



Center for National Policy

Cuba Today

Prepared by
Gillian Gunn Clissold, Ph.D.
Consultant, CNP U.S. Cuba Policy Project

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*One Massachusetts Avenue, NW, Suite 333 ★ Washington, DC 20001-1401 ★ Phone (202) 682-1800
Fax (202) 682-1818 ★ E-Mail: thecenter@cnponline.org ★ Homepage: www.cnponline.org*

Introduction

Since its inception the Cuban Revolution has sought to strike a balance between economic efficiency, certain social concerns and political control. Depending upon the internal and external contexts, efforts to render these three elements compatible have met with varying degrees of success. Today Cuba is grappling with the shortcomings of the strategy devised in 1993/4, and then significantly revised in 1995/6. While these difficulties are unlikely to cause system collapse, they could lead to significant and perhaps abrupt policy shifts. Past realignments of Cuban internal dynamics have reshaped the context in which Cuba-U.S. bilateral relations play out, and are likely to do so again.

In order to appreciate the nuances of current and future trends, it is useful to briefly examine the mechanisms Cuba devised to resolve the fore-mentioned triangular tensions during the first 30 years of the Revolution, and their implications for Cuba-U.S. relations.

Cuba Yesterday

During the period of Soviet support, external subsidies eased tensions between the competing economic, social and political demands. Cuba could cater to targeted social concerns with universal free health care and education, while largely ignoring internal economic inefficiencies. After the initial period of instability and overt repression in the early 1960s, strict linkage of access to virtually all resources (jobs, housing, consumer goods, travel abroad, domestic recreation, etc.) to government employment or good will made it relatively easy to ensure political control. The fact that this government control of resources made the economy inefficient did not matter, for budget deficits were routinely covered by subsidies. In short, political control and certain social concerns were prioritized, while economic efficiency was largely ignored.

When subsidies first waned in the late 1980s and then disappeared altogether in the early 1990s, Cuba's leaders had to re-order priorities. Without external subsidies, they could not sustain social programs upon which the population had come to rely, and which provided the system with much of what remained of its tattered legitimacy. Furthermore, the end of subsidies threatened to render jobless large sections of Cuba's work force whose employment had not been based on market demand, but on artificial constructs. Fear of unemployment grew and social distress skyrocketed. The steady devaluation of the peso on the increasingly important black market, as the government printed money but did not produce goods to purchase with that currency, created severe social dislocation. By 1993 some Cubans were experiencing genuine nutritional hardship.

Social unrest first simmered beneath the surface in isolated incidents and then burst into the open in the migration crisis of July-August 1994. Popular dissatisfaction was on the verge of threatening political control. The government's own economic technocrats called for a dual strategy: trim social programs severely and simultaneously introduce sufficient market mechanisms to generate internal resources with which to salvage the scaled down social safety net.

As is now well-recognized, in 1993 Cuba began to introduce limited market mechanisms, and moved forward more decisively in 1994. Among the most notable measures introduced were: authorization of agricultural markets at which producers could sell excess produce (above that required to meet government production quotas) directly to consumers at prices determined by supply and demand; expansion of the sectors open to self employment; legalization of the holding

of U.S. dollar currency by Cuban citizens; conversion of state farms to agricultural cooperatives with some degree of management autonomy; expansion of the types of organizations which could term themselves “Non-Governmental Organizations” and be eligible for donations from abroad; promotion of foreign investment with increasingly attractive terms offered on a “case by case” basis; introduction in some workplaces of performance-based rather than seniority-based pay. In parallel, social services were indeed cut. Fees were introduced for recreational activities, many medicines became scarce, university entrance was intentionally made more competitive, un- and under-employment rose, some employees were sent home and though they still received 60% of their wage, their standard of living inevitably fell.

In short, in the mid 1990s the government chose to prioritize economic efficiency. It accepted the necessity of reducing social services, swallowed the non-egalitarian results of the measures and, perhaps most significantly, acquiesced to the reality that many of the economic measures inevitably eroded the levers of central state control over individual Cubans’ lives. The self employed, those working for foreign investors, and individuals in NGOs benefiting from foreign largesse no longer had to please the central state in order to ensure on going access to valued resources. They had to please their neighborhood customers, the foreign manager, or the foreign donor. The Cuban authorities accepted this reduction of direct state control in the belief that the alternative--ongoing free fall of the economy--could lead to circumstances with far more worrisome implications for system survival.

Relations with the United States, while tense, went through a period of relative tranquility. U.S. NGOs found themselves able to make direct contact with Cuban NGOs, and were permitted to provide significant resources. U.S. companies were intrigued by the sight of European and Latin American competitors getting a toehold in the Cuban market, and increasingly made both legal and covert market exploration contacts. While still highly critical of U.S. government policy, the Cuban state refrained from casting aspersions on the motivations of U.S. private and civil society actors.

The strategy achieved its goal, and by the mid 1990s the Cuban economy, while still far from its 1989 level, was no longer in free fall. Investments in tourism were proving particularly profitable, and the sector was well on its way to replacing sugar as the country’s top foreign exchange earner. With the proverbial wolf no longer at the door, the Cuban leadership began to pay more critical attention to the social and political consequences of the strategy. Some leaders were particularly pained by the erosion of social services, which struck at the very heart of the socialist model, and hurt the sectors of Cuban society perceived to be the most loyal. Individuals who had enjoyed priority access to resources in the previous era became jealous of the new elite, including those in NGOs who gained increasing resources from abroad to the extent that they distanced themselves from the Cuban state.

As Cuban officialdom breathed a sigh of relief that the economy was no longer imploding, and assessed the social and political control costs of the pro-efficiency strategy, events in Washington complicated the international context. The Republicans won a majority in the House of Representatives in the fall of 1994, and began to draw up a long-cherished plan for tightening the embargo. The early versions of this legislation included measures to curtail civil society contact between the United States and Cuba. In an effort to deflect this, Clinton administration officials publicly and repeatedly emphasized the subversive intent of the so-called “Track Two” initiative. (The embargo was referred to as “Track One”, while people-to-people contact was deemed “Track Two”. Those who coined the phrase unfortunately forgot that Track Two was also the code phrase

for assassination initiatives against Castro in the early 1960s.) Administration officials claimed that civil society engagement should be allowed to continue because it was actually more effective in subverting Cuban society than the embargo. It opened the eyes of Cubans to the world outside, they argued, providing examples of alternative ideological frameworks and economic models.

U.S. rhetoric inadvertently strengthened the element in the Cuban leadership which opposed the reforms out of concern for the impact on social services, jealousy regarding access to resources, unease over the ideological implications of growing market mechanisms in a socialist society, and worry that the levers of central state influence were being eroded to the point that long term political control could conceivably be jeopardized. The reforms were rendering Cuba vulnerable to subversion by the United States, the hard-line element argued, and cited Clinton administration officials verbatim in banner headlines to substantiate their claim.

From mid-1995 onwards a new strategy began to emerge in Cuba which de-emphasized economic efficiency, and re-prioritized political control. Categories of activities eligible for self employment were curtailed, the anticipated authorization of small scale private business outside family groupings was delayed indefinitely, autonomy of the agricultural cooperatives failed to grow, and the political loyalty of Cuban NGOs benefiting from foreign donations was publicly questioned. The February 1996 shoot down of the Brothers to the Rescue plane by the Cuban military, and the swift U.S. passage of the embargo-tightening Helms Burton legislation accelerated the shift. Some observers have speculated that the shoot down was the result of a conscious Cuban decision to heighten tensions with the U.S. for fear that growing conviviality would lead to a lifting of the embargo. The rapid removal of trade restrictions, this argument continues, could trigger a rate of social and economic change in Cuba that might challenge the Communist Party's ability to retain control. Whether the shoot down was an intentional effort to sabotage bilateral relations, or a result of circumstance, is unlikely to ever be resolved. What is clear, however, is that it marked a significant hardening of the Cuban government's attitudes towards both the US and elements of its own population.

Some NGOs receiving foreign donations were accused of being "fifth columnists in service of imperialism." A mirror image of the McCarthy era red scare ensued, in which any group in contact with U.S. groups was liable to be suspected of traitorous intent. The lives of human rights activists, difficult in the best of times, became more problematic. The government began to describe reforms it had embraced three years earlier as unfortunate concessions to capitalism, adopted due to the exigencies of the moment, and targeted for reversal or at least modification as soon as economic conditions permitted.

By mid 1996 a new strategy was firmly in place. The government clearly decided to place political control as the top priority, and to sacrifice those elements of economic efficiency that were deemed non-essential to survival. Social services were stabilized at a new, lower level that was deemed unfortunate but acceptable.

Cuba Today

In mid 2001 the flaws in the five year old strategy began to become apparent. Doubts arose regarding whether tourism could continue to grow at the phenomenal rates it had sustained over the previous decade. Cuba's access to international finance, a brake on development since the country fell behind in payments in the mid 1980s, faltered still more as the world wide economic slowdown

tightened credit. It became clear that the European Union would not relax the political terms for establishing a cooperation agreement with Cuba. Foreign investment interest, while still evident, did not bring the ongoing major inflows of capital the government had anticipated. While Venezuela had provided Cuba with significant amounts of subsidized oil in the mid and late 1990s, problems were arising over payments (which included barter accords). Furthermore, Cuba realized that Venezuela was increasingly unstable, and feared that Chavez's ouster could halt the advantageous oil arrangement. The 11 September 2001 terrorist attacks in the United States created still more problems for the Cuban leadership. The immediate drastic reduction in worldwide tourism hit Cuba hard in its most important economic sector. Within weeks Hurricane Michelle then devastated the central part of the country, wiping out important vegetable and citrus crops, and requiring expenditure of scarce resources to rebuild infrastructure.

Hurricane Michelle also alerted Cuba to the limits of its current international relationships. An important Chinese official had been visiting Cuba when the hurricane hit, and promised that China would provide substantial aid to rebuild the central part of the country. When the aid was announced, it was a tiny fraction of what the Cuban authorities had expected.

Meanwhile, during 2000 and 2001, Fidel Castro had become personally obsessed with Cuba's social problems, especially those affecting the young. With fewer jobs available, with access to university education more competitive, and no guarantee that education would yield an increase in standard of living, Cuba's youth had become restless and increasingly delinquent. Castro's solution was to recruit social workers from among the ranks of the disaffected youth and provide them with several months of training (which included what some might call pep talks and others might term political indoctrination). The newly minted social workers were then sent out into the problematic neighborhoods from which they had come with the mandate to help those in distress access services. The plan, as far as a brief few days of research could determine, was to employ key youths with leadership potential, who could be both a force for stability if co-opted and a force for instability if disaffected, and exhort them to help their brethren. It remained unclear if these social workers would be given additional resources to address those problems which could not be resolved with mediation and mentoring.

When the author visited Cuba in early November 2001, she encountered concern about the future in all sectors of society. Fidel Castro had reportedly laid down clear rules about how this new economic setback was to be handled. This time, he would not allow social services to be trimmed nor unemployment to grow. He perceived that he made a mistake by going along with the recommendations of Cuba's technocrats in the early 1990s, and that the reduction in social benefits led directly to the rafter crisis of 1994. He also apparently mandated that greater economic efficiency be obtained, but without changing rules governing property relations. Specifically, authorization of small-scale private business remained out of the question. Sources close to Cuba's technocrats sensed bewilderment on the part of their colleagues. How one could generate greater efficiency in state enterprises, without laying off large numbers of workers? If private small-scale enterprise were authorized, then the individual and family-based self-employed could expand and hire at least some of the excess workers. Without that jobs source, however, it was not clear how greater efficiency could be obtained while respecting the "no unemployment rise" rule. A process of "enterprise perfecting" had been underway for several years, but had yet to yield significant results. It was moving slowly, in part because very few enterprises had accurate accounting mechanisms in place capable of even indicating current costs.

In November 2001, observers within Cuba with a good track record predicting trends forecast that in the near future the country would embark on some sort of international campaign to mend relations with one or more potential partners. The most likely candidate, the observers believed, was Europe.

Those observers were correct regarding the campaign, but not regarding the target. The “charm offensive” Cuba launched in December 2001 focused not on Europe but on the United States. Cuba had been concerned that its presence on the list of countries supporting terrorism might mean it would be targeted with whatever anti-terrorism measures President Bush adopted. Indeed, during the November visit the author perceived an exaggerated degree of apprehension among the Cuban population about possible U.S. aggression. Even the well-informed educated elite were on tenterhooks.

The need for a new stimulus to the slowing economy, combined with worry about Washington’s intentions, probably created the impetus for Cuba’s surprising decision to start purchasing food and medicine from the United States in late 2001. U.S. law had permitted the purchases for some time, but prohibited financing of such deals with U.S. credit, public or private. At the time the law was passed, Cuban officials were incensed by this restriction, and pledged the country would buy no items until the credit ban was lifted. Cuba had perhaps expected that U.S. firms who had lobbied strongly for the law would turn their energies to removing the credit restriction, so as to open the door for much needed sales. Instead, the firms involved seemed to lose enthusiasm for the fight, and while they still lobbied on the Cuba issue it was with less intensity. Hurricane Michelle provided an ideal face saving opportunity for Cuba to rectify its misreading of U.S. political dynamics. When Washington offered aid immediately after hurricane Michelle, Cuba countered that it would be happy to purchase the items to “restock reserves” depleted by the hurricane relief effort, dropping its previous demand that credit be provided. Representatives of U.S. agricultural and pharmaceutical producers flocked to Havana, and by the date of writing, over \$70 million in deals have been struck. Depleted stocks have clearly been replenished, and yet Cuba still shows a strong interest in additional purchases. This has rejuvenated the energies of the anti-embargo business lobby.

Cuba’s charm offensive went further. Dozens of pending requests for visits by U.S. delegations were suddenly authorized in late 2001 and early 2002. Cuba formally presented the U.S. State Department with a list of proposals for security collaboration. When the United States began to house detainees from the Afghanistan conflict in Guantanamo, Castro astonished observers by refraining from complaining. While Cuba still challenged the U.S.’s right to have a base on Cuban soil without Cuban permission, Castro said that there was not much Cuba could do about it, and he would not oppose the housing of Afghanistan detainees. Cuba even said that if detainees escaped into Cuban territory, Cuba would return them to the U.S. authorities. The charm offensive was not accompanied, however, by any improvement in Cuba’s internal human rights situation, and if anything internal political controls were strengthened.

It soon became apparent that the charm offensive had fallen on deaf ears. The appointment of pro-embargo Assistant Secretary of State Otto Reich, his subsequent hard line rhetoric regarding Cuba, Washington’s rejection of Cuba’s security collaboration proposal, and the announcement of a policy review all alerted Cuba that the effort was to no avail. Over the last few months Cuba’s rhetoric regarding the United States has reverted to its former tone of umbrage.

Cuba's leadership now has to come to terms with the new situation. Neither China, nor the European Union, nor the United States are likely to provide the needed economic stimulus. Venezuela's fragility makes ongoing subsidized oil supplies doubtful. The recent spat with Mexico over perceived diplomatic snubs, and Castro's broadcasting of a confidential conversation with President Fox, has done nothing to improve relations with Latin America. If anything Cuba is more isolated than it was back in November 2001. The current Cuban plan seems to be to "muddle through" with a combination of tinkering at the margins of economic policy, vigorous internal political/ideological mobilization, and appeals to nationalism. Despite the enormity of the economic problems Cuba faces this strategy may indeed work, for the nation possesses a tool it did not have during the first crisis in the early 1990s.

Specifically, Cuba has developed what some term a "shadow government" of young, highly loyal, energetic and ideologically motivated leaders. These individuals emerged during the mobilizations demanding the return of the young Elian Gonzalez to Cuba. They then developed into a parallel political network, more energized and idealistic than the "official" version. Castro began to consult with them regularly, and appreciated their ability to mobilize their neighborhoods. Some observers say that Castro brings such young people to meetings with Ministers, and permits them to flatly contradict high officials with impunity. Observers have witnessed Castro listen to a dry report by an official, and then pull out a report supplied to him by a young leader and claim it features more accurate statistics and is more in touch with Cuban reality. In a paradoxical manner, Castro can use the "shadow government" on occasion to stand apart from the policies he himself authorized.

As is to be expected in his current frame of mind, Castro has encouraged the "shadow government" to concentrate mainly on social welfare issues important to portions of the population that could most easily become disaffected. This is a new political phenomenon. It remains to be seen whether it will solve Cuba's current difficulties, which have not reached a crisis point but could conceivably do so.

In short, Castro seems to be shaping a third post-Cold War strategy. The plan since 1996 has been to maximize political control, sacrificing economic efficiency when it conflicts with that control requirement. We may now be witnessing the formation of a new plan that gives resolving social concerns equally high priority, while still paying scant attention to economic efficiency. The question is: Can one resolve social concerns without additional resources? Can one integrate delinquent and near-delinquent youths into socialist society without offering them jobs and an array of costly services? Can appeals to national pride, expert peer mentoring and ideological exhortations overcome disaffection caused by resource shortages? In another country, one might doubt the outcome. However, in Cuba, it is wise not to underestimate the power of politics over the power of economics. After all, if Cuban society reacted in a "normal" way to economic pressures, the Revolution would have crumbled some time ago.

Cuba Tomorrow

If the newly evolving strategy works, then Cuba will remain in a holding pattern with sub-optimal economic performance and little or no internal political liberalization. However, if the new strategy does not work, then either the government will devise yet another approach in time to head off system collapse, or it will misjudge and let circumstances spin out of control. Given the government's track record to date, the former result seems more likely than the latter.

However, it would take major public social traumas for the government to shift course. Only if there were social disturbances in various parts of the country, involving sectors of society with whom the government historically has felt it has the most credibility, and if those disturbances caused significant loss of life, would strategy change. No one inside or outside Cuba possesses a crystal ball, but well informed internal observers believe that in such a crisis the government would very swiftly shift back to an even more radical version of the strategy it adopted in the 1993/4 period, again placing economic efficiency as the top priority, and moving forward with previously rejected private enterprise measures. The leadership would be loathe to adopt such a policy, but if the government's back were against a wall it would do so with remarkable rapidity.

What does this imply regarding relations with the United States? A severe Cuban crisis could create a context for both warming and cooling relations. On the one hand, the government always seeks to give the population grounds for hope in a crisis, so it would want to create a diplomatic atmosphere in which lifting of the embargo and re-establishment of cordial relations seemed plausible. It would also wish to create a context conducive to development of economic ties that reduce trade costs by cutting transportation fees. However, if Cuba were convinced that a given U.S. administration simply will not permit relations to improve, it would probably adopt the "if you can't fix it, feature it" strategy, lashing out at the United States rhetorically, appealing to Cuban nationalism and blaming Washington for Cuba's hardship.