

Cuba: Contesting the Odds

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Abstract

As Cuba confronts the void created by the demise of the Soviet Union she adopts principles in association with a market economy yet struggles to uphold communism. The journey herein evaluates public policy and its relation to impact and philosophical interpretation. Addressed are intrinsic executions the likes of restoration of the monetary regime, agricultural reformation and the emergence and sustenance of local ownership. The document also seizes the opportunity to confirm Cuba's engagement as an active participant in global trade and investment and her commitment to reconstruction of diluted communal services to a population under economic duress. While perceptible the course of evolution is subject to obstacles, the material under discussion is evidence of appraisal and attestation to social correctness.

Keywords: Ideology; Politics; Economy; Revolution; Commerce

The dismantling of the Soviet Bloc has precipitated rippling effects within the Caribbean island of Cuba. A country of 11 million inhabitants once sustained to the tune of \$4 to \$6 billion per annum by the Kremlin and a beneficiary of Soviet preferred trading status is now presented an altered economic relationship with its surrogate and an internal crisis that could reshape its embodiment of communism and ultimately substitute its form of governance.

In 1989 in the absence of hard currency for procurement of goods and services Cuba's diminishing commercial transactions as illustrated in Table 1 have produced grave consequences.

Cuba's imports fell from \$8.1 billion in early 1989 to less than \$3 billion in 1992 and exportation of sugar and nickel were reduced by 20% and 28% respectively during the same period. Overall with 1993 imports and exports estimated at 62% and 40% below the 1989 figures, the island suffered from the loss of valuable energy and material hence the closure of factories set in motion the eminence of unemployment for many state employees [1].

Castro's 53 year old prediction, "a revolution is not a bed of roses" continues to haunt his country as the aftereffects obstruct Havana's ability to efficiently provide social services. Schools and medical supplies dwindled as well as subsidies. A summation of records indicate Cubans involuntarily compromise on the acquisition of soap, shampoo, toilet paper, school texts, paper, pencil, toothpaste and over 300 medicine that either disappeared or were in low supply. Other irritants include price increases in some instances on essential items such as electricity and rationed food (e.g., milk, rice and bread) otherwise considered scare commodities that could only be obtained on the black market at expensive rates on an average salary of less than US\$10 per month.

A time of hardship commonly labeled the "Special Period" and beyond is as well an era of reflection in relation to the country's infrastructure. Havana although aesthetically capable of rivaling most European cities is currently in decay. Most dwellings are in a dilapidated state in need of secured re-enforcements, resurfaced walls and a fresh coat of paint while recreation facilities are void of same and functional equipment. Further public transportation which is often overcrowded is unreliable and ineffective and private cars are outdated and rare. Bicycles have now become the main source of mobility [2].

Noting the gravity of the situation the government has agreed to accommodations intended to spur economic growth and offset social turmoil. The metamorphosis underscores the legalization of the US

currency, an adoption of market oriented agricultural reforms, the introduction of self-employment and the attraction of commercial transactions with foreign entities. Such approach commonly known as a mixed socialist regime has provided modest gains but not without an ongoing discourse relevant to its impact on the Cuban revolution.

Below lies an examination of modifications, processes, results, possible contradictions and predictions surrounding structural adjustments in Cuba.

Dollarization

Despite initial exemption from "dollar service" primarily utilized by diplomats and visitors, failure to secure intrinsic commodities gave rise to the black market that traded in foreign currency. As a consequence domestic prices soared and the peso lost value as Havana intervened with the printing of excess money to address a growing deficit.

Rising inflation and the preference for the US dollar driven by foreign remittance valued between \$300 - \$800 million annually facilitated a drastic shift in the government's position which decriminalized the use of international currency in 1993, introduced a convertible peso valued on par with the dollar in 1994 and sanctioned the transfer of nonconvertible pesos to foreign funds at a market rate in 1995. Cubans were likewise granted permission to activate bank accounts in foreign exchange.

	Exports	Imports	Trade Balance
Cuba	1.6 billion	3.2 billion	-1.6 billion
Chile	8.1 billion	6.5 billion	+1.6 billion
Columbia	5.7 billion	5.0 billion	+0.7 billion
Mexico	23.0 billion	23.3 billion	-0.3 billion

Source: EIU Report 1992/93

Table 1: A 1989 comparative trading status of Cuba and select Latin American countries.

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	1989		1995		1996		1997	
	Area	%	Area	%	Area	%	Area	%
Total	6,772.00	100	6,684.20	100	6,614.50	100	6,614.60	100
State	5,032.50	74.3	2,178.70	32.6	2,166.80	32.7	2,166.9	32.7
UBPC	0	0	2,816.60	42.1	2,775.60	42.00	2,775.60	42
CPA	769.8	11.4	649.5	9.7	620.2	9.4	620.2	9.4
CCS	739.1	10.9	787.3	11.8	782.7	11.8	782.7	11.8
Dispersed Farms	230.6	3.4	192.2	2.9	210.2	3.2	269.2	0.41
Other Private			59.9	0.9	59	0.9		

Source: Anuario Estadístico de Cuba, 1989 and 1996 issues. 1997 figures reported by Pampin Balado

Table 2: Agricultural land in Cuba by form of tenancy (Units=1,000 ha).

With the existence of a dual economy the island's improved economic performance prior to the mid-1990s is attributed to an ability to compete on the international market. However many political analysts are of the persuasion that the system refutes Marxism on the notion of a classless society by breathing social inequality among Cubans based on access or limitation to American dollars. Moreover the extensive use of external capital hinders government control of the country's monetary supply and encourages individualism and other capitalistic overtones [3].

Agricultural Reforms

The adoption of a mixed socialist economy has lent legitimacy to a private sector alongside government in the interest of production. In compliance with the spirit of Agricultural Production Cooperatives (CPA) in 1993 and the ratification of Decree-Law No 142, 63.5% of public land was dispersed for the creation of Basic Units Cooperative Production (BUPC) with an element of profit sharing introduced on exclusive farms to increase productivity. To a lesser extent land was also distributed for Cooperatives of Credit and Services (CCS) and to small farmers with an opportunity to supply government outlets and the open market (Table 2).

The latter which originated in 1994 and is free of government marketing regulations has set the tone for a market economy. In 1999 the creation of similar markets increased the supply, diversity and availability of food in Cuba. Nonetheless de-centralization is under scrutiny. Does it negate moral incentives in allegiance with socialist ethos or condone material gratification in search of economic liberation ? [4].

Self-Employment

An experiment with local entrepreneurship was designed partly to counter side effects namely an oversized public sector ripe for massive downgrading, exorbitant government spending and an illegal profit-making campaign proliferated by the collapse of the Soviet empire and an increase and decline in oil and sugar prices respectively. To a greater extent such was entertained to offset crises in the supply of goods and services particularly an insufficiency of food. It also acted as a source of tax revenue for cash strapped government.

This endeavor endorsed by Decree-Law No 141 in 1993 was originally inclusive of 87,000 participants and 117 individual categories in trade, craft and service oriented assignments which by 1998 was reported to encompass 160,000 registered Cubans. Nevertheless despite its potential as a vehicle for unemployment relief, taxes and a dollar economy the Cuban leadership mindful of philosophical differences in association with egalitarianism has limited the scope of its advancement. Case in point is official documentation which states, "the number of licensed entrepreneurs in Cuba has declined by about

20% from its peak in 1996 coinciding with the imposition of income taxes and enforcement regulations."

The fate of this venture remains unsure as regulatory policies of the communist hierarchy are paradoxical by nature. A reluctance to address the necessary procedure, inability to honor licensing expenditures, fear of investigation and direct taxation and growing redundancy [7] fueled underground operations estimated at three or four Cubans to every registrant [5].

Foreign Trade and Investments

Trade

Like most nation-states Cuba acknowledges the significance of participation in the global economy and therefore enticed multinational partnership worldwide. Despite a long exemption from some organizations such as the Organization of American States (OAS) subject to US veto and a 68% decline in trade with the former Soviet Bloc between 1989 – 1994 Havana has forged new relations and concessions within the Caribbean through the Caribbean Community and Common Market (CARICOM) and the Association of Caribbean States, Latin America by way of Latin American Integration Association (LAIA), the San Jose Group and the Southern Common Market (Mercosur) and Europe and the African, Caribbean and Asian countries via the EU and ACP.

The country is likewise the recipient of Most Favored Nation (MFN) tariff rates on imports from industrialized states such as Canada and Japan and reduced duties under the Generalized System of Preferences (GSP) with the EU, Australia, Bulgaria, Canada, the Czech Republic, Hungary, Japan, New Zealand, Norway, Poland and Switzerland. An illustration below (Table 3) authenticates commercial alliances and varying degrees of accomplishment.

Investments

Coupled with trade the Castro regime attracted investors through joint venture arrangements oftentimes affiliated with industrial parks, free trade zones and protective mechanisms (e.g., partial and full ownerships that entailed tax incentives, unfettered accessibility to support services and preservation from extortion) thus sanctioning a free market composition (Table 4).

Cuba benefited in view of approximately \$2 billion in direct investments during 1990-1999 and gross revenue from tourism which stood at \$2 billion in 1999 yet prospective opportunists complained of government bureaucracy grappling to safeguard its socialist identity through impractical ordinances and lengthy unwarranted inquiries that hinder their entry to the market [6].

An overall analysis of post-Soviet Cuba is shortsighted without impartial scrutiny of a US embargo valued beyond \$40 billion that

	1989	1990	1991	1992	1993	1994
Canada	53	89	133	212	132	142
France	56	47	55	40	34	39
Germany	28	34	22	23	19	25
Italy	41	49	43	46	30	44
Holland	112	72	82	66	81	85
Spain	83	73	83	76	59	71
UK	52	48	29	21	11	15
World	1,661	1,351	1,064	1,149	777	1,173

Source: Ondetti, Gabriel. Western Europe and Canadian Relations with Cuba after the Cold War. Cuba Briefing Paper Series, No 9, Nov 1995.

Table 3: Cuban Exports to Western Europe, Canada and the World (in \$ millions 1989-1994).

Country	Agriculture	Petroleum/Mining	Tourism	Other
Spain			Hotel management	\$150 m investment in cement industry
Spain/France				\$500 m partial purchase of a tobacco company
Jamaica			Hotel management	
Britain		Petroleum		Soap and Detergent Manufacturing
Canada		Mining		
Italy			Hotel management	Textile
Germany			Hotel management	
France		Mining		
Holland				Banking and Shipping
Mexico				Textile

Source: Ondetti, Gabriel. Western Europe and Canadian Relations with Cuba after the Cold War. Cuba Briefing Paper Series, No 9, Nov 1995.

Table 4: A Partial Listing of Countries of Origin, Interests and Contributions in Post Soviet Cuba.

Year	1989-93	1994	1995	1996	1997	1998	1999	2000
Growth rate	-35%	0.70%	2.50%	7.80%	2.50%	1.20%	6.20%	5.60%

Source: Financial Seminar on Commerce and Tourism in Cuba.

Table 5: GDP (real growth 1989-2000).

deprives Cuba of benefits in the form of goods and services. On the other hand realization of the island's prospect for social development and the vision and tenacity of the Cuban regime to pursue progress is worthy of commendation.

Between 1998 – 1999 the nation's Gross Domestic Product (GDP) which grew by 5% (Table 5) was 15% shy of its 1989 level in 1990 but as projected such demonstrated appreciation in short order. Between 2005 and 2006 average growth in the Caribbean and Latin America was recorded at 4.5% and 5.3% respectively with Cuba at 7.9%. A similar pattern held true one year later. Cuba's economy grew at 7.5% while for matters of comparison its GDP per capita growth rate of 6.9% was slightly below that of the top four countries in the region.

Thus far the aforementioned economic indicators share responsibility for a fiscal deficit from 30.4% of GDP in 1993 to 2.2% of GDP in 1998 and 1999 and has set the stage for attention to social services including:

- Recommitment through amendments to free education and healthcare.
- A decrease in electricity "blackout."
- Enhanced access to the free market.
- The installation of gas for cooking and heating in approximately 50,000 homes and telephones to 60,000 residents each year.
- The resurrection of the housing construction program building 40,000 to 50,000 dwelling units annually.

- A wage hike of 15% to 50% for 70% of public sector employees.

Accomplishments aside the country's re-adjustment is fraught with elements of economic deficits as shown in tables 6 and 7 [7].

Besides, the basic tenets of communal prosperity are being threatened under the weight of fiscal inadequacy and inevitability.

Nutrition

Whereas in 2007 Jean Ziegler a special representative with the UN Human Rights Commission was of the belief and openly stated, "clinical hunger is not an issue in Cuba" a sharp reduction in the offering of subsidies in recent years may alter the equation and therefore present cause for concern.

Housing

The housing situation on the island mirrors a pendulum. It rose to respectable levels during the mid-1990s, declined at the turn of the century, plummeted thereafter and then improved for three consecutive years (Table 8).

In 2007 the government provided 53,000 new homes but remained short a half of a million new dwellings with the demand increasing with time.

Transportation

While Havana via contract with Yulong Group Ltd, a Chinese coach manufacturer purchased and received automobiles for public, use a shortage still exist. Unlike a decline in the number of trips made transporting passengers in urban areas from 8.9% in 2005 to 1.7% a year later said activity outside city limits soared by 13.5% in 2006.

Awareness of limitations to a "quick fix" to this source of frustration has prompted the resurrection of an old remedy dating back

	01	02	03	04	05	06
Exports (Goods)	1,621.90	1,421.70	1,688	2,332.10	2,159.40	2,313.50
Imports Goods)	4,851.30	4,188.20	-4,673	-5,615.20	7,604.30	2,203.80
Bal of Goods	-3,229.40	-2,766.50	-2,984.80	-3,283.10	-5,444.90	109.7
Export (Services)	2,571.50	2,450.30	2,961.90	3,788.70	6,803.50	3,562.80
Import (Services)	-258	-246.5	-222.4	-225.9	218	6,585.50
Balance	2,313.50	2,203.80	2,739.50	3,562.80	6,585.50	-3,022.70

Source: Anuario Estadístico de Cuba 2007.

Table 6: Balance of Trade (in millions of pesos).

Exports		Imports		Debt	
2009	2010	2009	2010	2009	2010
3.311b	3.879b	8.91b	10.25b	19.42b	19.75b

Source: CIA World Fact Book 2010.

Table 7: Recent Balance of Trade (in US\$).

Years	2000	2001	2002	2003	2004	2005	2006
State	20,670	17,202	19,643	7,318	8,295	14,585	29,692
Non State	22,270	18,603	7,817	8,272	7,057	25,334	81,681
Total	42,940	35,805	27,460	15,580	15,352	39,919	111,373

Source: Anuario Estadístico de Cuba 2007.

Table 8: Housing Units Completed.

2000	2001	2002	2003	2004	2005	2009	2010
5.4	4.1	3.3	2.3	1.9	1.9	1.7	2

Source: Anuario Estadístico de Cuba 2006, CIA World Fact Book 2010

Table 9: Unemployment in Cuba.

Year	Percentage
2008	4.10%
2009	1.40%
2010	1.50%

Source: CIA World Fact Book 2010

Table 10: GDP.

to the Special Period. Cuba's Vice President and architect of economic reform Marino Murillo Jorge is appealing to Cubans to resort to the usage of bicycles to increase mobility within the city of Havana. As a means of encouragement he ensured the government "will evaluate the possibility of selling spare parts needed to maintain bicycles at subsidized prices."

Plans are also afoot with assistance from the Chinese, Russian and Venezuelan governments to revive the inefficient railway system for passengers and commodities alike. It is the government's intention to provide inexpensive but effective service across the country [9].

Unemployment

A social workers' program was introduced to target youngsters who were neither studying nor working with degrees of success (Table 9).

Cuba however is confronted with mass underemployment as many employees are victims of compensation valued at \$20 per month.

Healthcare

In light of a hefty cost to sustain quality healthcare to a growing population while simultaneously refurbishing medical facilities and training personnel the government continues to promote medical tourism. In 2007, 6,000 visitors contributed over \$22 million in return for medical attention to the national treasury. Better yet the nation continues to reap publicity. Its unparalleled achievements did not go unnoticed by the deputy head of the World Health Organization

(WHO) Dr Anarfi Asamoah-Baah who on a visit to Havana in March 2012 stated he was taken aback by the country's "well integrated" healthcare system at all levels [10].

Foreign investments

In a speech addressing structural and conceptual changes on July 26, 2007 the President cautioned "We are currently studying the possibility of securing foreign investment of a kind that can provide us with capital, technology or markets, to avail ourselves of its contribution to our country's development, careful not to repeat the mistakes of the past owed to naivety or our ignorance about these partnerships. Using the positive experiences we have to work with serious entrepreneurs, upon well defined legal bases which preserve the role of the state and predominance of socialist property [11]."

Such conviction in real terms relates to fostering ongoing partnerships (e.g., 233 joint ventures) and the prospect of cultivating more in the near future. With a US geological survey estimating as much as 9.3 billion barrels of oil lying 6,000 feet deep off shore Cuban waters the island has attracted Chinese, Norwegian and Venezuelan interests – an overture applicable in relation to other sectors with the potential for growth [12].

Sustenance and elevation of these and other positive exercises are contingent on the government's interpretation of their relationship to a Marxist agenda and the correlation to social attitudes along with the reality at hand (Table 10).

In spite of exaltations by distinguished figures such as the likes of former US secretary of state Colin Powell who publicly verbalized, "he (Castro) has done some good things for his people" and London's first mayor Ken Livingstone who synchronized by adding, "you have got a country that's suffered an illegal economic blockade by the United States for almost half a century and yet it's been able to give its people the best standard of healthcare," the leadership's perception of an uninterrupted evolution may conflict with its populace's desire for upward mobility. To this end the following questions become pertinent to the debate on Cuba's destiny. Can the governing establishment continue to court perestroika in light of its adversarial stance on communism and will external forces provoke an illusionary democracy?

As the world speculates the fate of the revolution many concur with the words of Boston University's sociologist Susan Eva Eckstein, "Cuba needs to adopt to the new world order in a manner that strengthens its economic base, respects democratic principles and preserves the social gains of the revolution. This is not an easy task. But no anti-communist or anti-Castro sentiment should allow Cuba's healthcare welfare accomplishments, its reduction of rural/urban and class inequalities and the gains of women and dark-skinned islanders to become a matter of history. These are the Cuban revolution's contribution to present and future generations; they should be allowed to enjoy them [13]."

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