

# ISLAND SOCIALISM: CUBAN CRISIS AND STRUCTURAL ADJUSTMENT

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Between 1989 and 1991 the Soviet Union and the Eastern Bloc's economic partnership (COMECON) collapsed, and with that the special trade relationship between Cuba and the COMECON countries. The economic impact on Cuba has been estimated as more severe than that of the Great Depression of the 1930s. However, since the early 1990s, while many formerly socialist countries in Eastern Europe have attempted some form of reversion to market capitalism, and while some have been subjected to structural adjustment as prescribed by the IMF, Cuba pursued an independent structural adjustment, which retained its socialist commitment. At the same time, in the mid-1990s, the USA tightened its economic blockade of Cuba, claiming (once again) that the 40 year old Cuban experiment will and must fail.

This paper summarises the political economy of the Cuban revolution, then analyses the impact of the COMECON collapse, the unique measures of Cuban structural adjustment in the 1990s, and the outcomes and new challenges for the Cuban political economy. It concludes that the Cuban experience identifies a viable alternative means for an independent state to deal with and stabilise severe external economic crisis, and that the reformed Cuban collective institutions have been strong enough and have sustained sufficient public support to withstand this crisis. This paper also discusses several new challenges, which include a rising reliance on tourism, internal and external pressures for political reform, the introduction of a dual currency system, the management of new private foreign investment, and by continued US hostility through economic embargo and migration policy.

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## The Cuban Revolution

On January 1 1959 the corrupt dictatorship of Fulgencio Batista was overthrown by a popular revolution led by Fidel Castro's guerilla army. Batista and many of his associates fled the country, abandoning properties but stripping much of the cash reserves of the country. For example, around US\$ 400 million was taken from the National Bank of Cuba's fund to stabilise the Cuban currency (Alarcón de Quesada 1997: 40-41). The assets of Batista and his associates were declared state property, and in May 1959 a land reform process was begun, to eliminate the huge land holdings (*latifundium*) held by Cuba's powerful landlords.

The land reform was not initially socialist, but was based on a promise made to small farmers by the guerilla army, and drew on elements of the progressive liberal constitution of 1940, which had been set aside by Batista in his 1952 coup. This constitution declared, at Article 90, that "*latifundium* is prohibited", and that the law would establish the maximum size of landholdings (Bravo 1996: 18). Article 24 of the 1959 Fundamental Law of the new Revolutionary Government then established (at first) a maximum landholding of 400 hectares (Navarro 1998: 215-215). While declaring that no compensation was required for the expropriations, it nevertheless established a compensation regime (as a matter of reconciliatory policy rather than moral obligation) for those who had not fled the country, and who were prepared to lodge claims with the Revolutionary Government.

Agrarian Reform Bonds by way of compensation for the expropriated landlords would pay an annual interest rate of 4.5% until they were exhausted in 20 years (Bravo 1996: 18 & 37). A similar compensation regime was established the following year under the Cuban housing reform plan, accompanied by rent caps and the former tenants paying out their landlords through rent, to become the owners of their own homes. This buy-out was to be achieved using fixed interest rate bonds over a set period of years. At the same time, relatively generous life long pensions were provided for those ex-landlords who remained in Cuba (Bravo 1996: 40; Alarcón de Quesada 1997: 20 & Navarro 1998: 215). However, many fled the country, mainly to the USA.

While the US Government formally and quickly recognised the Cuban Revolutionary Government, and acknowledged its right to take over land and other assets, provided that "prompt, adequate and effective" compensation were paid (Bravo 1996: 22 & 38), it also began to support subversion of the new regime. Though not avowedly socialist until April 1961, the Cuban Revolution was hostile to US domination of Cuba, and measures were rapidly taken against US companies. In addition, moves to the left in the first year of the new Government, which included an intensification of the land reform and the purging of liberals from the Government, were led by Raul Castro and Che Guevara; the latter rapidly becoming the "principal architect of Soviet-Cuban economic cooperation" (Alexeiev 1988: 16). Che was rapidly organising new loans, equipment for new industrial plants, and new export sugar markets in the eastern bloc, to replace those markets lost through the progressive US shutdown to Cuban exports, in mid 1960. However the radical movement in the new Cuban Government was helped by US Government pressure on the oil companies (Esso and Texaco) to not refine the new shipments of Soviet crude. Nationalisation of the oil companies swiftly followed this refusal, which had been against the initial inclinations of the companies themselves (Castañeda 1998: 176).

In July 1960 under Law 851, the Cuban Executive Government was authorised to expropriate and nationalise all properties and companies of US nationality. The following month, President Dorticos and Prime Minister Castro duly nationalised 26 US owned companies, mainly sugar and oil companies, but also electricity, telephone and industrial concerns. The compensation regime established by the Cuban authorities (but never accepted by the US companies) was again for bonds of "not less than 2%" to be paid out over "not less than 30 years" and from a fund to be set up from 25% of the earnings of sugar exports to the USA, sugar which was to be sold at a fixed minimum price (Bravo 1996: 108-117). In October 1960, Laws 890 and 891 similarly nationalised a range of industries and the entire banking sector, while most small business was also nationalised in December 1962. Property relations were thus transformed and the Cuban state began to assume responsibility for most of the economy (Bravo 1996: 40; Alarcón de Quesada 1997: 20).

The US Government broke diplomatic relations with Cuba in January 1961, and in April 1961 the CIA launched its disastrous Bay of Pigs invasion, using 1500 Cuban exiles as troops, backed by US weapons, planes and ships. However, in just three days the invasion suffered a humiliating defeat at the hands of Cuban forces, though only after the loss of several hundred lives. During this crisis Prime Minister Fidel Castro declared the socialist and Marxist nature of the Cuban revolution. To secure the repatriation of the almost 1200 Cuban mercenaries captured in the invasion the US (for the first and only time in its history) paid a war reparation of US\$ 52 million to Cuba in the form of children's food and medicines (Castañeda 1998: 200; Naravarró 1998: 225). The subsequent 'Cuban missile crisis' culminated in October 1962, with the withdrawal of forty Soviet medium range nuclear warheads that had been stationed in Cuba after the Bay of Pigs incursion. Though the Cuban Government was excluded from the negotiations, US President Kennedy had assured Soviet Premier Krushchev that the US would not attempt another invasion of the island state (Navarro 1998: 231). However US sponsored low intensity warfare (assassination attempts, terrorist attacks) continued (Navarro 1998: 217) and an economic blockade of Cuba (the Cubans call it a 'blockade', the USA calls it an 'embargo') was imposed on February 3 1962, by executive order of President Kennedy. The blockade continues to this day, having been strengthened by two additional US laws passed in 1992 and 1996. US citizens may not trade with, invest in or travel to Cuba without US Government permission, and citizens of other countries (if they also trade with the US) may face sanctions for doing so (Prada 1995, Alarcón de Quesada 1997, Bravo 1996).

With the depleted resources of the war torn country, but flushed with the success of one hundred years of independence struggle, waged first against Spain then the USA, the popular Cuban government set about its project of a 'new society'. Faced with open US hostility, and now cut off from its main trading partner, Cuba turned to the Soviet Union for economic as well as military support. The Cuban trade pattern, of sugar and nickel exports and oil imports, was maintained (Navarro 1998: 221), but with fixed real terms of trade. From the 1960s to the late 1980s a ton of Cuban sugar was exchanged for eight tons of Soviet oil, and this did not substantially change despite the two OPEC oil price rises of the

1970s. So not only did Cuba avoid the oil price rises of the 1970s, but the effective price of Cuba sugar actually rose in that same period. This was a quite distinct experience to that of many other poor countries, who were badly hit by the OPEC price hikes. This avoidance of deteriorating terms of trade is often referred to as a 'subsidy' from the Soviet Union to Cuba, but some Cuban commentators call it simply "fair trade" between developed and developing nations (Blanco 1997: 33).

The average Cuban standard of living pre-revolution, in Latin American terms, had been relatively high. In 1950 Cuban *per capita* income was surpassed only by Argentina, Uruguay, Venezuela and Colombia. In educational levels Cuba also ranked fourth in the region. By 1960 Cuban life expectancy was around 60 years, only behind Argentina and Uruguay. However, there was "abysmal inequality", including between city and country, and between black and white. The poorest 20% received 2.1% of income, a figure worse than that of Peru, Mexico or Brazil (Chevalier in Castañeda 1998: 79). There had also been a tradition of communist-led trade unionism which, though the communists were suppressed between 1947 and 1958, contributed strongly to the guerilla-led revolution (Castañeda 1998). And the joining of the political agendas of the guerilla army and the communist (PSP) forces ensured a strong and early focus on eliminating inequality and raising the education and health levels of ordinary Cuban people.

Land reform was therefore coupled with intense campaigns in the 1960s to establish decent and widespread levels of education and health. These campaigns involved a high degree of civil mobilisation, setting the precedent for the very organised form of Cuban society today. Throughout 1961 nearly 35,000 teachers and 300,000 other lay educators were mobilised for literacy campaigns throughout the country (Navarro 1998: 221). A rural illiteracy rate of more than 40% was attacked (Rodriguez and Moreno 1990: 22). Similarly, a rural medical service based on the family doctor model was consolidated in the 1960s. Previously, privatised health care had concentrated hospitals in the wealthy urban areas. Policies were set in train to ensure high levels of medical training and low priced medicines. This was particularly important in the early 1960s as, during the first year of the Revolution, more than half Cuba's doctors and medical teachers left the country (E.

Bravo 1998: 17). However, sustained investment in medical training had tripled the country's doctors by the early 1980s, compared to pre-Revolution levels (Rodriguez and Moreno 1990: 25 & 133). Education and health indicators were to become some of the hallmarks of the success of the Cuban revolution.

Over the course of the 1960s and 1970s, levels of health, education and social security increased substantially (see Table 1). Social security and pensions were guaranteed to all (Navarro 1998: 213), and there was a high level of housing construction, with the standards of housing also rising steadily from the mid-1960s onwards (Rodriguez and Moreno 1990: 144 & 199).

**Table 1: Cuban Social Indicators, 1958-1984**

	1958-59	1983-84
Population per doctor	1,067	486
Life expectancy (years)	61.8 (1955-60)	73.03
Infant Mortality (per 1000)	32.5	15
Maternal Mortality	118 (1960)	31.7
Illiteracy %	23.6	1.9 (1981)
Urban	11.6	
Rural	41.7	
Education budget (m. pesos)	79.4	1,676
Average years schooling	2 (1953)	6.4 (1981)
Social security coverage %	53	100
Social security budget (m. pesos)	10.3	778.9 (1982)

Source: Rodriguez and Moreno 1990: 197-200

Yet while many basic services began to be established in the 1960s, the substantial material gains of the revolution did not really show up until the 1970s. In the early 1960s there were overly ambitious industrialisation and diversification plans and production goals, the former conflicting with sustained high levels of sugar production for export, which the Soviets encouraged. And while substantially improved education and health services served to consolidate popular support for the revolutionary government, and while redistribution of income

through land reform increased consumption, hard currency income from exports was required to support these higher levels of consumption. In addition, production in the early 1960s was hampered by drought and by the mobilisation of large numbers of young men in the militias and army, to meet the threat of US invasion.

Strategies of socialist development were debated throughout the 1960s, culminating in the 1966-70 dominance of a highly idealistic 'Maoist-Guevarist' model which stressed high levels of centralisation and moral incentives. Economic incentives (salary differentials, paid overtime, bonuses), standard accounting practices (depreciation of capital, cost analysis) and even money were downgraded. This strategy was coupled with the Cuban tradition of using sugar exports to finance all aspects of the country's development - to underscore social services, to pay for imports and to support investment in industry (Mesa-Lago 1983: 31-44). However the changing strategies of the 1960s, the over-idealism of policy, the cost of consolidating basic services and the weak prices for sugar led to uneven and indifferent economic performance, including recession, in the 1960s. External debt (mainly to the Soviet Union) mounted and labour absenteeism reached 20% (Mesa-Lago 1983: 31-44).

In 1971 policy was overhauled and shifted to a Soviet-type model, which stressed institutional consolidation of the Revolution. Central planning was maintained, but with decentralised state enterprises (between 1968 and 1979, 300 state enterprises became 3000) concentrating on efficiency and using more orthodox accounting measures and economic incentives (scaled salaries, bonuses). This approach, coupled with rising sugar prices (linked to the oil price rises of the 1970s) produced significant gains (Table 4). The relative prosperity of the 1970s allowed for consolidation of basic services, funds for public investment and, for the first time, some significant consumer benefits (Tables 2 & 3). Most of the gains in health indicators (eg. infant mortality) also occurred in the 1970s (Table 1 & Mesa-Lago 1983: 62). Cuba's medical aid to a range of developing countries, including the free provision of medicines and Cuban doctors, also rose in this period.

**Table 2: Cuba: Gross Investment and Consumer Satisfaction, 1959-1980**

	1959-70	1971-75	1976-80
Gross Investment	6.2	28.1	3.0
Consumer satisfaction index (basic necessities)	0.9	8.5	3.0

Source: Rodriguez and Moreno 1990: 52 & 54

With import substituting industrialisation reinforced by the US economic blockade, there were state plans to build up sugar, metallurgy, mechanical industry, chemicals, electronics and consumer goods (Rodriguez and Moreno 1990: 55). High levels of investment in the early 1970s appear to correlate with both overall economic growth and increased levels of consumer satisfaction over basic necessities such as food, clothing, housing, education and health (Table 2). Improved consumer satisfaction in the 1970s was related to far wider access to consumer durables, such as washing machines, televisions, radios and refrigerators (Table 3).

**Table 3: Cuba, Ownership of Consumer Durables (per 100 electrified households), 1975-1984**

	1975	1980	1984
Television	33	74	91
Refrigerator	15	38	50
Washing Machine	6	34	59
Radio	42	105	150

Source: Rodriguez and Moreno 1990: 90

Labour productivity also rose from low levels in the 1960s to an average 4-5% per annum in the 1970s and early 1980s, while unemployment stayed very low (Rodriguez and Moreno 1990: 53-55). Apart from the principal exports of sugar, nickel and tobacco, several strategic industries were built up, with the aim of replacing imports and eventually creating an export potential. The medicine and pharmaceutical industry, for example, began its rise on the back of the well developed medical training and services. While total medicine and pharmaceutical



production was 7 million pesos in 1957, it had risen to 49.3 million in 1981 and 76.3 million by 1985 (Rodríguez and Moreno 1990: 135). Pharmaceuticals and biomedicines remain Cuba's world class industry today (E. Bravo 1998: 16-39).

**Table 4: Cuba: Economic Growth and Industrialisation, 1962-80**

	% Growth*	% Growth per capita*	Industrial Production (1967=100)	Price of Sugar USc per lb	Trade as % Production (PMB*)
1962			96.8	4.14	34.6
1964	9.0	6.4	94.1	6.04	42.5
1966	-3.7	-5.7	91.4	6.17	38.1
1968	6.7	5.0	96.6	6.12	40.1
1970	0.6	-0.9	119.8	6.11	56.2
1972	25.1	23.0	128.5	6.61	32.4
1974	10.5	8.9	150.1	19.7	60.0
1976	-0.1	-1.5	167.8	27.9	66.1
1978	9.4	8.4	-	-	69.0
1980	3.0	2.3	-	-	-

Source: Mesa-Lago 1983: 52, 60, 121, 134.

\*Note: growth here is measured in PMB (Gross Material Product - a socialist accounting term distinct from GNP) and is in constant prices from 1962-66 but current prices from 1967-1980 (Mesa-Lago 1983: 52) - the high growth rates of the 1970s therefore must be discounted for inflation, but this is difficult to measure due to rationing and fixed prices (Mesa-Lago 1983: 71-76)

Good returns for exports, in particular sugar, contributed significantly to a trade surplus which could be invested in industrialisation plans in the 1970s. At the same time, the nature of this industrialisation was remarkably diverse (perhaps too diverse) because of the economic blockade imposed by the US. Not only was access to traditional Cuban sugar markets in the US withdrawn, but Cuba could no longer obtain US imports, including parts for US manufactured machinery. Further, the US Government has actively pressured companies, based in any other country, to not invest in or trade with Cuba, as this may amount to 'trading in stolen goods' (a point emphasised by the 1996 US Helms-

Burton law - the Cuban Liberty and Democratic Solidarity Act). While the Soviet Union sold crude oil, vehicles and industrial machinery to Cuba for many years, Cuba has still had to import or produce many other commodities, including parts for ageing US motor vehicles and machinery. This has led to the development of a very wide variety of light and heavy engineering operations, a tradition which continues today, and produces a remarkable industrial diversity for such a relatively small nation.

In 1993 Cuban Foreign Minister Roberto Robaina (in *Prada* 1995: 40-41) estimated the total cost of the US blockade to Cuba at up to 20 times the country's GDP. The Cuban Centre for World Economic Research puts the cost of the US blockade, between 1962 and 1995, at 60 billion dollars (CIEM 1997:32). On the other hand, a 1992 John Hopkins University study estimated that if commercial relations were resumed between Cuba and the US, there could be a \$6.5 billion annual turnover per year, with the US purchasing sugar, nickel, citrus, coffee and tobacco, and Cuba purchasing grains, cotton, agricultural chemicals and medical supplies. Tourism between the countries would also expand enormously (Prada 1995: 30). The US rationale for its blockade, at every stage, has been that proper compensation was not paid for the assets of the nationalised US companies. Cuba did offer some compensation, as described above, but proper negotiations were never entered into, and Cuba now maintains that the damages inflicted by the US blockade far exceed the value of nationalised assets (O. Bravo 1996: 79-80). Cuba has a counter claim for these damages (Granma 1999). The blockade has been widely condemned, and for many years. Former US Attorney General Ramsay Clark has called it a "crime against humanity"; the UN General Assembly in 1992 called for its end by a vote of 59 to 3 (with 71 abstaining); and the European Union has unanimously rejected the extraterritorial implications of US anti-Cuban laws (Prada 1995: 45, 51-52).

By the 1980s then, Cuba had been through a decade of mostly sustained growth, underscored by strong prices for sugar and a fairly strong and diversified industrial strategy, applied consistently (Mesa-Largo 1983: 54). Despite the impact of the US blockade, the medicine and pharmaceutical industry was advanced and productive, and consumer

durables and consumer satisfaction had risen strongly, over the 1970s. However, a looming fiscal crisis and a growing trade imbalance by the mid 1980s forced a reassessment of strategy. Soviet terms of credit had tightened, and the US blockade made western credit very expensive. Observing these external problems, the Cuban Communist Party also began to acknowledge inefficiencies in its Soviet modelled bureaucratic-led development (López García 1999: 24-25). At the same time, the 1984 US invasion of the tiny Caribbean island of Grenada, and threatened US military interventions in Nicaragua and El Salvador, forced a rethink of defence strategy. A new round of arms purchases began, and weapons were distributed widely throughout factories, farms, universities and neighbourhoods (Blanco 1997: 26). This was on the one hand an indication of the level of trust between the state and civil society yet, on the other, rather confronting to the vertical decision making processes embodied in the Soviet styled economic enterprises. The 1986-89 'Process of Rectification' began to formally address organisational change within these enterprises and also within the political system (CIEM 1997: 28). The process had actually begun a bit earlier than this. The 1982 Law Number 50 on *Economic Association between Cuban and Foreign Enterprises* combined with a new *Civil Code* in 1987 began to allow modest foreign investment, particularly in joint ventures (O. Bravo 1996: 94).

### **Crisis and Adjustment**

Yet it was the collapse of the previously assured trade relations with the Soviet bloc that really forced the pace of change and demanded structural adjustment in Cuba. Between 1989 and 1991 the Council for Mutual Economic Assistance (CMEA or COMECON) stumbled and then fell, following the dramatic events in the Soviet Union and Eastern Europe. The network of bilateral trade and credit arrangements between the COMECON countries were progressively replaced by payments in hard, convertible currencies. This process was complete by 1992. For Cuba this meant an end to the barter type exchanges (eg. sugar for oil) and to the guaranteed COMECON quotas for sugar exports. From now on oil would have to be purchased at higher world market prices and sugar and

nickel sold at lower world market prices. Further, the reversion to world market prices in 1992 meant a rise in the effective price of imported wheat, chicken, milk and a wide range of other supplies and equipment (Suárez Salazar 1999: 137). Production of sugar fell from 1990 and kept falling for several years, to a low in 1995. Similarly, Nickel-Cobalt production fell sharply between 1989 and 1993; it recovered strongly in the mid 1990s to surpass the 1989 level, though exports did not recover to quite that extent (Table 5).

There were concurrent severe falls, between 1989 and 1993, in production and employment in textiles, clothing and chemicals. Machinery and electronic production and employment also fell to 1993, but had recovered to 1991 levels by 1996 (CEPAL 1997: 298, 307, 316). There was a slower recovery from falls in construction (CEPAL 1997: 324), as infrastructure investment was not given highest priority in the early recovery phase. At the same time, the US opportunistically intensified its blockade of Cuba, hoping to topple the Cuban Government through contributing to economic collapse. Under the Torricelli Act (the 'Cuban Democracy Act') of 1992 the US ended all US subsidiary trade with Cuba and set up a system to pressure companies from other countries trading with Cuba. Though the European Union unanimously rejected this extraordinary and extraterritorial law, since 1992 a large number of European, Canadian and Latin American companies have been influenced to abort planned contracts with Cuba (Prada 1995: 52, 37-39).

**Table 5: Cuba: Sugar and Nickel Production & Export, 1989-1996**

	1989	1990	1991	1992	1993	1994	1995	1996
Sugar prod. (m. tonnes)	7.58	8.45	7.23	7.22	4.25	4.02	3.26	-
Sugar exports (m. dollars)	3,920	4,314	2,259	1,220	752	748	704	952
Sugar workers (000)	396	410	426	445	435	230	211	203
Nickel-Cobalt prod. (000 tonnes)	46.6	n/a	n/a	n/a	n/a	n/a	42.7	53.7
Nickel-Cobalt exports (m. dollars)	486	388	231	214	143	196	327	417

Source: CEPAL 1997: 285, A49, A17, A30

Espinosa Martínez (1999: 75) puts the Cuban crisis of the early 1990s down to three factors: disintegration of the COMECON, tightening of the US blockade in the early 1990s and structural vulnerabilities of the Cuban economy, including heavy reliance on agricultural exports and international financial markets. The combined impact of economic developments was a sharp contraction in Cuban production: a fall in GDP of more than 30% over the three years between 1990 and 1993 (Table 10) and, at the same time, a severe restriction on foreign exchange. CEPAL (1997: 34) estimated that the total loss of markets was greater than that of the Great Depression, and that while the magnitude of the shock was comparable to that in Eastern Europe or in the old Soviet Union ... in distinction to similar processes in many other places, there has been an equitable distribution of the costs of the crisis and the subsequent measures (CEPAL 1997: 12)

The special measures taken by Cuba in what became known as the 'Special Period' (the 1990s) therefore deserve some attention, particularly in view of the country's relatively rapid emergence from combined crises of foreign exchange and contraction. By the end of the 1990s the Cuban peso had stabilised and the economy was growing significantly, though it had not yet returned to 1989 output levels. Indeed from 1996-1999 the Cuban economy was growing faster than the Latin American average (CEPAL 1999: 83).

Cuba's 'Special Period' strategy, especially from 1993 onwards, was to stabilise and structurally adjust, but in its own distinctive way. It needed to re-establish a capacity for external income, and this would be through nickel and tourism, as well as other suitable niche markets, while it reorganised and depopulated its devastated sugar industry (CEPAL 1997: 13), and while it instituted measures of decentralised decision making and increased linkages to cooperative farms. Three-quarters of land management was passed over to cooperatives and individual farmers (CEPAL 1997: 15). At the same time Cuba would, so far as possible, maintain its system of social guarantees (social security, free health care and education) so as to protect the high levels of economic equality. Similarly, it would defend its social control of industry and productive assets, particularly in the face of US attempts to undermine Cuban

socialism. However, finding both hard currency and the resources for new investment required a new approach to foreign capital. While the 1980s had seen some small steps towards allowing foreign private investment through joint ventures, a major set of interrelated changes were undertaken between 1993 and 1995. In a process described as "redefining the consensus" the Cuban Government through its National Assembly and 'workers parliaments' in 1993-94 decided to: maintain investment in the pharmaceutical and biotechnology industries, boost associations with private foreign business, legalise the use of convertible currency (principally the US dollar) in domestic transactions, introduce a convertible peso (equal to one US dollar), stabilise inflation, further develop cooperative production units, reduce state subsidies to many enterprises, raise charges for a number of goods and services (electricity, water, cigarettes, rum, beer), and create hard currency incentive funds for a large number of workers (Espinosa Martínez 1999: 83-84). Cuban Government representatives say that the development of these policy changes was through a process of participatory democracy, involving input from a range of community organisations (Alarcón de Quesada 1999: 8).

The 'Special Period' measures (including the *Foreign Investment Act* 1995 and the 1992 changes to property rights under the Cuban Constitution) have enabled the creation of a number of joint ventures, mainly from Spain, Canada, Mexico, Brazil, Italy, France and Holland (CEPAL 1997: A26). A fair amount of this investment has been in tourism, which has boomed since the early 1990s (CEPAL 1997: A23), growing much faster than tourism in other Caribbean countries. The number of visitors rose from 340,000 in 1990 to 1,600,000 in 2000, a growth rate averaging 15% pa, and at times reaching 20% pa. As at 2000 about 20% of investment in tourism was from foreign firms (Terrero 2000: 5-8). Over half the tourists are European and almost one fifth Canadian (Fornieles Sánchez 2000b: 22-34). There are very few US tourists, as US law prohibits travel by US citizens to Cuba, without special permission. Foreign capital is also being solicited, and has appeared in modest amounts, in light and automotive industry. For example, there are joint venture textile, shoe and plastic industries, as well as collaborations in the production of buses and trucks (Sosa Pérez 2000: 5-11; Rodríguez Cesar 2000: 5-20). Banking technology was

upgraded between 1995 and 1998 and banking laws were changed in 1997, allowing eleven foreign banks to open their offices in Cuba. However the Banco Central, in addition to performing the functions of a traditional central bank (supervising other banks, and controlling currency and monetary policy) regulates the direction of savings into productive activities and restricts credit on the basis of risk analysis (Fernandez 2000: 31):

A significant 'second economy' of cooperatives and small business has sprung up, providing the social benefits of diversifying sources of income and "making more tolerable the sacrifices of the crisis" (CEPAL 1997: 17), especially for those who have access to foreign currency. Commenting on the special nature of Cuban structural adjustment, CEPAL says:

contrary to what has happened in Latin America [Cuban] liberalisation of markets is a process of social solidarity, which has mitigated the regressive effects in the distribution of costs of the special period .. [further] the discipline imposed by foreign currency has broken a 'laxness' over external finance which had persisted for decades (CEPAL 1997: 16)

The Cuban model of structural adjustment might be compared to the IMF model (Table 6), as there are some similar objectives (stabilise the external economy and restore investment), yet at the same time very different social priorities.

The similar features of the models are that (i) both seek to engage in a tariff reduction process (ii) both seek to devalue and stabilise the currency (iii) both seek efficiency measures in the public sector and state owned enterprises (SOEs). Differences between the two models include: (i) while the IMF approach cuts social expenditure in the crisis, to remove a budget deficit, the Cuban approach maintains social expenditure in the crisis, then reduces the consequent deficit in the recovery phase (ii) while the IMF approach cuts tax on foreign direct investment (FDI), to attract investment, the Cuba approach is to impose a stable and high tax rate on foreign private investment, which is mainly attracted to joint ventures (iii) while the IMF approach is to transfer

Table 6: Structural Adjustment: IMF and Cuban models compared

	IMF (neoliberal) model	Cuban (socialist) model
<b>Trade</b>	Engage in multilateral tariff reduction process.	Engage in multilateral tariff reduction process.
<b>Fiscal</b>	Allow subsidies for exporters Reduce social expenditure. Balance budget and achieve surplus in recession phase. Business tax concessions and subsidies for private investors. Remove price/food subsidies. New revenue through consumption taxes.	Decentralise decision making amongst public and co-op businesses. Maintain social expenditure. Balance budget in recovery phase, allow deficit in recession. Stable and high rate of business tax (25% on labour and 30% on profit). Sustain subsidies and rations on many essential goods. New revenue through joint ventures (eg. tourism; new charges on electricity, water, cigarettes, rum and beer).
<b>Monetary</b>	Devalue and stabilise currency, and stabilise prices. Increase interest rates in recession, then allow private banks to set rates.	Devalue and stabilise currency; stabilise prices of essential goods. Allow foreign private banks but maintain social control over banking. Allow dual currency system, including a convertible peso (=US\$1).
<b>Labour</b>	'Labour flexibility' - eliminate or undermine regulated minimum wages and job security. Union activity = restrictions on trade.	Seek to maintain peso wages, reduce working hours, preserve job positions affected by industry rationalisations. Union activity = anti-government. 70% wage insurance for unemployed. Hard currency incentives introduced.
<b>Institutional</b>	Limit unemployment welfare Efficiency measures in public sector and fewer subsidies to SOEs. Privatise profitable SOEs; socialise or subsidise loss making SOEs. Create new structures to promote private foreign investment.	Efficiency measures in public sector and fewer subsidies to SOEs. Facilitate cooperatives and joint ventures with foreign capital. Expansion of cooperative & self-employment.

Adapted from López Garcia (1999: 31) with material from Espinosa Martínez (1999: 83-84); CEPAL (1997: 12-16) CIEM (1997: 29-35) Cuban *Foreign Investment Act* (1995) & various IMF letters of intent (1997-99)



labour regulation to private employers, in the name of flexibility, the Cuba approach maintains social regulation of labour hire and wage and job security.

Cuban structural adjustment might also be compared to 1990s Structural Adjustment in Eastern Europe. While the World Bank (1996: 14-15) has correlated growth in output with liberalisation measures, it has admitted that, in the Eastern European 'transition' to capitalism, growth has been very uneven, inflation has been chronic and critical social indicators such as life expectancy and infant mortality have gone backwards in the 'transition' (World Bank 1996: 18). Not surprisingly, these economic changes have been poorly received. Comparing 1995 regimes with those of the socialist past, there were very poor Russian attitudes towards both the political and the economic regime, and more favourable Central and Eastern European attitudes to their respective political regimes but less favourable attitudes to their economic regimes (World Bank 1996: 12).

Cuba has not become a socialist 'mixed economy', as state enterprises dominate and private enterprises are still small and fragile (CEPAL 1997: 15). While individual Cubans can now transact in foreign currency, small business is limited to individual and family enterprises. No Cuban private individual can hire labour, and the Cuban social partners (eg. state enterprises, cooperatives and foundations) of joint ventures with foreign capital remain the responsible bodies for labour hire. Under Chapter 12 of the *Foreign Investment Act* 1995, a labour tax of 14% is imposed to sustain the social security system, on top of the 30% income tax paid by foreign capital (or more, for natural resource enterprises). This amounts to a normal corporate tax rate of 44% (Consultores Asociadas 1995). Clearly a number of foreign companies feel that access to a new market is worth paying this fairly high rate.

By the mid 1990s, the pattern of industrial production was changing. Sugar comprised 23% of the total value of production in 1989, but this had fallen to 17% in 1996. Production of import substituting capital goods, and capital goods in the energy sector, had take on an expanded significance, growing from 11% to 16% and 12% to 15% respectively, over the same period (CEPAL 1997: A48). Cuban trade had also shifted substantially in composition and direction. The proportion of Cuban sugar exported to the Soviet Union had fallen from 49% in 1989 to 28%

in 1995, but the total volume of sugar exported had fallen to almost a quarter of the 1989 level (CEPAL 1997: A53). At the same time, whereas 80% of Cuban trade in 1989 had been with Eastern Europe, this had fallen to 12% by 1993. The total proportion of trade then diversified considerably, with greater proportional reliance on Western Europe (34%), and the Americas, minus the USA (40%) (CEPAL 1997: A22).

The pattern of public spending also shifted, in the course of structural adjustment. Contrary to the IMF model, levels of public spending was maintained during the depression of the early 1990s, leading to huge deficits, which are still the substance of external debt. Social security and health spending were maintained, while the first significant cuts to public investment (Table 9) and to defence and security (Table 7) were made in 1991. Later on, at the beginning of output recovery in 1995, business subsidies were cut back and the deficit was addressed (Table 7). By 1999, the current account deficit had narrowed to 1.3% of GDP while the fiscal deficit had expanded somewhat, from 2.2% of GDP in 1998 to 2.6% in 1999, affirming the willingness of government to spend more in a recovery phase. While business and cooperative subsidies had been cut, there was extra expenditure in the areas of social security, public wages and investment (CEPAL 1999: 69).

**Table 7: Cuba: Government Budget (m. pesos), 1989-1997**

	1989	1991	1993	1995	1997
<b>Total expenditure</b>	13,904	14,713	14,566	12,358	12,613
<b>Education</b>	1,650	1,504	1,384	1,358	1,480
<b>Health</b>	904	924	1,076	1,108	1,275
<b>Defence &amp; Security</b>	1,259	882	712	610	733
<b>Social Security</b>	1,093	1,225	1,452	1,594	1,707
<b>Business Subsidies</b>	2,653	3,882	5,443	1,802	1,350
<b>Deficit/Surplus</b>	-1,403	-3,764	-5,050	-765	-470
<b>Deficit/Surplus, as % GDP</b>	-6.7	-21.4	-30.4	-3.2	-1.8

Source: CEPAL 1997, Appendix 7

However, while social security levels were held up (CEPAL 1997: 377), and while wages rose slightly and prices were held stable in the late 1990s, growth was much stronger in investment and exports. In 1999 the growth rates in investment expenditure of 18% and in exports of 10% were much stronger than the GDP level of 6%, domestic demand at 3.6%, consumption at 2% or imports at 3% (CEPAL 1999: 69-70). This differential reflects the capacity of a socially planned economy to harness available resources to enhance investment and growth, though at the expense of consumption. There are, of course, political costs to such a policy. Yet, contrary to the Eastern European experience, levels of popular dissatisfaction with Cuban structural adjustment are not nearly so great as those in Eastern Europe. This may be due in part to the intense mobilisation of the population against each new incident of US hostility, and against the blockade in particular. It may also be due to the popularity of the system of social guarantees. Surveys in the mid 1990s showed a clear majority of Cuban people optimistic about the economy, even at the height of the depression.

**Table 8: Cuba: Public opinion on the economy (%)**

	1993	1994	1995	1996
<b>The economic situation:</b>				
<b>is improving more and more</b>	78	56	61	76
<b>is improving slowly</b>	16	23	23	13
<b>is worsening</b>	4	5	3	3
<b>is worsening more and more</b>	3	7	5	2
<b>don't know/ no response</b>	6	10	8	7

*Source:* Ferriol Muruaga et al 1999: 159

The relative rise in morale in 1996 reflects the actual improvement in total output (Table 9), as well as maintenance of social security and health standards, while the election results in 1992-93 and 1997-98 suggest broad support for the policies employed to deal with the crisis. In Cuba, there is a one party system, but with substantial non-party representation in the Cuban parliament. Official candidates can be voted out. While the mass organisations are supposed to engage people in democratic decision making, Cuban elections mostly amount to a

plebiscite on Government actions. The 'Miami option', broadcast from the exile community with US Government support, was to abstain, nullify or spoil ballots. However there was minimal support for this option. Around 98% of eligible Cubans chose to vote in the 1992-93 and 1997-98 national elections: 6-7% abstained or cast blank, null or spoiled votes, 5-6% voted for independents and 88-89% voted for the Government ticket (Suárez Salazar 1999: 213).

**Table 9a: Cuba: Main Economic Indicators, 1989-1994**

	1989	1990	1991	1992	1993	1994
GDP m.pesos (constant)	20,960	20,349	18,415	16,591	14,332	14,421
GDP growth	1.5	-2.9	-9.5	-9.9	-13.6	0.6
<i>per capita</i>	0.5	-4.0	10.3	-10.5	-14.2	0.4
Govt Consumption	0.9	0.1	-10.4	-5.2	-1.1	-1.9
Private Consumption	2.9	-5.8	-9.8	-14.0	-7.9	2.4
Gross Investment	10.1	-2.9	-45.9	-58.3	-39.7	5.8
Exports US\$m	5,993	5,940	3,563	2,522	1,992	2,197
Imports US\$m	8,608	8,017	4,702	2,737	2,373	2,408
Current a/c US\$m	-3,001	-2,545	-1,454	-420	-388	-242

**Table 9b: Cuba: Main Economic Indicators, 1995-1999**

	1995	1996	1997	1998	1999
GDP m.pesos (constant)	14,783	15,908	n/a	n/a	n/a
GDP growth	2.5	7.8	2.5	1.5	6.0
<i>per capita</i>	2.2	7.3	2.0	1.1	5.6
Govt Consumption	-7.4	2.0	n/a	n/a	n/a
Private Consumption	6.4	4.3	n/a	n/a	n/a
Gross Investment	25.9	15.2	n/a	n/a	n/a
Exports US\$m	2,687	3,380	n/a	n/a	n/a
Imports US\$m	3,187	4,462	n/a	n/a	n/a
Current a/c US\$m	-515	-520	n/a	n/a	n/a

Source: CEPAL 1997 & CEPAL 1999: Appendix 1 in both

Significant growth resumed in 1995, and continued for the rest of the decade. But the relative repression of private consumption must remain a problem for policy, with sustained numbers of young people thinking

about emigration, and with high levels of tourism accentuating the lure of the promise of the consumer world, particularly that consumer world just 100 kilometres to the north. Cuban migration and interest in migration to the US remains high, though not nearly as high as that from Mexico. However, it is aggravated by anomalous US policy and law (the *Cuban Adjustment Act* 1966), which on the one hand refuses to allow large scale legal migration (Cuban authorities now permit this) yet on the other hand rewards those who arrive in the US illegally (Rodríguez Chavez 1999).

By the end of the 1990s recoveries in agriculture, and in the sugar industry in particular, led to a reduction in subsidies to agricultural companies and in budgetary assistance to the cooperatives, though much obsolete sugar mill technology had been closed down and more had to be replaced. In addition, significant new external loans were obtained for investment in sugar, airports and telecommunications, areas of investment with potential for hard currency returns (CEPAL 1999: 69-70).

How have Cuba's 'social indicators' fared during crisis and structural adjustment? In brief, health is doing fairly well, though nutrition and education (particularly higher education) suffered, and inequality was aggravated but is now improving. A central policy objective was to maintain Cuba's high level of human development (CIEM 1997: 35) and the budgetary figures for the 1990s suggest that a real effort was made (Table 7). Health, education and social security spending were held up, at the expense of defence and business subsidies.

The health system seems to have maintained its high standards. The major substantial health indicators slightly improved over the 1990s (Table 10) despite the crisis and despite critical shortages of goods, including many medical supplies. The high standard of medical services, and the rate of doctors per population, seems to have been maintained. Life expectancy continued to rise and infant mortality continued to fall, throughout the 1990s. Both these indicators are now very close to those of the USA (Table 11), a country with ten times the Cuban level of GDP *per capita*. However, some infectious diseases also rose in the early 1990s. The rate of tuberculosis, in particular, doubled over 1994-95, though these rates stabilised and had begun to slowly fall by 1996 (Ferriol Muruaga 1999: 89).

With widespread shortages, the quality of dietary intake fell between 1989 and 1993, and recovered only slowly through the 1990s. Indeed, the quality of dietary intake in 1997 was said by one report to have been below that of 1970 (UNDP 2000: Table 23). Average protein intake by the late 1990s was still at historically low and relatively inadequate levels (Table 11), and this must be acting to undermine general health levels, as well as morale. A range of new programs to meet food needs were instituted in 1993. Cooperative production units were created, and land was similarly given over to more than ten thousand families, to produce subsistence and crop foods. An open market for agricultural produce was established, while private transactions in \$US were legalised and the space for private business transactions was expanded (Ferriol Muruaga 1999: 67). Housing cooperatives in the cities grew their own fruit and vegetables. However, these programs could only be said to have produced poor to modest outcomes, by the mid 1990s. By 1996 production of high protein food such as meat and milk, which had fallen drastically in the early 1990s, had recovered only slowly and was still well below 1989 levels. Production of rice had recovered more strongly (Ferriol Muruaga 1999: 74). Good quality food was available to those with access to foreign exchange, but this foreshadowed the opening up a form of inequality virtually unknown in the 1970s and 1980s, and posing a new challenge for the Cuban revolution.

**Table 10: Cuban Social Indicators, 1990-1996**

	1990	1996
Life expectancy (years)	74	75.4
Infant Mortality (per 1000)	10.7	9 (1995)
Maternal Mortality	31.6	32.6 (1995)
Illiteracy %	4	4.8
Basic secondary school level enrolments	95.7	88.6 (1994-95)
Pre-university level enrolments	86.2	40.5 (1996-97)

Source: CIEM 1997: 46, 52, 54, 77; Ferriol Muruaga 1999: 105

Also damaged by the depression of the early 1990s were education levels. Primary and lower secondary education levels more or less held

up, but higher secondary and tertiary education retention levels fell off sharply (Table 10). The main reason for this seems to be the greatly reduced incentive to gain professional qualifications. In the 1990s the salaries of highly qualified persons began to compare very badly with those who participated more directly in foreign currency markets, for example small business surrounding tourism. A person driving a taxi, in the performing arts or selling souvenirs could earn more in dollars than a doctor, engineer or scientist, paid for the most part in pesos. By the late 1990s a large minority of the population had gained access to some dollar income or bonuses, but most (and particularly those outside Havana) had not. The educational result has been that numbers enrolled in pre-university levels fell by more than half, between 1990 and 1997, with just a slight recovery in 1996-97. A corresponding rise in the numbers in technical and professional education only slightly offsets this large fall (CIEM 1997; & Ferriol Muruaga 1999: 105).

**Table 11: Some international comparisons**

	Cuba	USA	Mexico
Female life expectancy (years) 1998	78.2	80.2	75.7
Male life expectancy (years) 1998	74.3	73.5	69.7
Infant Mortality (per 1000) 1998	7	7	28
Doctors per 100,000 people, 1992-95	518	245	85
Tuberculosis cases per 100,000 people, 1997	13	6.4	25
Daily <i>per capita</i> protein supply, 1997	52	112	83
Female adult literacy, 1998	96.3	n/a	88.7
Public expenditure on education (% GDP), 1995-97	6.7	5.4	4.9
Public expenditure on health (% GDP), 1996-98	8.2	6.5	2.8

Source: UNDP 2000: Tables 2, 9, 10, 16, 23

Measures of poverty are difficult to apply in Cuba, as most international measures of poverty (and for that matter, of development) are based on income. In Cuba, however, near universal home ownership (without mortgage payments, and mostly without rent), free healthcare and education, community organised childcare, subsidised basic foods, guaranteed pensions and special needs assistance make income a very inadequate measure of poverty. The UNDP charts, for example, rarely

have meaningful figures for Cuban income, let alone inequality in income. Nevertheless, Cuba fares reasonably well in the UNDP human poverty index of 2000 (using mainly 1998 figures) due to good performance in many of the other factors that comprise this index: high life expectancy, very low illiteracy rate, good access to fresh water and health services (less so to sanitation) and low levels of underweight children. Of the developing countries Cuba is ranked number 3 in the UN's poverty index, lower than Uruguay (at number 1) but higher than NAFTA-integrated Mexico (at number 12) (UNDP 2000: Table 4).

However, the UN poverty figures are a bit crude when attempting to identify the impact of the Cuban crisis. Some Cuban researchers have preferred the term 'people at risk' in place of 'poverty', and have attempted to measure this using a combination of indicators such as: access to free education, permanent access to free health care, home ownership, income adequate to purchase basic foods and other necessities (Ferriol Muruaga 1999: 129, 132-3). These measures really amount to an empirical testing of the Cuban social guarantees. On this basis, between 1988 and 1996, the researchers noted a strong rise in 'people at risk' in Havana (4% to 11%) but a higher rate (a lower rise from a higher base) in the eastern province (12% to 21%). From 1995 onwards a slow decline in these levels had begun. Inequality in Havana, based on income levels, had similarly worsened from 1988 to 1995, but had improved significantly (though not yet to 1988 levels) by 1996 (Ferriol Muruaga 1999: 136-140). By all accounts the east of the country was worst hit by the crisis and is still the poorest.

The gender development measures of the UNDP also rely fairly heavily on relative income levels, and due to the absence of good income figures Cuba has no ranking in the UNDP's Gender Development Index for the year 2000. However while Cuba is classed as a country of 'medium human development' (MHD), its average life expectancy for women (79) is now well above that of the MHD countries and even above the average for countries of 'high human development' (HHD). Its female literacy rate of 96 is also well above that of the MHD countries and equal to that of the average HHD countries. The numbers of women in tertiary studies had fallen off through the 1990s, for reasons noted above, but the proportion of women to men in tertiary studies (152%) remained one of



the highest in the world. Women also held 27% of the seats in Cuban Parliament, though the women's economic activity rate (63% of the male rate) was fairly ordinary in world terms (UNDP 2000 Tables 2, 3 & 28).

### **Conclusion: New Challenges**

In conventional terms, the Cuban structural adjustment of the 1990s was quite successful. The currency stabilised, investment levels began to be restored and significant growth in production resumed. Export capacity is being gradually rebuilt. All this occurred rapidly, within a few years of Cuba's great depression, in face of the collapse of trade relations with the former COMECON countries and under sustained pressure from a hostile US blockade. In broader terms, the Cuban health system maintained its high standards, though nutrition and retention in higher education suffered. There are many legacies and new challenges from the 1990s, but the achievements are impressive. As the United Nations' Economic Commission for Latin America and the Caribbean (CEPAL) says, Cuban adjustment was "a process of social solidarity, which has mitigated the regressive effects in the distribution of costs of the 'special period'" (CEPAL 1997: 16). The Cuban experience of the 1990s says a great deal about the strength and resilience of Cuban collective institutions, including its planned economy. It also indicates that IMF-styled structural adjustment is not the only viable response to economic crisis and dislocation. Alternatives are possible.

Cuban adjustment was distinctive in that it sustained the social guarantees of health care and social security, and maintained social control of investment. The controlled foreign private investment (mostly joint venture) and limited small business openings have altered, but have not fundamentally changed, Cuban socialism. Yet there are a number of new challenges for the Cuban system.

Firstly, management of foreign capital is something quite new for Cuba. The current joint venture regime appears to attract the benefits of new investment without surrendering the direction of development, or labour and social security standards. This has a lot to do with the relative spread and diversity of investment in tourist facilities and light industry, and the

very low Cuban wage. However this could change. Further, stand-alone foreign ventures in resource industries are now legal, and any such developments could well become influential. The US blockade, as well as the need for new investment, maintains a constant pressure to develop new linkages with European, Canadian and Latin American companies, in unfavourable financial and contractual circumstances. Such pressure seem likely, in time, to lead to a string of demands for concessions from foreign capital.

Secondly, the development of niche export markets (other than tourism) will remain important, and this depends to a fair extent on increased efficiency in production and marketing. Pharmaceutical and biomedicine production has a good start in this area, based on a strong medical education system and with several unique medicines and vaccines (see E. Bravo 1998). However, export marketing requires considerable development. The twin problems in this exercise are the US blockade and the domination of the world drug business by several giant multinationals, who actively and effectively block any new entrants. In the areas of light and automotive industry, the diversity of import substituting production is literally dazzling. But if new niche markets for export are to be developed, there must be some rationalisation and specialisation in this field. The capacity to do this may expand with new joint venture investment and an easing of the US blockade, if that were to occur.

Thirdly, the dual currency system and the system of dollar incentives, while useful in harnessing productive and diverse energies, and in mitigating the impact of a very hard adjustment process, has also opened up significant inequalities. Dollars are widely used in many parts of Havana, and in the tourist areas, but are scarce in most other parts of the island. Yet an increasing amount of goods and services are now transacted only in dollars. As mentioned above, the disparity in incomes and the broken connection between skills and incomes has also had a substantial adverse impact on the higher education system, and in time this will influence the breadth and depth of human capital in the country.

Fourthly, pressures for political reform continue from inside and outside the country. Most prominently, there is sustained pressure from the US Government and the leaders of exile Miami community to overthrow

Cuban socialism and President Castro, and to restore to landowners and companies property taken more than forty years ago. Ironically this extreme pressure, which rejects all dialogue with the 'dictatorial' Cuban Government, seems to be the major barrier to political reform. Restrictions on the press, the repression of dissidents and the blocking of opposition political formations are all legitimised, within Cuba, as part of a social and moral struggle against a US Government intent on restoring its pre-revolution domination of Cuba. US based groups point to Cuban laws banning 'enemy propaganda', the 'insulting of patriotic symbols' and 'unauthorised news', to the arrest and jailing of hundreds of political dissidents, and to the restrictions on trade union organisation to the one official union (the CTC) (Human Rights Watch 2001). The Cuban Government and its supporters respond that most of these steps are made necessary by the massively aggressive stance of the US authorities, and their determination to support any emerging internal opposition forces (Azcuay Henríquez 1999). International campaigners against the death penalty also drew attention to the "worrying increase" in executions in Cuba in 1999. Amnesty International (1999) reported at least ten executions in 1999, a marked increase on previous years. To put this in perspective, no political dissidents have been executed, and the rate of executions in Cuba is still less than that of the USA. There are also genuine internal pressures for reform, with groups such as the Internal Dissidents Working Group (GTDI) calling for political and economic reforms. Some political prisoners from this group were released in 2000 (Human Rights Watch 2001). The Cuban Government will have to respond to these pressures.

Finally, the rise of tourism in particular has lifted the profile of the consumer world, and all its associated freedoms and commodities. This raises the interactions between young Cuban people and tourists, in particular, and in turn raises their expectations of a western-style standard of living. The attraction of the western consumer world is likely to grow, along with a neglect of Cuban achievements. As in other countries, it is easier to see what you do not have, than what you have. Political cohesion, and the sharing of sacrifices to maintain Cuban institutions (social control of investment and the health and social security systems), will become more difficult to manage. In particular, the relative repression of political dissent (considered necessary to block

US subversion) may become more unpopular, in view of the relative freedom of expression of the large numbers of foreigners passing through Cuba. The demand for legitimate vehicles of dissent is likely to increase, while developments in political liberalisation so far have been tentative (see Blanco 1997: 52-59). The Miami-based counter-revolutionary forces are not the only forces to contend with.

People outside Cuba, undoubtedly influenced by the barrage of US propaganda about Cuba and the supposed mesmeric influence of President Fidel Castro, often ask "what will happen when Fidel dies?" In some respects this is a fair question, because Fidel Castro has dominated politics in his country like no other political leader of the 20th century. In focussing on structural changes in this paper, I have tended to ignore him, but his influence has been enormous. He is also one of the most misrepresented political figures of recent times. Most will have heard the repeated US claims of a "repressive dictatorship in Cuba". Yet there are no death squads or repressive police operations in Cuba, as in many US client states in Latin America. Fewer will have heard of the international acclaim for Fidel Castro's achievements. For example, on the occasion of the 50th anniversary of the World Health Organisation, the Director of the WHO, Dr Hiroshi Nakajima, in decorating Fidel Castro, said he considered Cuba a model for Latin America and the world, in the sphere of health (E. Bravo 1998: 23). Nor was Castro's position harmed when James Wolfensohn, the President of the World Bank, was recently forced to admit that Cuba's social welfare indicators were better than those of most World Bank client states. Although regarded as virtually an "anti-model" of development in World Bank circles, Cuba was doing a "great job on education and health" Wolfensohn admitted (Lobe 2001).

The US suggestion, in association with the Miami lobby, is that the Cuban system will simply roll over (Russian style) and revert to open market capitalism after Fidel Castro's death, with the Miami lobby (and the Miami Mafia) moving into pick up the spoils. Such an event is highly unlikely. Cuban institutions have proven themselves far too resilient, and far too popular. Nevertheless the substantial changes in Cuba over the course of 1990s and into the 21st century suggest that a more useful question is not 'what will change when Fidel dies?' but 'what is changing now?'

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**Endnote:** In capitalist countries, notions of 'commercial confidentiality' often make the obtaining of specific industry-wise and enterprise economic information difficult. In Cuba, the US imposed economic blockade makes the Cubans reluctant to release specific industry and enterprise information, as that information will be used to further damage Cuban industry and enterprise. Most studies of the Cuban economy, including this one, suffer from that limitation.

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