

## **ABSTRACTS OF MAIN PRESENTATIONS**

### **The Current Economic Situation in**

#### **Cuba: Panel Discussion**

The conference started with a panel discussion on the current situation in Cuba that involved presentations by Dr. Ernesto Betancourt, former Director of Radio Marti, Dr. Jorge Dominguez, professor of Harvard University and Dr. Jorge Perez Lopez, of the U.S. Bureau of Labor Statistics.

The following is a summary of the main points made in their presentation by each of these panelists:

#### **Mr. Ernesto Betancourt:**

The collapse of the U. S. S. R. is an important factor in changing the internal situation in Cuba. It has an ideological impact, which is certainly disorienting to those inside the island who believed in Communism. It also has a severe economic impact. Finally, it has an strategic impact which deprives Castro of the Soviet protection he counted on to promote his war against the United States. The impact of the status of Castro as a world leader and the sense of self-importance he gave to Cubans as a nation able to play an international role, way in excess of its magnitude, are key factors in explaining Castro's hold over Cuba.

\* The U. S. S. R. is still interested in supporting Cuba to a certain extent. The military are not likely to want to lose the Lourdes electronic monitoring facility south of Havana. At the same time, the Soviets do not want to antagonize the United States. Therefore, their support of Castro's international adventures will cease. There will be no more overt military interventions like in Angola. However, Castro has the means to continue covert military support for revolutions as he did in the early sixties.

\* The economic impact has been severe. It has been reported in the Cuban press that oil was the only item delivered to Cuba by the Soviets in the first five months of the current year. This has caused a critical economic situation. The Cuban Government had already enacted an austerity policy called "Special Situation in Peacetime", with the possibility of people having to go to the countryside a la Cambodia. Now they are talking of the "Zero Option", which means to adjust consumption to a level of zero Soviet supplies.

\* Castro foresaw the present situation in the Soviet Union. In his speech on July 26, 1989, Castro predicted that, as a result of the trends there, the Soviet Union could eventually disintegrate. In a perverse way, the present chaos in the Soviet Union reinforces the image of Castro's wisdom among his hardline followers. From their perspective, events have shown him to be right in refusing to follow Gorbachev's Glasnost and Perestroika.

\* The U. S. S. R. seems to wish to negotiate an orderly transition in Cuba by conditioning their withdrawal to normalization of relations with the United States and the lifting of the embargo. They want to spare themselves the humiliation to their military image as a world power of the collapse of their Caribbean advanced post. But Castro is not willing to be negotiated. Utah We must remember that Cuba joined the Soviet Bloc of its own volition. The Soviet Army did not conquer Cuba as it did conquer Eastern Europe. Therefore, the analogy being advanced that the collapse of Communism there is a predictor of what may happen in Cuba is spurious. Nationalism is not working against Communism in Cuba, quite to the contrary nationalism works in Castro's favor.

\* Cuban withdrawal from Africa is a consequence of Gorbachev's new foreign policy. Cuba lacks the

logistical capability to deploy and maintain regular military forces overseas. Once the Soviets decided to cut their imperial ambitions, Cuba had to withdraw. The collapse of Ethiopia and the moves towards the West in Angola have been reported to cause dismay among Cubans. Castro sent 500,000 soldiers to Angola over the years precisely to defeat Savimbi and keep Angola Communist. His policy in Africa has been an abysmal failure for the average Cuban who served there or lost a relative. Nevertheless, Cuba has acquired the gratitude of the Africans for its role in putting an end to the South African presence in Namibia and in ending Apartheid.

\* As things go, however, at the present time there is no likelihood of a popular uprising in Cuba. It must be taken into account that Cuba is a totalitarian state, Stalinist style. Castro has the repressive capacity and the ruthless will to use it that is required to prevent a revolt. There is no space in Cuban society to articulate and disseminate an opposition ideology and much less for a leadership to emerge to lead a revolt. Dissidents are kept under a very tight control.

\* As long as the repressive situation is what it is today, it is unlikely for the Eastern European experience to be replicated in Cuba. Contrary to the general impression that a revolution took place there, it is more precise to describe those events as the abdication of Soviet power. When Gorbachev made it clear that the Red Army was not going to be used to maintain those countries within Soviet control, he unleashed nationalist forces. The record shows that the KGB discouraged their local counterparts to repress the initial protests by the most daring opponents of Soviet rule. Demonstrations gained momentum only when people realized that the repressive forces were not going to intervene. No such thing has happened in Cuba and Castro has shown himself to be very aware of the dangers to his power to pursue such a course of action.

\* It can be expected that the repressive apparatus will be able to prevent demonstrations in Cuba. Castro is afraid of neglected small protests getting out of hand and has taken measures to control them. Witness the creation of rapid response brigades of thugs to nip in the bud any protests during the Pan American Games. The only solution in Cuba comes from the armed forces. But then we must consider what happened to General Arnaldo Ochoa. Nobody who knows anything about Cuba believes Ochoa was involved in the drug traffic. It is much more likely that he was the leader of an anti-Castro effort within the armed forces. Castro destroyed Ochoa physically as well as morally. Then, under the guise of punishing those who had been negligent--actually those who carried out his orders to help the drug barons--he also put army officers loyal to Raul in control of the MININT, which was the entity within the Cuban Government where the Soviets had the most influence. A Soviet sponsored coup a la Rumania is less likely as a result.

\* Another factor favoring Castro's survival is that U. S. foreign policy towards Cuba today is heavily influenced by the views of the Cuban American National Foundation (CANF). This influence is detrimental to the possibility of an internal solution to the Cuban problem. The Foundation is dominated by the extreme right wing of the Cuban exile community. The information coming out of Cuba indicates that the image conveyed by the Foundation of being the Administration's "chosen ones" to rule post-Castro Cuba is a factor that discourages potential disaffected people within the regime. The perception being reported is that if those inside move against Castro, they will be paving the way for the return of people who would evict them from their homes, fire them from their jobs and even subject them to Nuremberg type trials. Why should anybody plot against Castro to endure such a situation?

\* Castro's propaganda takes advantage of this perception to bring cohesion to the regime. The message is very simple: no matter how bad the situation is, a return of the Miami exiles supported by a U. S. intervention looms as a worse alternative. Since those with access to the levers of repressive capacity are the only ones who can really bring some movement to the internal situation, the result is the present impasse. Ironically, Miami exiles political ambitions prolong Castro's stay in power.

\* However, the Bush Administration has given some indications of broadening its approach. Assistant Secretary of State for Latin America, Bernard Aronson, hinted at this change of position in his speech to the Foundation on May 20, 1991. The new policy he announced of respect for the wishes of the Cuban people in a post- Castro period, provided a hint of a move away from the Foundation. Unfortunately, the use of the Foundation forum itself for such an announcement reflects the Administration's lack of sensitivity to what people inside Cuba think and how to reassure them. Nor has there been an unequivocal rejection of the intervention option.

\* In summary, the solution of the Cuban problem has to come from inside Cuba. The basic principle that should govern any solution to the current political impasse, or U.S. policy towards Cuba, is that the more than ten million people who live there must be the ones deciding their country's destiny. For that to be possible, it is necessary first to reassure and encourage the armed forces to make their move

### **Dr. Jorge Dominguez:**

\* The current regime has managed to stay on for 30 years in power because it is not stupid. It is now attempting to reconsolidate through a series of small changes in policies. It is trying to reconstitute the political basis of the government, to open the country to political participation, and to make the leadership more viable in order to strengthen the regime. Example is the work allowed to be conducted by social scientists in the recent past. As of the end of the 1980s they had been given the opportunity to publish work abroad and to continue doing fine research work.

\* A recent survey was conducted by Cuban scientists. Its results were not positive toward the government, e.g., 9 out of 10 people would not vote for PCC party members. In a public opinion poll by PCC taken at the end of 1990, the results show that over 58 percent of those polled indicated that they did not have confidence in the PCC and the leadership. On the opening of the system, human rights organizations, dissidents and opposition groups have been allowed certain latitude. Previously, these groups would have not been tolerated.

There is an important debate going on in the country to allow for official political space. However, since the collapse of the Eastern European regimes and the Soviet Union, that space has narrowed.

\* A decision was made to allow foreign investments in the tourist sector, and by 1991 approximately 70 new foreign investments had been made. The leadership has to reconcile the activities of two very different types of economic organizations: joint ventures and government enterprises. The army is being brought in to manage enterprises because it is more efficient.

\* The role of the Soviet officials in Cuba was to encourage the opening up of the regime, e.g., the Havana archdiocese received "Novedades de Moscow" as a courtesy of the U.S.S.R. Embassy. There is now a severe crisis in Soviet-Cuban relations. The Soviet Union is not able to continue supporting Cuba. Changes in U.S.S.R. and Eastern Europe are viewed as a negative model for Cuba by the government. They will make more difficult the opening up of the regime.

Despite Aronson forthright assurances about "no intervention" in Cuba's affairs, his views may not reflect the U.S. government position.

### **Dr. Jorge Perez-Lopez:**

\* Cuba is mired in a severe economic depression. Its severity is not known with precision, but there are indicia that it may be the worst crisis for the economy since 1959.

\* Cuba's economic slowdown began in the second half of the 1980s. This economic slowdown is evident

from official Cuban data. The global social product, which was planned to grow at a real rate of 2-3 percent per annum, instead performed as follows:

1986 1.6 percent

1987 -3.9 percent

1988 2.5 percent

1989 1.0 percent

This works out to a cumulative growth performance of 0.7 percent over the period 1986-89, or 0.2 percent per annum growth rate. In per capita terms, the economy contracted during 1986-89: global social product declined by about 3 percent or at a rate of 1 percent (i.e., decline of 1 percent) per annum.

### Reasons for the Economic Decline

\* Economic woes are, to a large extent, the result of inefficiencies associated with central planning. External sector problems also contributed to the economic crisis. Sugar price subsidies from the Soviet Union peaked in 1984 and declined annually since then. Hard currency debt problems intensified, and with Cuba's decision in 1986 to declare a moratorium on hard currency debt servicing, hard currency loans dried up. The Soviet Union capped oil deliveries to Cuba. The combination of the cap on supplies and the fall in the world market price of oil reduced Cuba's ability to generate hard currency through reexports of oil. Finally, reforms in Eastern Europe and the Soviet Union-- which began in 1989, but intensified in 1990--significantly altered Cuba's trade patterns. Cuba's ability to import a wide range of products--food, raw materials, machinery, energy--has been affected.

\* Thus, the economy is in a deep depression. Analysts have estimated that the global social product fell by 5 percent in 1990; this is consistent with reports of closed factories because of the lack of raw materials. Most likely, situation in 1991 not any better and perhaps worse, since the oil supply reductions (about 25 percent) that the Soviet Union imposed in mid-1990. The 1991 zafra was disappointing, well short, by about 500,000 tons, of the 8.1 million tons produced in 1990.

### Economic Strategy

Cuba's current economic strategy, in the context of the periodo especial en tiempo de paz, has several strands:

-- sharp reductions in energy consumption;

-- national food production plan;

-- intensification of efforts to diversify export basket and customers; and

-- promotion of international tourism. In this latter context, there have been strong efforts to attract foreign investment.

\* In my estimation, the most successful strand has been food production. This is not surprising since agriculture-- particularly production of staple products--does not require high levels of imported products, including energy. Cuba has relocated workers from factories that have been shut down (called interruptos) and bureaucrats into agriculture. It should be kept in mind, however, that the increase in agricultural output has been at the expense of other sectors of the economy.

\* Tourism also seems to be having some success, and the goals set by the government for this sector are quite ambitious. However, the number of international tourists has been flat since 1989 at about 300,000 per annum. International tourism is creating a difficult domestic political situation, as Cuban citizens are not given access to hotels, restaurants, and other recreational facilities reserved for foreign travelers.

\* Cuba's attempts to broaden its export basket have not been successful. The economy continues to be heavily sugar- oriented, despite efforts by the government to reduce the dependence on the sugar industry. The Cuban leadership's assertions that biotechnology is the linchpin of export growth is preposterous. Cuba's biotechnology industry is essentially copying processes and products developed elsewhere, has quality control problems, and no distribution system.

\* Efforts to increase trade with Latin American countries are not likely to succeed. Cuba's export structure is very similar to the rest of the continent and there are few opportunities for Cuba to sell its commodities and semi-manufactured goods. However, Brazil and Argentina could provide a wide range of machinery and equipment to Cuba if the latter had the hard currency to pay for them.

\* Energy conservation is, of course, a defensive action; the current energy conservation program is essentially an effort to make do with the reduced energy supplies that are available. In this context, opcion cero (the possibility that in the near future there will not be any energy imports and the economy will return to pre-industrialization) is increasingly being discussed. Although it may well be posturing by the government, the probability that opcion cero would have to be implemented is non-zero, i.e., it needs to be considered. The changes that are occurring in the Soviet Union, including the tug-of-war between the central government and the republics over the ownership of oil resources and the necessity to sell oil for dollars, have to be a matter of serious concern to Cuba.

\* The current economic strategy is not sustainable in the medium or in the long term.