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Cuba: the Growing Signs of Inequality

*– The Consequences of an Economy
of Scarcity and Reforms*

Katrin Hansing &
Uwe Optenhögel

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Författarpresentation

Dr. Katrin Hansing is Associate Professor of Sociology and Anthropology at Baruch College (CUNY).

Uwe Optenhögel is a political consultant and is currently the Director of Friedrich Ebert Stiftung's office for Cuba.

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INTRODUCTION

Contrary to what many had expected, the tropical socialism that followed in the wake of the fall of the Soviet Union did not implode and nor did the 50-year-long US embargo bring Cuba to its knees. The island undoubtedly has had some hard times behind it. It has, however, retained its national sovereignty and in doing so has retained the possibility of steering itself through the transition process. This is currently the top political priority in Havana. Beneath the uppermost layers of political stability, however, Cuban society has undergone a number of dramatic changes during the last twenty years.

Today in socialist Cuba, it is possible to start a small company with employees and take out a long-term lease of land for agricultural production. Private individuals are also free to buy and sell cars as well as property. Cooperatives and private producers alike can sell food directly to the state or the tourism industry i.e. without resorting to the previous monopoly of the state-run marketing agency. For a long time, all of this would have been unthinkable.

Yet the moves towards liberalisation of the pragmatists surrounding President Raúl Castro are throwing up some fundamental contradictions within society. For approximately two years, the government has afforded its citizens the freedom to travel but only a handful of people have the money to buy a passport and foreign travel. Following liberalisation of the automobile market, private individuals can now buy imported new cars. According to reports in the Cuban press, a mid-range Peugeot would still cost in the region of quarter of a million dollars. A worker's average wage is approximately 20 dollars per month. This makes it difficult to envisage who the potential buyers might be. Also the famed Cuban education system (one of the key achievements of socialism) has been opened up to private operators: private day nurseries with their own door-to-door collection service and assorted children's menus are springing up around Havana like wildfire. At approximately 80 dollars a month, sending a child to one of these nurseries would cost four times the average Cuban wage.

At the same time, the government is building several hundred brand new homes for deserving employees in the security sector. This is the first closed and monitored residential community in Cuba complete with cinemas, supermarkets and schools, as seen in the 'gated communities' of other major Latin American cities.

The list of similar contradictions is seemingly endless. Evidently it becomes problematic when a country's communist government stays true to its 'old' practices whilst claiming to want to usher in an 'update' to the model of socialism. It has been promised that, "no one will be left behind" and that the process of modernisation will occur "without haste but without pause" (Raúl Castro). Whilst western media has hailed the economic reforms as being long overdue, they bring with them lengthy periods of social upheaval in what was formerly an egalitarian Cuban society, as we know from other societies undergoing transformation. According to official discourse, however, the consequences of these reforms will be largely imperceptible.

Whether the changes initiated by Raúl can free the island from its economic and social plight remains to be seen. What is clear, however, is that for some time Cuba has been experiencing the most significant process of societal change since the revolution. The purpose of this article is to discuss the various questions surrounding the effects of Raúl's reforms on social and economic policy since 2006.

THE SEARCH FOR A SUSTAINABLE DEVELOPMENT MODEL

The social differentiation of Cuban society did not begin with Raúl Castro's reforms. The process was already underway at the beginning of the 1990s (under the leadership of his brother Fidel) when Cuba lost Soviet subsidies and was left to fend for itself overnight. The weaknesses of a centrally planned economy have been strikingly evident ever since. Fidel, however, repeatedly hesitated over making the necessary structural changes to the economy or even, starting at the end of the 1990s (in view of the new subsidies from Hugo Chávez's Venezuela), partially reversed them. Whilst Fidel interpreted the crisis at the beginning of the 1990s as the fallout of the dissolution of the socialist bloc and therefore induced from the outside, the continued agony of the Cuban economy of Raúl today is seen as a consequence of the inefficiency of the whole model. No one expressed this in more drastic terms than the President himself when he stood before the Cuban National Assembly in December 2010 and warned, "Either we change course, or we sink". Mistakes must be recognised and efforts must be focused on rectifying them.

The political legitimacy behind restructuring the Cuban economy was regained at the VIth Congress of the Communist Party of Cuba in April 2011. Lengthy public discussions in the party's subdivisions, with business and with the population led to the adoption of a series of "Guidelines on Economic and Social Policy". This document constitutes a type of 'road map' in the search for a more sustainable development model. The debate focused on seeking a new balance between the state and the cooperative and private sectors. Cuba has opted to pursue a mixed economy. There is no doubt that the reforms are intended to rescue socialism rather than weakening or doing away with it entirely. Privatisation in the craft and small business sector as well as the private production and marketing of food on land leased from the state on a long-term basis are expected to form the turning point. Alongside this, discussions are underway regarding the decentralisation of decisions and budgetary components within provinces and municipalities. The large state enterprises should receive greater autonomy with respect to all aspects of business management.

The process of land distribution has been underway for a number of years already. Accompanying measures are being taken aimed at bolstering the cooperative sector and dismantling the widespread social subsidies (food vouchers, canteens in state-owned enterprises etc.). In future the prevailing share of the economy should be organised as a planned economy; the most important production methods will remain state-controlled. The leitmotiv of the reforms is the move away from a paternalistic state. The aims of this agenda are as follows: the workers who have been 'released' from the state sector should reduce labour costs; the extremely low levels of working productivity in the state-owned enterprises should rise. The newly-created private sector and the cooperatives should absorb the labour force and improve the range of goods and services on offer. Through the taxes they pay, the newly self-employed should contribute towards improving state finances. In agriculture, the measures should rapidly increase production so as to replace imports of agricultural products at the same rate (Cuba's import quota is approximately 80%) and in doing so should create more financial leeway for the state.

Implementation of the 'road map' that was adopted at the party congress began by focusing on the labour market which was characterised by massive levels of underemployment and low productivity levels (Mesa-Lago 2010). The idea was to have 'released' 500,000 state employees by April 2011; by 2015 this figure was expected to be 1.3 million. Given that the population of

working age is 4.9 million this was a highly ambitious goal. Even Cuban experts are unclear about where the army of job-seekers are expected to find employment. The list of liberal professions for self-employment gives the impression that it could have been compiled in the 19th century rather than the 21st. It is slowly being expanded to include modern jobs. The conversion process is moving on although more slowly than planned. At this point in time there is no reliable data available. According to figures from the trade union movement, in 2011, approximately 800,000 employees had been affected by the restructuring process.

The expansion of the craft sector and small businesses and services has progressed relatively successfully. According to official figures the number of people 'employed on their own account' (cuenta propistas) rose from approximately 145,000 in 2008 to approximately 470,000 in July 2014. Since 2012, however, the growth rate has slowed significantly. In the meantime it would seem that market saturation (or shakeout) has been reached. The government's prediction that this sector would represent approximately 35% of all employment by 2015 and similarly would create a large share of the country's added value would therefore appear unrealistic.

The obstacles standing in the way of this section of the reforms being greeted with success have to do with implementation of the accompanying measures which make it possible for the new micro and small businesses to operate in the first place. These include measures such as the development of credit lines, systems for taxation and social security contributions, import/export regulations, the setting up of hypermarkets, training for start-ups, structural reform in the banking sector, etc. This process has proven to be exceptionally tough and many of the new entrepreneurs complain that controls are taking precedence over liberalisation.

Even with the resounding success of the reforms in this sector the effects on the domestic market and the labour market remain broadly limited. If the supply situation does actually improve and creates room on a lasting basis for private initiatives and responsibility, this would represent a major step forwards for Cuba. But even if the aim is to create a mixed economy, suspending only part of the market regulation mechanism, the agenda of further structural reforms that are needed will remain a lengthy one: a new policy is needed with respect to external trade and foreign direct investment; an innovation policy based on business and the economy as a whole, adaptation of labour legislation to reflect a

mixed economy in which there is capitalist wage labour once more; restructuring of the state-run trade unions which do not represent workers' interests in the private sector; the creation of a fully-operational tax system; an amalgamation of both currencies and an overall growth strategy which will finally bring the state a certain degree of financial flexibility.

Efforts have already begun to get underway in tackling some of these challenges. There is a new law for cooperatives which has broadened and liberalised the opportunities for action within this reform. Cooperatives can now be formed in industry and the service sector. Until now their existence was restricted to agriculture.

There has been a new labour code in place since early 2014. This at least creates the urgently-needed legal basis which legalises working relations in the new private sector. The most important new features are: decisions made regarding the content of work contracts can in the future be negotiated between employees and employers and minimum wages and minimum standards of working conditions have been officially laid down. Furthermore, this is a highly contradictory document which attempts to accommodate the looming fragmentation of industrial relations. The central question remains over how in the future in Cuba the social partners should deal with one another in the event of a labour dispute.

At the end of 2013 it was announced that the dual currency would be abolished. Early experimental steps in this regard were taken in the business sector. A number of businesses were selected to operate with an exchange rate different from the official one (1 Cuban peso = 1 convertible peso). It was hoped that this would provide indicators for real prices and for the competitiveness of Cuban businesses. The return to a single currency would be a milestone in the path to reform and integration into the global economy. Nevertheless it runs the risk of higher inflation and along with it further social differentiation and discrimination.

If we take a provisional assessment of the 'updates' thus far, what is initially striking is that they seem mainly to consist of a 'trial and error' approach rather than any type of master plan as such. One additional observation is the slowness of the process in which the maxim of political control seems to dominate over the aspect of freeing up initiative. Whether the "sin prisa, pero sin pausa" reforms (without haste but without pause: Raúl Castro) are a luxury that can be afforded remains to be seen. What is to be seen though, is that even with all the reform attempts Cuba's growth rate

has stagnated between 2 and 3% over the last years. This places the island considerably below the average growth rate of approximately 4% in the rest of the region. These growth rates do not pave the way for a sustainable economic upturn. With its own resources and without any significant foreign direct investment, the reform cannot truly be expected to succeed. This picture is a far cry from the dynamics seen in Asia's transitioning societies during the good years (between 7 and 12%).

THE MYTH FADES

Along with the inefficiency of the economy, relations between the government and the people have become estranged. The economic woes have served to undermine the very factor that for decades held Cuba together and made it politically strong: the post-revolutionary pact between the elite and the people which, in exchange for political loyalty, granted national independence, social protection and the eradication of poverty.

This is further exemplified by the former pride of the revolution: social services. Social services have been free of charge for years now and are visibly worsening. Raúl Castro's government is holding fast to an ambitious social policy. This is why in recent years, the sectors of education, health and social security have continued to rise in terms of share of GDP. But, in view of the poor economic performance overall, simply designating this area as a priority is not enough to keep up the standards.

On top of this there is growing social exclusion. From the perspective of workers and pensioners, the restructuring of the Cuban economy that followed on from the collapse of the Eastern Bloc led to a dramatic fall in purchasing power which the country has not yet recovered from. The toolkit of economic policy came in the shape of printing money. Between 1990 and 1993 inflation reached 183% and this period saw wages and pensions go unchanged at the same time as individual expropriation in the interests of continuing to maintain state-owned enterprises and collective social security benefits. The simultaneous dollarization of the economy resulted in the introduction of the dual currency system in 2004, which still exists today. This dual currency was essentially how social differentiation began. Since wages in Cuba are paid in the Cuban peso which offers lower levels of purchasing power and yet a large share of everyday essentials are sold in CUC (the convertible currency), Cubans with access to the hard currency fare better than those who are denied access. In addition to that,

the Cuban peso has depreciated heavily. Real wages in 2010 were 27% of what they were in 1989 (Vidal Alejandro 2012). Access to hard currency can be achieved through remittances from Cubans in the diaspora or through the relevant economic sectors (tourism, foreign trade or the black market). Generally speaking, today additional income from “remesas” as well as informal or private economic activities are considerably higher than a person’s regular income. This renders paid work increasingly insignificant. The system also offers completely false incentives. The fact that a waiter, a taxi driver or cleaner in a hotel resort can earn several times the wage of a doctor or teacher means that the Cuban social pyramid has been turned on its head. More and more highly qualified employees are flocking to sectors that attract higher earnings.

Beneath the surface of power-political stability there has come to be a complete differentiation of formerly homogenous social structures since the beginning of the 1990ties. It was Fidel Castro himself who propagated the famous sentence from Marx from the *Critique of the Gotha Programme*: “From each according to his ability to each according to his needs!”. This slogan came to embody the identity of the revolution generation. Since then, it has lost its credibility. People’s individual backgrounds are increasingly conditioning their educational success and those who have no access to the convertible currency (CUC) run the risk of sliding into poverty. Those mainly affected by this are the growing groups of older people living alone, single parents and Afro-Cubans (Espina 2008).

This means that the myth of tropical socialism, the creation of a relatively homogenous and egalitarian society shaped by overcoming social injustice, ethnic divisions and other forms of discrimination: a society of inclusion, is fading away.

AFRO-CUBANS: THE RETURN OF ETHNICALLY-ROOTED INEQUALITIES

One group of the population that had benefited immensely from the revolution at the time, the Afro-Cubans, have since the beginning of the 1990s found themselves gradually forced back to the margins of society.

New social groups have emerged such as the rural poor and the nouveau riche. This process of socio-economic differentiation has also run along ethnicity and class lines; two areas that had dominated Cuban politics in the pre-revolutionary era are once

again becoming interwoven and highly controversial issues in modern day Cuba.

The current situation can only be understood when placed in the context of changing Cuban emigration patterns since 1959. The first wave of expatriates consisted overwhelmingly of representatives of the white elite and the bourgeoisie who either supported the Batista dictatorship or who had fought the revolution. Subsequent waves of migration were less ethnically homogenous but still overwhelmingly white. Over time this phenomena has meant that the Cuban diaspora today is considerably 'whiter' than the population on the island.

The path of reform pursued by Raúl Castro brought about additional socially explosive consequences since, up to then, it had been mainly the already privileged groups of society that had profited from the economic reforms anyway. These groups consist of people with access to capital who have the means to start a small company or who can afford to buy a home, car or pay for a trip abroad. They are generally Cubans with savings and/or family members abroad who send remittances. Cuban citizens who are poor or unemployed, with no family members abroad and with no life savings or special social or political capital available were automatically excluded from the 'blessings' of the reforms.

Due to the composition of the Cuban diaspora, the largest share of remittances sent back to Cuba today is white. It is mainly the white households on the island that benefit from this transfer of money. In terms of volumes, the order of magnitude is vital for the survival and indeed the future of the Cuban economy. There are no exact figures; the numbers vary between conservative estimates of approx. 1 billion dollars each year through to optimistic calculations of 2.5 billion. In any event, the contribution to economic output would still be higher than the traditional major Cuban exports: rum, tobacco and sugar. The figure would at least equate to the largest exports of raw materials (nickel, 1.4 billion) . Paradoxically, the regime in Havana is dependent to a considerable extent on the goodwill of those who until recently had been discriminated against as traitors to their country for having migrated. In addition to that, due to the economic situation, the return remittances of migrants have strategic importance as a cornerstone of the current economic reforms. Since the Cuban State has thus far failed to set up functioning institutions which award credit to the newly self-employed in the private sector, remittances generally provide the financial capital for the financing of such companies.

Against the backdrop of these historical and current events, this means that the majority of privileged people today, the 'haves', are phenotypically white. The 'have-nots' are generally of Cuban African descent. They have significantly lower levels of access to remittances as a source of credit, to imported goods and to entrepreneurial know-how and this means they have fewer opportunities to benefit from the economic opportunities offered by the reforms. Furthermore, up to now there has been no targeted policy from the government aimed at protecting the particularly vulnerable social groups. This means that many Afro-Cubans are gradually once more finding themselves becoming second-class citizens.

CUBA TODAY: A TRANSNATIONAL SOCIETY

It is not only the transfers from abroad which make the diaspora an important factor in the changes to the social foundations of Cuban socialism. It has been a long time since they were merely confined to Miami, now they roam from Mexico via Madrid to Caracas, Santo Domingo, Quito or Lima.

Since 1959 over one million Cuban citizens have migrated to the USA alone. The majority lives in Miami and the surrounding area. Thanks to generous integration assistance measures from the Federal Government in Washington and also due to their keen business sense, Cuban emigrants quickly turned a sleepy beach resort into a modern business hub. Alongside this, they also built one of the most powerful lobbying machines in US history which was aimed at bringing the communist regime to its knees via the economic embargo. This extremely efficient 'political machine' is also the reason why the USA still has not managed to establish 'normal' relations with Cuba in the same way as those it has long enjoyed with other communist states such as China and Vietnam.

During the first three decades following the revolution, the relations between both governments were shaped in equal measure by the 'Cold War mentality' as were the relations between Cubans on each side of the Florida Strait. The policy came between families and friends, stirred up hostility and left a legacy of mistrust on both sides.

In spite of political differences, the economic embargo and the deep-seated emotional wounds inflicted between both countries and 'communities', closer ties have been established between the

USA and the island in recent years. One reason behind this change stems from the ongoing economic crisis in Cuba. The terrible stories from the time of the 'Special Period in Time of Peace' at the beginning of the 1990s not only opened the hearts and minds of many of the diaspora towards their compatriots on the island but also their wallets.

After initially having sworn to have no further allegiance to the island, for as long as Fidel und Raúl Castro live, many expatriates have in the meantime begun to send regular sums of money and 'care packages' to relatives, friends and old neighbours with whom they had often had no contact for decades. A number have also begun to visit the island once more. For many Cubans on both sides of the divide, this is the beginning of a journey towards healing.

The second reason for the change in relations is the fact that since the 'Periodo Especial' over 400,000 Cubans have left the island. Not all of them have travelled to the USA, many have gone even further afield. The vast majority of this group left the island as economic refugees and not as political asylum seekers. Furthermore, they maintain very close relationships with their friends and relatives. The consequence of this is the forging of broadly fanned transnational relations. Family visits and the regular transfer of remittances are an important feature as well as the countless social, cultural and religious connections that have been made in the last 20 years and relaxed the strained relations somewhat. This process has been supported by reforms to Cuban travel laws which make it possible for every Cuban citizen (with the means to do so) to obtain a passport, travel abroad and then travel back to Cuba. More and more people are choosing to explore these opportunities. Sometimes they spend a few months working abroad, save in hard currency and then return to the island. From Miami airport alone over a hundred charter flights leave for Havana each week during high season.

These changes in the fundamental relations between the island and its diaspora have as yet not found their equivalents in mainstream politics, or at least as far as relations with the USA are concerned. Countless other countries are in the process of establishing regular relations or are even stepping up their dealings with Cuba. This includes many countries of the European Union which have signed bilateral cooperation agreements with Cuba in recent years. Cuba has integrated particularly well into Latin American regional structures which it had been kept out of for years owing to American pressure from the OAS (Organisation of American States). Relations are not only close with Venezuela and

the ALBA-States. Argentina and the new hegemonic power Brazil also have intensive relations with Cuba which are particularly important from an economic standpoint.

The reason that political relations with the USA have stalled has to do with the particularities of the American electoral system and the corresponding election campaign funding. Conservatives and very well-off Americans of Cuban descent play a key role in the financing of election campaigns. A number of them donate generously to politicians in parties that have taken a hard-line stance on Cuba – especially republicans in recent years. This group also has allies placed in the best possible position in the form of its own people in the American congress. Additionally this group was able to exercise the majority of votes of Cuban exiles for a pro-embargo and anti-Castro line for decades during electoral campaigns. This stance has only changed during the past few years. According to surveys, it is not only the majority of all Americans who are in favour of normalising relations with Cuba but also the majority of ‘Cuban-Americans’. Circumstances within the ‘community’ in Miami are changing: people who were previously in favour of lifting the embargo lost their jobs and publicly fell from grace. Today there are Cuban American non-governmental organisations and people from the worlds of business and universities who have been promoting dialogue with the island whilst at the same time levying criticism at the government in Havana as well as America’s policy of isolation towards Cuba. All indications seem to point towards there being more of these bridge-building initiatives in the future. There is also a more natural way out of this deadlock which is also playing a role. Members of the old guard in Havana and Miami are leaving the scene and making way for younger, less bitter and more pragmatic players. This is enhanced by another new aspect which could also contribute towards the thawing of relations: the reforms on the island are opening up economic spheres that could potentially be of interest to groups from the diaspora with a strong capital base.

THE REGIME HAS LOST THE SUPPORT OF THE YOUTH

In view of the persistent lack of economic prospects, many young people are asking themselves the question of whether it is actually worth obtaining qualifications from a sound education since they could earn much higher wages by working for black market

businesses. Of the 11.2 million Cubans who are currently living on the island, over 75% were born after the revolution and over 55% are under the age of 35. Unlike their grandparents, many of whom had fought for the revolution, and unlike their parents who had grown up in the golden years of Soviet subsidies, Cuba's youth today are products of the 90s which were characterised by shortages on all fronts. This ranged from food shortages via bottlenecks in the energy supply through to a lack of medicines etc. A fierce black market emerged, Cubans began to steal materials from state enterprises, prostitution grew and a large proportion of the Cuban population began to live increasingly on the remittances sent by family members abroad or illegal activity rather than on the wages from their work in state companies.

The experiences of young Cubans during this period differed fundamentally from those of their parents and grandparents. Today (20 years later), the Cuban Government continues to talk of the youth as beacons of hope of the revolution and have assiduously propagated Che Guevara as the idol to aspire to. The reality on the streets, however, is radically different. From 'Alamar', the Cuban capital of hip hop in the suburbs of Havana to the remotest corners of the countryside, the 'kids' take a keen interest in tattoos and piercings and enthuse over 'Nike' and iPhones. They dream of having internet access and would dearly love to have their own Facebook account which, for 90% of the population, remains an unattainable dream.

The generation of 15-30 year olds seems to be mainly characterised by individualism and materialism, political apathy and cynicism, a discernible decline in collective societal values and a strong desire for a different way of life, free access to information and consumer goods. This is one of the reasons why large numbers of young Cubans are choosing to emigrate or at least are collectively dreaming of emigrating. "I am living out a utopia that isn't mine¹," is the widespread perception of this generation. The connection to the revolution that their parents had is fading from view and loyalty towards the regime is dwindling.

¹ See the radio broadcast by Peter B. Schumann with the title: "Ich lebe eine Utopie, die nicht die meine ist" (I am living out a utopia that isn't mine). The long night of Cuban dissidence. 1. September 2012 Deutschlandradio Kultur, 1./2. September Deutschlandfunk

ONE REFORM, TWO SPEEDS

Many Cubans assume that sooner or later the economic reforms will bring about political change. On the occasion of the Pope's visit to the island in March 2012, however, high-ranking governmental representatives made it expressly clear that political reform was not on the agenda for the time being². The government is by no means concerned solely about the risk of losing societal control during the process if liberalisation moves too quickly and goes too far. In particular it would also create inter-party opposition and the president is giving no speeches in which he does not refer to the all-essential "change of mentality" (according to official terminology) although, as it would appear, with limited impact. This is mainly because the middle-ranking party members stand to lose out most in terms of power and privilege by the introduction of greater transparency, partial privatisation of economic sectors and decentralisation of the municipalities, provinces and state enterprises. Also it is not yet clear as to whether it would revolve around a question of decentralising control or would actually be about delegating responsibility and decision-making powers. In view of the mentality shift that has been publicly deemed necessary, Cuba is now coming face to face with spirits which it has itself invoked. A whole generation of people who occupy decision-making posts and positions of responsibility in Cuba today have not been trained to make decisions but rather to merely rubber-stamp decisions. They are not natural leaders but are civil servants who are part of a vertical system which hardly leaves any room for decision-making based on responsibility and creativity.

Whether the current incentives are enough to convince the population to put their scant resources as well as their black market organisations and improvisation abilities to good use under legal conditions too remains to be seen. Bureaucratic irresponsibility and the primacy of political controls could just as well hamper the basic readiness to bear risk and show initiative which are prerequisites if the reforms are to succeed.

Many are suggesting that Cuba is on its way to a two-speed political system: in the economy, decisions on reforms that were made at the party congress are being implemented. Politically, there are some parts of the party and middle-ranking party members of the administration who are still as yet refusing to adapt to the new reality.

² See: <http://blogs.reuters.com/faithworld/2012/03/28/cuba-quashes-hopes-for-reform-as-pope-benedict-meets-raul-castro/>

Whether party bureaucracy with a more long-term obstructive approach will actually do itself any good will very much depend on what happens at the end of the road. The economic reforms are already gathering their own pace. The economic changes are being pushed through by groups in the leadership who have less firmly-rooted ideologies than the old party officials.

CUBA'S OWN PATH TO REFORM?

The reform process harks back to the early days of restructuring in China and Vietnam. Just like the reference models in Asia, Cuba has embarked upon the path to change under party leadership. Cuba's reforms, however, are taking place in a dramatically different international environment to that seen during the early days of the transformation process in Asia or Eastern Europe. Drawing on the experience of winners and losers of the transformations in Eastern Europe and in view of imbalances and injustices created by globalisation, swift and full market liberalisation has lost some of its appeal. The crisis of financial capitalism of Anglo-American provenance which brought the international finance system to the brink of ruin in 2008/2009 was not only grist to the mill for the old guard in Cuba. Even the younger, more pragmatic advocates of reform with international experience look on with a certain degree of scepticism at the prospect of Cuba's excessively hasty integration into the global economy. Furthermore, the unsightly side effects of the Asian model of state-capitalist development have not gone unnoticed in Havana: rapidly growing social inequality, corruption and ruined ecology.

In contrast to China and Vietnam and also with countries in Eastern Europe in the early 1990s, the speed of reform in Cuba is somewhat slower. Also the economy is a long way from opening up to the extent that it did in Asia in the mid-80s. With present-day globalisation as it is, the island has hardly any chance to initiate a process of a 'classical' catch-up development process. Chances of successfully integrating into the global economy could rather consist of creating a cluster economy which opens up niches in the global economy as has been relatively successful in the biotechnology sector. The key production factor for such a development is the only thing that still exists in abundance in Cuba: a well-educated population.

The aim is to create a "transición ordenada" in Cuba, an orderly transition. This is the only way the government believes it can save the revolution. It must not be a question of merely copying a model;

they want their own unique strategy. The question of whether the island continues to follow the pragmatic path chosen by Raúl Castro or not remains open. Even if the reform measures taken are successful, a whole host of additional structural challenges still lie ahead.

In view of not forthcoming dynamic growth rates, which may inspire enthusiasm for change among new social strata, and in view of the increasing dissolution of the socialist society, the question is increasingly being asked as to who the winners and losers of the transformation will be. Who is benefiting from the reforms thus far? If it is still to become a project with broad social consensus and not only an economic endeavour aimed at salvaging the party's power then the question must be asked as to which social strata should be the bearers of change. One thing is clear: the old narrative of the post-revolutionary pact between the elite and the people, the political loyalty towards national independence in exchange for social protection and the eradication of poverty, is becoming obsolete. Where is the government's offer of a new social contract with society? More than fifty years on from the revolution, the island is steeped in growing poverty and inequality, increasing unemployment, deteriorating social services, a booming black market and widespread corruption. The younger generation is unhappy and disengaged from politics. New social stratification is visibly emerging. And, as was the case before the revolution, the stratification clearly runs along the lines of ethnicity.

Nevertheless: based on the good level of education and with a blend of Cuban level-headedness and improvisation skills learned during the hard times, the 'updates' could prove to be a way out of the economic agony. Only Cuba itself holds the key to success. A change that is completely devoid of risk and fully under control, however, would be a rare thing indeed. Perhaps the leadership requires greater courage and trust in its own people so that the prophetic hint of Fidel Castro in 2005 does not become reality: "the revolution can only be defeated from within".

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