

# PROSPECTS FOR REFORM IN CUBA: IS RAÚL CASTRO SERIOUS ABOUT LIBERALIZING THE CUBAN ECONOMY?

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“Nations that have endured patiently and almost unconsciously the most overwhelming oppression often burst into rebellion against the yoke the moment it begins to grow light. Experience teaches that the most critical moment for bad governments is the one which witnesses the first steps toward reform.”

—Alexis de Tocqueville, 1856<sup>2</sup>

This paper speculates on whether Raúl Castro is serious about reforming and modernizing the Cuban economy. It searches into his mind and conjectures on what motivates his actions, his core political belief, and whether he concerns himself on how he will be remembered. Based on his actions before and since power was ceded to him, the upshot of this essay is that Raúl Castro has no political philosophy and has no interest in leaving a personal legacy; men of his ilk care only in retaining power for its own sake. He has read Tocqueville and assimilated the lesson about the sheer folly—from the perspective of the dictator—of attempting to reform a totalitarian regime. He rants and raves about the bureaucracy and inefficiencies to separate himself from his brother. He preaches the need for economic reforms but takes minimal steps to create only the illusion of change. He is not following any Asian communist

model as many have argued or suspect. Basically, his strategy for the Cuban economy is to muddle through, nothing more.

Since 2006, when Fidel Castro handed the day-to-day management (or rather mismanagement) of the Cuban economy to his younger brother, reams of text have been written speculating whether Cuba will embark either on the so called “Chinese model” or the “Vietnamese model.” Observers of the Cuban scene have tried to guess which of the two models the Cuban government might imitate as the most appropriate for a totalitarian regime bent on maintaining power, but willing to experiment with new approaches to improve economic performance and relieve latent social tensions.

What does Raúl Castro think about these two models? Or does he bother at all? Might the debate be misguided because the premise that a model is being considered is flawed? In charting a course on a new economic policy, 291 *Lineamientos* (Guidelines) were first circulated in April 2010<sup>3</sup> to serve as the basis for public debate leading up to the VI Communist Party Congress which was held a year later. Discussion on how best to improve efficiency and productivity in the stagnant Cuban economy was ostensibly encour-

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1. My thanks to Ernesto Hernández-Catá, Paul Meo, Yusuke Horiguchi, Jean Baneth, Roberto Orro, and Joaquín Pujol for their most helpful comments.

2. *The Old Regime and the Revolution*, 1856, p. 214.

3. Raúl Castro’s closing speech to the 9<sup>th</sup> Congress of the Union of Young Communists, April 4, 2010. Spanish original at: <http://www.cubadebate.cu/wp-content/uploads/2010/11/proyecto-lineamientos-pcc.pdf>. English translation by Marce Cameron is at <http://www.walterlippmann.com/pcc-draft-economic-and-social-policy-guidelines-2010.pdf>.

aged. The draft document was edited and re-edited before it was finally approved, but changes were mostly cosmetic, and in some cases the language was made more restrictive than in the original draft.

It is hardly a stretch to think that given the unchallenged political control that Raúl Castro exerts over important matters on the island the broad outlines of these guidelines were scripted by Raúl Castro<sup>4</sup> himself with input from members of his inner circle. If so, what principles guided his thinking? Was he informed by the Soviet experience or the two aforementioned “models” that everyone is so excited about; or did he draw mainly on his well-honed political instincts and experience? Were his instructions: let’s have *Lineamientos* covering everything; we want to make sure people believe that this time we are serious. Then adding, but let’s not make them too precise. The end-product turned out as ordered.

Raúl Castro is obviously an intelligent man, a Chairman of the Board-like (more than a CEO) leader who does not conduct business by the seat of his pants. So, as he prepares for the next day’s work, what are his thoughts on how to approach his cabinet? What guidance will he provide; and how to deal with bureaucratic inertia and corruption? And, importantly, as he ages, does he care about leaving a legacy? Would he want to be remembered only for his domination with his brother over a small island in the Caribbean for over half a century? Does he care if the regime crumbles soon after his demise? Or, could it be that Raúl might wish to be remembered as the man who bid his time and, once given a free hand, slowly but methodically acted to rid the Cuban economy of a communist hammerlock? The thesis of this paper is that such things are for others to ponder on; Raúl has no time for idle thoughts and could care less about his personal legacy (although, as we shall see

later, the idea of establishing a dynastic legacy may be more than just an afterthought).

If Raúl Castro ever gets hold of this paper he may well scoff as Soviet nuclear submarine Commander Marko Ramius reacted when he tells CIA’s Jack Ryan “You got it all so wrong...”<sup>5</sup> Or, perhaps he won’t help a wily smile to cross his face.

## THE CHINESE MODEL

A generation ago, under the leadership of Deng Xiaoping, China began another “Long March,” one that eventually lifted hundreds of millions of Chinese from abject poverty, and elevated China to the status of economic super power and main creditor of the United States. It all began with the liberalization of the agricultural sector. Unleashing the efforts of the hard working Chinese people in pursuit of economic gain soon gave rise to huge food surpluses, rising incomes and emerging pockets of wealth. The idea of opening opportunities for private initiative was first openly discussed at the Third Plenary Session of the 11<sup>th</sup> Central Committee of the Communist Party of China in December 1978,<sup>6</sup> but it was not until Deng Xiaoping was able to consolidate power with the removal of Hua Guofeng in 1979, and later the elevation of Zhao Ziyang to Premier and Hu Yaobang to Party Chief, that the dismantling of the commune system began in earnest and continued in the early 1980s through a series of decisions by the Chinese Central Committee.<sup>7</sup>

The rural reform was accompanied by the decision of the Central Committee to experiment with a new economic policy characterized by a gradual opening up to the world, first with the establishment of four special economic zones (SEZs) in Guangdong and Fujian in 1979, then in 1984 through the designation of fourteen coastal cities as open cities for foreign investment; in 1988 with the development strategy of coastal areas, and later with the opening up of

4. For the sake of brevity, hereafter, Raúl and Fidel Castro usually will be referred to as Raúl and Fidel.

5. In Tom Clancy’s *The Hunt for Red October*.

6. English translation of the communiqué at [http://www.bjreview.com.cn/90th/2011-04/26/content\\_357494\\_3.htm](http://www.bjreview.com.cn/90th/2011-04/26/content_357494_3.htm).

7. A summary of documents (in English) issued by the Central Committee on rural reforms can be found at Beijing.com, under [http://www.bjreview.com/special/txt/2008-10/10/content\\_156108.htm](http://www.bjreview.com/special/txt/2008-10/10/content_156108.htm).

inland western areas in 1997.<sup>8</sup> Such a gradualist approach was actually a compromise resulting from the continuous debate between two opposing groups on the nature and speed of socialist reform; it was a policy designed to confine foreign influence to officially designated areas while the new open door policy could be maintained and its benefits could be expanded gradually but surely.<sup>9</sup>

The idea was to implement reforms in stages beginning with the easier and less controversial reforms and proceeding with more complex and less popular ones after the success of the initial reforms had created enough political support and momentum for further steps. Reform programs were experimental in nature; they were adopted and implemented in selected pilot sectors, areas, cities, or enterprises before being undertaken on a wider basis. Those that succeeded were adopted on a wider basis while those that failed would be abandoned or modified.

Deng's reforms included the introduction of planned centralized management of the macro-economy by technically proficient bureaucrats. Importantly, however, management was indirect by means of market mechanisms. At the local level, material incentives rather than political appeals were to be used to motivate the labor force. In the main move toward market allocation, local municipalities and provinces were allowed to invest in industries that were considered most profitable, which encouraged investment in light manufacturing. Light industrial output was vital for a developing country coming from a low capital base—given the mainly agricultural nature of Chinese society—but investments in this area were not government-mandated. Similarly, capital invested in heavy industry largely came from the banking system, and most of that capital came from consumer deposits, thus making the intermediation of domestic

savings to state-owned industries to some extent independent from government interference.

It was against this backdrop that Deng went to the South in early February of 1992 and enunciated his economic policy initiative to develop a market economy with Chinese characteristics. The events in Tiananmen Square in June 1989 no doubt contributed to the realization by the communist party leadership that accelerating economic reforms was essential to control spreading social unrest. Until then, domestically, calling the Chinese economic system in any way that included the words “market” or “reforms” was frowned upon.<sup>10</sup> Since that time, however, “market” is a symbolic word the full meanings of which Chinese citizens have come to embrace.

By the mid 1990s, China's economic reform picked up speed as it abandoned many key elements of state socialism and embraced many methods commonly used in a capitalist market economy, which steered China toward a more open and market-oriented economy and exports. There has been no attempt, however, to transform fundamentally the Chinese communist political system. Political stability remains the predominant concern of the Chinese leadership (now as throughout China's modern and past history). The policy pronouncements of the Communist Party of China extend no further than a greater role for the market mechanism, less emphasis on egalitarianism, pursuit of proportionate and balanced growth, decentralization of economic decision-making, and closer integration of China into the world economy. Economic freedom is encouraged as long as it does not spill over into open dissent, potentially infringing on the power of the state.<sup>11</sup>

The process of economic liberalization was given impetus by improved relations with the United States. On January 1, 1979, seven years after President Nixon's historic visit to China, the United States and the

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8. Robert L. Worden, Andrea Matles Savada and Ronald E. Dolan, editors. *China: A Country Study*, Washington: GPO for the Library of Congress, 1987, section on Reform of the Economic System.

9. Harry Harding, *China's Second Revolution: Reform after Mao*, Washington: The Brookings Institution, 1987, pp. 86–90.

10. Michael Thompson, “The Price of Heavenly Peace: Tiananmen Square 15 Years Later,” *Logos Journal*, Issue 3–2 (Spring 2004), pp. 1–2.

11. Sujun Guo, “Economic Transition in China and Vietnam: A Comparative Perspective,” *Asian Profile*, Vol. 32, No 5, p. 402.

Peoples Republic of China resumed relations; the U.S. transferred diplomatic recognition from Taipei to Beijing and embassies were formally established in both countries.

One key point to note about the Chinese experiment is this: it is not so much that the Chinese authorities have succeeded in developing a market-driven economy while keeping their absolute authoritarian power wholly intact. It is rather that they had to adopt a market based economic system as the only real option in order to keep the Communist Party's political supremacy intact. Tiananmen Square proved to be politically a failure, but it was a clarion call for a freer economy. In Cuba such a defining moment has yet to come.

The genius of Deng Xiaoping was to realize that the Chinese people would accept a "grand bargain" trading political freedoms for economic liberties for at least a generation, if not longer. China today is no longer a largely peasant society and workers are becoming less pliant; they are increasingly beginning to demand not a political voice as yet, but higher wages and better treatment in the work place. Even more significantly, citizens groups are holding the government accountable for its slow response to natural disasters (a la Katrina), and loudly and publicly protesting arbitrary decisions by local bureaucrats with surprising positive response by the provincial authorities. It will be interesting to see, now that the economy is slowing down, whether Deng's "grand bargain" holds, or the Chinese people increasingly will channel their frustration with a stalling economy into political activism.

### THE VIETNAMESE MODEL

Both China and Vietnam were not able to mount an effort to grow their economies through private enterprise until the deaths of Mao Zedong in 1976 and Le Duan in 1986. But whereas in China policies under Deng were visionary, pragmatic and innovative in

pushing reforms, Vietnam's path to a freer economy has been markedly different, with technical considerations too often polluted with political machination driven by insecurity and indecisiveness. In addition, the aftermath of the war with the U.S. left its mark, as the scars from the war were reflected in demands for reparations on the side of Vietnam and pressure for an accounting of "Missing in Action" (MIA) military personnel on the U. S. side. These conflicts delayed the normalization of relations until 1995, twenty years after the end of the war.

Initially mimicking China, Vietnam launched the *Doi Moi*<sup>12</sup> (renewal) system at the 6<sup>th</sup> Communist Party Congress in December 1986, shifting from a centralized system to a so called *socialist-oriented market economy*, which combines government planning with free market incentives and foreign investment. Starting with the leasing of communal land to peasants, the private sector was allowed to develop, leading to a boom in small family-run and privately-financed firms. However, whereas in China the process of market liberalization accelerated over the years, in Vietnam the government's heavy hand remains to this day a drag on the economy. For example, China dramatically reduced public sector employment by nearly one half in the decade to 2005, while Vietnam accelerated the expansion of public employment in the five years to 2005. In China, the weight of the state enterprise sector, while still substantial, is on a downward trend with mergers and acquisitions increasingly resembling similar processes in Western market economies. In Vietnam, rather than downsizing the role of the state, the approach is to create state-owned conglomerates supposedly imitating Japanese and Korean models, but in practice these combinations are nothing more than a repackaging of existing arrangements.<sup>13</sup> The Party's preference for large scale enterprises continues, and the sector accounts for some 40% of GDP.

12. Tadashi Mio, "Vietnam after 7<sup>th</sup> Party Congress: The Features of Doi Moi," *Vietnam Generation Journal*, Volume 4, No 3-4, November 1992. This provides a good summary of the *Doi Moi* system.

13. Ronald J. Cima, ed, *Vietnam: A Country Study*, Washington: GPO for the Library of Congress, 1987, Section: Economy of Vietnam.

Importantly, however, in 1989 Vietnam proceeded “cold turkey” to remove severe distortions that had built up in the economy after the *Doi Moi* system went into effect, including huge spreads between the official exchange rate and the street value of the dong, as well as black markets due to price controls. In moves emulated not long after by the transition countries of Eastern Europe<sup>14</sup> in a series of steps over the 19 months to March 13, 1989, the commercial exchange rate and various other official rates were nearly unified and set at 4,500 dong to the U.S. dollar on that day, representing a 95% devaluation over that period;<sup>15</sup> price controls were liberalized; interest rates were freed; and an interbank market was created. This “big bang” approach combined with initially tight credit and fiscal policies, if not creating in and of itself a “normal” capitalist economy based on private ownership and commercial law, at least cleared the decks at the time for a less distorted macroeconomic framework. However, financial imbalances have continued with creeping devaluations that roughly reflect relative inflation rates, a development which illustrates Vietnam’s sharp contrast to China in failing to establish and maintain macroeconomic stability.

Since the 8<sup>th</sup> Communist Party in 1996, the Politburo has been deadlocked and unable to implement any bold reforms, such as privatizing large state-owned enterprises. Similarly, the 9<sup>th</sup> and 10<sup>th</sup> Party Congresses of 2001 and 2006 did not make any breakthroughs either in moving towards a Chinese model of economic development, or even reducing somewhat the dominant role of the government in the economy.<sup>16</sup> The 11<sup>th</sup> Party Congress, held in January 2011, also proved unexciting.<sup>17</sup> The Vietnam pattern in making decisions has been a dragged out in search

for consensus, which has hindered a more aggressive economic policy.

We cannot forget that both, China and Vietnam, combine the dictatorship of the Communist Party with high levels of institutionalized corruption. In both, too, the Party and the State have several layers—central, provincial, municipal and more—all capable of influencing the feasibility or success of economic ventures. The rule of law, therefore, is absent in both countries and it cannot be said that free enterprise, in the strict sense of the word, exists in either one. Moreover, as Paul Krugman pointed out back in 1994,<sup>18</sup> the extraordinary growth rates in places like China largely reflected the mobilization of surplus farm labor into vastly more productive manufacturing jobs and huge spending on capital equipment and infrastructure, rather than a focus on efficiency and innovation. According to Krugman, such state or party directed activities work for a time (or even for a long time thanks to the U.S. voracious appetite for imports), but eventually these economies hit the wall of diminishing returns, and never quite catch up to developed economies grounded more in free market principles and respect for the law.

Having said this, there is no doubt that even after just the first ten years of reforms, albeit at different paces, China and Vietnam managed to escape from the economic hardship that kept their masses in extreme poverty. For China, the road ahead appears relatively clear as far as economic management is concerned, provided slower growth does not deflate the highly leveraged real estate market with adverse consequences for the rest of the economy, and the country’s necessary transition to a more inwardly-oriented economy proceeds unimpeded. Recent violent demonstrations in Zengcheng (Guandong province) over wage demands and in Shifang (Sichuan prov-

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14. Czech and Slovak Republics, Estonia, Poland, Slovenia, and arguably Hungary.

15. The exchange rate was completely unified on December 31, 1990 and set at 6,500 dong to the U.S. dollar, and to 11,900 a year later. The dong’s current value (August 2012) is about 20,900 to the U.S. dollar.

16. U.S. Department of State cable, reference Hanoi 60, *The Guardian/Wikeleaks*.

17. David Koh, “Unexciting changes in Vietnam at the 11<sup>th</sup> Party National Congress,” *Institute of Southeast Asian Studies*, January 24, 2011.

18. Paul Krugman, “The Myth of Asia’s Miracle,” *Foreign Affairs*, November/December 1994.

ince) over environmental issues cast some doubt as to how smoothly the communist leadership can navigate this process. Vietnam, on the other hand, is entering a critical phase of development which will require bolder decisions concerning the direction of reforms, and maintaining macroeconomic stability. It remains to be seen whether the newly-appointed General Secretary of the party, Nguyen Phu Trong, and the re-elected Prime Minister Nguyen Tan Dung, are up to the task. What is clear is that in both Vietnam and China the paramount concern of the leadership remains the maintenance of political and social stability and the unassailable supremacy of the communist party.

### **WHICH WAY FORWARD: CHINA OR VIETNAM (OR NEITHER)**

Many observers of the Cuban scene have argued that Cuba is experimenting with the Chinese model. This is hardly likely since current Cuban government policies bear no resemblance to the activist reform approach initiated by Deng a generation ago, which emphasized giving the private sector a free hand as long as such liberties did not impinge on the political primacy of the communist party. What has Raúl seen in the Chinese model that does not seem to be a good fit in the Cuban setting and has kept him from pushing it even after noticing the rapid success of China's economic policies? Perhaps in the immediate aftermath of the Soviet implosion, and with China at that time only at an early stage of its economic awakening, it would have been imprudent to experiment, particularly with the exile community in the early 1990s rattling their sabers and packing their bags for a return. There was also the dash for freedom in Eastern Europe unimpeded by Soviet tanks. Fidel and Raúl must have been blindsided by these events. They must have felt the ground moving under them as they witnessed Eastern Europe untying itself from the communist yoke, the reunification of East and West Germany, and above all the collapse of the Cuban economy following the cessation of Soviet subsidies. Little is known outside their inner circle what transpired in those days. What is known is that Raúl kept the armed forces loyal to him and on alert. As the brothers' fears ebbed when the rigors of the "spe-

cial period" eased, both must have felt reassured that their authority was not tested, and their control over the Cuban people remained intact.

If in the early 1990s the regime had to confront a popular uprising or a barracks revolt, both Fidel and Raúl would have reverted to their early brutal methods and fight it out. They would not have been outflanked, I believe. Twenty years of blood-letting to squelch a challenge to their control is no longer an option. The army arguably would stand down rather than obey an order to shoot. Raúl probably understands that fact, which is why now marginal steps are being taken to relax the government's grip on the economy from a full to a still tight half-Nelson, but only to create the illusion of change.

When Deng Xiaoping took over in China, it did not take him long to begin pushing for deep reforms. To this day there have been no major challenges to the open door policies he put into effect. It cannot be said that Deng's audacity is being reproduced in Cuba. Raúl's actions suggest that he finds it inconceivable imitating the Chinese model, except for the liberalization of the agriculture sector. But even at the farm level, Cuba has not seen the complete dismantling of state control. Farmers may be able to sell part of their crops in free markets, but they still must purchase limited supplies from the government. The Government retains absolute control of procurement and distribution of produce through the powerful "Acopio" system which through controls that keep prices high on inputs and low on outputs line the pockets of favored communist party hacks. When it comes to reforms of the farm cooperatives, the *Lineamientos* are confusing; they do not provide a clear road map on how to proceed, neither then nor now more than a year later.

Raúl Castro and the elitist cadres around him fear that liberalizing the economy and decentralizing decision-making could unleash centrifugal forces that would threaten their authority and privileges. Following the Chinese model of rapid economic decentralization while keeping the public's demands for representative government from spinning out of control would be a trapeze act that Raúl dares not attempt. In a different context, Rosemary Righter of

the Times of London concurs: “The more China modernizes the less tenable that balancing act between the Maoist past and the demands of governing an increasingly sophisticated, irreverent, and politically literate society.”<sup>19</sup>

What about the Vietnamese model? Given the above discussion, I can see why some observers in Cuba and abroad believe that this model is more consistent with the aims of the regime. After all, the Vietnamese leadership has not yielded nearly as much control of economic decision-making to the private sector. It also took the Vietnamese leadership far longer than the Chinese to strike a balance between permitting private initiatives in small scale enterprises and maintaining their political supremacy. Even to this day, 25 years after the *Doi Moi* launching, Vietnam’s centralized micromanaging of the economy continues. The insecurity of Vietnam’s government on the consequences of freeing entrepreneurial activity is mirrored in Cuba’s hesitancy to follow that path. And, just as Raúl has bitterly complained about the shortcomings of the Revolution when it comes to the economy, Vietnam’s 11<sup>th</sup> Party Congress opened with officials apologizing for corruption and inefficiencies and giving a blunt accounting of failings.<sup>20</sup>

Here the similarity between Cuba and Vietnam end, if for no other reason than Cuba has yet to experiment with the core of the Vietnamese approach in any meaningful way. Also, unlike Vietnam’s and China’s, Cuba will not start out as a peasant society. The initial push towards reforms has to be more encompassing than just freeing the agricultural sector from the grasp of the government bureaucracy.

At the margin, if Raúl was considering the Vietnamese model, he might have begun by imposing a mandatory retirement age on members of the Politburo, as Vietnam has set at 67.<sup>21</sup> The average age of Viet-

nam’s politburo is 63 years, compared to Cuba’s 68, and rising.<sup>22</sup>

Leaving the past aside, what lies ahead? Vietnam like Cuba was a member of COMECON and heavily dependent on trade with the Soviet Union. After the breakup of the Soviet Union, it took Vietnam no time at all to see the need to disassociate itself from trade with the Soviet bloc. In fact, the Vietnamese leadership saw the writing on the wall in launching the *Doi Moi* policies in 1986, ahead of the Soviet demise. It took Cuba more than two decades to reach the same conclusion. Some have argued that it is too early to guess how serious Raúl is in implementing the *Lineamientos*, but there are some telling signs. For one, more than a year has passed and the record of accomplishments is thin. The guidelines appear to be mere exhortations without the means to accomplish the goals set out. The separation of large numbers of employees from the public payroll started well, but the original ambitious goal (actually, first mentioned in 2007, but not acted on until years later) is likely to be abandoned, another example of the political rhetoric getting ahead of reality. Small businesses have been legalized but the licensing process and taxation are cumbersome and are probably meant to inhibit fast growth in those activities. In Vietnam the legalization of small business was regulated and taxed but it was otherwise allowed to proceed unimpeded. By the late 1990s more than 30,000 private businesses had been created. Much more needs to be done to accelerate economic growth in Cuba than licensing barbers and clowns and letting Cuban residents buy and sell dilapidated houses and 50-year-old cars.

This fact, the cosmetic nature of Raúl Castro’s economic policies, is increasingly being challenged by prominent Cuban American corporate leaders, most recently by twenty-four such leaders with deep roots in U.S. and international corporations with their

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19. In a review in *The Times Literary Supplement*, June 22, 2012.

20. David Koh, “Unexciting changes in Vietnam after 11<sup>th</sup> Party National Congress,” *Institute of Southeast Asian Studies*, January 24, 2011; also, Helen Clark, “Vietnam party congress: where to go from here?,” *Global Post*, January 20, 2011.

21. Wikipedia, Politburo of Vietnam, 11<sup>th</sup> Politburo (2011–present).

22. Factbox: Communist Cuba’s Politburo, April 19, 2011

“Commitment to Freedom” open letter calling for awareness to “... the Castro regime deceptive campaign aimed at securing much-needed financial resources to prolong its iron grip over the people of Cuba.”<sup>23</sup>

Turning to agriculture, Cuba’s Decree-Law No. 259 on the distribution of fallow state land in usufruct held the promise to usher, as in Vietnam, large food surpluses. However, the decree also created several roadblocks to its applicability. The law is tilted towards use of the land by large state enterprises and collective farms, which raises doubts about its efficacy given the demonstrated inefficiency of these entities. Individuals are granted use for 10 years, while corporations are granted use for as long as 25 years with possible extension of another 25 years. Another disincentive is a provision that limits use of the land for the production of the same crop or livestock as it always had, which would prevent farmers for making the best use of the land. Individuals but not corporations can lose their land if they do not meet production contracts with the government. More importantly, the decree-law does not address prices; if prices continue to be set by the state, little will have been accomplished as price signals would dictate what and how much to grow, and how much to invest.

In contrast, the *Doi Moi* reform in Vietnam not only dismantled collective farming, but assigned land rights to farmers for 15 years for annual crops and 40 years for perennial crops, without distinction between individuals and corporations. Private individuals were allowed to sell animals, equipment and machinery, and private food marketing was not prohibited. Soon after, the state relinquished control over prices and, to facilitate bank financing, in 1993 land tenure was extended to 20 years for annual crops and 50 years for permanent crops. As expected, the results were impressive. In a few short years these reforms led to domestic food security, better nutrition, and rising household incomes and standards of living. Vietnam became a major exporter of rice, coffee, and other grains. Moreover because land could

be transferred to more efficient farmers, agriculture has diversified into higher value added activities such as aquaculture, livestock breeding, and products of agro industries for export.

Cuba also fails the Vietnamese model on macroeconomic and financial policies. None of the 291 *Lineamientos* refers even remotely to the creation of an interbank market, unifying the exchange rate, and freeing prices and interest rates. Raúl’s vaunted reforms will remain in name only until these key economic distortions are addressed.

Importantly, while Vietnam still strictly forbids any criticism of the communist party and the government, one cannot underestimate the progress of freedom. Until 1989 most aspects of everyday life in were forbidden and what was not forbidden was compulsory: long mass demonstrations, shouting slogans, criticism of neighbors and fellow workers, and “self-criticism,” all these regular staples of life under communism. It does sound familiar! Most of this coercion has disappeared and forbidden activities have been drastically scaled back. Foreign travel is allowed; many films, books, TV channels, newspapers are accessible. These freedoms constitute enormous progress. How does this stack up against Cuba’s current condition, one might rhetorically ask?

In light of the above, the Vietnamese model does not seem to be what the Cuban leadership has in mind. If Vietnam is far less aggressive than China in opening up its economy to free enterprise, and Cuba’s approach is more cautious than Vietnam’s, I suggest that Raúl Castro is not following either model, only his own instincts of self-preservation. He might be marking time in case some unexpected event throws him a line; perhaps an oil discovery, or perhaps loss of influence of Cuban-Americans in Washington which might result in a further relaxation of the embargo. Or he might just feel insecure. Just because the communist parties in China and Vietnam have managed to maintain the political supremacy of the state while opening up to market forces, it does not follow that the Cuban Politburo can pull the same

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23. See letter at [www.CapitolHillCubans.com](http://www.CapitolHillCubans.com), June 25, 2012.

trick. He has seen in Miami's development what Cuban entrepreneurship can accomplish in a free society, and he does not like what he sees. Cuba's leadership has long felt immunized against an armed attempt to overthrow the regime. However, there remains the concern that what could not be achieved by Cuban exiles by force, could be attained by stealth through business deals once trade and investment resumes. There was no exile Vietnamese community in the United States ready to contaminate the carefully cultivated and ruthlessly enforced separation of *Doi Moi* reforms from the political sphere once Vietnam hung the open for business sign to the World.

### IS RAÚL CASTRO A REFORMER (THINK AGAIN)

An attempt to penetrate into Raúl's thinking raises more interesting questions than what model of development is being applied in Cuba to decentralize economic decision-making. As noted, it appears that neither model is being fully considered; that Cuba's approach to development can hardly deserve the name. One interesting question is why the modest economic liberties put in place during the "Special Period" were rescinded as soon as the hardships endured during that period—and the risks to the regime—diminished. Another question is, how come Raúl waits until six years after he effectively assumed command of the country to launch supposedly far-reaching policy changes, which incidentally received premature praise although not undeserved media attention. Why now? Is it that he felt compelled to allow time to pass to consolidate his position and eliminate from the Cuban psyche that Fidel was no longer at the helm? Possible, but does anyone think that he is that weak when all signs point to the contrary? What are his thoughts in reaching out with great fanfare to market mechanisms as a life line to a listing economy? Is it that he no longer considers that present conditions are another rough patch that can be managed? Is he worried that the expectations that his reformist chatter upon assuming the presidency cannot be easily suppressed now?

In trying to figure out Raúl's leanings, there are two possibilities. The conventional thinking is that Raúl is indeed a reformist but has always felt the need to defer to Fidel, even after his gravely ill brother handed him the reins of absolute power. The argument favoring Raúl as a reformist runs along these lines: it has taken Raúl some time to *de facto* displace his brother from the main stage in order to pave the ground for a major shift in policies. For this to get accomplished, time was needed to allow respected "independent" scholars at the University of Havana think tanks to make a case for a drastic change in the Cuban model. The ideas of these respected "house dissidents" needed to percolate throughout the regime. They were allowed to travel abroad presenting their views showing that, with Raúl in command, there was now scope for a more open society. If that was the plan, it has been pursued diligently and intelligently. The insights of distinguished professionals at the *Centro de Estudios de la Economía Cubana* about what ails the economy, and what should be done about it, echo the views of many papers presented at ASCE's conferences and, for that matter, are part and parcel of any recommendations that staff of the International Monetary Fund might make, though surely not expressed as elegantly. I want to believe that economists such as Armando Nova, Omar Everleny Pérez and Pavel Vidal<sup>24</sup> are intellectually honest. They are convinced that the Cuban economy will not survive much longer without markets getting a much freer play (whether they believe that such policy changes can coexist in the context of a totalitarian framework as in China and Vietnam is a matter for another day).

Meanwhile, the regime's "históricos" and members of the Politburo had nothing to contribute to the discussion, other than probably some perfunctory editing of the *Lineamientos*. In any case, neither group was about to protest what appeared on paper to be radical changes, when even Fidel seemed comfortable, or perhaps uncaring, with the approach in light of his comment: "The Cuban model does not even

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24. See for example Pavel Vidal, "The Cuban Monetary and Financial Jigsaw Puzzle," *Centro de Estudios de la Economía Cubana* (CEEC), November 17, 2010, translated from Spanish and published by Real Instituto Elcano, Madrid, ARI/148/2010.

work for us anymore.”<sup>25</sup> Similarly, the military leadership (which fills one third of the fifteen Politburo positions) owes allegiance and their material well-being to Raúl and are not about to engage in a discussion about economic theory. The argument runs, therefore, Raúl finally has emerged from the shadow of his brother and for the first time sees his way clear to modernizing the Cuban economy. And yet, with all the support and power he enjoys he can do no better than producing a long document written in communist prose.

I do not find the reformist version compelling. It portrays Raúl as meek and submissive, even though if it came to a break with his brother, the military arguably would have backed its protector. Raúl, of course, saw to it that this never came to pass. He saw value in his brother’s historic position in the Cuban revolution, and the romantic sway he held among swaths of the population. I believe Raúl shares with Fidel an obstinate aversion to change. Raúl and Fidel are different in many others ways: Raúl is cerebral and practical; Fidel is volatile and unpredictable. But, despite the reported episodes of violent exchanges between them, I maintain that when danger lurks, they close ranks. In the early 1990s Raúl saw the necessity—and Fidel probably after some grumbling went along—of sharply curtailing government spending to offset the loss of Soviet subsidies, legalizing some marginal private activities, and adopting a more liberal foreign currency policy. Otherwise, they kept a tight grip on the economy until the shock of unfolding dramatic world events dissipated, at which point they proceeded to roll back the emergency measures of the “Special Period.” There is no evidence that Raúl resisted a return to the *status quo ante*.

Furthermore, considering the time it took Raúl after assuming the reins of power to launch the *Lineamientos*, I would argue that Raúl is a grudging re-

former at best, and is confronted with balancing the equation of improving life for the people versus repressing the economy to retain political control. So far he has chosen to open the door only half-way when he sees no other way. One needs to go no further than the decision at the VI Congress of Cuban Communist Party, clearly influenced by Raúl’s direction, to reduce the Politburo from 24 to 15 members, and to pack it not only with Raúl’s loyalists—which would seem a logical thing to do for the incoming First Secretary of the Communist Party—but with individuals not known for their liberal credentials. Moreover, a leader who is seen as enlightened and who asserts with unusual asperity the need to purge inefficiencies in the government bureaucracy might have considered forgiving and rehabilitating former able officials such as Carlos Lage, as he did with the more controversial although equally capable Ramiro Valdes.

Raúl and Fidel long have been a tag-team always picking each other up, documented quarrels between them notwithstanding. When it came to existential threats to the regime they always saw eye to eye, both able to focus laser-like on looming challenges to their authority. Their adroitness at perceiving systemic tensions in the country (or within the regime itself, read Ochoa<sup>26</sup>) and arresting them at the outset by throwing dissidents in jail, or worse, and temporarily shifting economic gears is one of the main reasons they have managed to wield power for over five decades. With the exchange of medical doctors (and other experts) for oil with Venezuela replacing Soviet subsidies, Fidel and Raúl probably saw no need to exert themselves worrying about the economy and challenges to their authority for the time being. Why bother taking chances with politically risky measures aimed at improving the lot of the suffering Cuban people. One wonders if at some point they considered how history would judge their legacy, as Fidel

25. Jeffrey Goldberg’s visit with Fidel Castro, *The Atlantic*, September 8, 2010.

26. Arnaldo Ochoa Sánchez was a prominent general who was executed on July 13, 1989, after being found guilty of treason. Ochoa fought with military distinction leading Cuban Expeditionary Forces in Angola and Ethiopia in the seventies and eighties. He was awarded the title Hero of the Revolution, later withdrawn. He was highly respected by the Cuban military and thus represented a potential challenge to the Castro regime. Three other prominent officers were executed the same day: Antonio de la Guardia, Amado Padrón, and Jorge Martínez.

once famously alluded to in a different context. I say that men like them, and many throughout history before them, do not care about such things. They enjoy power for its own sake and as for succession, the motto is “to the strongest,” as a famous general<sup>27</sup> supposedly said at his death bed.

Things went well for a time but, suddenly, a bolt out of the blue: Fidel almost dies. He survives but his health remains frail, and Raúl takes over. What was he to do? First, he tries to show that his approach is different. As noted, he encourages discussion of new ideas, as long as the conversation is conducted respectfully. He rants loudly about economic inefficiencies while professing the need for change. He makes a few minimalist changes to back his pronouncements. He talks the big talk about downsizing the bloated government payroll, but nothing significant gets accomplished for six long years and counting. Amazingly, he gets a *New York Times* reporter, in a replay of Herbert Matthews’ famous interview with Fidel in Sierra Maestra, to write a story back in 2008 about how things in Cuba are going to change under Raúl.<sup>28</sup> Raúl is a master at many things, but at public relations he is supreme.

For Raúl to stay atop the food chain for so many decades, he has to be a control freak. There is no other way to describe it. He understands human nature; he knows that as reforms open space and give voice to an enterprising people, less preoccupied on how to make ends meet on a day-to-day basis, Cubans would demand more accountable government. While such demands would not necessarily mean an immediate clamor for representative democracy, it would put the dictatorship under constant pressure, less free to impose and relax austerity as circumstances required it, which has been a key to their lordship over the Cuban people. So, what’s in Raúl’s mind going forward? He knows that with rising prosperity

the Cuban people would demand a bigger say in government affairs, which would be heard ever more loudly by the relentless advance of the digital revolution. The spread of social communication, as observed in events in the Middle East and elsewhere, gives dissidents a potent weapon to organize against and disrupt the established order. These developments must give Raúl Castro pause, further eroding support in his mind for radical adventures even after he assumed the prerogatives of absolute power.

Yet, in another twist of fate another benefactor appears to be foundering and the possibility of another “special period” cannot be ruled out, when Chavez leaves the scene. As an authoritarian leader who must be always figuratively on the lookout for straying bullets, Raúl’s sixth sense must have told him that at some point something unknown might disrupt the Venezuela connection. This realization probably antedated Chávez’s health issues, pushing him into opening the door for discussions of new ideas and later reluctantly launching the latest plans for economic decentralization.

Has he come to believe that the system cannot withstand another “special period” if the Venezuelan connection comes to an end? If one believes that Raúl is only a reformist when events shove him in that direction, this explains why he waited until only recently to begin freeing activities that would help offset the adverse effects of the end of Venezuelan aid. He needs to hedge against that possibility and deal preemptively with the crisis that would then engulf the Cuban economy. Moreover, recalling the need to keep the war-hardened generals returning from Africa from getting interesting ideas, he has to find something to do for the tens of thousands of Cuban doctors and other “social experts” that may be asked to leave Venezuela, or who may wish to return to their families in Cuba. Raúl must worry about these head-

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27. Namely, Alexander the Great. See quote in Stringfellow Barr, *Jove: A History of Graeco-Roman Civilization from the Death of Alexander to the Death of Constantine*, 1966, p. 6. According to Barr, Alexander may have referred to his general Krateros who was not present, but the others may have chosen to hear the Greek word for the strongest, “Kratistos.”

28. James C. McKinley Jr., “Raúl gives signals Cuba will change,” *New York Times*, December 6, 2008. Herbert Matthews, after an interview with Fidel in the Sierra Maestra in 1957 broke the news that Fidel was still alive, and made him look to the world for the first time like a charismatic, romantic rebel out to end, against all odds, Batista’s tyranny.

winds, but he goes uncharacteristically timidly about implementing contingencies. Giving Raúl the benefit of the doubt, one could say that the vagueness of the *Lineamientos* and the lack of movement to implement them, is nothing but a plan that could be adapted quickly to energize the Cuban economy if aid flows ceased and the economy went into a severe slump. But citing such a plan as evidence that Raúl is a serious reformer is, as the Irish lyrics would have it, “a long way to Tipperary.”

There is yet another way of diving into Raúl’s complex mind. He is known to care deeply about his extended family and close friends, seeing to it that they are well provided and showering them with gifts, and in some cases protecting them from Fidel’s whims.<sup>29</sup> Might he not be strategically thinking about creating, not a Castro dynasty, but a Raúl Castro dynasty? Might he not be plowing the way for an orderly in-family transition? Perhaps if it were not for Fidel, who likely would object to such plans and to whom Raúl owes fealty (and fears), Raúl’s son, Colonel Alejandro Castro Espín, would have been anointed heir apparent. However, for those plans to come to fruition after Fidel dies, economic reforms must be introduced to improve living conditions for the elevation of a dauphin to go unchallenged. If that is the strategy, he is procrastinating and running out of time. And he appears weak by blaming lack of action on the rogue bureaucracy who will not heed his orders. Yes, he is only one man and does not have the, shall we call it, commanding presence to get things done (or rather undone) that his brother enjoyed in the first decades of the Castro era. Yet, I just find it difficult to get my arms around the thought that Raúl Castro cannot get his orders obeyed unless, thinking wishfully, the regime is actually more hollowed than we have come to believe.

### THE POLITICAL PHILOSOPHY OF RAÚL CASTRO (IF ANY)

So, if he is not a reformer what are his core beliefs? Is he a Marxist? After all, he was a member of the Youth

Communist Party even before the revolution, and was a great admirer of the Soviet Union, which he later visited on several occasions and whose military organization he adopted. Then, naturally, he was elected as the First Secretary of the Communist Party at its VI Congress on April 19, 2011 after serving for forty five years as Second Secretary to his brother. With such credentials, who can argue that he does not have a Marxist philosophy. Or does he? Is he a confirmed Marxist because of a deeply seeded revulsion against the inequities of the capitalist system he perceives and the abuses of imperialism? Or, is he a Marxist because communism was readily available as the antithesis of capitalism. In other words, does he really believe in the possibility of creating “a new man,” or did he attach himself opportunistically to Marxism for the sake of expediency or youthful exuberance.

It has been said that Raúl and Ernesto Guevara were the hardliners in the early years of the Cuban revolution, while Fidel was the “moderate.” Moderates, hardliners, reformers, these are mere labels that people attach to political figures to argue a point or to facilitate exposition. Such categorizations are usually a reflection of the political bent of individuals. Whatever their leanings, it is safe to say that after toppling the corrupt Batista regime, the Castro brothers’ first order of business was to try clinging to power for a long time. It is perfectly safe to say that the idea of restoring democracy in Cuba must have never crossed their minds. Realizing that the United States would intervene at some point to keep Cuba in line, they knew they had precious little time to consolidate their position. Thus, they proceeded rapidly and methodically to dismantle Cuban society, beginning with the replacement of the armed forces with the rebel army, the militias, and the neighborhood brigades, and continuing with the expropriation of assets, the repudiation of the church, and the concentration of economic decision making in their hands. Then, they contracted out the Island to the Soviet Union for protection. The Cuban exile community

29. For example, in the case of Antonio Enrique Lusson, Almeijeiras, Méndez Cominches, and Irvin Ruiz, all of whom had fallen from Fidel’s graces.

unwillingly facilitated their agenda by decamping *en masse* to Florida, believing that the U.S. would never allow Fidel Castro to remain in power for long, which happened to be the U.S. thinking, except that luck intervened on Fidel Castro's behalf with the defeat of the ill-fated Bay of Pigs invasion, and later with the retrieval of Soviet missiles and the American agreement to leave Cuba alone.

An ideology was needed to undertake and sustain the brutal extermination of all vestiges of the Cuban social structure. This was crucial because, as George Kennan pointed out, "...through the ages men just like to exercise power over other people, and they tend to clothe this lust for power in ideological terms, and sometimes they really believe their own rhetoric. Lenin may have been one."<sup>30</sup> How about Fidel, Raúl and Ernesto Guevara. Were they believers too? Let's take them in turn starting with the now stupidly iconic Guevara who I will argue was simply a demented, nonconformist thug who had the ability to turn a phrase and who Fidel finally managed to get rid of by sending him to a place where he was to meet his fate.<sup>31</sup>

In his days, Fidel was too much of a narcissist to be bothered with labels, his declaration "I am a Marxist-Leninist" notwithstanding. Fidel was a charismatic whimsical despot who toyed with the island as a malevolent child. Raúl, on the other hand, was and remains a political machine. Early on, he was cruel and sanguinary, worse even than the equally sanguinary and corrupt Fulgencio Batista. Raúl left no stone unturned in his pursuit of power. His methods have changed over the decades but not because of mellowness. He simply has found other ways to apply the levers of power and has seen less need to opt for the firing squad, or staged accidents. In light of his long trajectory as a pragmatic political leader with strong managerial skills, he has demonstrated that the cour-

age he displayed in his revolutionary days is complemented with a keen intellect. Given these attributes, it is hard to believe that Raúl ever allowed himself to be confused by his early Marxist prejudices. If there were any such prejudices, which is highly debatable, these soon were blotted out as he grew out of adolescence and became aware of the shortcomings of life under communism. Bright as he is, it is difficult to reconcile how he was ever wedded in his early years to what was by then a discredited and specious ideology. In fact, I dare anyone to find the words "Marxist-Leninist" uttered by any major figure of the Cuban Communist party in at least the last twenty five years. You can call Raúl a ruthless Stalinist, but doubtfully a confirmed Marxist.

That is my take on Raúl's political philosophy such as it is, but I am reminded that throughout the ages many smart people have fallen for hoaxers proffering false hopes. Raúl can be a firm believer in communism and still be pragmatic enough to accept the irreducible reality of its practical limitations. It is possible, therefore, that a conflict exists between Raúl's idealism and his pragmatism. If there is such a conflict it is not going to be reconciled this late in his life, and I seriously doubt that he loses any sleep over it. In any case, the time and resources the regime has invested in implanting a communist ideology to justify its existence precludes Raúl from disassociating himself from his Marxist label even if he wanted to.

### RAÚL'S EMBARGO

I cannot end this paper without commenting on the U. S. commercial, economic, and financial embargo against Cuba and how Raúl would respond if it were lifted. As noted earlier, the normalization of relations between China and the U. S. in 1979 and with Vietnam in 1995 significantly boosted the economy of

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30. John Lewis Gaddis, *George F. Kennan, An American Life*, New York: The Penguin Press, 2011, p. 582.

31. Captured and executed by Bolivian soldiers guided by CIA's Félix Rodríguez on October 9, 1967. As an aside, declassified CIA cables summarize intelligence, gathered from September 1966 through June 1967, on the disagreement between the Soviet Union and Cuba over Guevara's mission to Bolivia. The cables provide specific information on Leonid Brezhnev's objections to "the dispatch of Che Guevara to Bolivia" and Brezhnev's decision to send Soviet Premier Aleksey Kosygin to visit Cuba in June 1967 to discuss the Kremlin's opposition to Fidel Castro's insistence to see Guevara off to Bolivia. See *CIA Intelligence Information cable, October 17, 1967*. Fidel demurred and Guevara's fate was sealed.

those countries. Critics of the embargo insist that it should be lifted as it has failed to dislodge the Castro regime and bring democracy to Cuba. True enough. However, these critics tend to ignore human rights issues and how to handle the settlement of the various categories of confiscated properties. They join hands with Cuban officials who claim the embargo has held back the economy, ignoring the fact that Cuba already imports large amounts of food and other items from the U.S., and that U.S. tourists and remittances from Cuban Americans provide considerable support to the balance of payments.

While I for one respect their good intentions and their hopes that through their endeavors they will one day help improve the lot of their fellow citizens, critics of the embargo do not realize or tactically do not want to admit that in fact there are two embargoes: the one imposed by the U.S., and one that Cuba imposes on activities that the regime cannot control and thus will not condone. If the U.S. embargo is lifted or even relaxed further, the Cuban government is not about to welcome one and all investors to flood the island, many bearing “gifts” to government officials and army officers, or pressing the flesh, God forbid, with Cuban dissidents. The regime will allow entry only to those who are willing to operate under the rules of Cuba’s favorite sport, that is, those willing to play ball.<sup>32</sup>

To understand that Raúl will do his utmost to avoid the “materialistic contamination” of his regime, one needs to go no further than the third *Lineamiento* (out of 291): “In the new forms of non-state management, the concentration of ownership in legal or natural entities shall not be permitted.” There is nothing wrong with ensuring that economic and financial power does not corrupt a free enterprise system and democratic values. But in Raúl’s Cuba the prohibition on economic concentration has little to do with some Marxist doctrine, or at the other end of the political spectrum, with monopolistic behaviour. Rather, it reflects a disinclination to allow the spread of business interest that one day could pose a challenge to the political hegemony of the Communist Party over the country.

I end with a quote from columnist Charles Krauthammer “... the time for maximum danger for despotism is precisely when it begins to relax its pressure.”<sup>33</sup> If a Tiananmen event or a deep economic downturn were to force Raúl’s hand, and the implementation of meaningful reforms led to unstoppable calls for freedom, one thing that would weigh heaviest on his mind will be the thought of his brother sternly lecturing him, cursing him yet again—“te lo dije—no aflojes”—as their hold on the Cuban people at long last begins to slip away.

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32. Jorge Sanguinety deserves credit for eloquently espousing this view for many years in many places.

33. “When Kingdoms Reform,” *The Washington Post*, June 9, 1989. The context was the collapse of the Soviet bloc, and loss of its eastern European satellites in the aftermath of Mikhail Gorbachev’s Glasnost/Perestroika policies.