

MARXISM AND THE MARKET: VIETNAM AND CUBA IN TRANSITION

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The collapse of the Soviet bloc severely jolted the remaining communist world. Two long-time Soviet allies, Vietnam and Cuba, suddenly found their chief benefactor, from which substantial assistance had consistently flowed, to have vanished. Consequently, their leaderships had to attend immediately to sorting through alternative policies that might bring about rapid economic growth while averting the disintegration of the socialist state and the unraveling of communist-party dominance.

This paper compares the economic transitions of Vietnam and Cuba and argues that Vietnam has moved into the post-Cold War world era more adroitly and painlessly than has Cuba and that Vietnam's economy has integrated into regional and global markets less disruptively than has the Cuban economy. Seven political factors may help to explain the differences in approach between the Vietnamese and Cuban transitions and the relative success of Hanoi: the degree of Cold War economic dependence, the reaction to the collapse of the Soviet empire, the extent of policymaking consistency, the characteristics of the leaderships, the nature of traditional culture, the nature and substance of regional relationships, and the degree of commitment to long-term economic reform.

THE DEGREE OF COLD WAR ECONOMIC DEPENDENCE

Initially, the Marxist regimes in Cuba and Vietnam each achieved important successes; however, each confronted grave crises by the end of the first decade in power. One decade after its revolutionary triumph, Cuba's national effort to harvest ten million tons of sugar ended in an unprecedented economic crisis marked by widespread mismanagement, acute food shortages, a flourishing black market, rapidly falling agricultural and non-agricultural production levels, and increasing vagrancy and worker absenteeism. Likewise, by 1985, a decade after reunification, the Vietnamese government confronted raging inflation, low productivity, economic mismanagement, famine in some provinces, rising numbers of fleeing refugees, the drying up of Chinese and Western aid after Hanoi's exceptionally expensive invasion and occupation of Kampuchea, and the toll of resisting China's retaliatory invasion.¹

Cuba and Vietnam responded to these similar problems by seeking different objectives, emphasizing dissimilar priorities, and adopting divergent policies. The Cuban regime launched its second decade of rule by fortifying economic and political ties to Moscow. The Cuban leadership adopted Soviet planning and management mechanisms, strengthened the communist party, adopted a Soviet-style constitution, and focused attention on bolstering the island's

1. George Irvin, "Vietnam: Assessing the Achievements of *Doi Moi*," *Journal of Development Studies* 5, 31 (June 1995), p. 729.

economic base. In return for Castro's compliance, Moscow provided unprecedented levels of economic and military assistance. According to recent estimates, Soviet subsidies to Cuba soared to perhaps \$8 billion a year, roughly \$800 per capita, equal to nearly 40 percent of Cuba's gross national product.² Such a level of support allowed Castro to claim correctly that Cuban citizens enjoyed a higher quality of life than citizens in many other comparable developing countries. Cuba, in fact, enjoyed an illusion of prosperity, based in the final analysis on extraordinary external dependence.³

Vietnam never came to rely on Soviet economic aid to the extent that Cuba did. Indeed, throughout the Cold War Vietnam never received more than \$1 billion (\$14 per capita) annually in military and non-military aid from the Soviet Union.⁴

THE REACTION TO THE COLLAPSE OF THE SOVIET EMPIRE

By 1986, although the Soviet bloc was supplying approximately 84 percent of Cuba's imports, the sweet-heart relationship between Havana and Moscow began to falter. The Soviet leadership began to distance itself from its Cuban counterparts, subtly at first, but more pointedly over time. The Soviet media came to criticize openly Cuban production levels and even to

lambast Castro for failing to meet his sugar commitments. Moreover, the Kremlin moved to improve relations with the United States. Despite these early warning signs, the Castro regime, mindful of its vulnerability and dependence, quietly endured the withdrawal of aid and the stinging comments of those Soviet critics who publicly questioned the prudence of Moscow's aid to Cuba.⁵

By the late 1980s the Castro regime desperately needed a potent dose of creative thinking to find some enterprising solution that might counter, mitigate, or postpone the impending economic blow. Instead, the leadership retreated from the intellectual challenge before it. The government rejected any move toward a Cuban *perestroika* and reasserted the time-worn ideals of the 1960s: moral incentives, ideological purity, and centralized decision-making. Meanwhile, the Cuban leaders continued to plead for economic refuge in the familiar nest of a critically ailing Marxist-Leninist superpower.

The death rattle of the Soviet bloc in 1989 plainly exposed the extent of Cuba's reliance on Moscow and its satellites. Profound divisions marked the December 1990 Soviet-Cuban trade agreement and soon thereafter Moscow substantially scaled back its Cuban commitments.⁶ Even as the Soviet Union dis-

2. David Rieff, "Cuba Refrozen," *Foreign Affairs* (July/August 1996), p. 63. Some economists estimate the number to be closer to \$4 billion a year, about \$400 per capita, equal to nearly twenty percent of Cuba's gross national product. See Andrew Zimbalist, "Treading Water: Cuba's Economic and Political Crisis," in *Cuba and the Future*, ed. Donald E. Schulz (Westport: Greenwood Press, 1994), pp. 7-8; Carmelo Mesa-Lago, "The Economic Effects on Cuba of the Downfall of Socialism in the USSR and Eastern Europe," and "Cuba's Economic Policies and Strategies for Confronting the Crisis," in Mesa-Lago, *Cuba After the Cold War*, pp. 133-257. Brundenius and Zimbalist argued in 1989 that the magnitude of Soviet aid to Cuba had been overstated as a result of faulty methodology. Jorge Pérez-López, however, has rejected their methodology, based on Cuban official prices, as conceptually inappropriate for constructing indices that reflect economic growth. See Andrew Zimbalist and Claes Brundenius, *The Cuban Economy: Measurement and Analysis of Socialist Performance* (Baltimore: The Johns Hopkins Press 1989); *Cuba's Political Economy: Controversies in Cubanology*, ed. Andrew Zimbalist (Boulder: Westview, 1988).

3. Cole Blasier, "The End of the Soviet-Cuban Partnership," in *Cuba After the Cold War*, ed. Carmelo Mesa-Lago (Pittsburgh: University of Pittsburgh Press, 1993), p. 73.

4. Frederick Z. Brown, "Vietnam Since the War: 1975-1995," *Wilson Quarterly* 19, no. 1 (Winter 1995), p. 79; author's confidential interview with official from the Foreign Ministry, Hanoi, Vietnam, November 8, 1995.

5. Susan Kaufman Purcell, "Cuba's Cloudy Future," *Foreign Affairs* 69 (Summer 1990), p. 113; Robert Legvold, "The Revolution in Soviet Foreign Policy," *Foreign Affairs* 68, 1 (1988/89), p. 86; K. W. Ellisen, "Succeeding Castro," *The Atlantic Monthly* (June 1990), p. 38. See also Jorge I. Domínguez, *To Make a World Safe for Revolution: Cuba's Foreign Policy* (Cambridge: Harvard University Press, 1989), p. 110; *Cuba at a Crossroads: Politics and Economics after the Fourth Party Congress*, ed. Jorge Pérez-López (Gainesville: University Press of Florida, 1994).

6. Blasier, pp. 88-89.

integrated in 1991, the Cuban regime could muster no striking counter-move. Rather, it continued to muddle along with economic policies that must have seemed anachronistic even to those of a Marxist persuasion. Hampered by ineffective policies, between 1989 and 1994 Cuban exports dropped by 80 percent and Cuba's gross domestic product (GDP) was halved.⁷

Not until late 1993 did the Castro regime seriously attempt to resolve its painful predicament. Once the economy reached a state of irrefutable dilapidation, the regime adopted notable reforms. It legalized circulation of the dollar, authorized limited self-employment, established open produce markets, allowed privately owned restaurants, and transformed state farms into cooperatives. In 1995 Cuba reformed foreign investment laws and imposed taxes.⁸ These changes mitigated the crisis and helped to attract considerable foreign investment. By the end of 1995 estimates of foreign investments in Cuba since 1992 range from \$800 million to \$1.5 billion.⁹

The Vietnamese regime confronted the economic crisis triggered by changes in the Eastern bloc much earlier and more decisively than did the Cuban state. As early as the mid-1980s Vietnamese leaders, especially Politburo member Nguyen Van Linh, recognized the gravity of their country's food shortages. Vietnamese leaders thus consciously and deliberately focused on raising domestic production while decreasing external economic dependence. To increase the food supply, the Vietnamese regime introduced

modest market-oriented agricultural reforms. For instance, the government allowed families in cooperatives to sell on the open market any excess produced above a state quota. Such limited incentives, offered to virtually all farmers, increased production significantly.¹⁰

In December 1986, after hardliner Le Duan's death, the distribution of power within the party shifted to the reformist wing and the party chose Linh as its new leader. Inspired by Mikhail Gorbachev, Linh quickly introduced *Doi Moi*, a far-reaching *perestroika*-like policy of economic renovation.¹¹ *Doi Moi* continued to emphasize diminishing the annual \$1 billion in Soviet economic aid by carrying out reforms singlemindedly aimed at driving production levels higher.¹² The government legalized and encouraged private entrepreneurship in a range of enterprises. It dismantled agricultural collectives and returned land to families to farm. It opened the country to foreign trade and investment. Moreover, the regime unified and sharply devalued the currency, raised interest rates to levels above the inflation rate, and cut fiscal deficits drastically, chiefly by slashing budgetary subsidies to state-owned enterprises. The government also imposed financial discipline on state firms. It trimmed the number of state enterprises by 5000,¹³ laid off 900,000 workers without guarantees of other public-sector employment, and exposed some state firms to competition from the growing private sector. Today, most state enter-

7. *Miami Herald* (October 21, 1994), p. 1C.

8. See Jorge Pérez-López, *Cuba's Second Economy: From Behind the Scenes to Center Stage* (New Brunswick: Transaction Publishers, 1995); and Julio Carranza, Luis Gutiérrez, and Pedro Monreal, *Cuba la reestructuración de la economía* (La Habana: Editorial de Ciencias Sociales, 1995). See also *Washington Post* (September 6, 1995), pp. A1, A25; *Washington Post* (September 9, 1995), pp. C2, C3; *Washington Post* (September 12, 1995), p. A14; *Washington Post* (April 13, 1996), p. A25.

9. *Miami Herald* (October 21, 1994), p. 1C; see also Manuel Lasaga, "A New Look at Cuban Statistics," *CubaNews* (February 1995), p. 2; Carmelo Mesa-Lago, "How Good are Those 1995 Predictions?" *CubaNews* (May 1995), p. 2.

10. Brown, p. 79.

11. Brantly Womack, "Political Reform and Political Change in Communist Countries: Implications for Vietnam," in *Reinventing Vietnamese Socialism: Doi Moi in Comparative Perspective*, eds. William S. Turley and Mark Selden (Boulder: Westview Press, 1993), p. 282. See also George Irvin, p. 729.

12. Brown, p. 79; author's confidential interview with official from the Foreign Ministry, Hanoi, Vietnam, November 8, 1995.

13. Approximately 3000 of these firms merged with other larger firms. The remaining 2000 closed.

prises are decentralized and increasingly subject to market forces.¹⁴

In response to these dramatic reforms, the output of state enterprises climbed steadily, and tax yields jumped from 6 to 11 percent of GDP in just 3 years. Party leaders also agreed to offer lucrative incentives for improved performance and to reduce their daily administration of the economy by abandoning price controls. Although fuel, electricity, public transport, and food staples were not subject to the initial reforms, market forces drove down prices of many commodities, industrial goods, and services. In agriculture the regime eliminated all quotas and endorsed free trade at market prices. These policies further boosted food production and created a surplus that might be exported in exchange for hard currencies. In fact, by 1989 Vietnam had become and remains the world's third largest exporter of rice.¹⁵

Despite the sweeping lay-offs, many workers and managers survived the reforms without exceptional hardships. The agricultural sector and the new non-state industrial and service sectors, which together account for about 60 percent of GDP and 85 percent of employment, grew rapidly. These sectors effectively absorbed workers laid off in the public sector. This fundamental reorientation of the Vietnamese economy raised national production levels significantly.

Doi Moi thus embraced decisive free-market reforms. In 1989, while Moscow repeatedly scaled back deliveries to Vietnam of fuel, fertilizer, steel, chemicals, and cotton, the Vietnamese harvested a record-breaking rice crop. By 1991 the communist regimes of Eastern Europe and the Soviet Union had collapsed and all assistance had ceased. Naturally, the resulting sharp decline in foreign trade weakened Vietnam's

economic performance. A brief recession occurred. Nevertheless, the government maintained the momentum of reform and by 1993 had restored macroeconomic stability.¹⁶ In fact, aided by strategic thinking, the *Doi Moi* economic philosophy, and a timely oil boon, Vietnam adjusted to transformed international circumstances without any substantial drop in output. Since 1992 inflation has remained below 10 percent and growth has held steady and impressive at around 9 percent. Vietnam now ranks as the fastest-growing economy among developing Asian countries.

In September and October 1993, Vietnam cleared its \$142 million debt with the International Monetary Fund (IMF). A month later, the World Bank and the Asian Development Bank pledged loans worth \$800 million for infrastructure development, while the IMF provided a \$223 million credit. In November 1993, the Paris Donors' Conference offered another \$1.86 billion in pledges, of which the Japanese pledged more than half. At present, Vietnam owes its major outstanding debt—\$11 billion in 1989—to Russia. At the current ruble exchange rate, however, the debt is of negligible concern.¹⁷

THE EXTENT OF POLICYMAKING CONSISTENCY

The World Bank's 1996 *World Development Report* states: "in every case [of transition] what matters is the breadth of policy reforms attempted and the consistency with which they are maintained."¹⁸ The report continues: "Get policies right; stick with them. ...Countries will only fully exploit [their] potential by being consistent over time."¹⁹ In fact, the Vietnamese leadership has governed with remarkable consistency from reunification in 1975 to the transition of the 1990s. The leadership, comprised of five individuals,

14. Irvin, p. 727.

15. Douglas Pike, "Uncertainty Closes In," *Asian Survey* 24, no. 1 (January 1994), p. 65; also see Peter Janssen, "So Much for Theory: Now for Practice," *Asian Business* (April 1994), p. 43; George Irvin, p. 730.

16. See Vo Nhan Tri, "The Renovation Agenda: Groping in the Dark," in *Vietnam Today: Assessing the New Trends*, ed. Thai Quang Trung (New York: Taylor & Francis, Inc., 1990).

17. Irvin, p. 734.

18. *World Development Report 1996: From Plan to Market* (Washington, D.C.: World Bank), p. 17.

19. *World Development Report 1996*, p. 27.

customarily reaches decisions after a drawn-out round of discussions and negotiations in which input from many party members is sought. Even changing policy ever so slightly requires approval from various power centers and is frequently accomplished after a tedious process. While not without serious drawbacks, this form of governance lends itself well to consistency. Since the mid-1980s the regime has steadfastly maintained its long-term plan of economic reform. Even the recent Eighth Party Congress, which flourished with conservative rhetoric and rumors of dramatic changes, deviated only slightly from well-established strategies.

The Cuban regime has historically taken a different tack altogether in its approach to policymaking, one that is perhaps most notable for its inconsistency. While Castro's long-term goal of survival has remained constant, he has adopted a zig-zag approach to policymaking. For example, over the years the regime has moved from encouraging material incentives to promoting moral incentives to re-establishing material incentives. Castro has experimented with private enterprise, abolished it, and then re-introduced it. The leadership has regularly initiated grandiose construction projects, only to abandon them unfinished.

Although this extraordinary flexibility has proven valuable at times, the fact that the regime has vacillated rather than to articulate and focus singlemindedly on a long term strategy has seriously handicapped efforts at economic reform. Cuba's failure to articulate and focus singlemindedly on a long-term strategy for economic recovery has led to repeated failures.

THE CHARACTERISTICS OF LEADERSHIP

It is increasingly clear that in attempting to cope with cataclysmic political changes, Cuba's inability to maintain a steady course reflects the personality and whims of Fidel Castro. While he orchestrated the revolution's early successes, Castro's inclination to control all aspects of Cuban governance has repeated-

ly silenced pragmatic views and stifled consistent political reform. The problem of centralized, unchallengeable, and erratic decisionmaking has dominated Cuban politics and economics, just when international developments require more prudent and consistent policymaking. Cuba seems to have become a dysfunctional member of the post-Cold War international community: its economy is unable to grow and mature so long as Castro retains unchallenged control.

One key distinction between the Vietnamese and Cuban experiences is the continued presence of a domineering persona in the Cuban leadership, but not in Vietnam's. Charismatic leader Ho Chi Minh, founder of socialist Vietnam, died in 1969, well before the reunification. Thus, in determining how to navigate through the uncharted waters of transition, the post-1975 government has not had to contend with a single manipulative or domineering founding father. Rather, Ho Chi Minh left to the party unifying memories and a legacy of writings. The revolutionary leadership built upon his myth but never had to contend with a personality cult or a leader intent on retaining personal power. Perhaps as a result, the Vietnamese government in the 1980s responded to their crisis readily and adopted a realistic, less ideological approach with relative ease.

THE NATURE OF TRADITIONAL CULTURE

The goal of creating a revolutionary culture clearly derives from Marxist ideology. Karl Marx argued that the pernicious influence of capitalism, intrinsically destructive to human beings, alienates citizens, foments greed, and spawns materialism.²⁰

According to Marx, the revolutionary overthrow of capitalism and the ensuing transformation of institutions would liberate mankind. However, for the Marxist master plan to succeed, a socialist regime would have to reeducate its citizens so that they would know how to think and act in their new society.

20. Erich Fromm, *Marx's Concept of Man* (New York: Frederick Ungar, 1961), pp. 20-21, 25, 63, 151; Joseph Cropsey, "Karl Marx," in *History of Political Philosophy*, eds. Leo Strauss and Joseph Cropsey (Chicago: University of Chicago Press, 1987), pp. 809, 824-825; John McMurtry, *The Structure of Marx's World-View* (Princeton: Princeton University Press, 1978), p. 20.

As two of the more doctrinaire Marxist-Leninist regimes, both Cuba²¹ and Vietnam initially viewed transforming culture with the utmost seriousness and each expended tremendous energy in carrying it out. Cuban and Vietnamese leaders believed that the creation of a utopia depended upon their efforts to mold a socialist citizenry. Viewing their prerevolutionary cultures as products of Western capitalism and imperialism, the leaders sought to transform or replace anti-revolutionary attitudes with a more appropriate set of beliefs and values. In their efforts to transform culture, the Cuban and Vietnamese leaders employed an array of strategies, from nonmaterial rewards to reeducation to incarceration.

What would constitute the characteristics of the model socialist citizen? In general terms these governments urged citizens to cultivate obedience and an eagerness to toil, deference and loyalty to authority, self-denial, selflessness, and an orientation toward the state.²² The “new man” would combine all of these qualities into mental, physical, and ideological strength. This effort to overhaul society’s traditional culture proved to be a formidable task for both regimes. For the Castro leadership, however, it proved to be especially challenging. The revolutionary culture that Castro envisioned starkly differed from Cuban reality. The regime urged Cuban citizens—traditionally individualistic, competitive, and entrepreneurial, oriented toward self and family, suspicious of authority, and disdainful of manual labor—to change fundamentally their attitudes and behavior to meet revolutionary standards and goals. The leadership encouraged citizens to shun individualism and entrepreneurship and adopt a communitarian mentality, to reject competition for cooperation, to repudiate family loyalties in favor of a more nation-oriented perspective. Moreover, the leadership

attempted to imbue citizens with a wholly transformed labor ethic devoid of the influence of Spanish colonialism, Cuban slavery, and Western capitalist domination.²³ Ernesto “Che” Guevara urged citizens to think of manual labor as “man’s greatest dignity.”²⁴

Despite its efforts, the Cuban government largely failed to sway its citizens. For 35 years the Cuban regime consistently battled quiet forms of dissidence, unruly and “undisciplined” citizens, and annoying and pervasive problems such as vagrancy, absenteeism, plummeting production, and destruction of state property. Cuba’s “revolutionary culture” of the 1990s barely resembled the ideal culture that the government had long sought to create.²⁵ These cultural obstacles continually dogged the revolutionary government and cost the leadership a stunning amount of resources and anguish.

Vietnam’s Marxist leadership also recognized the importance of a hardworking, highly productive workforce. The Le Duan government incessantly implored citizens to labor selflessly to consolidate the “reunification.” Vietnam’s communist leadership, however, enjoyed a substantial advantage over the Castro regime. Traditional Vietnamese culture—dominated by ancient Confucian values, but also containing elements of Buddhism, Taoism, and other influences—viewed manual labor as honorable, valuable, and a fundamental civic obligation in order to promote the common good. As an official in the Foreign Ministry recently explained, “we have collectively viewed toil as a required service to the country. This has always been seen as a profoundly important duty—long, long before the liberation.”²⁶

21. See Julie Marie Bunck, *Fidel Castro and the Quest for a Revolutionary Culture in Cuba* (University Park: Pennsylvania State University Press, 1994).

22. The ambivalence with which Marxists approach the concept of the state in theory and practice is curious. For a discussion of this matter see Michael Ross Fowler and Julie Marie Bunck, *Law, Power, and the Sovereign State: The Evolution and Application of the Concept of Sovereignty* (University Park: Pennsylvania State University Press, 1995), pp. 128-130.

23. For a discussion of these three historical legacies, see Bunck, pp. 127-128.

24. Quoted in Bunck, p. 125.

25. Bunck, pp. 182-184

26. Author’s confidential interview with government official, Hanoi, Vietnam, March 15, 1995.

Moreover, for centuries Vietnamese society has emphasized social harmony (what the Vietnamese call *yin*), communal cooperation and an orientation toward the group rather than the individual, and unabashed loyalty and deference toward authority. Traditional Vietnamese society has also stressed the importance of social duty, loyalty (*trung*), discipline, and perseverance (*nghia*).²⁷

In Vietnam, traditional culture provided a solid foundation upon which the revolutionary regime could promote a wide array of Marxist-Leninist attitudes and values. A strong element of continuity existed between the traditional culture and that which the regime aimed to create. To ask Vietnamese citizens to adopt the ideal Marxist characteristics seemed neither radical nor absurd.

Consequently, post-1975 Vietnamese society has been less conflictive and competitive, more deferential and disciplined, and more broadly supportive and cooperative than has Cuba's revolutionary society.

THE NATURE AND SUBSTANCE OF REGIONAL RELATIONSHIPS

Once members in good standing of the global family of socialist states, by the early 1990s Cuba and Vietnam found themselves orphaned. Vietnam, however, quickly fell in with relatively congenial neighbors and avoided regional isolation. In July 1993 the U.S. removed the restraints that had long interfered with potential IMF and World Bank assistance to Vietnam. The following February the U.S. lifted the trade embargo. Just a few years after the fall of the Soviet Union the practical and psychological barriers between the Vietnamese economy and the international market were tumbling down.

By spring 1994 key officials from Taiwan, Thailand, Australia, and the Philippines had visited Vietnam, as had also Singapore's senior minister, Lee Kwan Yew. During this same period Hanoi's communist party chief, Do Muoi, had traveled to Malaysia, Singapore,

and Thailand, and Vietnam took an increasingly active role in the United Nations and other international fora. In July 1995 the United States normalized diplomatic relations with Vietnam and opened an embassy in Hanoi.²⁸ Finally, in September 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN), an increasingly influential regional organization. At present, the Vietnamese government is aggressively lobbying for membership in the Asia Pacific Economic Cooperation (APEC) forum.

Vietnam has thus successfully compensated for the deterioration of its global socialist family by aggressively pursuing regional ties and vastly increasing diplomatic and economic contact with the West. The new regional support system, in turn, encouraged the regime to establish a different focus, seek new objectives, and expand its markets and trade partners. The rapidly developing Little Tigers of Asia, especially Singapore, Taiwan, and Korea, took tangible initiatives to support their words of counsel. Their companies began to invest heavily, and their public and private sectors promoted the development of the Vietnamese infrastructure.

Cuba, on the other hand, has remained more economically isolated since the Soviet downfall. Cuba has joined CARICOM, the English-speaking Caribbean common market, but has found it of negligible usefulness. While certain neighboring countries have increased trade with Cuba, most possess limited resources and a few of the larger, such as Mexico and Venezuela, are struggling with their own grave economic difficulties. Castro has been encouraged by some Canadian and European investments, yet Cuba's large neighbors seem unable or unwilling to provide much support. Although efforts to integrate economies in Central America have repeatedly occurred, none has yet achieved the noteworthy successes of ASEAN. And, given the hostile relations between the United States and Cuba, Cuban membership in the North American Free Trade Agreement is certainly not forthcoming. Thus, in

27. Neil L. Jamieson, *Understanding Vietnam* (Berkeley: University of California Press, 1993), pp. 15-24.

28. See *New York Times* (July 11, 1995), p. 1A; *Washington Post* (July 12, 1995), p. 1A.

contrast to Vietnam, no unified neighboring family of states has reached out to offer Cuba a new identity and purpose in the post-Cold War era.

Given Castro's inability to generate stronger regional ties, he has shifted his attention to the global stage. Last year Castro traveled as widely as ever before. He visited China, Japan, and Vietnam, the Caribbean and Latin America, and Europe and the United Nations. Other high-level Cuban officials, including Foreign Minister Roberto Robaina and Francisco Soberón, president of the Central Bank, have logged significant air time. This diplomatic offensive aims to ward off isolation by finding new friends abroad and cultivating a few old ties.²⁹ Despite these efforts, to date, the Castro regime has failed to replace the Soviet bloc with new trading partners. In fact, Cuba has few exports that other countries covet and little hard currency with which to buy the items it needs or wants. Thus, although Japan and a few European and African countries have slightly increased trade with the Castro regime, overall Cuba has not been able to find new partners or generate new regional or global markets to compensate for the loss of Soviet aid. Consequently, the island has witnessed a 73 percent drop in overall trade during the 1990s—a development in stark contrast to that in Vietnam.³⁰

THE DEGREE OF COMMITMENT TO LONG-TERM ECONOMIC REFORM

Vietnam's commitment to promote economic change and development runs deep. Several pieces of evidence build a case that Vietnam will continue and possibly further accelerate its efforts toward market transformation. First, ASEAN and APEC provide powerful incentives to the Vietnamese leadership to continue the reform process. Nurturing the support of ASEAN has, after all, long been a centerpiece of Vietnam's strategy for weaning itself of dependence

on the Soviet Union and balancing the power of China, which despite its ideology is viewed as Vietnam's chief national security threat. ASEAN members have clearly stated that they intend to hold Vietnam to its commitments to reduce tariffs by the year 2006 and to carry through with its economic opening. Given the controversy surrounding Vietnam's membership in the organization, the member states will likely require full compliance. If Vietnam is going to "mobilize the foreign and domestic capital it needs in order to meet its ASEAN commitments, it will have to reform much more," explained a foreign economist.³¹

Likewise, Vietnam has applied for membership in the APEC forum. The APEC agenda chiefly promotes liberalizing trade and investment. APEC members have not yet decided whether to approve Vietnam's membership. Unquestionably, Vietnam's performance over the next year will significantly influence the decision. It seems clear that Vietnam will be expected to press on with considerably more trade liberalization if it is to gain membership in APEC.³²

Since Vietnam desperately wants to be a respected member of both organizations, ASEAN and APEC requirements create weighty disincentives to the Vietnamese regime to retreat from, or even slow, the reform process. Rather, the momentum to continue to open up will be difficult to resist. And, current members will press Hanoi to make sacrifices that the regime has thus far been able to avoid.

Whether the government will move toward a greater opening in order to gain and preserve these regional memberships likely depends on the extent to which economic reforms are seen as weakening party control. However, some evidence suggests that, when pressed, the Vietnamese leadership will make the necessary changes.

29. *Financial Times* (January 4, 1996).

30. See Mark Falcoff, "Cuba's International Relations," in *Cuba in Crisis* (Washington: Cuban American National Foundation, 1993), pp. 49-55. See also Ariel Terrero, "Tendencias de un ajuste," *Bohemia* (October 28, 1994).

31. "There is genuine concern within ASEAN," an official in the ASEAN secretariat stated in June 1996. "Our interactions with the Vietnamese tell us that the policies of freer market access will remain in force. It is implementation of policies which will be critical and which concerns us most." *AsiaWeek* (June 28, 1996), p. 29. See also *Far Eastern Economic Review* (July 11, 1996), p. 16.

32. *Foreign Broadcast Information Service* (FBIS) (June 28, 1996).

Perhaps more important, developing and earning the respect and friendship of neighbors is of profound importance among Asian states. The identity of Asian regimes is perhaps more group-oriented than that of the regimes of other regions. Leaders of Asian states tend to measure their own performance against that of their neighbors. A regional leader tends to view his or her country's domestic economic growth as bolstering the regional community as a whole and as a sign of the individual leader's intelligence, prudence, and wisdom. High performers earn regional respect; low performers are scorned. The Vietnamese government, reflective of traditional Asian culture, apparently believes that some measure of self respect depends upon respect by the surrounding community. The Vietnamese have signaled that nurturing a positive identity within the group is a notable national interest. To keep from being dismissed from the group, which might signify failure of their long standing strategy and cause them to lose face in the region and at home, Vietnam's leaders may be prepared to undertake considerable additional economic reforms.

Cuba's revolutionary leadership has not pursued any comparable overarching goals within the region. Castro has been intent on garnering international publicity and ensuring regime survival, but his heart has never been in development. The regime has done and continues to do what it must to survive. Even while the Cubans enjoyed from \$6 billion to \$8 billion annually from Moscow, the leadership squandered the aid and failed to invest it wisely. As one observer recently wrote, "One has only to imagine what the Singaporean leader Lee Kuan Yew or the military bosses of South Korea, Taiwan or Thailand would have done with 25 years of subsidies on the order of those the Soviet Union funneled to Castro to appreciate how badly the regime has bungled the economy."³³

Perhaps on account of the lack of official commitment, the economic record of revolutionary Cuba appears ever more dismal. Since the early 1990s, the Cuban regime has met with very little success beyond survival. Although dollar remittances from overseas Cubans and foreign investment have brought some relief over the past three years, both have subsided since February when Cuban MiGs shot down two unarmed private American Cessnas over international waters.

Meanwhile, the Castro regime has failed to present any real and enduring solutions for the island's economic problems. Even relatively progressive moves, like opening farmers markets and attracting foreign investment, have been hedged about with debilitating restrictions. Foreign investors must operate through the state. Farmers must still sell approximately 80 percent of their crop at government rates well below market prices. Indeed, the regime seems to have relied upon a series of failed initiatives: tourism, mining, and a focus on the sugar industry. As one observer recently wrote, "if these can be said to offer hope, it is only in the sense that they have offered hope to Jamaica or the Dominican Republic, still chronically impoverished after decades of trying these remedies."³⁴

Recently the Cubans have boasted that the economy has weathered the storm and that increased tourism coupled with a booming sugar harvest and higher petroleum and nickel production will markedly raise living standards this year.³⁵ Yet this optimistic rhetoric is eerily reminiscent of the mistakes and misjudgments of previous economic policies. In the catastrophic sugar campaign of 1970 the leadership mobilized the entire country and targeted all resources on this one symbolic goal. While the Cubans reached their 10-million-ton goal, they did so at the expense of virtually all other sectors. The effort left the economy in shambles.

33. Rieff, p. 69.

34. Rieff, p. 67.

35. Rieff, p. 70.

This year the Cubans have borrowed \$300 million in short-term loans to buy equipment and fuel to run the tractors and sugar refineries. To obtain these loans, the government is paying interest rates estimated at between 14 and 20 percent. Even if the government reaches the 4.5 million-ton goal, the interest payments alone are likely to negate the benefit from increased sugar sales. Moreover, this year's harvest lasted months beyond the average, which suggests to some that the harvest has cut dangerously into next year's crop.³⁶ And, while the regime has targeted sugar, tourism, and nickel production, other ignored sectors may well be deteriorating rapidly.

In Cuba, while progressives have met with some success in advancing a reform agenda, the Castro leadership has refused to remain consistent. The regime initiates reforms, the economic crisis eases up a bit, and the regime retreats. Achievements, such as Castro's public-relations success in New York or growing foreign-investor interest, are viewed as signs that fur-

ther reforms are not required. A foreign diplomat recently commented that the Castro government is "once again acting in a triumphalist manner."³⁷ A *New York Times* article stated that Cuban leaders "seem to be drawing the wrong lesson from what has happened. Instead of looking on the promising results they have obtained thus far as a signal to press on even further, they appear to be telling themselves that they have now done all they need to get by."³⁸ Once again, in marked contrast to the goals of Vietnamese leaders, simply surviving appears to be the chief objective of the Cuban regime.

In conclusion, while Cuba and Vietnam have faced comparable post-Cold War challenges, Vietnam has fared considerably better than has Cuba. The seven factors assessed above not only help us to explain Vietnam's relative success thus far, but suggest the measures Cuba must take in order to achieve comparable development.

36. Rieff, pp. 69-70.

37. Edward Gonzalez, *Cuba: Clearing Perilous Waters?* (Santa Monica: RAND, 1996), p. 83.

38. Gonzalez, p. 84; taken from *New York Times* (November 19, 1995), p. 3.