Cuba has had the opportunity to study modern management practices (especially in accounting, quality control, customer service) from the joint venture companies established in key sectors of the economy. There are increasing numbers of Cuban specialists in the various management disciplines, for example organisational psychology. Cuba also has its own system of *perfeccionamiento empresarial*³¹ or business improvement, again developed first under Raúl in the armed forces. Extending these approaches could improve efficiency and effectiveness of Cuban enterprises and in his August 2007 speech vice president Carlos Lage called for just this³².

The adoption of market approaches has also been used to stimulate the economy – the comparison has been made with Lenin's New Economic Policy (NEP), although this has been carefully controlled (for example in terms of the size of enterprises that may be privately owned). Market style methods have also been used to promote efficiency. An example is the break up of state enterprises into smaller ones – with tourism being a good example – there are now several State tourism companies including Cubatur, Havanatur, Rumbos, Horizontes and the FAR³³ offshoot Gaviota (which is efficient and has high customer care standards). Market

³¹ See Peters (note 34), for a description of the method.

³² El perfeccionamiento no es una meta, es un proceso de constante mejoramiento.
<http://www.granma.cubaweb.cu/2007/08/30/nacional/artic02.html>

³³ Revolutionary Armed Forces.

approaches could increase motivation through the incentives they intrinsically have – although these might not necessarily be the incentives for the right things. A market approach would also imply more decentralization and hence local risk taking, while prices would find their own levels – again not necessarily a benefit. While Cuba has used market approaches from time to time this has been selective, using them where there is likely to be a benefit but not uncritically since this would further undermine the redistributive ethos. Any further extension of market approaches will clearly maintain this careful selectivity.

Critical engagement with foreign capital: This has been a key part of Cuba's recovery strategy³⁴ from the earliest days of the special period, bringing in investment to enable Cuba to develop its industry and agriculture. Examples include,

- ~ Joint ventures with foreign tourism and hotel companies to build hotels and develop tourism infrastructure.
- ~ Foreign companies work with Cuba to improve methods in agricultural production, harvesting and processing (e.g. for citrus³⁵).
- ~ Use of foreign companies for export and marketing of Cuban products – e.g. Pernod-Ricard market Havana Club rum.
- ~ Joint venture companies provide the necessary investment and know how in mineral and petroleum extraction and exploitation (for example, more than €700M have been invested in oil exploration off shore and along the northern littoral).

Vice-President Carlos Lage , generally credited with being the architect of this approach has made it very clear what the terms of this engagement are³⁶.

1. Cuba uses foreign capital where it has no other way of obtaining such investment.
2. Cuba uses foreign capital where it can provide an element that Cuba cannot provide (so Cuba needed no foreign capital for rum production but did need it to assist with overseas distribution and sale).
3. Cuba retains a 51% stake in all joint ventures and the joint venture returns to Cuban ownership after a defined period.

Cuba is likely to continue its strategy of selective engagement with foreign capital. The blockade limits this through its extraterritorial provisions that restrict trading by companies that become subsidiaries of US companies in take-overs, and which penalises companies that trade with Cuba. Cuba's successful negotiation with the EU would facilitate more alliances of this sort although it is unclear what demand for

³⁴ For a surprisingly positive summary of the measures Cuba took to overcome the collapse of its socialist partners see Peters, P, *Survival Story: Cuba's Economy in the Post-Soviet Decade*. Arlington, Virginia: Lexington Institute, 2002. www.lexingtoninstitute.org

³⁵ The use of Israeli companies here is an interesting reflection of Cuba's pragmatism and the distinction between trade and politics – Israel steadfastly supports the US blockade, almost alone in voting annually with the USA in the annual United Nations votes.

³⁶ E.g. speech given at Encuentro Internacional de Solidaridad y Amistad con Cuba, 2000.

investment there would be from foreign capital in times of recession. Cuba provides a relatively cheap and highly educated workforce, but this is to some extent offset by the higher costs (rightly) imposed by the government on foreign capital investment.

Socialist market economy or State capitalism? - the Vietnam / China option: It is clear that the Cuban leaders have studied closely the experience of China and Vietnam. In different ways each has developed its own variant on the socialist system. The unsympathetic commentator Mesa Lago paints the following picture:

China and Vietnam abandoned collective agriculture and replaced it with family farms and free agricultural markets. China first transferred most of its state-owned industry to cities and villages, and then to companies with direct foreign investment, while in Vietnam most exports are carried out by companies with such investment; in 2004 less than 25% of Chinese industry was owned by the state, and the figure was only slightly higher in Vietnam..... Rapid growth of imports paid for in hard currency was financed by fast-growing exports (Vietnam went from being a net importer of rice to a net exporter); China ended central, ministerial control of foreign trade and devalued its currency in order to make its exports more competitive, while Vietnam freed up its exchange rate and let its currency float, with similar results³⁷.

Mesa Lago is selective in his praise for China and Vietnam. He does not mention the increasing inequality and corruption in either country. He fails to mention the move of many rural people into marginal settlements and Dickensian industrial conditions, nor the limited labour rights in China. Nor does he mention the serious reduction in access to both health care³⁸ and education which is a direct consequence of this so called 'market realism' in both countries³⁹. He does not mention the high environmental costs of industrialisation and while he notes Vietnam's rise as a rice exporter he fails to mention the increasing food imports required by China and their impact on global food prices. Nevertheless there is something to learn here: China has lifted many out of poverty and there is no denying the dynamism of both economies (neither of which is subject to an economic blockade). In the early 1980s the Chinese were saying they wanted to learn from but not copy the West: on many indices they have done both. Cuba will also learn from but not necessarily copy China and Vietnam, and such systematic study is taking place at the highest level, together with a study of the collapse of the socialist system in the Soviet Union and Eastern Europe. Cubans know that the

³⁷ Mesa-Lago, C, The Cuban Economy at the Crossroads: Fidel Castro's Legacy, Debate over Change and Raúl Castro's Options. Madrid, Real Instituto Elcano 11/6/2008. <http://tinyurl.com/5uyzo8>

³⁸ The comparisons in Lister's study of global health 'reforms' are particularly instructive: Cuba is alone in the world in not implementing a single one of these neoliberal changes to its health service funding and organisation. Lister, J., *Health policy reform: driving the wrong way? A critical guide to the global "health reform" industry*. 2005, Enfield: Middlesex University Press.

³⁹ eg Yang Lian, Dark Side of the Chinese Moon. *New Left Review* 32, March-April 2005, pp. 132-140. S Reddy, Death in China: Market Reforms and Health, *New Left Review* 45, May-June 2007.

soviet collapse led to a decrease in male life expectancy of 10 years and they have no wish to copy that experience.

In both China and Vietnam there is still strong State control of the economy and it is this hybridisation with the motor of Capital and the responsibility of socialism that is of interest to some Cuban analysts and policy makers. However the capitalist mode of production inevitably means the expropriation of wealth from the worker so its use, even tactical, is always a compromise for socialists.

Capitulation to a free market and domination by foreign capital: This is the final option and the one favoured by all the powerful interests outside Cuba. This capitulation is what US policy seeks overtly and EU policy seeks with more restrained language. It is not an option that Cuba is likely to consider for to do so would reverse the gains of the revolution that both reclaimed Cuba's sovereignty and subjected the interests of Capital to the needs of the people. If the administration of the latter has been uneven at times, the majority of the Cuban people remain committed to some form of this national project, knowing that their lot is on average far better than that of the populations of similarly dependent postcolonial economies such as Jamaica or the Dominican Republic.

5. What changes are taking place?

This is a listing of the most important changes up to August 2008.

Increase in wages and pensions Wages and pensions were increased in 2005. They were again raised in early 2008. The intention is to incrementally continue with this but this has to be within the means of the national economy.

I would only add that the problem of wages is still being studied in an integral way, in order to continue increasing them in a gradual way and according to priorities. I am not going to mention dates or sectors. It will all depend on the country's economic situation, inevitably linked to the current world crisis, which could become even more acute. It is my duty to state that frankly, as it would not be ethical to create false expectations. To say the opposite would be to deceive you⁴⁰.

There is no intention of repeating the mistakes of the early years of the revolution when wages were increased beyond the productive capacity of the economy, leading to excessive consumption and adding to the trade deficit⁴¹. Nevertheless the recent wage increases help those public servants without access to hard currency, beginning to restore the link between work and purchasing power.

⁴⁰ Speech given by Raúl Castro at the National Assembly of People's Power, Havana, July 11, 2008. <http://www.granma.cu/ingles/2008/julio/mar15/29na-raul-i.html>

⁴¹ Dumont, R. Cuba: Socialism and Development. New York: Grove Press, 1970.

Energy efficiency

2006 was the “Year of the Energy Revolution”. This project, highlighted by Fidel’s last major speech⁴² involved a programme of replacements of incandescent light bulbs and refrigerators with energy efficient models. Cuban households were issued with pressure cookers and rice cookers to economise on fuel. The programme for investment in transport infrastructure was accelerated. Local diesel generators were installed to reduce dependence on the large electrothermal power stations. Electricity and gas prices were increased effectively reducing the subsidy which has encouraged profligate use. Cubans often appear to have little understanding of the principles of energy conservation or the threat of climate change. It is, for example, common to find a gas jet left on in Cuban homes, presumably to avoid the need to buy matches. There has been some investment in renewables, particularly photovoltaic panels in rural schools and clinics, but the exploitation of the island’s winds has so far been limited. Improvements in energy conservation continue but there is more to do, and the new local power plants can be no more than a stop-gap, dependent as they are on diesel which itself has to be obtained and transported.

Measures to stimulate agricultural production

Cuba needs to substitute its food imports with food produced in Cuba. Poor domestic production has been attributed in part to bureaucratic procedures and government delays in paying cooperatives and private farmers who account for 65% of agricultural production. In March 2007, a kind of bridging fund was created to improve the timeliness of payments to producers. In May the government raised the prices for private farmers and cooperatives for milk and meat. In June outstanding debt to farmers was repaid. Farmers are now able to buy seeds, equipment and other supplies using hard currency, bypassing the central bureaucratic controls previously in place.

These measures indicate a new deal for farmers and agricultural co-ops which by improving Cuba’s self sufficiency in food will reduce its dependency on the US (which due to a concession to Republican voting plains farmers sells a considerable amount of food to Cuba) and other suppliers. It will also help Cuba’s balance of payments and will have considerable economic benefits in rural communities.

Usufruct of State land and decentralisation

Because of their greater productivity, Cuba is moving to increase the proportion of land farmed by small tenant farmers and cooperatives by transferring idle State lands to private farmers and coops who wish to use it. This process began when many State farms were converted into cooperatives at the beginning of the special period. Sadly the remaining State farms have not been efficient, partly because of the remoteness of the workers from decision making – there can be little motivation when there is little control and hence little sense of ownership. In effect this is a

⁴² Speech delivered by Fidel Castro, University of Havana, November 17, 2005
<http://www.cuba.cu/gobierno/discursos/2005/ing/f171105i.html>

further step in the agrarian reforms that began by taking control of the latifundios soon after the revolution (and which initiated the hostility of the USA). The land will still be State property but will be farmed by private farmers and coops: it is important not to see this as a privatization of land, which is how it has been misrepresented in the Western press. There is no transfer of ownership of the means of production to private capital, and indeed under the socialist system there are strict limits to the accumulation of capital. Instead the farmers will till the land on their own account (individually or collectively), and their direct interest in the output (since this will determine their income) will improve efficiency. This system of control but not ownership of land is known as usufruct. An interesting contrast can be made with the changes in Mexico under NAFTA⁴³: The *ejidal* collectively farmed lands, granted in the post revolutionary land reforms, are also held in usufruct by peasant communities, but they can now be sold, something that is contributing to the concentration of lands in the hands of private capital. The result, as the Cuban economist Martínez has documented⁴⁴, has been disastrous for small Mexican farmers and rural communities.

At the same time the control of land is being delegated to the municipal level so that decisions can be taken as close to the point of production as possible. In conjunction with this, farmers have been encouraged, through their mass organisations, to make requests for the machinery, spare parts, irrigation systems, ploughs, windmills and other agricultural consumables in order to make the best use of the land.

Rationalisation of supply chains

In his July 2007 Camagüey speech⁴⁵, Raúl devoted considerable space to an analysis of milk supply, noting some pilot projects to reduce the wasteful transport of milk to centralised pasteurisation plants and redistribution. The principle of shorter supply chains and local production was endorsed to reduce costs and cut down on waste.

Renewed emphasis on business enhancement

Perfeccionamiento empresarial was discussed above in the consideration of 'new management' approaches. This system is being expanded with a renewed emphasis. In 2002, 11% of the 3,000 State companies were part of the system while by 2006-7 it was estimated that the proportion had at least doubled. The approval process is slow, but it is certain that with renewed emphasis these bureaucratic blocks will be removed.

⁴³ North American Free Trade Area

⁴⁴ <http://www.cubasol-manch.org.uk/mart.htm>

⁴⁵ see note 12

Improved workplace discipline and campaigning against corruption

Decrees were passed in March and September 2007 to improve the attitude to work by introducing rigorous norms for workplace discipline and making supervisors responsible for them. This will involve something of a culture change and given the practicalities implementing any such change gains made will be incremental and uneven. Moreover there will be some continued constraints on work discipline due to Cuba's circumstances, e.g. poor transport, the need to queue to satisfy some needs (some consumables, some government services). Nevertheless this sends out a very clear message to the workforce that their commitment and productivity is essential for the country's wellbeing.

At the same time the social work programme continues to be strongly supported. Cuban 'social workers' should not be compared with those with the same title in the West who carry out a different function (which in Cuba be more likely to come under the remit of health services, social security, or indeed the mass organisations such as Federation of Cuban Women, the unions or the CDRs). The Cuban social workers are young people, typically with a history of low level delinquency who have been offered training and pay to take on a monitoring role to combat corruption. For example, in a study cited by Fidel in his last major speech, they monitored petrol stations and discovered wide scale pilfering and diversion of supplies. This approach is set to continue, but it will only be effective in support of more fundamental economic changes that make such actions less enticing, indeed less necessary for Cuban workers⁴⁶.

Foreign companies allowed to pay Cuban workers in hard currency

From late 2007 foreign companies have been able to legally pay Cuban employees in convertible pesos. Of course these workers are taxed (unlike those paid in the much less valuable national peso). For those earning up to CUC 2,400 p.a. the rate is only 10%. This brings a certain amount of tax revenue into the economy and regularizes what was happening anyway. However, it does not directly tackle the inequalities of the dual currency which Raúl has announced will be addressed, but only at a pace that can be afforded.

Administrative Changes

The decentralisation of agriculture has already been discussed but there are also other changes. A more compact governmental structure has been announced with mergers of ministries to streamline government business and reduce the complexity of administration. Changes so far bring together functions, especially economic ones that were duplicated or distributed between ministries and departments. Further announcements are likely.

⁴⁶ See Petras, J, Cuba: continuing revolution and contemporary contradictions. <http://petras.lahaine.org/> www.canadiandimension.com/index.php August 2007; Chaguaceda, A., Nada cubano me es ajeno; notas sobre la condición ciudadana. (Nothing Cuban is alien to me: notes on the condition of the people). Temas 2007, no 50-51 pp 118-125. <http://tinyurl.com/6zcrq7>

Openness

The emphasis on openness has continued. A striking example is the debate between students at the University of Computing and the leader of the National Assembly, Ricardo Alarcón. Videos of this debate⁴⁷ have been circulated widely as was misinformation that one of the protagonists was imprisoned immediately afterwards (he had been receiving planned surgery⁴⁸). For some time now the daily newspaper *Juventud Rebelde*⁴⁹ has featured investigative and critical journalism and *Granma* has now been increased in size with space for similar coverage. This is a departure for the previously boring and conventional Cuban Press (theatre, film, song and intellectual journals have always been more open). Cuban leaders and prominent intellectuals⁵⁰ have all emphasised the need for more openness if Cuba is to confront its problems successfully.

Retirement age

Speaking on July 11, 2008 to the National Assembly⁵¹, Raúl examined the changing demographics of the Cuban population.

In the period 1950-1955, ... life expectancy at birth was a little over 59 years since then it has increased by almost 20 years. ... Another very important indicator... is how much longer Cubans who are currently reaching 60 years of age will live ... currently, is 20.8 years for men, eighth place on a world level with France and Italy – I add that the United States occupies 10th place – and for our women, that geriatric life expectancy is 23.4 years, 16th place in the planet and ahead of countries like the United Kingdom, Denmark and Norway.

To those retirement years we have to add the 20-plus which, as a rule, cover the period of childhood and life as a student, during which, logically, nothing is produced, but when necessary knowledge is acquired ... In other words, during a period of over 40 years, something more than half the life expectancy, all expenses incurred are assumed by those who work

The situation is very different from that in 1963 when the retirement age was set at 55 for women and 60 for men and the problem is growing annually. Raúl indicated that a bill will be presented in the new session of the Assembly to increase the age of retirement. One major reason is to reincorporate the many productive people with skills, and they will also have the chance to work past the retirement age. The measures tackle a number of issues at the same time: the social security burden, the loss of skilled workers through early retirement and deployment to international missions but also from attrition into higher paid but less skilled work (e.g. the food

⁴⁷ e.g. <http://www.rebellion.org/noticia.php?id=63203>

⁴⁸ <http://www.pascualserrano.net/noticias/los-estudiantes-cubanos-denuncian-que-han-sido-manipulados-para-atacar-a-cuba-y-desmienten-cualquier-detencion>

⁴⁹ <http://www.juventudrebelde.cu/>

⁵⁰ See for example the interview with the singer-songwriter and National Assembly member, Silvio Rodríguez <http://www.rebellion.org/noticia.php?id=71525>

⁵¹ See note 5

marketing sector, tourism) and emigration. However, just as in the changes to retirement age in a number of Western countries to which Raúl refers, these changes will be phased in - he talks of seven years.

Removing unnecessary prohibitions

In his December 2007 speech to the National Assembly⁵², Raúl drew attention to the 'excess of prohibitions and legal measures, which do more harm than good' and said that work would be done to remove them, the most straightforward ones first. These prohibitions were mostly put in place for good reasons, but some are no longer necessary and others are counterproductive. For example, the restriction on Cubans' access to tourist hotels was in large part enacted to control prostitution which sprung up on a freelance basis during the special period. The restriction on purchase of certain electrical items was due to the need to control energy consumption and hence Cuba's petroleum imports. Restrictions on foreign travel are in place to prevent a brain drain and indeed the wisdom of this can be understood when one sees professionals educated at Cuba's expense working in the United States or other wealthy countries, although the restrictions do cause understandable resentment at home. Some restrictions are not total but involve negotiating the bureaucracy – for example if a Cuban wants a foreign friend to stay at their home they have to seek permission. This again is based on sound reasoning, the prevention of tax evasion by those who rent rooms to tourists without a licence, but it is a further source of irritation and one that makes interprofessional and solidarity visits awkward – I can put up a visiting Cuban in my home but they can not repay the hospitality if I go to Cuba.

A number of changes have been made already and some have been widely reported by mainstream media, as usual in a de-contextualised fashion. They include:-

Access to Hotels that cater to foreign tourists. In fact Cubans have for years used tourist hotels, but on the basis of State institutions paying for their accommodation (as rewards for exemplary work in a system called *animación laboral*, or for other purposes). Now Cubans will be able to pay for their own accommodation. This is mainly a symbolic change since the majority of Cubans, like the majority of third world citizens, do not have the resources to pay for luxury hotel accommodation. It will also enable the government to increase its tax income from those who do have access to hard currency, while increasing hotel room occupancy.

Allowing Cubans to buy previously restricted electronic goods (e.g. video machines, mobile phones, computers). This to some extent rationalises a reality that already exists: some Cubans already have mobiles as a result of gifts from relatives or friends and others have them through their work. Some have personal computers, particularly those who have been on overseas missions. This reform regularises and extends the opportunity to purchase such items, although again they will be out of the reach of many.

⁵² <http://www.cubasocialista.cu/texto/Raul%20Castro.pdf>

6. What might happen next?

It would be unwise to try to predict the course of events to come in Cuba. There are too many variables, not least the success of the current change programme in renewing the revolutionary commitment of the Cuban people within the context of an uncertain global political and economic system. It is, however possible to set out some key points.

The change programme in Cuba is in good hands. This is a well conducted programme with one of the few governments in the world that bases its policy choices fundamentally on the consideration of what is best for its people. The increased popular debate and contribution to change is also a healthy sign, building support helping the government to avoid errors. Cuba stands to reap the benefits of its unparalleled investment in the human capital of its people who are educated, articulate, skilled and critical in their outlook.

It cannot be stressed enough that it is for Cuba and its people to choose their course. It is not something that the US or EU can or should try to direct. Hands off Cuba!

Cuba will continue to face relative disadvantage due to its position in the global economic pecking order and the continued aggression from its powerful neighbour. Yet Cuba may yet steal a march on the rest of the world, relatively resilient when the other economies and systems succumb to the credit crunch and rising energy costs and shortages. Cuba has already managed such an experience and it is already seen as a model (or in the words of a back-handed compliment from the World bank, an anti-model) to emulate. Cuba has shown how it can be possible to manage enormous challenges without falling apart, and it has already significantly reduced its dependency, although there is much more to do.

Finally, it is possible that there will be some kind of an opening from the USA once the Bush term finishes. But this is likely to be limited and highly conditional – what is most likely is that the way in which the US tries to defeat the revolution will become more subtle, not that the US State and capital interests will suddenly find they can tolerate the threat of a good example on their shores. For this reason the work of solidarity with Cuba will continue for many years yet.

Mark Burton
August 2008

There has been considerable media coverage of changes taking place in Cuba, especially since Fidel Castro announced that he would not stand for election for another term as President. Yet despite that attention there has been little sustained analysis that places these changes in the context of Cuba's 50-year-old revolutionary society and the challenges it faces in a world dominated by global capitalism.

This briefing paper draws on sources from inside and outside Cuba, in both English and Spanish. It offers a perspective on

- What are the challenges facing Cuba now?
- What needs to change and what does not need to change?
- What do Cuban people want and think?
- What is the process of change in Cuba?
- What options does Cuba have?
- What is changing and what is not?
- What might happen next?

This is essential reading for anyone interested in improving their understanding of Cuba today.

The Cuba Solidarity Campaign is the British campaign for the defence of Cuba and its peoples' right to self-determination and national sovereignty. It is part of a worldwide movement aimed at forcing the USA to end its illegal blockade of Cuba. This publication was produced by the Manchester group of the campaign.



**Cuba Solidarity Campaign:
*Manchester Area Group***

37 Chandos Rd South, M21 0TH
tel.: 0161 881 6887
email: csc.mcr@poptel.org
web: www.cubasol-manch.org.uk

Price £1.50

Back cover