

# The Politics of Cuban Transformation – what Space for Authoritarian Withdrawal?

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# **The Politics of Cuban Transformation – what Space for Authoritarian Withdrawal?**

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# Introduction

Cuba is in the process of undergoing significant – perhaps fundamental – economic reforms. Although the pace is not always very fast, and the direction is more characterized by zigzagging than by a straight line, there is little doubt that the state-dominated economy is about to give way to more non-state actors. In theory and ideology, the official line confirmed at the 2011 Party Congress is still that “plan” and not “market” is the guiding principle. But in practice, plans drawn up by the state bureaucracy play a rapidly diminishing role in the “really existing economy.” State bureaucrats, however, seem to be practicing considerable “civil disobedience” by dragging their feet in the implementation of reforms approved by the party leadership, as Raúl Castro himself has repeatedly complained about.

So far, the discussion of reforms in Cuba has almost exclusively focused on economic aspects. The VI Party Congress in April 2011 was exclusively dedicated to economic reform, or “updating [*actualización*] of the economic model,” which is the politically correct but not very adequate expression. The Party Congress, and the comprehensive debate within Cuban society leading up to it, led to quite significantly rising expectations about economic prospects in Cuba, both for the country as a whole and for individuals and families, although the confidence in the present leadership’s capacity to solve Cuba’s deep problems seems to be rapidly falling again.<sup>1</sup>

The Party *Conference* (not *Congress*) in January 2012 was supposed to discuss political aspects of the reform process, particularly the role of the Communist Party. This Conference hardly brought any significant new proposals; it rather confirmed the status quo. As such, it was considered by most of the reform-oriented in Cuba as a deep deception. The emphasis in party leader Raúl Castro’s keynote speech was on confirming the non-debatable monopoly of the Communist Party. So, officially speaking, there is no real political reform process underway in Cuba in the midst of economic reforms.

Still, there is no doubt that economic reforms underway will have a deep impact on the political fabric of Cuban society. This paper intends to discuss in which political direction the ongoing reform process may be taking the country. We propose to focus on the potential

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<sup>1</sup> According to a survey carried out by Freedom House (2011): *Change Comes to Cuba: Citizens Views on Reform after the Sixth Party Congress*.

economic-political dynamism and the emergence of institutional reform, with relevance for key change areas: *structurally* by studying the emergence of a non-state sector with emphasis on the agricultural reform and self-employment (*cuentapropismo*), with possible further development into, small and medium enterprise (SMEs) and the space for entrepreneurship. In parallel, there will be an attempt to study which impact reforms in these areas may have on the behavior of potentially crucial *actors of change*: emerging entrepreneurs, people connected to churches and other civil society expressions, academics, artists, information workers, and of course the new generation of leaders (particularly within the Communist Party and the Armed Forces, in the latter case not least the emerging military enterprise sector).

This article is part of a research project with the objective of making an on-going assessment of the dynamics between economic and political transformations in Cuba by comparing these to theoretical and empirical literature on other transition experiences: democratic transitions in Latin America as well as Southern and Eastern Europe, the on-going struggle between democratic and authoritarian trends in the former USSR (and even some newly democratized Eastern European countries), and the authoritarian market transition taking place in China and Vietnam.

The general hypothesis is that the economic reforms in Cuba are slowly moving the country from a totalitarian to a post-totalitarian society (referring to a typology developed by Linz & Stepan<sup>2</sup>), with potential for the emergence of an increasing although limited democratic space, but alternatively for the emergence of a post-Castro authoritarian political-economic elite not least linked to the Armed Forces. Three alternative scenarios are developed to reflect these options. It is believed that the study of two transition processes (agricultural reform and the emerging entrepreneurship), understood within Cuba's international context and with an additional view to the impact of a future oil economy, will offer a good indication as to which of these three scenarios will have more prominence in Cuba's political development.

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<sup>2</sup> Juan J. Linz & Alfred Stepan (1996): *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*. The Johns Hopkins University Press.

# From Democratization to Democratic Backlash

In the 1980s and 1990s, a general trend of democratic transition took place in two regions of very special relevance for Cuba: Latin America and the ex-USSR and many of its former allies in Eastern Europe. This is what Samuel Huntington referred to as “the third wave of democratization.”<sup>3</sup> Very soon, it was easy to see that many of the countries which had been going through these democratic transitions started experiencing a significant slide back to more authoritarian political structures.

Two of the very few countries which claimed to remain socialist made remarkable transitions to market economy without ever loosening up the political monopoly of the communist parties: China and Vietnam. These processes are core references as Cuba sets out on a journey to look for a new economic and political identity.

Starting with the perhaps the most obvious example, the leading country in the previous USSR, there seems to be an increasing perception in the Russian population that authoritarianism is on the offensive during Vladimir Putin’s regime.<sup>4</sup> But many observers doubt the sustainability of this new authoritarianism:

The policies of President Vladimir Putin have undermined Russia’s fledging democratic institutions but have also failed to generate any sort of coherent authoritarianism to take their place. Thus, fifteen years after the collapse of the USSR, the country still lacks any consensus about its basic principles of state legitimacy. To explain this, we must understand the ways in which the Soviet Union’s institutional legacies have short-circuited all three historically effective types of legitimate rule—traditional, rational-legal, and charismatic—resulting in a highly corrupt state that still cannot fully control its borders, monopolize the legal means of violence, or clearly articulate its role in the contemporary world.<sup>5</sup>

An interesting element of this analysis, when looking ahead at a post-Castro Cuba, is the problem of upholding authoritarian legitimacy

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<sup>3</sup> [Samuel P. Huntington](#) (1991): *The Third Wave: Democratization in the Late Twentieth Century*. Harvard University Press.

<sup>4</sup> With Putin serving either as President (1999-2008) or Prime Minister (2008-2012), most observers agree it is he who has been calling the shots even during Medvedev’s presidency (2008 – 2012). And from 2012, of course, he is back in the position as President, based on an electoral landslide – although the numbers may have been somewhat inflated – of almost two-thirds majority.

<sup>5</sup> Stephen E. Hanson (2007): “The Uncertain Future of Russia’s Weak State Authoritarianism,” *East European Politics & Societies*, **February 2007**, vol. 21, no. 1, **67-81**.

when there is no charismatic source to draw on (although Putin may have tried – and with a certain success – to build that in Russia, appealing to nationalism). Hanson’s quoted article (from 2007) also points out how much legitimacy in such a situation will depend on a relative economic success, and that leadership transition along with economic failure and increasing socio-economic inequalities may provoke more widespread and sustained public protest, as seemed to be happening in Russia in the lead-up to Putin’s return to the Presidency in 2012.

In the European former Soviet-bloc countries going through a recent democratization, similar trends seem to be prominent, particularly in the aftermath of the 2008 financial crisis. We may speak about a new wave of “democratic pessimism.” A survey by the European Bank for Reconstruction and Development (EBRD)<sup>6</sup> shows that a positive attitude towards both democracy and market economy have fallen in 2011 relative to 2006 in all EU “transition countries” except for Bulgaria. In 11 transition countries in Eastern Europe, the Caucasuses and Central Asia, 50% or fewer express a clear preference for democracy after having had a certain taste of it. What is happening in Hungary under the rightist and nationalist Orban regime is provoking particular worry. But even the not-so-new South European democracies (Greece, Portugal, Spain) are seen by many to be endangered by the financial crisis.

An expression of this “democratic pessimism” was the Report presented to the Parliamentary Assembly of the Council of Europe in June 2012 by Andreas Gross.<sup>7</sup> Some of the statements are remarkably pessimistic, like the following summary: “After the outbreak of the global financial and economic crisis, many European democracies turned out to be powerless in the face of market forces, and thus suffered further loss of credibility on the part of their citizens. People in several European States lost a great part of their “popular sovereignty” – the only source of legitimate political power” (p. 5). One of the contradictions he points out is the appearance of “market forces without any kind of political containment,” leading people to look – so far in vain – for a new balance, with the consequent loss of the basic assumption that capitalism needs to be subject to extensive political control in order to be compatible with democracy (p. 9).

Of relevance to a country like Cuba, where democratic reforms are eagerly encouraged by European states, it is worthwhile noting Gross’ statement – hardly questioned by anybody – about the paradox of to-

<sup>6</sup> EBRD (2011): *Life in Transition after the Crisis*.

<sup>7</sup> Andreas Gross, Committee on Political Affairs and Democracy, Council of Europe, Parliamentary Assembly (2012): “The crisis of democracy and the role of the State in today’s Europe,” Doc. 12955, 11 June 2012, <http://assembly.coe.int>.



day's democracies: "although never before have so many people lived in democracies, never before have so many people been disappointed with the quality of the democracy they live in and experience on a daily basis" (p. 6). And it is of particular relevance when we discuss the democratic prospects in Cuba when he goes on to find a number of central and eastern European countries with "some worrying signs of 'democratic fatigue' (...) 20 years after the fall of their former regimes" (p. 7). Although there are no doubts about the need for democracy as the way of organizing public affairs for the people's greatest benefit, "hardly anybody challenges the hypothesis that democracy is in crisis today," and that in "their actual day-to-day existence today's democracies find it very difficult to deliver what most people expect from them" (p. 10).



## Some Lessons from Authoritarian Market Transition in Vietnam

The Vietnam transition process is probably the closest we may come to a “role model” for how the present Cuban leadership is thinking. When Raúl Castro visited Vietnam in July 2012, following up on Secretary General Nguyen Phu Trong’s visit to Havana in April, there was a very clear difference in the way relations with this country were portrayed in official declarations compared to the two other stop-overs on the same journey: Beijing and Moscow. This relationship is one of “brotherhood,” “solidarity,” rather than “partnership” and “mutual benefits,” although the size of trade and investments is lower. This is a strong *political alliance*, while the Chinese are very keen to stick to the pragmatic character of the relations. The Cuban delegation stressed that it will study the current modeling of economic development in Vietnam, referring to the *Doi Moi*,<sup>8</sup> the Vietnamese “big bang,” as some have called this fundamental economic reform process initiated at the 1986 CP Congress.

De Vylder and Fforde (1996) interpret the political process behind *Doi Moi* as an adaptation by the Communist Party to the changing political structures beneath it: (a) the rising state business interests (of a rapidly commercialized state sector), i.e. with the military playing an important role in food production; and (b) the fear of massive urban unemployment as non-viable state enterprises had to close, and the potential for social tension and disorder.<sup>9</sup>

Both these factors may be said to be present in Cuba. Regarding the second factor, it is interesting to note that massive lay-offs of state workers after the *Doi Moi* were largely compensated by mushrooming employment opportunities in the non-state sector, generally offering better conditions than in the companies they left. But there are two important factors that distinguish Cuba from Vietnam here: (a) the high percentage of rural and agricultural population in Vietnam may have eased the process, by strengthening access to land and markets for the peasants; and (b) the strong and relatively unfettered stimulus in Vietnam to establish private companies,<sup>10</sup> leading to a rapid surge

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<sup>8</sup> Doi Moi = “renovation.”

<sup>9</sup> Stefan de Vylder, Adam Fforde (1996): *From Plan to Market: The Economic Transition in Vietnam*. Westview Press.

<sup>10</sup> There are no more boundaries for private investments in Vietnam. The latest revision of the Enterprise Law (2005) in principle treats all investments in the same way: state-owned enterprise, foreign direct investment and nationally owned private enterprise. Many pri-

in private savings and investments, and a strong encouragement of the entrepreneurial spirit, which as we shall see is not yet seen in Cuba.

The limits to *political reform* in Vietnam are quite similar to the ones seen in Cuba: very limited freedom of expression (with no independent media), limited freedom to travel (a restriction now being gradually lifted in Cuba), a significant process of releasing political prisoners, limited access to foreign sources of information, and limited freedom of organization and association (although an important difference is that the Catholic Church and other religious communities seem to enjoy more freedom in Cuba). What the two countries have in common is the absence of organized extra-party opposition, with the existence of a small and relatively insignificant dissenter groups. Some students of Vietnam claim, though, that what is termed a “political civil society”<sup>11</sup> developed to some degree around the 2006 APEC Summit in Vietnam with some capacity to really challenge the position of the Communist Party; it now seems to have been effectively neutralized.

A deeper political interpretation of the Vietnamese transition is presented by Martin Gainsborough (2010). Against the backdrop of *Doi Moi*, he explores how these reforms in the economic arena are matched by remarkably persistent, but yet re-structuring, political power structures. He finds three key changes during the years he studied (1996-2007): changes affecting state enterprises, growing capital markets, and, last but not least, signs of a widening of the political space and a more vibrant civil society. But, he goes on to say, certain things do not change very fast, and power continuously seeks to recreate itself. The abolishment of one-party rule does not at all seem to be on the agenda.<sup>12</sup>

In addition to a more robust civil society, Gainsborough also focuses on what is taking place *within the state*. And this is probably very relevant when studying the Cuban case: the reform drive does not come from independent interests made up by social classes, but from an intra-elite conflict within the state apparatus. The traditional arguments that the emergence of strong middle classes is decisive in producing a vital pro-democratic force, seem to have little relevance both in Vietnam and Cuba, since these classes are so dependent on the state. In Vietnam, according to Gainsborough, the various state institutions are strengthened as political actors, the National Assembly is strength-

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vate entrepreneurs have joined the CP (just like in China). Several party officials have their own enterprises.

<sup>11</sup> Carlyle A. Thayer (2009): “Vietnam and the Challenge of Political Civil Society,” *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, April 2009, Volume 31, No. 1, pp. 1-27.

<sup>12</sup> Martin Gainsborough (2010): *Vietnam: Rethinking the State*. Zed Books.

ened, and the concerns of the business sector are also channeled through state-sanctioned (and not independent) institutions.

Important in the latter category is the way the private economic sector is organized: through a semi-governmental organization called the Vietnamese Chamber of Commerce and Industry (VCCI) (where state-owned enterprises also participate), rather than through independent employer organizations. The VCCI is not under the direct control of the Communist Party, but Party committees must be established in all private enterprises.

Another important aspect of the Vietnam case is the constant blurring between the public and the private, and the use of public office for private gain. The way “corporate actors” buy influence with “state actors,” forming *patronage networks*, seems to be fundamental to understand how the country’s political system works. Vietnam in this sense seems to represent the almost perfect rejection of Weberian ideals. To a large extent, this is a blueprint for the massive corruption occurring in Vietnam. We may almost speak about a peculiar form of patrimonial state, with the ruler in the form of the ruling party controlling political and economic life where personal relationship to the party decides who has access both to the economic and political elite and is the source of amassing personal wealth.

The Vietnamese Communist Party’s decision in 2006 to remove the clause that party members “could not exploit,” i.e., that they were allowed to run private business and hire workers and practice capital accumulation, was seen as crossing a vital ideological line which, at least officially, has not yet been crossed in Cuba. But it was probably little more than bringing the party in line with a well-established practice, which also is increasingly present in Cuba.

This seems to be the underlying logic to Vietnam’s political system. According to Gainsborough, we may talk about a transition from a “socialist state” to a “capitalist state,” where the concept of “reform” takes on a new meaning, and where the basic idea of “state retreat” is questioned.



# A Comparative Framework for the Understanding of “Transformations”

One of the most interesting and perhaps representative attempts to measure the progress of economic and political transformation around the world is the so-called *Bertelmann Stiftung's Transformation Index* (BTI), which analyses and evaluates the quality of democracy, market economy and political management in 128 developing and transition countries.<sup>13</sup> The index contains 18 assessment areas divided into three main categories: political transformation, economic transformation and transformation management. It is therefore a much more inclusive index than others that, e.g., only measure classical freedoms and exclude other important development issues (like the Freedom House index), or only focus on social and economic issues (e.g., the Human Development Index, in which Cuba ranks 51 of 187 countries in the 2011 ranking).

Figure 1 shows how unevenly Cuba performs on the different indicators. On Political Transformation, Cuba has almost a top score on “stateness,” but almost bottom on “political participation” and “stability of democratic institutions,” and very low also on “rule of law.” On Economic Transformation, Cuba has relatively high scores on “welfare regime,” “sustainability” and “level of socioeconomic development,” very low on “organization of market and competition” and “private property.” Regarding management performance, it is particularly low on consensus-building and steering capability.

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<sup>13</sup> Bertelmann Stiftung (2012): “Democracy Not Advancing Around the Globe”: [http://www.bertelmann-stiftung.de/cps/rde/xchg/SID-F58DDEA7-FFF3F259/bst\\_engl/hs.xsl/307.htm](http://www.bertelmann-stiftung.de/cps/rde/xchg/SID-F58DDEA7-FFF3F259/bst_engl/hs.xsl/307.htm).

**Figure 1:**  
**BTI 2012 | Cuba Country Performance<sup>14</sup>**

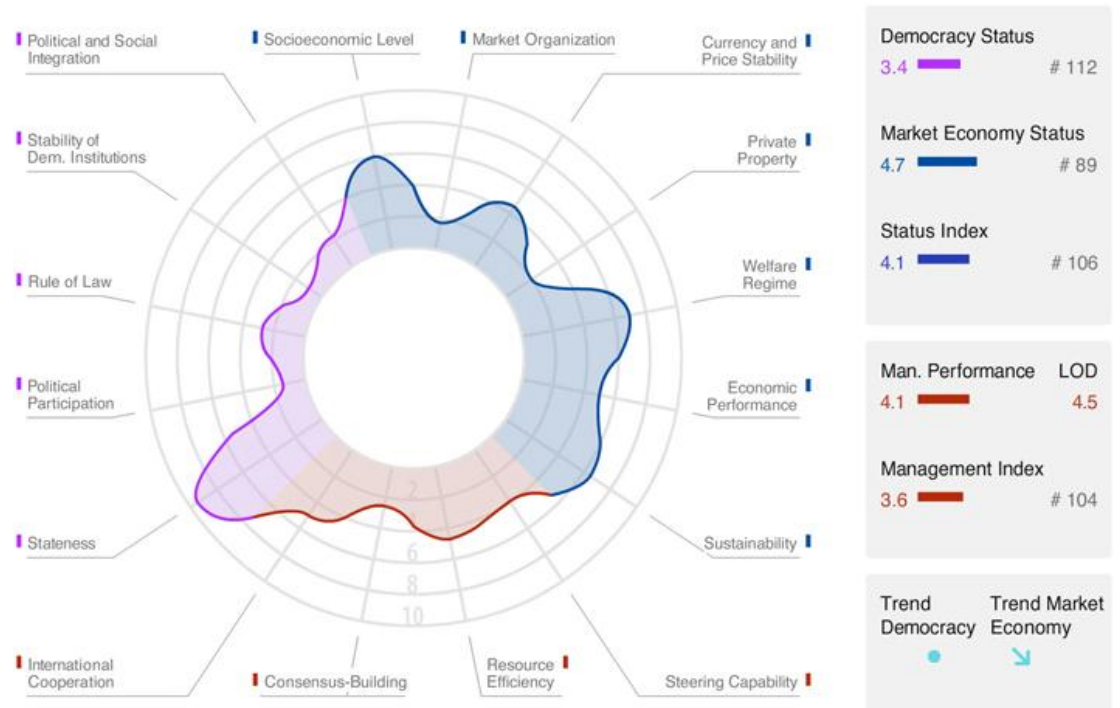


Table 1 shows the 2012 BTI for Cuba relative to the top two performers (Czech Republic and Taiwan), the top Latin American performer Uruguay (Chile and Costa Rica are also among the top ten performers), and some interesting reference countries for Cuba: Russia, Angola, China, Vietnam and North Korea.

<sup>14</sup> <http://www.bti-project.org/country-reports/lac/cuba>.



Table 1: Transformation Index BTI 2012 - Status Index<sup>15</sup>

Status Index			Political Transformation							Economic Transformation								
Ranking	Status-Index	Country	Ranking	Political Transformation	Stateness	Political Participation	Rule of Law	Stability of Democratic Institutions	Political and Social Integration	Ranking	Economic Transformation	Level of Socioeconomic Development	Organization of the Market and Competition	Currency and Price Stability	Private Property	Welfare Regime	Economic Performance	Sustainability
1	9,61	Czech Republic	2	9,65	10,0	10,0	9,3	10,0	9,0	1	9,57	10,0	10,0	9,5	10,0	9,5	9,0	9,0
2	9,54	Taiwan	2	9,65	10,0	10,0	10,0	9,5	8,8	2	9,43	10,0	9,5	10,0	9,5	9,0	9,0	9,0
4	9,30	Uruguay	1	9,95	10,0	10,0	10,0	10,0	9,8	10	8,64	8,0	8,5	9,0	9,5	9,0	9,0	7,5
60	5,73	Russia	71	5,35	7,8	5,3	4,3	5,5	4,0	52	6,11	6,0	6,3	9,0	4,5	5,5	7,0	4,5
83	4,97	Angola	78	4,98	8,0	5,3	3,5	3,5	4,7	82	4,96	3,0	4,3	7,0	4,5	5,0	7,0	4,0
84	4,94	China	113	3,32	8,8	1,8	2,3	1,5	2,3	38	6,57	5,0	6,5	7,0	6,0	5,0	10,0	6,5
86	4,84	Vietnam	109	3,50	9,3	2,3	2,5	1,5	2,0	50	6,18	5,0	5,3	7,0	5,0	6,0	9,0	6,0
106	4,05	Cuba	112	3,42	9,5	1,5	2,8	1,0	2,3	89	4,68	6,0	1,8	4,5	2,0	7,0	5,0	6,5
125	7,78	North Korea	125	2,60	9,0	1,0	1,0	10	1,0	127	1,39	2,0	1,3	1,0	1,0	1,5	1,0	2,0

<sup>15</sup> <http://www.bti-project.org/index/status-index/>.

Cuba has an overall ranking of 106 among the 128 countries included in the BTI (the lowest in the western hemisphere with the exception of Haiti), with a sub-ranking of 112 in political transition and 89 in economic transition. It is particularly interesting to compare these scores to those of China and Vietnam (ranking overall as 84 and 86, respectively).

- All three countries have almost the same score and rating on the various aspects of Political Transformation, where the only noteworthy difference is that Vietnam has a slightly higher score (but still relatively low) on “political participation.”
- On Economic Transformation, however, China and Vietnam score markedly higher, particularly in terms of “economic performance” (where they are on the top), “organisation of the market and competition,” “private property” and “currency and price stability.” These are of course the areas where the Cuban reforms need to approach China’s and Vietnam’s in order to become effective. Judging from the cases of China and Vietnam on the BTI, however, there is no reason to believe that more success in economic transformation will lead to significant progress in political transformation.

Also of importance for Cuba, the latest BTI refutes the myth of the “Asian model,” according to which autocracies can have overall economic development that is more stable, reliable and robust than functioning democratic systems. According to the BTI,

A comparison of autocracies and democracies, however, reveals that the latter score better in all areas, on average. Even China and Vietnam are far from the level of the top democratic performers. The ‘transformation leader’ at the top of the BTI’s Management Index over the most recent period is, for instance, Taiwan. Achieving the highest possible score in 13 out of 18 assessment areas, the island nation contrasts markedly with the authoritarian development model being applied on the Chinese mainland (ibid, p. 2).

When judging the general trends of democratic transformation after many years of general progress (recall Huntington’s concept of “the third wave of democratization”), BTI now comes to similarly pessimistic conclusions as the above-quoted reports. The 2012 Index shows that the quality of democracy in two important reference regions for Cuba – Eastern Europe and Latin America – has worsened considerably. This is particularly the case regarding political rights and freedom of expression, where Eastern Europe and Latin America are considered relatively “the most advanced regions” of the democratic transformation countries (in practice mostly non-OECD countries). Fifteen of 38 states in these two regions exhibit a decline in the quality of democratic elections, and there are increasing restrictions on independent media.

# Trends in Cuba's Economic-Political Evolution

## **Agricultural Policies**

The opening up of agriculture to more private initiative has been seen as crucial, for several reasons. First, there is an acute shortage of food products in a country with vast potential for agricultural self-sufficiency and export, making food imports one of the heaviest burdens on the economy (1,800 million USD in 2011). As much as 70-80% of food products are being imported, and paradoxically the U.S. has become the most important food provider. This situation is simply unsustainable.

And second, there is an almost unanimous consensus that peasants and farmers will be far more efficient producers if they get more autonomy and better access to the means of production and to the market. The needed structural changes in agriculture include property or user rights, access to production implements and credit, transport, and, not least, freedom to sell the products on an open market – wholesale or directly to consumers. Even the possibility to enter into industrial processing of food products would give the peasants an important extra incentive. We are therefore speaking about a dramatic shift from state control to market conditions, a shift that will also unavoidably have repercussions on the general balance between plan and market in the economy. We can also assume that such shift will also be politically very important.

There is no doubt that a very significant shift towards more non-state production has taken place over the last years. Adding together private property and cooperatives where land is worked individually (the so-called credit and service cooperatives – CCSs), their share of land holdings almost doubled from 18.5% to 35.3% between 2007 and 2010-2011. This change is partly explained by fall in the share of state holdings (state farms, from 35.8% to 26%) and the conversion of the so-called UBPCs (where land in reality is held and worked collectively, but formally not state-owned) to CCSs (UBPC's share fell from approximately 37% to 30%).<sup>16</sup>

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<sup>16</sup> | Armando Nova González (2012): "La propiedad en la economía cubana," Chapter 4 in: Pérez/Torres (eds): *Hacia una estrategia de desarrollo para los inicios del siglo XXI*, Table 4.1., p. 136. A survey of the remaining UBPCs in 2012 concluding that only 25% of them were efficient, led to a decision to close many of them down and to condone or renegotiate their debt, but at the same time stop subsidizing them, and to give them more management autonomy (*Diario de las Américas*, Miami, 15.09.12).

What is particularly striking here is that CCSs and private property, at a time when they represented 24.4% of land holdings, produced 57% of food in the country.<sup>17</sup>

Some important steps have been taken towards more autonomy for agricultural producers. But the evolution of policies has not been very clear. In the cited paper by Nova, he establishes the following five criteria for a more independent and effective farmer:

1. *The establishment of a market for production goods and implements.* There are some positive elements in this respect in the Guidelines (*Lineamientos*) approved by the VI Party Conference, but very little has been implemented.
2. *That the producer can decide – according to the market and social requirements – what to produce and where and to whom to sell.* On this point, the draft Guidelines had a very interesting proposal of allowing cooperatives to sell independently of state intermediation, but it was substantially changed in the finally approved Guidelines: free sale is only permitted after fulfilling state quotas, and non-state intermediation is not permitted.
3. *Diversification of market channels; abolishment of state monopoly.* Again, there are interesting reform proposals in the Guidelines, hinting at the abolishment of state monopoly of the wholesale market, but also in this case implementation is so far missing.<sup>18</sup>
4. *Free hiring of necessary labor force.* This is now partly permitted.
5. *Access to credit and technical assistance:* Limited credit schemes for private producers have been opened, but so far only in non-convertible currency.

Cuba is still far away from meeting these market conditions in agriculture, and the latest statistical information confirms that the modest agricultural reforms have failed to boost production. It must be very disappointing for the government to see that the country actually was producing less food in 2011 than in 2007 (in spite of a significant increase in the production of two staple products: rice and beans), while

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<sup>17</sup> Ibid.

<sup>18</sup> Hints about such plans appear every now and then (e.g., in Vice President Marino Murillo's speech to Parliament in the July session).

food prices rose by as much a 20% in 2011.<sup>19</sup> This is in stark contrast to China and Vietnam, where far more consistent market reforms in agriculture have led to impressive production success.

The most important increase in non-state agricultural holdings takes place through lease-arrangements, the so-called *usufruto*, of state or semi-state land lying idle. Since this was legalized through a *Decreto-Ley* passed in 2008, one million hectares of land have been distributed among 170,000 producers in this way. Until October 2012, conditions imposed on those who gained access to land through this mechanism probably explain why this measure has had so limited impact on production output (in addition to the general weaknesses mentioned above): the duration of the leasing contracts (limited to ten years), the lack of access to pass the lease from one generation to the next, and the prohibition on building houses on the property. New rules which will go into effect at the end of December partly meet the criticism by going a considerable way to follow the example of China and to stimulate this form of land tenure: private farmers will now be allowed to lease up to 67 hectares (up from 40), they will be allowed to build homes on the land, and lease rights may now be passed on from farmer to heir. Another complaint, about the limited length of the lease (only 10 years opposed to 50 years in Vietnam and China) has not been met, but leases may be renewed.

While decisive steps still remain to be taken in what Nova calls the production-distribution-consumption cycle in agriculture, things are happening “in the informal Cuban reality” which is fast outdistancing legality. Production goods and implements are being sold and bought on the black market; food products are being increasingly sold outside of official state and other legal channels, e.g., to hotels and restaurants (not least to private *paladares*); although the state maintains intermediation monopoly (through *centros de acopio*), private wholesale markets have emerged around major urban areas;<sup>20</sup> it is common to see considerable numbers of workers harvesting private property crops; credit in convertible currency is being frequently obtained by private producers farming in much larger scale than one could expect from formal regulation. Although capital accumulation is formally illegal (explicitly ruled out in a speech by Raúl Castro at the Party Congress), there is no doubt that many successful private farmers have managed to accumulate considerable amounts of cash – even in convertible currency.

<sup>19</sup> Reuters quoting a report from Cuba’s National Statistics Office, published in *ASCE Cuban Economic News Clippings Service*, Release No 538, 13.09.12, p. 15.

<sup>20</sup> People speak about dozens or even hundreds of lorries of food products being sold to small-scale vendors in Rancho Boyeros, outside of Havana, every morning.

But foot-dragging is dominating the official response, stopping peasants and farmers from really leaping wholeheartedly into a qualitatively different production mode. It is difficult to see any other reason for this political hesitance than a worry about the emergence of a too autonomous individual peasantry.

One of the controversial issues about agriculture and cooperative policies is about access to so-called cooperatives of second degree, which would increase the economic and political strength and thereby also the potential political autonomy of the members. That has so far not been allowed. Generally, the Government seems to be very reluctant to allow more independent and autonomous forms of organization among peasants and farmers, still depending on a very centralized and strongly Party-loyal ANAP (National Association of Small Farmers). Talking to peasants and farmers across the country, it is not difficult to perceive an increasing impatience with the lack of a real interest group advocacy vis-à-vis State and Party. As expressed by Pedro Antonio Alonso Pérez, one of the founders of a self-proclaimed independent CCP cooperative named *Transición* in Santiago province in 1997 and head of a small study center: “It is obvious that ANAP neither represents nor defends the interests of the Cuban (agricultural) producers. Its purposes and objectives are to represent the interests of the communist party and the government in power.”<sup>21</sup> There is reason to believe that this opinion is pretty general among Cuban agriculturalists.

A question raised by the left-wing critic of Cuba’s government, Samuel Farber, in 2006 seems to be more relevant than ever:

May we see agriculture as a strategic and more small-scale/democratic entrepreneurial alternative to the military entrepreneurship – unless the military also moves in to take control there? The question is whether the survival issue of enhanced food production will oblige the opening up of family agriculture with associated entrepreneurial functions.<sup>22</sup>

### **Economic-Political Space for Small Entrepreneurs and SMEs**

The same hesitation described above regarding the opening for non-state agricultural producers, can be seen when it comes to small entrepreneurs and small-medium enterprise. There is also a similar overwhelming demand for dramatic change: the state sector simply cannot

<sup>21</sup> Quote from interview published in *ASCE Cuban Economic News Clippings Service*, Release No 526, 6.01.12, p. 22. It is interesting to note that the ANAP President during 25 years, Orlando Lugo Fonte, who was at the same time member of the Consejo de Estado and the Central Committee of the PCC, was relieved of this function in September 2012. It remains to be seen whether the new ANAP President, Félix González Viego, previously provincial ANAP President in Villa Clara, represents any renovation of the organization.

<sup>22</sup> Farber (2006): “Cuba’s likely transition and its politics,” *International Socialist Review*, July–August 2006, Issue 48.

afford to keep its present workforce, productivity is dismal, Cuba has a tremendous fiscal crisis, and alternative employment is very difficult to find. When the official labor reduction campaign was launched in late 2010, the expressed objective was to lay off half a million employees during a few months.<sup>23</sup> A projection by the Ministry of Finance and Prices estimates that the number of persons employed in the non-state sector will increase to 1.8 million in 2015, which would represent 35% of total employment, with a contribution of 44.5% to the nations GDP.<sup>24</sup> In internal party meetings, top-level Ministry of Labor officials claimed that as much as 2,5 million state employees were in reality redundant.<sup>25</sup>

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The official plan was to offer those to be laid off to go into self-employment (*cuentapropistas*) or to get land leased and start agricultural production. It was hard to believe that a significant share of mostly urban and relatively well-educated dwellers would be willing to move back to the countryside. As far as urban self-employment is concerned there were many restrictions, both in terms of what services were legal (productive activities were only exceptionally legal), heavy and normally flat tax burdens, no wholesale market to buy raw materials and implements, red tape, corruption etc. There seems to be an endless innovation of measures to make life difficult for people who try to establish businesses, e.g., levying stiff tariffs in mid-2012 on imported goods brought into the country by people travelling from Miami or Panama (*mulas*) exactly for that purpose. The self-employed, e.g. those who run *paladares*, argue that this is often the only supply source in the absence of wholesale markets.

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The basic problem for productive employment generation is clearly that it is politically unacceptable to let private entrepreneurs develop their businesses in a profitable way. We are again up against the prohibition on “capital accumulation.” Actually, the concept “small and medium enterprise” (PyME are the acronyms in Spanish) does not yet exist in official Cuban vocabulary. The large majority of legalized businesses, be it sidewalk cafeterias, carpentry, plumbing and other crafts, minor repair, etc., can hardly employ more than one or very few people. The legal maximum number of employees that can be hired is five. In reality, most of the *cuentapropismo* is little more than a survival strategy, comparable to the immense informal sector in

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<sup>23</sup> Ironically, the plan was for the first time officially announced by the workers’ and employees’ own and only trade union, CTC, through a statement (completely supporting the measure) in Party organ *Granma* (September 13, 2010).

<sup>24</sup> Intervention by Minister Lina Pedraza in *Asamblea del Poder Popular*, Havana, 15.12.10, further elaborated in: García A, B. Anaya y C. Piñero “Reestructuración del empleo en Cuba: el papel de las empresas no estatales en la generación de empleo y en la productividad del trabajo,” *Seminario CEEC*, June, 2011.

<sup>25</sup> Information privately obtained from a party member listening to an internal lecture on the subject

most third world countries (but with the difference that this is now mostly formalized in Cuba). These small businesses are really changing the street life in Cuban cities. And there are businesses that do employ a certain number of people – cases of up to 40 employees have been cited. Private restaurants (*paladares*) now have a limit of 50 chairs, which of course means that a considerable workforce is required. Private “bed & breakfast” facilities (*casas particulares*), which tend to offer a certain range of services to tourists, and public transportation with private vehicles, are other examples.<sup>26</sup> There is also a new policy of leasing out publicly-owned businesses like taxi services, hairdressing shops, bakeries and small cafeterias to the employees, who then are left to run these businesses as their own.

It is quite conspicuous that *cuentapropismo* is not allowed among academic professions. In this way, Cuba is blocking its highly educated population, its brain capital, from seeking more decent income opportunities than what they are presently offered by the State. The only partial exception may be a small mostly informal private market in the education sector. But professionals such as lawyers, economists, scientists (like bioengineers), many of whom could offer high-level services to foreign clients (and those “new-rich” Cubans who are emerging), are not permitted to do so.

In an evident effort to stimulate non-state enterprises without nurturing private capitalism, there are signs that more opportunities will be offered to cooperatives, even outside agriculture. It has been announced that experiments with “mid-size” non-state cooperatives in sectors ranging from food services and fisheries to transportation will begin by the end of 2012. Some of these will be converted state-run enterprises, and these co-ops will be given preference over private single-owner businesses. A budget support of 100 million USD will also be set aside in order to stimulate this sector.<sup>27</sup> A very decisive question in political terms is whether these new cooperatives will be allowed to develop as really autonomous and people-controlled structures. A democratic cooperative movement in Cuba could be a very important building stone in a development towards more general liberal democracy in the country. It is difficult to observe signs in that direction so far.

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<sup>26</sup> In Santiago de Cuba, practically all public transport in the city is now left to privately-owned pre-revolutionary lorries in conspicuously good condition, adapted with sitting facilities (although quite crude) for passengers. At the same time, literally thousands of motorcycle taxis are also providing a significant part of the urban transport during rush hours. In another eastern city, Holguín, most urban transport is provided by bicycle taxis and horse-drawn carriages.

<sup>27</sup> Announcement made by Cuba’s “economy czar,” Marino Murillo, at a session of Cuba’s Parliament in July, 2012 (according to a cable from Associated Press, dated Havana 23 July 2012).



The pace of people receiving licenses for self-employment has apparently exploded over the last year. At this time (October 2012), the number of licenses granted is 380,000, an increase of 236,000 since the 2010 decree was issued. But more than two thirds of those who received such licenses were previously unemployed (or in reality people who exercised freelance work illegally), while 15% were retirees. Only 16% (38,000 workers) were individuals who actually left state employment.<sup>28</sup> Thus, the absorption capacity of this alternative when it comes to new employment creation seems to have been quite minimal.

But the most recent figures indicate that the percentage of workers employed in non-state jobs actually increased substantially from 2010 to 2011, from 16% to 22 % of the total workforce (1.1 million out of a total workforce of 5 million).<sup>29</sup> Much of this increase is explained by formalization of previously illegal self-employment, by the “leasing out” of small state services (barber shops, cafeterias, transportation, etc.), and of course by the significant increase that we have described in non-state agriculture. In this way, it may be statistically correct that 300,000 people were moved from the state to the non-state sector during this period, but many of them were basically doing the same job.

What we see in practice is that the heavy restrictions on private business, in a situation where demand is booming, lead to the emergence of non-legal business practices. A typical case is a person I met in Havana who had accumulated a total of ten taxi licenses and had people working for him, or a construction entrepreneur who had been living for some years in Mexico and came back to set up a building rehabilitation business with a significant number of workers (very much needed in most Cuban cities and towns, particularly after the opening up of a real estate market). What is a pity is that only those who are tolerated at the margin of the law, often with a long history as *bisneros* (the “wheelers and dealers” of any heavily regulated economy with a large black market) are the ones who are growing as entrepreneurs, rather than the kind of entrepreneur Cuba really needs: what we may call “Schumpeterian entrepreneurs,” those who could build a sound private sector not least in industry and production, with real employment creation. Such a class, unfortunately, is not yet politically accepted and even less promoted in Cuba. And the potential for its emergence and rapid growth is there, only thinking of the potential for productive use of family remittances from the Cuban Diaspora, not least in Florida (easily amounting to 2 billion USD per year). But a recent survey-based analysis shows that restrictions from both the

<sup>28</sup> Pavel Vidal and Omar Everleny Pérez (2012): *Miradas a la economía cubana: El proceso de actualización*, La Habana.

<sup>29</sup> Figures provided by Cuba’s National Office of Statistics, quoted by Associated Press in a cable from Havana dated 30 August 2012.

U.S. and Cuba seriously limits the employment creation potential of remittances, limiting the effect basically to economic survival:

The findings show that remittances continue to play an important role in the economic survival of Cubans, with money coming from the U.S. and other parts of the world. We find that an important proportion of recipients want to own a business and some already have established one. The businesses that remittance recipients have established or aspire to establish are geared toward the service sector and led by micro-enterprises aimed at achieving self-subsistence rather than wealth generation.<sup>30</sup>

The legalization of property trade is probably already having important impacts: on the emergence of an investment capital market, on the expansion of domestic demand, on the creation of new entrepreneurial incentives (risks and benefits). This may be an opportunity, but it also contains serious risks:

The central challenge for the government now is to create a system of contracts and institutions to tap this potential increase in productivity, while avoiding predatory and corrupt practices. A corruption boom is a permanent threat to the transition to a mixed economy since the current Cuban power structure is filled with rent seeking opportunities and lacks supervisory capacity and transparency.<sup>31</sup>

Another economic reform with potential political impact is the launching of a credit system, but so far it has been limited to non-convertible currency and it has not been very easy to access for small businesses. Most of the credit continues to go to state enterprises.<sup>32</sup>

One of the obvious political motives behind all these restrictions on private business is the worry that more independent-minded social structures will emerge, and that the Communist Party thus will lose political and social hegemony. It was interesting to see how the organizers of the May Day parade in Havana in 2012 made efforts to mobilize a section of *cuentapropista* marchers. If business initiatives as such are being obstructed, this is even much more the case with any effort to organize independent unions or interest groups for the new economic actors. It will be highly interesting and indicative of the country's democratic potential to see how such initiatives – which with high probability will emerge as differentiated interests grow – will be met by the government.

<sup>30</sup> Manuel Orozco and Katrin Hansing (2011): "Remittance recipients and the present and future of micro-entrepreneurship activities in Cuba," *Cuba in Transition—Volume 21*, p. 302.

<http://www.ascecuba.org/publications/proceedings/volume21/pdfs/orozcohansing.pdf>.

<sup>31</sup> Arturo Lopez-Levy (2011): "Houses, used cars and markets: Change Cuban can believe in", *The Havana Note*  
[http://thehavananote.com/2011/11/houses\\_used\\_cars\\_and\\_markets\\_change\\_cubans\\_can\\_believe](http://thehavananote.com/2011/11/houses_used_cars_and_markets_change_cubans_can_believe)

<sup>32</sup> Pavel Vidal Alejandro (2012): "Pasos hacia la bancarización del sector no estatal cubano," published in ASCE News, February 2012.

At the end of the day, this is a question of the Communist Party's power monopoly. As Samuel Farber, a self-declared champion of "revolutionary democratic socialism from below," points out:

[But] there is also the question of political power, and the central bureaucracy isn't going to share power with newly minted capitalists unless they totally assimilate into the ruling bureaucracy. But this has also happened in China--you have capitalists joining the Communist Party and becoming a part of it.<sup>33</sup>

He could have added that the same pattern is seen in Vietnam. Whether a similar trend will appear in Cuba is still impossible to predict – simply because we cannot yet speak about a capitalist class in Cuba. But it will be an important aspect to watch carefully.

A very likely scenario – also when comparing to the rise of neo-capitalism in China and Vietnam – is that Diaspora investments could play an important role in kick-starting a market economy in Cuba. There are increasingly strong signs that rich Cuban-Americans are getting ready to invest in Cuba, but many of them are concerned that also Cuban nationals be allowed to take part in common enterprise. One of the most vocal advocates of this vision is Carlos Saladrigas, an influential Cuban-American investor with strong links to the Catholic Church in Cuba:

The Cuban entrepreneur in exile has a lot to contribute in future Cuba. We are part of that enormous human capital of the Fatherland. I know almost all big entrepreneurs in Miami [...], I know well the interest they have in contributing their talent and their treasure to help a prospering and progressing Cuba... We also believe in the need to create a Creole, Cuban capital. We are worried about a Cuba where the capital once again becomes mostly foreign. After so many years struggling for sovereignty, it would be ironic to return to a Cuba dominated by foreign capital. ... [I]t would be ethically unacceptable to allow [the Diaspora entrepreneurship] to invest in Cuba, as foreign investors, if the same opportunity is not offered to Cubans living in Cuba [...] Many exile entrepreneurs will like to invest in Cuba in association with Cubans from the Island who know intimately the peculiarities of the Cuban market and the idiosyncrasy of contemporary Cuba.<sup>34</sup>

But so far, this window of opportunity does not seem to provoke much interest in Cuban power circles. It must have been highly frustrating for people like Saladrigas to observe the lukewarm reception from Foreign Minister Bruno Rodríguez at a recent meeting in New York with a group of would-be Cuban emigrant investors. It is difficult to

<sup>33</sup> Farber (2006), op. cit.

<sup>34</sup> Carlos Saladrigas, interviewed by Orlando Márquez (2011): "No es fácil cambiar, pero lo hice," *Palabra Nueva*, La Habana, May. Even some leading figures of the most successful conservative Cuban-American families with leading economic roles in pre-Castro Cuba are now returning to Cuba to find out whether the ongoing reforms offer possibilities for investments in the country, perhaps afraid of "missing the train": Paul L. Cejas (a former U.S. Ambassador and close friend of the Clinton family), and Alfonso Fanjul (whose family was one of the major sugar industry entrepreneurs) both visited Cuba in April 2012.

avoid the interpretation that the development of small and medium entrepreneurship is of no real interest to the Cuban government, when the response they got from the Foreign Minister was that “Cuba is looking for investments of a magnitude that normally does not come from the emigration.” The government, he said, is chasing thousands of millions of dollars rather than some few hundred thousand.<sup>35</sup>

This response may offer a significant sign regarding a crucial question for Cuba’s political future: whether this increasing co-investment opportunity offered by rich Diaspora Cubans will be dominated or monopolized by Cuban state, not least military corporations, or whether non-military Cuban entrepreneurs will be allowed to develop such links. Samuel Farber leaves no doubt as to what he predicts:

A more likely scenario is that the heads of the Cuban army will welcome the investments of the Cuban-American capitalists with the clear understanding that the army will politically run the show. Of course, over the longer term, these two forces would tend to merge with each other. These army leaders will be in a position, as we indicated above, to make deals directly with the even bigger U.S. capitalists, without having to depend or need the Cuban-American capitalists as intermediaries, although many of the latter may feel encouraged to play that role.<sup>36</sup>

### **The Role of Key Actors**

One way to try to understand the direction of political changes going on in Cuba in the wake of economic reforms is – as we have seen in other transition processes – to watch different key actor groups and their changing behavior.

The first group to watch would obviously be the new generation of state and party leaders. Are there identifiable tendencies, factions, ideological and political differences, or even more: is there a power struggle going on between such factions, preparing for the post-Castro era? The answer is simply that practically no such signs are visible either to external observers or even to party members and high-level officials outside of the absolute power elite (Politburo and Central Committee). Cuban top leaders are extremely tight-lipped and they maintain the appearance of absolute and monolithic unity, even in a situation where almost every aspect of Cuban society is under critical consideration.

While there is a certain intellectual debate about socialist alternatives (see later), people with leading positions in the party and state institutions hardly express any opinions or preferences. One can only specu-

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<sup>35</sup> Quoted in ASCE Cuban Economic News Clippings Service, No. 541, dated 2/10/12.

<sup>36</sup> Farber (2006), op.cit.

late about the reason, assuming that there *must* be different opinions about all the fundamental decisions ahead for this country: with all the younger leaders kicked out of political positions over the years and particularly since Raúl Castro took over, nobody with survival instincts is willing to stick out his or her neck and risk being the next victim of party purges. But even if this were the case, one is left to wonder whether the new generation of leaders who very soon will have to take over the reins from the revolution generation now in their 80s, really have any strategic vision about the way ahead for this country. It is, for instance, very difficult to find out which younger party cadres at various levels, starting with the provincial first secretaries (10 out of 16 of these are also members of the Central Committee and thus probably are among the strongest candidates for future leadership roles), are drivers for or against economic and/or political reforms.

A second important group of actors to watch very carefully is the military, and particularly heads of the military corporations. Six out of 14 members of the Politburo are high military officers or have a military-technocratic background, adding to the three remaining historical leaders who also have military ranks (meaning that two thirds of the Politburo are military men). Among the eight members of the Presidency of the Council of Ministers, so to say the inner Cabinet of the Cuban government, six are military and/or historic revolutionary leaders (75%).<sup>37</sup> Many recent cabinet reshuffles have led to top-level military taking over key government positions. So there is no doubt about the increasingly dominant position held by the military institution – of course led by President Raúl Castro himself – in party and government structures.

But even more strategically important may be the dominant role played by military corporations in the key areas of the Cuban economy, especially the most dynamic parts of it and those linked to foreign investments. There are two leading military conglomerates:

- *Cimex* (Cuban Export-Import Corporation) is Cuba's largest commercial corporation, with operations in finance, international trade, tourism, domestic trade, real estate, security and many other sectors, said to have more than 80 companies and 25,000 employees. Army Colonel Hector Oroza Busutin was appointed as Cimex's CEO in 2011.<sup>38</sup>
- *Gaesa* (Business Administration Group) controls the leading tourism company Gaviota (which is the Cuban counterpart of

<sup>37</sup> The only exceptions being Ricardo Cabrisas Ruíz and Miguel Díaz-Canel.

<sup>38</sup> Information based on different articles from Reuter's Havana bureau, and a private interview with a former marketing director of Cimex, Emilio Morales, now residing in Miami.

some of the leading foreign hotel chains in the country); Almacenes Universal (which is in charge of the country's free-trade zones including the one being built in Mariel); and Agrotex (the leading military corporation in agriculture). The leader of Gaesa's day-to-day operations is Raúl's son-in-law, Major Luis Alberto Rodríguez López Callejas, who is also heading the important Section V of the Ministry of Defense, in charge of the Armed Forces' economic activity. Rodríguez is by many seen as the Castro family's personal representative in the military-economic web of institutions.<sup>39</sup>

Leaders of these and other military corporations are clearly candidates to play a dominant economic as well as political role in post-Castro Cuba.

It is interesting to note that two leading extractive industries nickel and oil – key sectors for Cuba's economic future and in many countries a preferred source of rent-seeking for military officials – are so far apparently not controlled by the military corporations.

The third group to watch in the government structures, although it is pretty difficult to personalize, is the state bureaucracy, which is accused by Raúl Castro himself of boycotting or slowing down many of the reform processes. Another way of seeing this is that there is a widespread practice of "civil disobedience" within the state bureaucracy. What is the basis of this resistance? Is it simply foot-dragging based on fear for change? Is it a consequence of the myriad of partly contradictory laws and regulations where the best protection for a bureaucrat afraid of committing errors is to put up a lot of red tape? Or is it more ideologically inspired, perhaps paying allegiance to the most prominent enemy of the market economy, Fidel Castro himself? The latter thesis is maintained by Samuel Farber, himself a strong critic of market reforms, referring to this resistance as "neo-Fidelismo":

While neo-Fidelismo is going to be an important political current resisting the neoliberal trend in Cuban politics during a post-Communist transition, it will do so in the only way it knows how: in a bureaucratic, authoritarian and paternalist manner unable to tap the democratic roots of the popular resistance to capitalist neo-liberalism.<sup>40</sup>

Outside the party and state apparatus, there are many actors whose importance we are only beginning to see:

- The hierarchy of the Catholic Church, led by Cardenal Ortega, which is playing an active intermediary and dialogue role, crit-

<sup>39</sup> Same sources as quoted in previous note.

<sup>40</sup> Farber (2006), op.cit.

icized by some for being too friendly to Castro, but undoubtedly an important alternative voice in the Cuban society. One of the ambitions of the Catholic Church (also raised by the Pope during his 2012 visit to Cuba) is to be allowed to establish non-state education institutions. The first-ever non-state Master program, in Business Administration, is now being initiated by Centro Cultural Padre Félix Varela in Havana. That may be an interesting beginning of a new trend. Around the country, the Catholic Church is running several business trainings for small entrepreneurs.

- Some academics with relative autonomy, perhaps especially economists who have more legitimacy to debate reform requirements than other social scientists, are acting within pro-reform think tanks.
- The emerging entrepreneurs, still quite invisible in public life. A special sub-group to watch here may be retired military officers, who seem to have relatively frequent access to start private business of certain significance by Cuban standards.
- What is referred to as NGOs, which in Cuba never have had real independence from state institutions (perhaps with a certain exception for church groups offering charity support, such as the Catholic Caritas).

These groups constitute what some have called “a grey zone” in Cuban society:

a grey area has emerged where intellectuals and groups that promote citizen interests without directly challenging the state’s power are tolerated. These efforts include women rights, opposition to racial discrimination, consumers’ rights, gay rights, protection against anti-religious discrimination, the environment, anti-abortion groups, death penalty abolitionists, the right to freedom of movement, among many other non-overtly political groups that do not challenge the monopoly of power of the PCC but demand policies that address their concerns.<sup>41</sup>

Some theoretical discussions are going on among a reduced group of intellectuals in magazines such as *Temas*, *Espacio Laical* and *Palabra Nueva* (the first linked to the Ministry of Culture, the last two to the Catholic Church), also reflected in letters to the three Cuban dailies, and in some websites such as [www.kaosnelared.net](http://www.kaosnelared.net). An interesting effort to identify three “principal positions or visions about Cuban socialism” is represented by Camila Piñeiro Harnecker, where she distinguishes between a statist, an economicist and a self-management vision of “what is necessary to save the Cuban socialist project.”<sup>42</sup> The statist alternative is basically the status quo “centralized state with a vertical structure”; the economicist approach is equivalent to “market

<sup>41</sup> Arturo López Levy (2011), *op.cit.*, pp. 384-385.

<sup>42</sup> Camila Piñeiro Harnecker (2012): “Visiones sobre el socialismo que guían los cambios actuales en Cuba,” *Revista Temas*, April-June 2012, No. 70

socialism” following the Chinese and Vietnamese model; whereas self-management ideas are more utopian but perhaps to a certain extent practically applicable through cooperative ideas. No liberal democratic alternative with promotion of personal freedoms is represented in these approaches, but they are to a certain extent present in the debates taking place within the Catholic magazines.

These debates generally stay within the party’s tolerance zone, but some discussants may be moving towards positions of open confrontation. In this latter zone, we already find dozens of dissenter groups, which generally attract much more attention internationally than among Cubans, partly because they have very limited means to communicate within Cuba. The best known among these – who are all considered by the Cuban Government as pawns of the U.S. government -- are the Ladies in White, consisting of wives and mothers of previous political prisoners; the Cuban Human Rights and National Reconciliation Commission led by Elizardo Sánchez; and the Varela project, headed by Oswaldo Payá until he was killed in a car accident in July 2012.

Probably much more important than these groups are the bloggers and other actors in new social media, and the independent journalists. Although Cuba is among the countries in the world with most restrictions against the internet,<sup>43</sup> the government and the security police find it very hard to stop their activities. It is difficult to judge how far they reach inside the Cuban society, but they probably have a significant audience among young people, mostly academics:

Thanks to the new technologies for digital reproduction [in Cuba the memory sticks are clearly the most used tool in the absence of general internet access – comment added by the author] [civil society actors] have managed to articulate debate among certain public spheres. Via electronic mail and Internet, thousands of citizens, principally in the cities, have had access to political proposals and debates on the national reality, at the margin of the official circuits for the circulation of ideas. This mixture of bulletins, blogs, websites, journals, video reproduction platforms, simple e-mails among groups of friends, and so on, constitutes a real political laboratory where the future of Cuba is being cooked.<sup>44</sup>

Admittedly, the heavy internet restrictions in Cuba represent an effective brake on the proliferation of new social media, compared to almost any other country in the world. The security services have evidently decided to do their utmost to avoid a repetition of events like the Arab Spring where the social media played a crucial role. Also,

<sup>43</sup> On the so-called “Press Freedom Index” elaborated by the organization Reporters Without Borders, Cuba rates 167 out of 179 countries (but with a score well ahead that of both Vietnam and China). The same organization also publishes a list of “internet enemies,” where Cuba appears as one of 12 countries (also Vietnam and China among them).

<sup>44</sup> Lenier González, roundtable discussion, in *Espacio Laical*, at [www.espaciolaical.org/contens/esp/sd\\_160.pdf](http://www.espaciolaical.org/contens/esp/sd_160.pdf).



according to university professors, political apathy and a complete lack of ideological knowledge and debate seem to dominate among Cuban university students.<sup>45</sup> It is therefore questionable how easy it would be to mobilize popular upheavals among young people in Cuba, in spite of the objective conditions that might exist due to the widespread complaints generally expressed by young Cubans about their life prospects.

One of the few arenas where young people can express and exchange frustrations and protest publicly is through music. The subcultures of hip-hop, rap and particularly *Raggaeton* are attracting tremendous interest among Cuban youth, and the texts are often extremely critical and directly confrontational, condemning and insulting about the Cuban system and its leaders, while also cheering capitalist and consumerism values. This subculture evidently represents a complicated challenge, but is generally tolerated although records are mostly produced and circulated unofficially (bicycle taxis being one of the sales outlets in Havana, for instance). The big question is whether this culture may lead young people into protest, social mobilization of some kind; whether it is a safety valve or a source of potential political mobilization. It is interesting to note that even the Communist Youth League (UJC) tries to attract people by organizing *Raggaeton* events, in a tough balancing act between staying in touch with youth trends and inspiring anti-regime sentiments. The Cuban sociologist Nora Gámez, who recently defended her PhD dissertation about this phenomenon, discusses whether this music is “a rehearsal of politics’ [or] a form of politics itself”; “a painful reminder [...] of the increasing gap between emergent values rooted in everyday life experience and socialist ideology”:

At the deepest level, though, *Raggaeton* constitutes a challenge for the dominant ideology [...] in which the underclass has managed to break into the cultural sphere without permission [...] [*R*]aggaeton poses a challenge to the dominant ideology and its symbolic control over the construction of reality, over the construction of identities and the “right”, “correct” values in an allegedly socialist society [...] What *Raggaeton* reveals dramatically is what the state precisely wants to conceal, that in everyday life, socialist values have lost considerable space and that people have started to adjust their mentalities to the kind of post-socialist economy we have had for the past two decades.<sup>46</sup>

Crack-down on dissent is increasing in Cuba, although Amnesty International claimed in October 2012 – after the release of the 75 dissi-

<sup>45</sup> This observation is based on many conversations with university professors and other intellectuals, generally belonging to a politicized generation of intellectuals, often highly frustrated with the general apathy and lack of basic intellectual curiosity among the present generation of students

<sup>46</sup> Nora Gámez Torres (2012): “Hearing the Change: *Raggaeton* and Emergent Values in Contemporary Cuba,” *Latin American Music Review*, Fall/Winter 2012, Volume 33, Number 2. (A shorter version in Spanish appeared in *Revista Temas*, No. 68 / 2011.)

dents convicted in 2003 in what became known as “The Black Spring” – that there are no political prisoners in Cuba.<sup>47</sup> The pattern is now one of constant intimidation, bullying and short-term detentions. It is difficult to forecast how much tolerance there would be if the quite harmless protest and dissent that exists now turns into a more threatening confrontation, which quite likely could occur as more pluralist social structures and socio-economic differentiation emerge and social media become more generally available. This will particularly be the case in the post-Castro era, with the almost certain reduction in support and legitimacy this would imply – partly already seen with the transition from Fidel to Raúl, although Fidel is still around. If we use China as an example, on average there are reportedly 500 strikes, riots and confrontations with the police every day. With a population about 1% of China’s, this would represent 5 such confrontations daily in Cuba. That would be a really tough challenge to handle, and there would be an increasing dilemma between losing the political control and take very tough security measures which might risk propelling the confrontation and international protest even more. It is probably far more difficult to control such contradictions in Cuba than in culturally more collective and closed societies like China and Vietnam.

### The New International Context

It is impossible to discuss the political prospects of Cuba without taking the international context into consideration. Cuba has always been dependent on foreign powers: Spain during the colonial era, the U.S. during the first 60 years of the 20<sup>th</sup> century, and the USSR since the revolution until the demise of the Soviet superpower. During the deep crisis of the 1990s, following the fall of its socialist benefactor, revolutionary Cuba saw itself obliged to take its first turn towards the capitalist world: direct foreign investments had been legalized already in 1988 – particularly in the tourism sector – largely as a consequence of Gorbachev’s *perestroika* policy signaling reduced subsidies to the Cuban economy, *cuentapropismo*, agricultural markets and the circulation of the U.S. dollar were legalized (1992-94).<sup>48</sup> When no external supporter was at hand, Hugo Chávez came to power in Venezuela and

<sup>47</sup> Cuba is number 7 on the list of prisoners per capita in the world (510 per 100,000 inhabitants), a list headed by the US (730). Russia has about the same index as Cuba, while China and Vietnam have much lower figures (see International Centre for Prison Studies, <http://www.prisonstudies.org/>).

<sup>48</sup> The consequences of the disappearance of the USSR were dramatic for Cuba: between 1989 and 1993, Cuba’s exports and imports were reduced by 75-80%, gross investments by 60%, and GDP by 35%. While sugar (mostly being sold to the USSR) represented more than 90% of export revenue in 1990, tourism (mostly from Western Europe and Canada) had become the number one export earner (45%) in 2000, while health services (mostly to Venezuela) had the same position in 2006 (with sugar and tourism each representing about 25%). See Jorge Mario Sánchez-Egozcue and Juan Triana Cordoví (2010): “Panorama de la economía, transformaciones en curso y retos prospectivos,” in Omar Everleny Pérez Villanueva (ed): *Ciencuenta años de la economía cubana*, Editorial de Ciencias Sociales, La Habana, p. 83-152, particularly figures 1 and 4.

soon offered Cuba a new lifeline in terms of oil deliveries and other crucial support in exchange for medical and other social services. It was, of course, a great relief for Cuba that Chávez was comfortably re-elected for another six-year term in October 2012, but his health situation is still a factor of uncertainty for Cuba, since there is really nobody else to fill his shoes. In case he cannot fulfill his term, the Venezuelan constitution requires fresh elections, and the opinion polls prior to the 2012 elections indicated that Chávez was the only PSUV candidate that would have beaten the opposition.

Several new elements of Cuba's external relations will be of relevance for the direction of the Cuban reform process. Perhaps most important, Latin America has taken almost a U-turn to the left during the first decade of the 21<sup>st</sup> century, providing Cuba with dramatically friendlier regional relations, ranging from direct partnership through the ALBA alliance (Venezuela, Ecuador, Bolivia, Nicaragua and some smaller Caribbean nations), significant political and economic ties to countries like Brazil and Argentina, and also improved relations with the rest of the continent. The other side of the same coin is that U.S. influence in Latin America has fallen drastically, leading to the unanimous OAS vote in 2009 to repeal the nearly half-century ban on Cuban membership in the regional organization.<sup>49</sup> The U.S. is now the only country in the western hemisphere without diplomatic relations with Cuba, and several new regional organizations excluding the U.S. but including Cuba have emerged, with CELAC (the Community of Latin American and Caribbean States) as a possible substitute for the OAS: so to say an "OAS without the U.S."

The political economy of present-day Latin America offers a very interesting context for the economic reforms in Cuba: market economy with increasing state intervention and the application of Keynesian regulatory and anti-cyclical policies. Politically, Latin America is basically ruled by democratic and popularly elected governments. This is a regional context within which Cuba may -- much easier than ever since the revolution -- find an echo for economic and even political transformations, without giving up on its basic revolutionary visions.

Relations with the U.S. have not changed dramatically although President Obama has eased some of the embargo restrictions. With the re-election of Barack Obama for a second term, we will at least avoid another worsening of relations which a Romney administration might have led to. But even if President Obama personally might have wanted to repeal the Helms-Burton law -- which he actually expressed during his Senate election campaign in 2004 -- he has no power to do so given the composition of Congress. A certain rapprochement with di-

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<sup>49</sup> But Cuba has so far expressed no interest in rejoining the OAS.

rect consequences for the role of the Cuban-American Diaspora during the next four years should however not be completely ruled out.<sup>50</sup> Full political normalization with the EU will also be postponed after the 2012 change of government in Spain, while the majority of EU countries remain in the center-right camp. But this may be more than outweighed by the rapidly increasing role of China, Russia and the other BRICS (not least Brazil) in world politics and markets in general and in their interest in Cuba in particular.

Another recent international factor must also be taken into consideration: the “Arab Spring” in 2011. The following statement from a prominent Egyptian scholar, making comparisons to the 1848 events in Europe, may have been representative of the optimism in liberal Arabic circles as the events were unfolding:

It was at that time in Europe that peoples became politicised and started to play a role in politics, paving the way for great change. That is what is now happening in the Arab world. Thanks to modern technologies, mobilisation opportunities today are greater and more efficient. That is why things are moving faster in the 21<sup>st</sup> century than they did in the 19<sup>th</sup>, and why change will not take as long as it did back then in Europe.<sup>51</sup>

Recent events, not least in Yemen and Syria, may indicate that there is all reason to be cautious about forecasting the rapid establishment of stable democracies in this part of the world, and that things may even move in a seriously worse direction.

The sensational sequence of events during the “Arab Spring”<sup>52</sup> obviously also led to speculation whether something similar might happen in Cuba. The veteran news correspondent in Havana, Marc Frank, listed ten reasons why such comparison is rather irrelevant, among them the limited internet and satellite TV penetration, completely different demographics, the level of health and education, much less apparent police brutality, no developed business class, and finally two very important factors: “you are allowed to have sex and party”; and

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<sup>50</sup> A dramatic shift is underway with the Cuban-American vote in Florida, which has historically been controlled by anti-Castro, pro-embargo Republican politicians, also pushing Democratic candidates to take staunch anti-Castro positions with the purpose of winning this key swing state. Although exact figures are debated, exit polls of the 2012 presidential elections suggest that Obama was close to matching the votes for Romney in this electoral group, compared to obtaining only 35% in 2008 and Gore achieving a poor 25% support in 2000. Among younger Cuban-Americans, either those born in the US or those arriving over the last 20 years, Obama seems to have obtained a comfortable majority, assumingly in recognition for his easing of restrictions on travel and family remittances. These trends, one could speculate, may ultimately lead future Democratic candidates to abolish their confrontational policies towards Cuba.

<sup>51</sup> Gamad Abdalgawad Soltan, Director of the Al-Ahram-Centre for Political and Strategic Studies in Cairo, in *Franfurter Allgemeine Zeitung*, 12 July 2011.

<sup>52</sup> The following reference offers a good oversight of the Arab Spring phenomenon: Marc Lynch, Susan B. Glasser, Blake Hounshell (eds) (2011): “Revolution in the Arab World: Tunisia, Egypt, and the Unmaking of an Era.” *A Special Report from Foreign Policy*, Washington.

“the leaders are not stealing the oil wealth and fooling around at European casinos.”<sup>53</sup>

Actually, the most important impact of the Arab Spring in Cuba so far has probably been the increased nervousness of the security system when it comes to the dangers of letting loose internet and social media, with the consequent intensification of clamp-down on bloggers and opposition groups. To a certain extent this nervousness may be shared by significant portions of the Cuban population: television images of recent chaos in many Arab nations are hardly an incentive to initiate a similar social experiment. The stability that Cubans after all are enjoying is probably preferred to the fears of heading towards a failed state.

If we add to this the dimensions of the financial crisis in the center of the capitalist world – including the two countries where the largest number of emigrant Cubans are living (the U.S. and Spain), many Cubans may even be asking themselves whether Fidel in the end will be proven right: that capitalism has no future, or at least that “authoritarian capitalism” (or “socialist market economy”) as practiced in China and Vietnam could be a better alternative.

In this new world order, Cuba can see that many of its partners take relatively little interest in some of the liberal-democratic ideals that were believed to become universal after the fall of the Soviet system. One thing is that two role models like China and Vietnam have very similar political systems to that of Cuba, and that they for the time being are enjoying much more economic success than most liberal market economies. As we have seen, Russia and many of the former Soviet-allied countries in Eastern Europe and Central Asia seem to be moving in a more authoritarian direction. And even in Latin America, many of the democratically-elected leftist governments (not least the ALBA countries, Cuba’s closest allies in the western hemisphere) are being criticized for authoritarian tendencies when it comes to, e.g., press freedom and the autonomy of the judiciary. It is quite illustrative that the Inter-American Commission on Human Rights and even the Inter-American Court of Human Rights, institutions that were fundamental in the defense of movements bringing the present governments to power, are now increasingly questioned by many of the same governments as the Commission brings issues against them (even including Brazil, after the Commission ordered the halt of a gigantic dam construction due to its expected negative effects on the environment and the indigenous population). What this means in practice is that that the democratic-authoritarian dichotomy simply becomes more

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<sup>53</sup> Marc Frank (2011): “Notes on the current situation in Cuba,” *Cuba in Transition—Volume 21*, [www.ascecuba.org](http://www.ascecuba.org).

blurred. Cuba – when looking for its own development path – can find many role models both on its own continent and elsewhere with relatively democratic systems, but with significant restrictions in civil and political rights.

The implications of these new international context factors will have to be taken into consideration when analyzing economic and political transition scenarios in Cuba, bearing in mind what Linz & Stepan (op.cit.) refer to as *diffusion* or *zeitgeist*, that is, contemporary spirits or trends in countries with similar cultural characteristics or with leverage on the Cuban reality. Given Cuba's socio-cultural heritage and the success of capitalist democracy in many Latin American countries such as Brazil, will this diffusion effect after all be different in the case of Cuba from what Gainsborough (op.cit.) describes as the authoritarian regional factors impacting on the transition in Vietnam? Or, perhaps more probable, will neo-authoritarian trends in many parts of the world decisively rule out a liberal market model in Cuba for the foreseeable future?

# Transformation Scenarios

Based on the empirical elements outlined above, this study will propose three basic scenarios, across which the ongoing Cuban transformation will be moving, particularly in its post-Castro era (see Figure 2).

In the present Cuban socio-economic context, there are four main conditioning elements for economic-political transformation: the massive need for employment-generating new industry and business; a similarly massive need for increased food production; a great potential for a Cuban oil economy; and international conditions dominated by friendly and democratic and “Keynesian” Latin American neighbors, closer links to the BRICS countries, and a continued U.S. embargo (although with some possible easing of relations). Each of these conditioning factors will have decisive implications for alternative evolution trends, with very different consequences for the political outcome. We distinguish here between three scenarios:

- (1) A social-democratic market transition, with gradual introduction of civil political rights, multi-party system and elected governments;
- (2) A mixed economy with significant authoritarian withdrawal but with maintenance of the one-party system (a variant of the Vietnamese model, but perhaps with more freedoms); and
- (3) Neo-authoritarian military-dominated state capitalism, with the military and other technocrats taking economic and political control, implying dangers of cronyism, corruption, oligarchic concentration of economic and political power.

If the new market economy opens a space for SMEs and private entrepreneurs, and if the production crisis in agriculture gives way to a family-farm model combined with strong democratic cooperative elements and access to markets and agro-industrial development, this will clearly stimulate pluralistic and non-authoritarian political-economic structures in the direction of scenarios (1) or (2). The more space there is for civil society organizations and voice, the better the chance for approaching scenario (1) rather than (2). However, if the space for private entrepreneurship remains as narrow as now or is closed, and the new economy is dominated by military-owned companies and/or an emerging state and party technocracy with growing oligarchic characteristics, more authoritarian trends will be strengthened.

The direction of diaspora investments may be a significant factor in determining which of these trends will gain the upper hand.

The oil sector, which probably will become a significant new factor in Cuba's economy some years from now when offshore production gets underway<sup>54</sup>, will also offer diametrically opposite development potentials. A rent-seeking model, seen in so many other oil-producing countries, will definitely be of no help to avoid authoritarian structures in the future. Alternatively, if there is a real will to manage oil revenues in a transparent and accountable way for real development purposes, in order to avoid the "petroleum curse" seen in so many other cases, this could be a turning point in Cuba's economic as well as political development. We have not discussed the alternative petroleum policy strategies in this paper, but they will be of considerable importance for the political outcome of the ongoing transformations.

And finally, international conditions will have an impact. The present regional context in Latin America gives Cuba more options for a socially responsible market economy than ever before, perhaps with Brazil as the potentially dominant partner. The other BRICS countries, particularly China and Russia, offer good economic partnership but not with much potential for pro-democratic influence. And a continuation of the U.S. embargo (or blockade as the Cubans call it) will definitely not help Cuba in a democratic market direction.

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<sup>54</sup> This prognosis is still valid in spite of the so far unsuccessful offshore exploration drilling during 2012, resulting in three dry holes and the Platform Scarabeo 9 leaving Cuban waters in November 2012 (*cubaencuentro*, 2/11/2012). Cuban and US geological studies coincide in prospecting that considerable petroleum resources will be found north of Cuba, although the Cuban data are more optimistic than the US (realistically leading Cuba to become self-sufficient in oil, but hardly becoming a net oil exporter in the foreseeable future). As a comparison, it took more than 30 dry holes to be explored in the North Sea before the actual oil production was started. Russian and Venezuelan companies are now expected to be in charge of the next phase in Cuban offshore exploration drilling.



Figure 2: Cuban Transformation trends and scenarios

