
10 Years of Cuba Under Raul Castro: Eye on Economic Development

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The goal of economic development remains elusive but Raul Castro's decade in power has left the country better prepared for the inter-generational transition of leadership in 2018.

Ten years after Raul Castro replaced his brother Fidel at the helm of the Cuban state it is a good moment to evaluate the younger Castro's efforts to modernize Cuba and build up the island's resistance against the U.S.'s policy of regime change.

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According to his own declarations in the first three years of his mandate, Raul Castro saw economic development as central to the survival of Cuban Communist Party, or CCP, rule. Economic reform was never defined as a step toward capitalist market driven liberal democracy but destined to provide a material framework for what was vaguely described as a "prosperous and sustainable socialism." The reforms were a response to a situation in which the absence of Fidel Castro's charisma forced the CCP to seek new means of legitimacy via stronger economic performance.

In his early speeches to the National Assembly, Raul Castro recognized that the only way to "save the revolution" from the "abyss" was to improve standards of living for the majority of the population and offer hope by overcoming the failures of the post-Soviet mechanisms developed under CCP rule.

At the macroeconomic level, Cuba was characterized by unstable economic growth rates, heavily dependent on external support (mainly from Venezuela and China) and had a technologically obsolete industrial capacity in need of replacement or new investment. The deteriorated agriculture sector created food insecurity and vulnerabilities since the country still imports more than 70 percent of national food consumption.

By 2006, the statist economy model was faltering in preserving the levels of equality achieved before 1992. Unequal access to hard currency through remittances and the tourism industry allowed some Cubans to live much better than the majority of the population. Those who work in the education and health sectors, the crown jewels of the revolutionary project, were left behind with lower wages paid in pesos and suffered a disadvantage against those who were part of the hard currency economy. This resulted in the migration of many well-qualified Cubans from the social oriented sector to tourism and from the island to live abroad.

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Consequently, Raul Castro and the leaders who coalesced around him sought to renew the post-1959 political mandate by adopting a plan of reforms. The more conservative leaders envisioned a controlled gradual expansion of the partial adjustments to the statist economy adopted between the IV and the V Congress of the CCP in the 1990s. Then, under Fidel Castro's leadership, Cuba adopted a dual-track system of property ownership. This phase could not be described as a transition strategy because the government attempted to preserve its statist monopolies by insulating the few openings of small businesses, foreign investment and market structures from the rest of the economy.

The VI Congress of the CCP approved a program of reforms in 2011 beyond the limits of the statist economy, denouncing the past stigmatization of small private property and markets. This program sought to transform the dual track system from the mere coexistence of different forms of property ownership into a device for competition and cooperation between two coordination mechanisms — plan and market. These changes not only eliminated important legal and economic transaction prohibitions, creating new markets for national tourism (Cubans were allowed access to hotels that for almost two decades were reserved for foreigners), but real estate and private cars. The reforms also made Cuba more open to exchanges with the outside world and its diaspora than at any other time after 1959.

This resulted in the implementation of some limited political reforms such as a change to the migratory law ending regulations on travelling abroad in 2013, a slow process of decentralization and the adoption of term and age limits for party and government officials by 2018. In the new political environment the government launched a dialogue with the most relevant organizations of Cuban civil society out of the control of the party, the religious communities. As a result of these dialogues, there was an expansion of religious liberty beyond the progress achieved with the constitutional changes in 1992. The government also responded to the pleas of several national and international actors in favor of the release of political opponents arrested due to activities coordinated with the George W. Bush administration's efforts for "regime change."

The VI Congress of the CCP also approved the “Social and Economic Guidelines” after a process of political deliberation within the society at large. The Guidelines promoted for the first time since 1959 a comprehensive integration of state owned companies with the emerging sector of small and medium private property and cooperatives. The proposed plan included a new macroeconomic model in which the socialist character of the cooperatives was highlighted, while some transportation companies and other segments of the non-agricultural state also transitioned through the same mechanism.

In addition, the Congress introduced a massive land leasing program in the strategic agricultural sector (more than 63.5 % of agricultural land is today in private or cooperative hands) and greater opportunities for foreign investment, including the creation of a special economic zone in the port of Mariel. The zone is supposed to circumvent bottlenecks and red tape failures of the traditional command economy and reduce the effect of destabilizing the dual currency system, scheduled to disappear according to a timeline approved at the end of 2013.

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Given the variety and magnitude of changes that have occurred in post-Fidel Cuba it is hardly surprising there is controversy about how relevant or successful Raul Castro's reforms have been. There is indeed consensus that some important systemic changes have occurred, including:

- 1) In terms of a redistribution of employment toward non-state sectors, as workers employed in medium and small scale private enterprises jumped from 160,000 in 2009 to more than 550,000 in December 2015. If one counts those working in cooperatives the number of workers in the non-state sector is above one million from a labor active population of five million.
- 2) Strategically, the policy frontiers of the economic debate expanded, with more voices advocating market oriented proposals within general socialist constraints. This shift produced a large set of tangible decisions to link the public sector of the economy to the emerging non-state sectors.
- 3) The creation of a whole set of institutions to serve the expansion of markets and their use as a coordination mechanism while developing a centralized anti-corruption agency to control negative externalities that have accompanied market oriented transitions from command economies in other countries.

There remains a high level of incoherence in the reforms but policymakers have acted with a commitment to a specific reform strategy: adding property ownership and an important market component as a coordination mechanism without renouncing the political monopoly of the Cuban Communist Party or dismantling the state sector. These features of the Cuban transformation have not passed unnoticed to the international community. Today, most major actors in Europe, Canada, China, Russia, Latin America and the United States look at the island as a country in transition, not as a remnant of the Cold War. One achievement in Raul Castro's pocket is the change in perception the Cuban reforms have caused among Washington policymakers that in part led to the opening of diplomatic relations after Dec. 17, 2014, a remarkable victory for Cuba's asymmetric resistance against the U.S.'s imperial-coercive

policy of sanctions.

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Even if the U.S. embargo remains in place, it is surely a sinking ship. The actions of President Obama have helped increase tourism and contact with the island, which has resulted in more and more exchanges that will inevitably raise questions about an illegal and immoral policy that serves neither Cuban nor U.S. interests. Among other international actors, Cuba has experienced cooperation toward its economic reforms from the likes of China, Russia, France, Italy, Spain, Mexico and Japan among other important partners. The goal of economic development remains elusive but Raul Castro's decade in power has left the country better prepared for the inter-generational transition of leadership in 2018.
