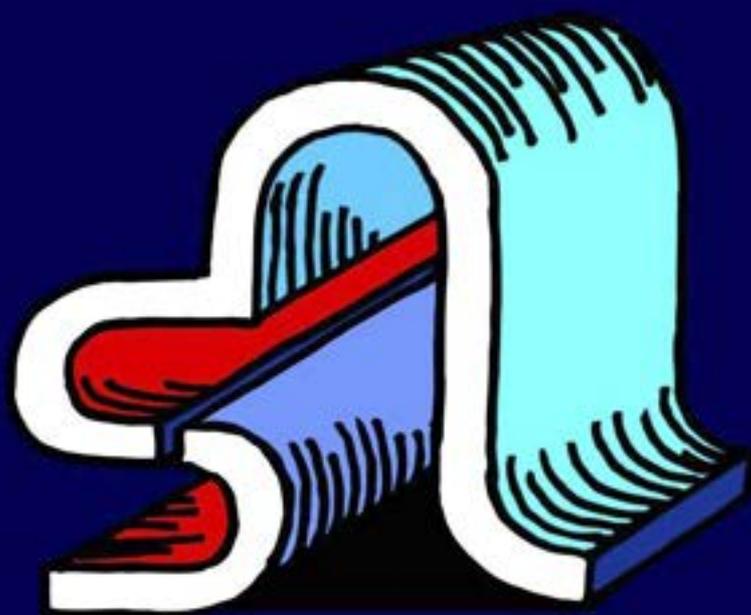


# Cuba,

## Updating the Model

**Balance and Perspectives  
of Socialist Transition**



**Rafael Hernández**  
**Jorge Domínguez**

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## Updating the Model

### Balance and Perspectives of Socialist Transitions

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## INTRODUCTION

The workshop Cuba: Updating the Model took place in Washington D.C. and Havana on June 2, 2013, co-sponsored by Temas magazine and the David Rockefeller Center for Latin American Studies (DRCLAS) at Harvard University. It brought together 15 Cuban, U.S. and European scholars to discuss the roots, characteristics and impact of what the Cuban government calls the “updating” of its policies on the island.

The event took place via videoconference between the two headquarters—that of the Inter-American Dialogue (Washington D.C.) and Cubarte (Havana)<sup>1</sup> —which allowed for the presentation and discussion of four main topics.

This workshop sought to address the changes in a systematic and interconnected manner not limited to an economic overview, inquiring also into the effects and dynamics that such reforms entail; the changes to Cuban society; and the international context. To that end, the workshop was organized into four sessions, directed at the following areas:

- The Political dynamics of the “Updating”.
- Economy, cooperatives, science.

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1 Three Cuban panelists did not receive U.S. visas, which prevented them from attending the workshop originally scheduled to follow the 2013 Latin American Studies Association (LASA). Thanks to support from Cubarte (the IT department at Cuba’s Culture Ministry) and the Inter-American Dialogue, which generously offered its conference room, a virtual space was created where the workshop could be held as originally envisioned during seven hours.

- Social actors in the transition.
- The “updating” in international relations.

A particular feature of the workshop was the ability to engage in dialogue from distinct focal points and disciplines about common problems, and to discuss economic, political, social and demographic dimensions of the updating process in a continuous, integrated and non-segmented manner. A spirit of collaboration, exchange and frankness among participants marked the discussions.

The following summarizes the main ideas expressed, including those that explicitly contradicted each other. We do not attribute comments to any particular person (an approach sometimes called Chatham House rules), as corresponds to the spirit and dynamics of the workshop. Our most important goals were the interest in the issues and the interpretations and arguments, not who said what, or whether there was agreement. Each of the four subsections labeled “The Debate,” below, summarizes comments made during the discussion, including those comments that disagree with each other.

# I.THE POLITICAL DYNAMICS OF THE «UPDATING»

## The nature of the changes

Interpretations of the “update” ought not to be limited purely to the economic sphere. “Updating” is a process meant to transform the model of political and social organization initiated in the 1960s, which took on an institutional character in 1976. This process of change includes a number of fundamental axes.

The first is decentralized economic decision-making, which affects the management of production and services, distribution and the market, especially through an attempt to grant greater autonomy to state enterprises. This policy seeks to redistribute power from central economic authorities to local and regional management and to increase municipal autonomy.

The second axis expands the non-state sector, creating thereby new social groups with new powers calibrated to their economic capacity and greater social and managerial autonomy. The third axis seeks to reduce red tape and the overwhelming power of bureaucracy. This bureaucracy has consistently resisted change, resulting in the slower-than-planned pace of implementation of such measures, a concern that President Raúl Castro has expressed publicly.

The last axis focuses on the place and weight of the law on policies directed at making the reforms permanent. New legislation would create a delimited framework for discretionary powers within the bureaucracy and seek to empower citizens in their dealings with the structures of the central administrative

organs (OACE, after its Spanish acronym). The law seeks to strengthen the rights of citizens and provides a legal framework for the economic changes, including constitutional reform.

The changes also affect the composition and articulation of the leadership of the OACE and the Cuban Communist Party (CCP) regarding gender, generations and professions. While the median age in the Politburo is rather high (66, with only four members under the age of 55), at the Council of Ministers, it is 58. Although a high proportion of the members belong to the military, the dominant profession is that of engineering. The median age for CCP provincial leaders is 47 – a level of governance where teachers and economists predominate, more than a third of the members are women and there are no military.

## The Political Process

The political process of updating has registered several trends.

Updating seeks to do away with illegal activities as an extensive practice through policies aimed at eliminating excessive regulations and unjustified prohibitions.

In this context, two measures stand out: the increase in self-employment opportunities, beginning in 2008; and the delivery of idle land for long-term use by agricultural workers. The land legislation sought to place into production the more than 2.5 million hectares of land that had become fallow, largely because of a shrinking sugar industry—an exorbitant figure for a country that imports much of its food. However, over three years later, at the end of 2011, more than 1.25 million hectares still remained idle. One hypothesis to explain such a shortcoming in implementing such a vital policy is that the middle levels of the

bureaucracy resist the law's implementation and therefore delay its systematic application.

In addition to such possible resistance, other factors may have intervened. The newly updated policies undergo a process of discussion, design and execution, whereby they are modified. One example is the announced dismissal of 500,000 state workers at the end of 2010, with the intention that they would fill new jobs in the new non-state sector, which is the Cuban government's name for the private sector. Over the next half year, only 130,000 were laid off, and then the initial lay-off decision was publicly cancelled.

This winding-road approach to policy has been apparent since the discussion surrounding the draft guidelines for the new economic policies, which the CCP Congress itself modified in April 2011. For example, in all of the following instances the CCP Congress changed the draft guidelines to make the market opening or the creation of new decision-making autonomy more constrained in the final version of the guidelines: Guideline 23 regarding price-setting by businesses, Guideline 27 regarding direct sales to the population, and Guideline 66 regarding greater autonomy and decentralization for exports.

Practical political dimensions mattered: How much weight should be given to the simple difficulty of learning to do things in differently? How much is explained as a function of resistance to change? To what extent can and should a policy be revised while the change is underway?

## The Debate: context, signs, pace, resistance, consensus, information, contradictions

In terms of the speed and internal resistance to implementation, various conclusions can be drawn.

- With regard to the social and political context of the changes, a change has been underway for more than 20 years. This situation resembles that in the United States when consensus began to break down regarding the state/economy model, which had lasted from the 1940s until the oil crisis of the 1970s. Both cases show how the functioning of a government can be impeded for political reasons, provoking the search for a reformulation of the model.
- With respect to the interpretation regarding resistance to change, can this be attributed to ideological resistance? Alternatively, is it common to bureaucratic groups who see their interests affected and do not wish to share access or control over resources? Or is it an expression of a conflict between emerging social groups and established ones?
- In the international context, when the changes in Cuba began at the outset of the 1990s, the Washington consensus was in vogue, advocating a reduced role for the state. Conversely, today in Latin America the role of the state to regulate banks, foreign investment and natural resources has been strengthened. In Cuba, in contrast, the agenda for updating seeks to reduce the economic role of the state in both quantity and quality: as changes are made in the role of the state, vertical integration is replaced, power is transferred and, above all, new actors and rules are recognized. In Cuba, until the '90s only state and foreign investment firms existed alongside a

small private sector. This non-state sector has now been broadened and diversified and it has been accorded legitimacy under a framework of new values that acknowledges its importance and grants it an active role.

- The limits of the permissible have been modified. The government advances in policy formation but its capacity for implementation is limited both because of insufficient change in the mentality of state workers and the lack of a legal system and new norms. Prohibitions are lifted but an inherited overregulated space impedes the development of new policies.
- A transition is in progress, away from charismatic leadership and toward collective management. Several factors still stand in the way of implementing new policies; these are not simply attributable to bureaucratic resistance. For example, employees in several state enterprises wait for signs from above before taking action. The lack of a rural population in certain areas, due to emigration to the cities, affects the delivery of land to productive users. The proposed massive layoff of half a million workers was impractical in the short term, given the policies of job protection, the weak economy and the small absorption capacity of the self-employment sector.
- If updating policies were generally well directed in their objectives, to what degree are the delays due to technical problems or to deficiencies in their formulation?
- The pace of the updating is affected by other political factors. Although most claim to be in favor of more rapid change, the government and the CCP seek to preserve internal consensus. Change is a process of trial and error.

It is not just economic, political and social, with a different vision of governance. Toward this end, popular approval is not enough; participation is essential. The shift from a broad state-centered economy to a socialized economy brings about a cultural change.

- Some deficiencies in the existing model include the discretionary decision-making of managers, the primacy of ideology over the economy, and the imposition of will over reason. These elements inhibit mobility at the lower and intermediate administrative levels.
- Delayed change is not necessarily a deficiency. Regarding the disasters in Eastern Europe, the Nobel prize-winning economist Joseph Stiglitz has pointed to the importance of experimentation and the learning process. Liberalization is a very complex process that cannot be simply reduced to a formula of blanket privatization. Nevertheless, a process of changing mentality is underway. Yet until there are prices and currencies that reflect the relative scarcity of resources and the true costs of production, efficient markets cannot exist.
- It is not surprising in Cuba or the United States that a particular measure announced by a government takes longer than expected. A current example is the call by President Barack Obama to reduce government debt, which until now has not produced much in the way of results. The changes imply ideological differences relating to the role of the state and the private sector. Implementing guidelines is not the same as governing. Measurements and evaluations are needed along the way to avoid diversions or backtracking.

- Cultural change may lead to a different political culture. One of the problems identified so far is that cadres and politicians remain shielded from public scrutiny. Transparency regarding differing viewpoints, along with dialogue, would allow for a new political dynamic that would combine economic reform with public input.
- The guidelines seek to respond to current problems and represent a platform reached by CCP consensus. But many identify the whats, without defining the hows, or the whens.
- One new element in the formation of new policies is the role of certain academic groups, now connected in various ways with decision makers. Previously fragmented and with little interconnection, these academics now take advantage of the institutional opportunities fostered by the government and work with the committees responsible for implementation and evaluation.
- Implementation of a new legislative framework that would affect 180 already- existing laws, as well as changes in governmental-societal practices, needs to consider societal impact as well as economic indicators. Despite the move toward more pragmatic and flexible policies, shortcomings remain that affect their implementation.
- The initial version of the guidelines lacked an integrated vision. Contributions from economists and legal experts enriched that initial version and allowed for its correction, while also influencing the pace and priority of decisions.
- The political changes reflect a new way of incorporating available information. One example is the increased retirement age. Although statistics and excellent demographic

analysis over many years show that the aging of the Cuban population is not a new development, the political response to the question of retirement is something new.

- A key historical experiment in making changes took place in Matanzas in the 1970s, the precursor to what would later become the Poder Popular (People's Power). Two new provinces (Mayabeque and Artemisa) are currently testing new forms of government and management.
- For more than two decades, Cuba's leadership has issued different signals. Cuba opened up to foreign investment and self-employment at the beginning of the '90s but the move was portrayed as a necessary evil, brought about by dire economic circumstances. In the second half of the 2000-2010 decade, the leadership spoke positively of foreign investment and self-employment, reaffirming these concepts as part of the new model. In the past, state employees in charge of implementing the changes received confusing indications. Today, the national leadership supports the concepts of foreign investment and self-employment.
- Public comments on such problems (e.g. the letters to the editor published in Granma) indicate the situation is in transition but also reveals the challenge involved in offering effective policy responses.

## II. ECONOMY, COOPERATIVES, SOCIAL SCIENCE

### The crisis and the new economy

Economic reforms have sought to resolve two main problems: the lack of macro-economic sustainability and the need to overcome the omnipresent role of the state through a diversification of productive forces. The specific challenges (external debt, fiscal imbalances, lack of competition, new social pressures) led to a growing economic fragility with social impacts. Cuba has faced a prolonged economic blockade by the United States as well as difficulties in access to financing; there is a lack of credit, investment and export growth that are not complemented by other international financial mechanisms (IMF, World Bank). The Cuban model suffers from a deformed internal market that features several deficit indicators (pricing systems, currency exchange rates, excessive regulation). In recent years, this reality has endangered the nation's capacity to continue to guarantee social benefits inherent in the system; according to official figures, during this century economic growth fell from 11% to 2%, and unemployment rose. These conditions forced an adaptation, which included an institutional transformation. The modification of the state's domain affects traditional actors, an effect that in turn conditions behavior in the face of change.

Raúl Castro has stated that the era of hovering on the edge of the abyss has ended. The adopted strategy seeks to restructure the model over the long term and to reactivate it in the short term. Unlike in the 1990s, this is not an attempt to keep the system afloat but to rework how it functions. While in the 90s, the

logic of confrontation sought to counter an external impact, now the approach has been framed as a response to internal problems.

The government seeks a rational and synchronized modification and simultaneous changes in rules and actors. The process has been characterized by the pragmatic adjustment of policies and practices. During the implementation process, the links between the state and society are also changing. The government is creating a non-state sector no longer confined to the margins of economic development (as in the 90s), in which cooperatives (not just individual private actors) are being asked to play a decisive role in traditionally state-run areas.

The need for institutional change provides the incentive to act, but it encounters a cultural inertia that conditions such change and the new tensions that are generated between new and old social actors.

## Cooperatives

Within the framework called updating, the state sector continues to play a fundamental role. The promotion of the non-state sector is meant to create other sources of employment as an alternative to diminished state employment. This non-state sector has been weak in its effects on productivity, participation in gross domestic product (GDP), and contribution to the budget through taxation.

Some confuse cooperatives with a group of friends who come together in order to engage in business, seeing them as a way of paying fewer taxes and gaining greater access to resources and clients. Instead, cooperatives in Cuba are conceived as a means of decentralization and a way to provide necessities at the local

level, and thus to provide relief for state enterprises that would pass on to the cooperatives some of the secondary activities of the state enterprises.

Cooperatives provide new options in economic and social relations, where different values and practices may be generated. In principle, their ideology is marked by a commitment to the well-being and strengthening of the community sphere above the personal private interest, as well as to fostering greater autonomy and the social character of property.

The extension of cooperatives to non-agricultural sectors is imminent. Searching for a successful model, the process advanced in a gradual and integrated manner. After cooperatives were broadened for farmers in rural areas, the legal framework has been undergoing adjustment to allow cooperatives to operate in other sectors. Problems affecting cooperatives include insufficient education and weak cooperative sensibility, a fragile balance between autonomy and state intervention both in internal arrangements and in relations with the state, as well as the difficulty of upholding cooperative principles while operating under business requirements. Additionally, it is difficult to make good on the social commitment with which cooperatives are identified, while also taking care to avoid false cooperatives that could confuse and distort the significance of this economic grouping in Cuban society.

## Role of Social Science

In addition to the changes the economic, political and juridical arenas, the concept of the socialist model has also undergone changes. Policies are gradually evolving to provide greater flexibility

and decentralization. National and international experiences are taken into account in examining challenges such as generational succession, an aging population, and climate change.

The first draft of the guidelines contained no mention of the social sciences. Eventually, contributions made during the societal debate highlighted the need to incorporate the social sciences. Guideline 137 backed the fostering of research in social sciences and the humanities. At the CCP Conference (January 2012), Objective #65 stipulates a greater use of evidentiary results in decision-making, the evaluation of impacts, and the conceptual formulation of the new model. At the previous five CCP Congresses, the social sciences were mentioned as an important factor only in the second.

The new acceptance of the role of social science can be explained by the existence of previous social research studies that had recommended policies that have been gradually adopted since 1997 (e.g. allocation of idle land, measures against under-employment, reduction of subsidies, privatization of state activities, authorization of private, cooperative and co-managed property, the buying and selling of housing, change in the migration law). The effect on the social sciences has been three-fold: 1) increased demands for research, 2) more opportunities of dialogue between scientists and politicians, and 3) the role of research in policy design.

Today there are 43 new research projects that respond to the interest of the central administrative organs of the state (OACE) as well as provincial and municipal governments. These are not limited to diagnostics and evaluation, but include prognostics and proposals.

## The Debate: The View from Abroad, Transparency, Science, Economy, and the Internet

- Some observers see the changes as merely cosmetic, but the transformations constitute a new paradigm. It has moved from conceiving the new policies as a “necessary evil” to viewing them as a “strategic necessity.” The government is “letting go.” The recent law on migration establishes the freedom to travel. The government left behind its fear of losing more young and talented people by betting on the benefits that the prospective circulation of its citizens would entail. While Cubans are understandably impatient in the face of such changes, the government believes in the value of caution, taking into account the experience of the socialist camp in Eastern Europe where perestroika was proposed as a way of reforming socialism— but the process quickly got out of hand.
- The difficulty of applying measures can be seen in agriculture, where it has been hard to move away from situations where a state official establishes norms for the delivery of food products to another where production decisions shift toward the cooperatives.
- While some policies are difficult to apply, for others, such as the authorization of cooperatives in nonagricultural sectors, there is no explanation for their delays. Caution in relation to foreign direct investment (FDI) is understandable, but if there is a desire to increase growth and decrease unemployment, several FDI options ought to have been approved, for example in the energy sector.
- There is a need for more transparency and better quality in national statistics. When the methodology for national

accounts is not published, opportunities to analyze, formulate and execute different policies are lost. For example, the recent official figure that sets the number of unemployed among the new self-employed at 67%, contradicts Cuba's official overall unemployment figure. (If both figures were accurate, there would already be no unemployment in Cuba.) The facts cannot be analyzed because the methodology in national accounts remains unpublished. Similarly, there might have been a more efficient way of collecting taxes from the new micro-enterprises instead of doing it on the basis of number of employees, which penalizes job generation.

- The signals from above are not always clear, such as, for example, the definition of desirable business size in the new private sector or the very question of strengthening the rule of law.
- With regard to the non-state sector and job generation, assessing taxes starting with the first employee penalized job generation; the code was later modified to begin taxing only with the sixth employee, a change that reveals responsiveness to pressure, flexibility, and a learning process. The policy-makers should continue to avoid tax penalties when they assess taxes on the profits of non-state economic activity. So far tax policy remains unclear. With taxation penalizing the growth of businesses, the question of what size they ought to be remains undefined.
- The use of market mechanisms is problematic. There is no price-setting system, fundamental to a prosperous and sustainable socialism. The dual currency impedes finding out what are the real subsidies, as Raúl Castro asked, "who

is subsidizing whom." The self-employed are receiving enormous state subsidies but believe they are self-financed: they buy at subsidized prices, negotiate between the two currencies, and acquire goods on the black market where merchandise is sold for less than its true cost. These practices limit efficiency, transparency and openness.

- The advance towards more transparency and political and economic progress is contradictory. The opening of 128 new Internet connection centers, for example, recognizes the need for greater access to information and transparency to increase efficiency. But the legal regulations constrain the use of this service because of activities that may be considered damaging to public security, integrity, the economy, national independence or sovereignty. These considerations make access to the Internet subject to arbitrary interpretation. There are also contradictory statements regarding information technology policies.
- The desirable balance of property structure in the new model remains unclear.
- The progressive access to the Internet and the extensive use of social networks is a fundamental element in this process of change. It is essential to distinguish between a concept of change that recognizes the legitimate role of the private sector in the Cuban economy and society, and a political practice that continues to treat it as a necessary evil, reflective of the so-called "old mentality."
- The law matters for its transparency requirements and above all for achieving predictability in the functioning of the economy. It is not solely a question of institutions and how they function but also of the relationships between

them in terms of prices, contracts, etc. The non-state sector should conceive of itself not only as a source of employment but also as a component in the generation growth and public policies. The state has been the regulator and the business owner at the same time; it has been self-regulating to achieve a certain structure of property and control. Now it must regulate the non-state sector as its complement, not as its competition.

- The concepts of control have not been fully updated. People need to adopt new ways of thinking about social control, not just in the economic, accounting or financial sectors. These concepts have been more or less updated in the law and highlighted in discourse, but they are less visible in the implementation of policies. The legislative process for the reforms has been unjustifiably slow, creating an impression not of cautious and gradual application but of paralysis. The process must now move forward in an orderly way, beyond a “stop/go” lurching. In public discourse, the vision for the reforms (self-employment, the extension of the non-state sector) has been that of a necessary evil; in practice much inertia remains among those who make decisions or are charged with implementing them.
- The updating cannot be reduced to the mere extension of the non-state sector. It also touches on the radical transformation of the state to convert it into a public sector that is not subordinate to arbitrary decisions made by the government bureaucracy. Public sector entities should have autonomy, based on their own functions and attributes. This transformation also implies a different form of

social control for this sector, not simply through accounting and administrative techniques, but also through citizen participation.

- Each time the application of policies starts from scratch with each step, which illustrates its shortcomings. Because the process of change sharpens the difference between social groups and territories, it is logical that it should be expressed in a social struggle. Such effects must be taken into account in applying policies. The changes must be adapted to each territory; they cannot be a straitjacket for a society characterized by growing diversity. Easily available information is key to this problem—an issue already raised by government officials; information access must be facilitated. The capacity for direct popular control must be improved, as occurred in Holguín and Guantánamo, where problems have been publicly discussed and debate has been widespread.
- Regarding the mechanisms for the coordinated application of policies, one objective is to shift toward indirect means (taxes, financial measures). The tax burden on the private sector, in fact, has been lighter than expected, and its effect has been revealed in the growth (and in the low failure rate) of the new businesses. The policy focuses more on agriculture and food production than on the service sector (taxis, manicurists, etc.); it is not a production chain. The private sector continues to grow, with services such as florists, catering, and private suppliers for hotels. Dialogue between the government and this new sector is also increasing.
- Decision-makers are learning about control and gradual

implementation. Yet, academia does not have answers for everything; real social and political problems exist. For example, there are few social life opportunities and cultural amenities in the mountains and remote rural areas, where they must be created to discourage emigration to the cities. It is not enough to supply water and electricity; policies should foster a middle class, capable of creating domestic demand.

- The slow pace does not always correspond to resistance to change from an opposing sector, indifference or specific decisions. Other factors matter such as a lack of necessary resources and means, legislation, and uncertainty. The capacity for response and the absorption of negative impacts can only develop over time.
- The notion of “letting go” requires that the subsidizing role of the state and central government be replaced at the provincial and local level, which requires deploying that capacity to cope and cannot simply be established by decree.
- It remains important to focus on current strategic economic priorities vital for the economy: the generation of exports, food, and internal production chains that are not dependent on the state.
- The key to advancement lies in the cooperative sector replacing part of the state-owned sector, leaving poor practices behind. This does not happen automatically. In fact, the new non-state sector at times retains the habits of the state sector, such as wasteful use of resources, practices damaging to the environment, etc. Financing and new legislation are insufficient to assure best practices;

incentives for functioning on a self-sustaining basis are needed, along with policies to monitor the new sector to assure best practices.

- The role of cooperatives must not be limited to filling some public sector needs; they should also complement and reinforce it so that it functions better. State enterprises continue to resist hiring self-employed contract workers. This stems from a lack of legislation that treats the private sector as individuals, not as small businesses.
- Of the 136 recently approved cooperatives, the majority are marketers of agricultural products, construction materials, recycling and transportation. There are no manufacturing cooperatives.
- The progressive taxation on the workforce is calculated on the basis of the average state salary, which is very low; this means in practice that the collection is not very large. The taxation problem is complex, and the predominant view is that taxes are high, while in reality the tax rate is not that significant. The legislation has gradually adjusted in a favorable manner to stimulate this sector.
- The state sector must be reorganized beyond the creation of a private sector. Although the non-state sector is the one that is most often discussed, the future of the large state sector will be essential for the success of the updating. The great challenge of sustainable socialism consists in the capacity of policies to achieve widespread engagement and to transform the state sector into a public sector, characterized by an autonomous legal organization and citizen participation to control it beyond convening large assemblies and debates about legislative projects.

### III. THE SOCIAL ACTORS IN THE TRANSITION

#### Demographics of social change

Demographic indicators shift in tandem with social development indicators. The current indicators are very low birth and mortality rates and relatively high external migration. In several recent years, these combined trends resulted in a net decrease of the Cuban population and its continued aging. These indicators are homogenous throughout the island's regions, unlike the demographics in other underdeveloped countries.

Thus, Cuba's demographic transition—a process that occurred in the countries to its north over a period of 200 years along with socio-economic development—has taken place over a short 80-year period but without a comparable economic development.

Since 1978, Cubans have not been reproducing themselves. Currently the birth rate is only 0.86, which does not guarantee a replenished population. Influential factors include: 1) a Cuban birthrate below the regional average even before 1959; 2) a larger share of women in the workplace and social life in general; 3) better educated women; and 4) the housing scarcity.

As for the aging population (more than 18% above the age of 60), key factors include a lower mortality rate and longer life expectancy (78.6 overall; 76 for men, 80 for women).

Internal migrants come from nine of the fifteen provinces, primarily migrating to the capital from the eastern provinces. Although the intensifying shift from immigration toward emigration began in 1930, it spiked after 1959 and today reaches some 33,000 to 35,000 annually. The causes, composition and

destination of the emigrants have diversified. Family networks play a decisive role. The percentage of young people in this group has increased, as well as that of women (50%), coinciding with the dynamic of a declining population.

The proportion of those older than 60 and younger than 18 in the entire population is quite similar; hence, the conditions for workforce replacement are diminishing. The median age for men is 38 and for women, 39.4. The provinces with the oldest populations are Havana, Sancti Spíritus and Villa Clara; those with the youngest populations are Holguín and Guantánamo.

Cuba has fewer than 12 million inhabitants and its demographic situation resembles that of a developed country, but with the socio-economic level of a developing country. Since the 1980s, demographers have forecast these trends. However, government institutions failed to incorporate that information in their planning or take timely measures to deal with it.

Family size is shrinking (3.4 persons per nuclear household). The aging population requires more caregivers, which in turn has an impact on women's early retirement from the workforce, given the insufficiency in publicly-supplied elderly care.

Population loss, especially in the eastern provinces, due to the internal flow of migration, should be targeted by an appropriate policy.

## Social Groups: Perceptions and Dynamics

### *Perceptions*

The study of four social groups—laborers, intellectuals, self-employed and managers—reveals highly distinct perceptions of social identities.

Managers are defined by their access to resources and means of power that allow them to enjoy a better standard of living. The prevailing perception characterizes managers as operating at the highest level of government, political and military structures, excluding those at the intermediate and lower levels (despite their being classified as such in their job category). The main disadvantage of the managers is considered to be their visibility as the targets for scrutiny, along with the possibility of losing their status at any moment.

The most diverse group is that of the intellectuals—scholars, scientists, artists and other professionals. Their social prominence can be attributed to their image (cultured and educated) rather than their economic power.

The self-employed are independent workers, seen as being creative and efficient but also vulgar and with a low cultural level.

Laborers lack access to the other groups because of age, educational level or capacities, and by their obviously lower standard of living; thus people do not wish to belong to this group.

Of all these, the least appreciated are the self-employed. They are perceived to have a low educational level and a tendency toward arrogant behavior, deriving from their higher income.

Managers and intellectuals are perceived on the same level; they don't produce useful things and do not work hard, in contrast to laborers and the self-employed, who must work constantly.

Managers appreciate the intellectuals' capacity to identify and understand problems, but consider that they have a tendency to be argumentative and not easy to engage in dialogue.

The intellectuals see the managers as capable of dialogue, but not willing to engage in it. Managers and intellectuals perceive

the self-employed as “laborers with financial means” and consider that their only advantage is a higher economic level.

### *Group Dynamics*

Access to political and economic power is the main variable determining the homogeneity and identity of each of the four groups. Internally, each is differentiated by a hierarchical stratification. The hierarchical scale—according to stereotypes—ranks from top to bottom managers, self-employed, intellectuals and laborers. However, taking into account access to power, mixed or private sectors would put high-level managers (ministers, political leaders, military heads) at the top, followed by the self-employed with lucrative businesses, laborers who work in tourism, and the more prestigious intellectuals.

According to one study, all groups focus on the present, have weakly structured projects, and express uncertainty about the future. Leaders are not identified in any of the groups (not just in terms of power, but also authority), and the groups lack confidence in their capacity for citizen action and influence in the transformation of society.

The initiative for change is placed with the state. While there is space to express opinions, it is in terms of agendas that are almost always defined from above. Openings for debate are established from above by managers who for the most part are not vested in producing change.

Both in political discourse and social perceptions, the self-employed are seen only in terms of their role in economic development. The high level of heterogeneity of this group is rarely taken into account; new modes of relationships are configured by the

roles of boss (owner) and subordinate; critical exploitative relationships; and for the most part a lack of social commitment and responsibility.

## The Work Sector

Before the crisis of the Special Period begun in 1990, the state was the largest employer and full employment existed on paper, although with an appreciable level of under-employment. As a consequence of the crisis, the policies to confront it had a strong impact on the social class structure. Demographic changes have reduced the economically active population (EAP). Within 20 years, just a third of the population will be part of this EAP. This social structure in transition will remain configured according to how the economic system will come to be organized.

The labor situation in the various economic spheres is determined by the needs of property or management, technologies, salaries and work conditions. In the non-state agricultural sector, cooperatives of various types co-exist with other types of rural jobs, among them the Basic Units of Cooperative Production (UBPC by their Spanish acronyms), made up of former agricultural laborers turned into usufruct farmers, owners of the means of production, and small agricultural producers. Occasionally women participate in this work force.

In the state sector, a “revived” segment (with hard currency resources) has been added to the “traditional” segment (with scarce resources).

In addition, foreign investment differentiates salary and work conditions.

Finally, there is an underground economy, about which there

are no official statistics. Nor are there data for specific groups, such as temporary day-workers in agriculture who have considerable significance in private production.

The coexistence of state and mixed modalities within the same sector causes enterprises dedicated to the same activity (nickel mining, for example) to function with very different technologies, salaries and work conditions.

New socio-occupational actors are emerging with large internal differences. The self-employed are a heterogeneous group that includes the following strata: 1) survival (peanut vendors, domestic workers), 2) autonomous workers and 3) small business owners including owners and salaried workers.

The number of self-employed has grown, but mostly in the service businesses, not in manufacturing. This outcome corresponds to the tendency toward tertiary activities in the Cuban economy that have to do with tourism and provision of health and educational services.

The restructuring of large state enterprises, such as AZCUBA (sugar) and the merger of biotechnology and pharmaceutical enterprises, reshapes the organization of the workforce.

A central policy of the updating has been to separate the state from business functions so that ministries remain in control but are stripped of their administrative functions.

That control suffers from its lack of integration in business practices and its exercise from afar through mechanisms removed from the business function. This disadvantage places control in sharper relief than the productive business activity itself.

## Gender in social and economic change

Women are a majority of the employees in the state sector. They constitute 66% of the qualified workforce, the majority in the service sector (health, education, professional services, finance, insurance) and more than 70% in the legal sector (judges, prosecutors).

The enlargement of the non-state sector and the reduction in state services and administration should have affected women. However, the majority of state employment layoffs have occurred thus far among men. Only 33% of state worker lay-offs have been women.

In the state sector, women's jobs have been protected by their educational and professional levels. For each man involved in professional activity there are four women. Women are fewer but still the majority in the primary and secondary sectors of the economy, where self-employment has been most encouraged. The female presence in this sector tends to occur in roles that reproduce domestic labor. The majority of lawful self-employment options do not correspond to women's professional profiles or training, nor do they demand a high level of knowledge.

The majority of self-employed workers (TCP, by its Spanish acronym) work in private restaurants and food vending, or in the "casa particular" (lodging rental) business. But in 2012 just 29% of the TCP were women. Social security benefits for women in this sector include the right to maternity leave as well as having time credited toward their retirement pensions.

Women with usufruct land titles are a few (12%), including those who possess such titles in order to increase the size of the land parcel delivered in usufruct to their spouses. Although they

often do not cultivate the land, they organize and direct the productive process.

The double burden on women's labor in the workforce as well as at home is heavy. The demand for services for the elderly especially constrains women's ability to remain in the workforce. The TCP ought to include micro-enterprise cooperatives that might administer such services.

The impact of the changes on the family has been considerable. With the enlargement of TCP, families shift from being consumers to producers.

Despite the existing disadvantages for women and their under-representation in the highest levels of management, the number of female managers has increased to nearly half— 46% of this category.

## Debate: Differentiation, Policies toward Emigration and toward New Social Actors

- Political and social discourse ought to assume that the emergence of different groups or social classes will be a permanent feature of the new model.
- Education no longer plays the same role it once did with regard to social mobility; the crisis has created an inverted pyramid featuring the migration of qualified employees to better paid work (tourism, taxis) that does not require high education.
- Cuban managers do not aspire to move to similar positions in the non-state sector but rather seek them in mixed enterprises. This has made them change their attitude toward legislation that favors change. This trend

contributes to social re-stratification yet also to political consensus.

- The new demographic situation suggests that policies regarding the legal status of Cuban émigrés should be re-formulated to allow them to reintegrate and participate in economic changes.
- Although official documents and discourse about the updating process emphasize the cooperative model, in fact private businesses—including those where employees work for an owner—are increasing faster than cooperatives; outside the agricultural sector, cooperatives have been authorized only as experiments, lagging the TCPs). This increase in private businesses contributes to the formation of a new class of salaried workers who are not public employees, generating new social relations. Paradoxically, during the Special Period, the number of administrative workers grew in relative terms.
- The new demographic situation suggests the possibility of workforce changes, with workers shifting from labor surplus to labor deficit sectors.
- A key step to encourage development and policy planning to mitigate the growing inequality gap is the precise measurement of income concentration and the gap between the lowest and highest percentiles. This data remains classified.
- The announced policy of greater decentralization has been accompanied by a parallel process of re-concentration in the state business sector. New conglomerates are emerging that contradict the basic concepts under the principle of decentralization, namely, the efficiency of

bottom-to-top control, collective decision-making and worker participation.

- In the absence of a law, private activity is now regulated by a decree that lists permissible occupations and job descriptions in the non-state sector. This arrangement does not protect the weakest self-employed workers (with high mortality rates) in competition with the stronger (business owners). It also may facilitate quasi-oligopoly conditions in which the market is controlled by the strongest.
- In comparative terms, state management and policy making roles during the updating have been achieved by those with a greater educational level, as well as more women, young people and blacks, but this effort still has not achieved adequate representation.
- If membership in the middle class in Cuba were measured in terms of educational level, occupational profile, home-ownership, and capacity to generate autonomous projects, the results would be high and convergent with the trends visible in other countries of the region—although lagging in levels of income and consumption.
- Incomplete or deficient statistics do not reflect the economy's real behavior. For example, the per-capita tourist income does not include tourist expenditures in non-state spaces, only in hotels; the figures in the non-state agricultural sector are also dubious, considering that its alleged recent decline (8%) cannot be observed at the level of supply to the urban networks for wholesale commerce.
- The generational problem is most often raised in the managerial and intellectual groups—not in the rest of the

population. In both groups, it resides in the willingness of older generations to share power with the younger generations.

- The common concern of all social groups focuses primarily on their material situation (income, consumption, housing, etc.), followed by the problems of the political system. All express concern about the predominance of materialism above human values.

## IV. THE UPDATING OF INTERNATIONAL RELATIONS

### Foreign policy

Without leaving behind its anti-hegemonic position, Cuban foreign policy under the updating has given greater relative weight to economic than to political problems. The latter have not been abandoned, but they are treated in a more nuanced fashion. Cuba is reinforcing its relationships with allies and economic counterparts, and tends to prioritize cooperation regarding topics that are divisive in the international arena.

Foreign policy focuses on three priority areas: 1) relations with Latin America and the Caribbean. While uncertainties have arisen about Venezuela (which continues to matter greatly for Cuba), the relationship with Brazil has acquired a new salience thanks to the strategic importance of the Mariel mega-project in a special economic zone, which overlaps with the regional (Caribbean Basin), hemispheric (United States.) and global (Asia Pacific) contexts; 2) relations with China and historical partners such as Russia, Angola, Algeria have been revalued; 3) relations with U.S. allies like Canada and the European Union are marked by stability and realism, which prevail over ideological differences.

Relations with the United States over the short term can be projected on the basis of three topics: 1) Alan Gross and the Cuban Five (prisoners held on the island and in the United States, respectively) 2) a broader issuance of licenses for U.S. citizens to visit Cuba and 3) the possible exclusion of Cuba from the list of terrorist states. Cuba has tempered its anti-imperialist discourse,

reduced its references to the blockade, and reiterated its willingness to engage in dialogue.

## Economic relations

In the past, foreign relations were conditioned on internal changes. The transformation of the economic model in the 1970s was driven by the integration with the Soviet-led Council for Mutual Economic Assistance. In the strategy of the “updating,” international integration should serve to consolidate the internal model.

Productivity must grow and a productive transformation should occur. Production in the absence of increasing yields may increase exports but the country may end up far worse off. Currently, Cuba’s international economic relations continue a tendency to concentrate trade. Six countries account for 80% of exports, and four countries account for 63% of total imports. Cuba should insert itself in the value chain, and it should also help its national producers approach the international market without relying upon intermediaries.

Some argue that under current circumstances, Cuba ought not to join the International Monetary Fund (IMF) and World Bank (WB). The requirements for such integration would affect the social consensus and internal politics—and It is unlikely that the state would make the necessary concessions to multilateral or regional integration and cooperation mechanisms. Nevertheless, some arguments and advice have been to the contrary.

## International Economic Context and Cuban policy: Alternative Views

Cuba currently enjoys an international environment that is less hostile and more trusting than at any time during the last half century. However, this should not be an excuse to slow down the pace of change. The slogan “without haste, but without pause,” must not become a justification for a slowdown of change or insertion into the international economy on a global level because the situation is still urgent.

The government acknowledges the need for more investment, more technology, and more capital; but at the same time, it delays legislative support and decision-making. Approved projects (marinas, ports) are few and far between, with lengthy maturation periods.

In the absence of successful oil prospecting, energy security continues to be associated with Venezuela and the continuity of the Bolivarian process. This factor may be subject to change over the medium term.

In regard to relations with the United States, we may anticipate more change. In the short term, the most important issue areas are remittances and a broadening of visits, with a significant effect on the Cuban economy. U.S.-Cuba relations may also be affected by other regional issues, in particular: 1) the expectation that the president of Brazil will inaugurate the port of Mariel in January, 2014; 2) a peace accord will be signed regarding Colombia, where Cuba has played a mediating role acknowledged by the Colombian government; 3) the Summit of the Americas, planned for 2015, creates expectations for a change in policy toward Cuba in a region where such a change is unanimously favored.

In fact, the economic, social and political changes contained in the updating process, both those in place and those projec-

ted—particularly private sector and market growth—would have awakened a positive reaction from the United States had they occurred in any other Latin American country. With Cuba, however, this has not been the case.

Cuba's new migration law permits circular migration, that is, a flow of persons entering and leaving Cuba. This process in itself gives rise to a new social actor in international relations and in Cuba's development. This emerging factor requires norms and policies to facilitate its incorporation in the development model triggered by the updating process—as has occurred with Chinese and Vietnamese diasporas.

## Relations with Europe

The European Union's policy toward Cuba over the past seventeen years (its Common Position) has met with little success. Changes are under way in bilateral relations: 1) The government of Raúl Castro has avoided repeating incidents such as those pertaining to the Cuban exile aircraft overflight of Havana (1996) and the incarceration of dissident groups (2003); 2) travel restrictions for all citizens (including dissidents) have been lifted, along with access to some blogs characterized as anti-governmental, 3) some Scandinavian and former socialist countries in the Eastern European bloc hold outdated positions regarding human rights/democracy in Cuba, which may change upon re-examination. In fact, these factors have had a centrifugal effect on the Common Position, causing it to fragment into bilateral relations and converting it into a dead letter.

Cuba's position in its regional context, particularly through its recent presidency of the Community of Latin America and

the Caribbean States reinforces its international status and has long-range repercussions on relations with the European Union whose regional presence is currently at its lowest point.

## Debate: International Relations at the Service of the New Model

- The inhibitions derived from E.U. policy are counter-productive to the extent that they impede innovation.
- Cuba's international insertion requires a global and regional focus that excludes dependency on a single country, diversifies risk, trade relations and investment.
- Diplomacy has had a higher salience in Cuban foreign policy during the post-Cold War period, given that Cuba lost other internationally based resources, such as its alliance with the USSR and its military presence in other regions. The professionalization of the Cuban Foreign Service has reinforced the quality of these diplomatic activities in international reinsertion and in the search for new sources of investment. In the logic of the updating, the Foreign Service should increase its influence regarding economic problems and remain informed about the transformations in Cuban society, its culture, and current thinking.
- The role of military diplomacy has also risen during this stage, particularly in relations with the United States, through cooperation between both Coast Guards, (orderly migration and the fight against drug trafficking), and between troops deployed on both sides of the perimeter of the naval base at Guantánamo. The professionalism and prestige of Cuba's Revolutionary Armed Forces (FAR,

by its Spanish acronym) suggests the possibility of their eventual participation in certain missions such as peace-keeping operations within the parameters of Cuba's participation in multilateral organizations.

- Because of official Cuban policy, remittances from abroad have ceased to be an informal activity and now contribute to Cuba's economic and social development, including significant capital resources and financing for home purchases.
- Scientific collaboration in the protection of migratory species (fish and fowl) has a potential that ought to be widened and made systematic.
- Cuba should not wait for the U.S. blockade to be lifted before designing a package of policies to take advantage of increased visits by Cubans resident in other countries, including the United States, through more frequently scheduled transportation (the so-called "air bus"). Other services such as health care services, higher education, and participation in cultural and sports events ought to be offered to these Cubans residing abroad.

## WORKSHOP PARTICIPANTS

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Bachelor's degree in Sociology from the University of Havana, 1980, and Masters in Local Public Administration from the Universidad Internacional Menéndez Pelayo, Spain, 2007. Campos Carrera is Assistant Scientific Director at the Center for Psychological and Sociological Research (CIPS) and a researcher at the Group for Social Studies of Labor (GEST). He is also an adjunct professor at the University of Havana. Research subjects: social relations at work, labor competencies, promotion of employment and local economic development.

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### Philip Peters

Long-time analyst of Cuba and U. S. -Cuba relations and President of the Cuba Research Center in Alexandria, Virginia. He has published numerous studies on the Cuban economy including *Cuba's Entrepreneurs: Foundation of the New Private Sector* (2012), *A Viewer's Guide to Cuba's Economic Reform* (2012) y *Migration Policy Reform: Cuba Gets Started, U. S. Should Follow* (2012).

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**Julia Sweig**

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## THE WORKSHOP IN PHOTOS



Daybel Pañellas at the panel on social actors.



Carlos Alzugaray moderating the panel on political dynamics



Phil Peters and Richard Feinberg as seen in Havana.



Workshop participants in Washington, DC.: Jorge Mario Sánchez, Julia Sweig, Bert Hoffman, Juan Carlos Campos, Mayda Álvarez, Sonia Catasús, Tania García, Philip Peters, Michael Shifter (president of the Inter-American Dialogue), Jorge I. Domínguez, Carlos Alzugaray.



Juan Carlos Campos, Mayda Álvarez, Sonia Catasús, Tania García, Daybel Pañellas.



Jorge I. Domínguez and Carlos Alzugaray listening to Juan Luis Martín from Havana.



Juan Luis Martín at the panel on economy, cooperatives and science.



Rafael Hernández at the panel on political dynamics.



Workshop participants in Havana: Rafael Hernández, Alberto González (translator), Daybel Pañellas, Rafael de la Osa (director of Cubarte) and Juan Luis Martín.



Workshop participants in Washington DC: Philip Peters, Richard Feinberg, Tania García, Mayda Álvarez, Jorge I. Domínguez, Sonia Catasús, Jorge Mario Sánchez, Carlos Alzugaray, Juan Carlos Campos, Bert Hoffman.