

Cuban Affairs

Quarterly Electronic Journal



Vol. 6, Issue 2

2011

Cuba: What Might Happen Now: The CDR Index

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Cuban Affairs
Quarterly Electronic Journal

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Summary

It didn't happen 20 years ago. It hasn't happened so far in 2011. Despite massive popular uprisings against totalitarian governments elsewhere in the world, Cuba continues to buck the trend. If there are no mass protests and sit-ins at the Plaza de la Revolución, what might happen now in Cuba? What changes are taking place in Cuba, and what are the implications for its economic and political future?

This paper analyzes the new political and economic space that is opening up in Cuba. The space is developing because the government has recognized that it needs to salvage the economy if it is to salvage the Revolution. This paper argues that Cuba is unlikely in the near-term to see a grass roots movement that demands the wholesale replacement of its leadership. But the surge of interest in the economy, perhaps unwittingly stimulated by the government, is shifting activity to territory that favors the opposition. Raul Castro is promoting a language of reform, even though his own definitions require some linguistic contortions. His speeches are still more of the parade ground, rather than of a CEO growing a business in the world market. And there is no new product; instead a striving to perfect the old one - socialism - through greater efficiency, reducing state spending and cutting imports. But so far there is no acceptance by Raul Castro that by allowing individuals to get rich, the Cuban economy will grow.

None of this means that democracy with features such as freedom of expression, freedom of movement, and an end to communist party monopoly is around the corner in Cuba. Indeed there have been many times in the 52 year revolution when signals of greater openness were withdrawn. But in 2011 the scenario is moving away irreversibly from the communist comfort zone. The debate is not yet in the political center but it is hard to see how it can be contained, given the principles that are being discussed.

The government is seeking to implement limited reform, change economic calculations, revise revolutionary definitions, and deal with a potential explosion in cell phone use (now 25% of all Cubans) plus

demands that internet access be unrestricted for economic and political reasons. The goalposts of 52 years of government are moving slightly. The objective remains a state-controlled economy where the military/government dominates the strategic sectors and not one where a private sector will be given free license. This suggests that those who want an increase in fundamental freedoms in Cuba, and greater political and economic openness, need to engage and show by example in politics, economics and above all in business what works and what offers Cubans a better future. This paper examines how such actions might develop and how a new cadre of “civic entrepreneur” might have a significant influence. The annex provides a summary of what Cubans on the island are saying about current issues of debate.

The Arab Uprisings: The Shoe-Thrower’s Index

In February 2011, The Economist (sourced through the Economist Intelligence Unit, the UN, Transparency International and Freedom House) attempted to analyze what factors in different Arab countries contributed to their potential for uprisings - a chart of Arab countries’ “vulnerability to revolution.” In short, they described it as a Shoe-thrower’s index. Many were curious about how uprisings could be happening in countries with lower levels of literacy and weaker political traditions than Cuba and where rulers had been in power for merely 30 not over 50 years. The ingredients of the Shoe-thrower’s index were as follows:

35% to the share of population of the country under 25; 15% to the number of years government had been in power; 15% to levels of corruption; 15% to measures of lack of democracy; 10% for levels of GDP per person; 5% for index of censorship; 5% for the absolute number of people younger than 25.

This exercise has proved remarkably prescient. In February 2011- before the main events of the Arab uprisings unfolded- the countries at the top of the list of 18 analyzed were Yemen, Libya, Egypt and Syria.

Cuba has not been tested against the criteria and indeed Cuba's percentage of population under 25 at 31.3% is much lower than in all the major Arab countries. Yemen's figure is not recorded but is estimated at 75% and the percentages for Syria, Egypt, Libya, and Tunisia are 65%, 54%, 47% and 46% respectively. So this may be one reason why Cuba is different- the ageing Cuban population is a major concern. Many of the young choose to leave Cuba and this has always been seen as a useful safety valve by the Cuban government. Migration, mostly illegal, and one of the lowest birth rates in Latin America, mean that already 17% of the Cuban population is 60 or over, and this percentage is projected to rise to 26% in 2025. Cuba will face a growing unproductive workforce and will have one of the oldest populations in its region.

Yet, in every other category of the Shoe-thrower's index, Cuba would have been graded at the top. Its length of government in office is higher than any Arab country, and its poverty and censorship levels are stand-outs internationally. So is it merely that the Shoethrower's index is no use outside the Middle East or are there other factors at play? The Economist itself noted in April 2011 "...there is no sign yet that events on the other side of the world are inspiring a rise in anti-government sentiment in Cuba. And it may well be that the government's decision to modestly liberalize economic policy to allow the emergence of a small private sector will succeed, and thereby relieve political and economic pressures."

This paper will examine how far reforms will stimulate support for the government and how far the government's weakness is in fact reflected in the reform process. Cuba is different, and the CDR index – not as in the current acronym, the Committee for the Defense of the Revolution, but rather its Capacity for Democratic Reform – may be rising. But first the paper examines key features of the new shifting economic debate in Cuba.

Fifty Two Years On – It's the Economy

The fate of the Cuban Revolution depends on the Cuban economy. Raul Castro says so and he should know— “the economic situation is the most important task of the party and the government and the basic subject of cadres at all levels.” Gone is the belief that revolutionary ideas could trump everything else. “The reality of figures prevails over all our hopes and dreams” and “the bare (economic) facts shall irremissibly prevail.” Raul says the Revolution is still about socialism but also that goal can only be achieved through mixed property ownership, higher salaries, and an end to freebies and subsidies. As a Chinese diplomat in Havana told me with incredulity, “the Cuban government sells socialism to the country as meaning poverty.” That may be changing and Raul is beginning to acknowledge that the legacy of the Castros’ Revolution to Cuba risks being that of a poor and inefficient country- a country that needs massive reform and new leaders.

The economic problems the country faces are however not easily framed for the Revolution. Nor, given the lack of transparency of Cuban statistics, is it straightforward for an outsider (including ordinary Cubans) to prove how critical the economic crisis is. The symptoms of the disease have been set out in graphic detail by the Cuban President- inefficiency, excessive centralization, vast overstaffing, little wealth generation, corruption, and the inverted pyramid of salary levels. The areas that need reform are many and confirm acceptance of key points being made by the opposition and those who have long argued against Fidel Castro’s regularly reinforced economic straitjacket. These include the damaging and distorting effects of dual currencies, the bureaucratic and inefficient state sector, low agricultural production contributing to a massive trade imbalance in goods, extremely low consumer purchasing power, chronic wastage of resources caused by pervasive subsidies, and the prohibition of normal markets in real estate and automobiles. One issue Raul Castro largely ignores is Cuba’s huge economic dependence, as in the past, on foreign political allies. This now hinges on a personal commitment of over \$5bn in annual subsidies from Hugo Chavez in Venezuela. The vulnerabilities of Venezuelan dependence are obvious especially in a country which

experienced severe hardship after the collapse of the Soviet Union. Venezuela itself now has the lowest growth rate and highest inflation in Latin America. Recent scares about Chavez's health and his electoral prospects for 2012 reinforce concerns that the Cuban government's enthusiastic acceptance of Venezuelan largesse is unsustainable. And Chavez himself now appears to be modifying his own ambitions for promoting "socialism" in Venezuela.

The Raw Material

What are the key features of the Cuban economy that is the subject of Raul Castro's reforms? The dominant feature is that, except at some margins, the economy means the state. Over 80% of all employees in the workforce of just over 5 million work for the state. This same state of course will be responsible for implementing his reforms. Yet Raul Castro's speeches show that he knows that his existing array of policy tools are inadequate to implement the new economic agenda. He also knows that the tried and trusted techniques of the Revolution- mobilization, the external threat from the U.S. and capitalism, the equality of poverty, and Cuban nationalism- will no longer be sufficient to salvage the economy.

The numbers of government servants in the economy is not the only problem in reform implementation. Raul needs agents of reform. Cuba has no professional non-political civil service trained to deliver policy changes. The communist party of 800,000 members (many full-time) and the military of around 100,000 will not be sufficient. Few know the unpublished numbers involved in Cuban internal security or as state informers, but it is reasonable to assume at least 300,000 more. With statistics from the UN Survey of Crime Trends and Operations of Criminal Judicial Systems, the 2011 Global Peace Index ranks Cuba with a 4 out of 5 in the numbers of security and police personnel per 100,000 people, one of the highest in the world. Those few countries that are higher include Iraq and North Korea. So, out of a labor

force of around 5 million, over 1 million work in the generally unproductive tasks of protecting the government and implementing controls.

Where are the remainder? According to the Cuban National Statistical Office, 43% are employed in the service sector which includes education and healthcare. Of these, over 280,000 work in the health sector, down from 330,000 in 2010. The biggest change in recent months has been a cut in “technical and auxiliary” healthcare workers, down from 134,000 to 88,000. In addition, 646,000 were enrolled in some form of university in 2008- an astonishingly high figure but illustrating again the lack of employment opportunities for the young. According to Carmelo Mesa-Lago, 65% of the Cuban GDP derives from services, yet, for reasons of political control, Cuba has one of the lowest rates of internet access in the world. Another 19% work in agriculture- again a high figure- but Cuba imports 80% of its food. The Global Peace Index gives Cuba, alongside North Korea, one of the lowest official unemployment rates in the world. Cuba officially has no labor pool to draw on; but the problem is those employed are not engaged in productive work.

If the workforce is unproductive, there are plenty of reasons for this. The Cuban economy maintains two currencies, one which is paid to state employees and one used for pricing imported goods and is convertible into hard currencies. Prices do not reflect supply and demand so resource distribution is badly distorted. Cuba manufactures very little of what it consumes and sectors like tourism and industrial products rely heavily on imports. When world market prices surge, or when prices of Cuban exports like nickel fall, Cuba experiences wild swings in trade flows. In 2009, Trade Minister Malmierca reported that Cuban imports of goods dropped 36% compared to 2008. There are few horizontal links between sectors and planning has imposed rigid vertical controls coupled with lack of delegation. The systems foster inertia rather than flair. Many service sectors where the private sector might thrive are, even after the reforms, barred to the professionals qualified in such areas like finance, accounting, and legal experts.

Where are the new employment opportunities? Employment on the land and developing idle marabufestated acres for food production are one possibility. According to the Cuban government 1.2 million hectares of land and 13,000 credits have been granted since a new leasing arrangement was started for private farmers. But as much as half of those lands still remain fallow. The Cuban government has also opened up 178 categories of self-employment plus two recently added- wedding planners and insurance agents. Around 150 of these were previously opened in the early 1990s and many of the entrepreneurs were already engaged in these activities in the black market. Yet all are areas of the economy that pose no threat to the state's strategic interests. And Raul Castro has stressed the objective is employment not wealth-creation. They offer "one more employment opportunity for working – age people." And he called on the National Assembly "to modify the existing negative approach that quite a few of us have towards this form of private employment."

The Cuban economy is now providing a reality check. Only in sports have Cuban state-employed players been exposed to genuine international competition. Now the whole economy will increasingly face the same challenges. There are no more excuses for delay. Raul is appealing in the language not of the old dreams of the Revolution but in producing results on food, jobs, housing, transport, education. The agenda of Cuban politics is now about use of resources and wealth generation, not the future of world revolution.

The Communist Party Congress in April 2011 produced a document of *Lineamientos* (guidelines) which indeed raises some important economic issues. But the *Lineamientos*, 313 of them, contain little detail about how a list of general expressions of intent is to be accomplished. Endorsed by Raul, they do not reflect the crisis language of his speeches but suggest a system hesitant about how far the Revolution can go in reforms. The document relies on vagueness and language designed not to offend. Essentially the state will continue to provide if Cubans obey the principles of socialism. The discussion of controversial elements- such as scrapping of the dual currency and the introduction of a dynamic tax-paying private sector- are

insulated in such cautious terms that there will likely be little pressure for implementation. There is more talk of anesthesia against the pain than the critical urgency of the surgery. Cuba will “advance towards a monetary unification, taking into account etc...” and “move gradually to eliminate price subsidies.” There is little specific on bank credits or wholesale markets. The *Lineamientos* make it clear that the state will “maintain a role in setting prices, taking into account the international process.” The Revolution is unsure how or too weak to reform itself. Yet official doubt or new ideas appear to be banished for the moment as the *Lineamientos* were approved unanimously by the 609 delegates of the Cuban Assembly in a brief session on August 1. The blandness and caution of the *Lineamientos* contrast with the disdainful criticisms Raul Castro has made of the Communist party itself and the state media. These are discussed further below.

Has Raul Castro Joined the Opposition?

“This time the Revolution is for real,” said Fidel Castro in 1959.

The Cuban Revolution in 1959 had no prepared model for government or the economy. But Fidel Castro soon decided that the revolution should not only be real but total. No sector of life was to be omitted – youth, education, health, sport, culture, women’s organizations. And the economy has become one of the most centrally controlled in the world. There have been periods- the early 1960s and early 1990s when the professed purpose of the model was modified- but in general the bedrock has been planning, controls and conformity. The state takes everything that has value and in return provides free services, security and employment for generally minimal wages. Political and economic conformity is enforced through the totality of state activity in areas like education, healthcare and employment. So Cuba has gone as far as it can in controls. Any change in Cuba’s system has to be in the opposite direction. Now, having shifted the debate to Cuba’s economy, the government’s key objectives are savings in resources and increased tax revenues.

Significantly, the future of the Revolution depends on non-state actors succeeding. If these actors succeed, much of the future of Cuba's public services will come to be funded by taxation revenue.

For the political opposition, they now have Raul's endorsement for major items on their economic wish-list and a rolling back of some controls on Cuban lives. This should be encouraging to them as they are unlikely to be arrested for quoting and acting on the words of the Cuban leader. The self-employed sector will not be stigmatized. Real estate will be traded with restrictions, and taxes will be levied on income generated, following the pattern of every market-based model. The "Inverted Pyramid" of salary levels is characterized as absurd by Raul Castro, even though Fidel Castro established and maintained it.

Raul Castro is not about to acknowledge a pluralistic society in Cuba but the arena of political debate is changing. A new space has been opened up by Raul Castro in a way that Fidel never did. Raul did not intend to do this, but the opposition has now issues which can be developed. Raul is saying that if decisions are good, when judged against the criteria of the economy, then they will have government support. Most important, Raul Castro needs alliances to implement his reforms. He needs alliances from outside the communist party, from the non-state sector. He has not only moved the economic debate forward in Cuba but is talking of a different type of politics. It is still only talk, but previously, when Fidel Castro launched debates, the objective was to stimulate mobilization of the masses and to create a framework for new instructions that had already been determined. The communist party, the prop which Fidel and Raul have relied on to promote the Revolution, is an inappropriate instrument to reform it.

Raul will now need to plan his interaction with a series of key players in the Cuban economy- the military, the public sector, the communist party, the media, the diaspora, the Church, and the Opposition or those with more ambitious ideas for dismantling the Revolution than Raul himself. His methodology is defined by his watchwords of "Order, Discipline and Exigency." How will he approach each of these actors?

Raul and the Military

The Cuban military are currently the major guardians of the economy. The details are not published but companies managed by the military control at least 40% of the economy, and over two-thirds of the foreign exchange earnings. Raul said little to the Communist Party Congress about the military's role or indeed its views on the economy. Yet when Raul Castro lamented the wastage mindset of the state sector, the military engaged in the economy will know Raul was targeting them. They too must now economize on their workforce and will compete with the self-employed and private sector for the best staff. And they will need to find new Cuban suppliers, because there will be no money for new imports.

It would equally be surprising if what Raul Castro said did not reflect feedback from senior military figures. The military are major business actors but this role derives more from their unquestioned loyalty to the Revolution and ability to control dangerous experiments in new economic activity, than their business acumen. Raul now seems confident that formal regulations and centralized controls can be replaced by "being alert, with our feet and ears to the ground." But control has become more complex. It now includes watching over the military themselves. Long-standing military personnel like Rogelio Acevedo have been recently fired for corruption alongside civilians like Pedro Álvarez. The head of CIMEX, Cuba's largest commercial company, is now Colonel Hector Oroza Busutin, who was formerly deputy head at GAESA. Raul's son-in law, Colonel Luis Alberto Rodriguez is now CEO of GAESA. The replacement for Carlos Lage as Secretary of the Council of Ministers was Major General Jose Amado Ricardo Guerra.

CIMEX is already controlling key links in what should be the network of a new Cuban economy. It has the dominant position in shipping lines, foreign credit card transactions, remittance wire transfers, real estate and in tourism outlets such as fast food and gas stations. It seems likely in the new climate that if the military can't manage these complex interactions then others will be given a chance. In Raul's unspoken

text, CIMEX and other military companies have had a prime role in the economic mismanagement that has led to crisis reforms.

Raul is saying to the military that they are not exempt from new economic policies. You must reform your ways and do better. If you engage in corruption for your own account you too will be targeted. And in Marino Murillo, Raul has chosen an official with both a background in both economics and military to supervise the economic restructuring. Ministers from the military have usually controlled several key economic ministries, including the sugar industry, fisheries and merchant marine, and transport and ports so these also have major enterprises where new talent may be tried. The military will be called on to work with more foreign investors, as many see foreign investment as the key to reboot these moribund sectors. Indeed all the current significant foreign exchange earners from Cuban manufacturing- tourism, nickel, rum, tobacco - have required key inputs from foreign investment.

Meanwhile, telecom, the major sector where Italian investment had been essential to bring order to new technologies, has been fully nationalized and ETECSA is fully Cuban owned. It is now controlled by military companies and investment entities set up by the Castro brothers. Senior management of ETECSA has also recently been accused of serious corruption, giving Raul further evidence that military monopolies compound problems of diversion of economic resources. Nevertheless, the new Minister of Computing and Communications, about to supervise a commercialization of the internet with wider controlled access for Cuban business, is General Medardo Diaz. Elsewhere, the recent embarrassing corruption scandals involving Manuel Garcia in the tobacco sector, and Max Marambio in fruit juices and milk, show that Raul will not be sentimental when the future of the Revolution is at stake.

Raul Castro will be aware that the military's controlling interests have not generated- or been allowed to generate- new manufacturing opportunities in any area. They have assumed controls of existing sectors.

Small and medium size enterprises, with owner management, will now be challengers for the new sectors and indeed some military entrepreneurs may be tempted to try their hands at working for themselves. In the service sector, military-run companies are prominent in tourism, but the flexibility and marketing skills in new areas like golf courses, water theme parks, condo developments, and specialist tourism will increasingly depend on foreign investors like the British-based Esencia Hotels and Resorts. There will be intense competition for new investment and Cuba cannot set its own terms or rely on unprofessional management. Cuba currently receives around 2.4 million tourists a year, compared to the Dominican Republic's 4 million (a country with less than half the area of Cuba and a smaller population). The DR has 28 golf courses; Cuba has two.

The military has known that since the collapse of the Soviet Union their golden days of receiving modern equipment and prestige will not return. They are likely to be regarded by the new economic planners as a bloated cost center with no track record of entrepreneurship. The vast underused potential of Cuban financial and legal professionals will be challenging for jobs. One point that will particularly concern the military is the likely emergence of important new sectors in the economy where there is currently little business development. Among these are automobile sales and accessories such as tires, financial services, insurance, real estate, and the distribution and marketing of agricultural produce. But the wholesale sector, which is supposed to develop quickly, is likely to become dominated by military as without that there would a serious relinquishment of planning of prices.

The emergent private sector will see its interests increasingly set against the state economy, which in practice means the military. But it will be more complicated than that. Military entrepreneurs will find that their own houses will suddenly be worth considerable sums, some of which could be invested in businesses. No longer will the state sector be the only avenue for aspiring military entrepreneurs. And the military, if its own commercial performance is not to suffer, will increasingly require non-military specialists, accountants,

marketing, controllers, who will be marketable outside the military sector. The military will want to promote better salaries and movement of labor. They will be keen to disguise the true military command and ownership structure of the companies, because this risks alienating foreign investors. They will want Cuban companies to resemble other major performers in capitalist Latin America against which they will be competing in international markets. No longer will executives look forward merely to their \$25 a day per diem (a month's salary) from foreign trips. They will be expected to network and do deals. The military will want efficient wholesale markets, use of the internet for procurement and access to foreign investors.

In China, the military came into business initially in agriculture. But the Chinese communist politicians recognized that this was not a long-term answer to producing economic growth or a good way of satisfying the unexploited drive and ambition of ordinary Chinese. Raul, as a keen student of Chinese experience, will know that the preserving military monopolies in business will breed inefficient and corrupt oligarchies which contribute to waste and diversion of resources.

Raul and the Public Sector –The Inverted Pyramid and the End of Freebies

For Raul, the problem of what to do with the public sector means the problem of what to do with Cuban people. The public sector has meant a supply of jobs. Raul has acknowledged that overstaffing is a widely-perceived problem. Non-official economists have suggested that this disguises a minimum of 10% of the workforce who are in “*subemple*.” And the provision of key public services is now seen not just as a revolutionary right but also a funding issue.

The education and healthcare sectors, the prizes of the revolutionary system, are relentlessly promoted to international visitors and claimed to be unique to the Cuban domestic audience. They are ironically two of the jewels in Cuba's crown that could be developed as businesses and sources of

employment beyond the state. The medical professionals have already be used as an export earner with up to 40% of Cuban doctors working abroad, principally in Venezuela. Raul Castro signaled at the April 2011 Communist Party Congress that the social programs will have to be “rationalized and “lower spending” must be made. The healthcare sector is being targeted for lay-offs.

The “inverted pyramid” of paychecks not reflecting workplace responsibility in Cuba has fuelled corruption and black markets. Now Raul Castro too has said he is fully “aware of the harm caused” by the pyramids. Individual professionals are increasingly demanding to know why they, in contrast to the owners of pizza shops or beauty parlors, cannot sell their talents and qualifications for salaries commensurate with their skills. In the post-*Lineamientos* era, socialism still means ownership of the main instruments of production but egalitarianism, Raul has said, is over. Equality of opportunity is the new objective and it is now in Cuban’s interests to have entrepreneurs with flair. Raul is even rolling the nanny-state – “the state can regulate its relations with individuals, but not relations between them” giving the green light to individuals to make their own connections.

Now Raul continues to need allies in the public sector but also in the private sector. Old solutions won’t work for the state sector. In the Special Period of the 1990s, Cuba faced emergency economic conditions which required more sacrifices from the Cuban consumer. But the conditions of 2011 are different. There are no more sectors to be brought under state control and wages cannot be squeezed or prices raised. The Cuban government cannot finance another fiscal deficit with lower salaries and pensions.

Raul Castro has said that the people must “be primarily responsible for finding jobs themselves. We cannot go on subsidizing above our incomes, eating our future and putting at risk the very survival of the Revolution.” The state sector is therefore not giving away jobs any more. And the days of “freebies and giveaways” in rations and lunches at work also seem to be numbered. Absurdities like coffee rations for

babies and cigarettes for non-smokers will be gone. Raul's objective is clear. In the future there will be subsidies, "but not for products but to Cuban men and women who for one reason or another really need them." Now, "the role of salaries in society" must be strengthened.

Another ally of Cuba, Iran, has been taking drastic measures to reduce government subsidies, which will not be lost to the Cuban embassy reporting events in Tehran. Until December 2010, fuel, food and electricity subsidies cost the Iranian economy 25% of GDP or \$60-100bn. These have been slashed by applying cash payments and help to business. Higher prices have been intelligently cushioned and salary levels improved. Raul and his advisors will have taken note just as much as members of the IMF Board.

Raul and Taxation- Public vs. Private Sector

Raul realizes that Cuban mindsets on taxation have to change as well. Most Cubans do not pay tax as they have no disposable income left over from the state's wages on which to pay it. If they do pay tax they see no direct linkage between taxation and any services provided in return by government. The government is struggling now to educate people to the collective benefit that taxation brings.

Raul Castro has set the objective: "The introduction of the basic concepts of the taxation system at different levels of education becomes very important, since younger generations will become permanently and concretely acquainted with the application of taxes as the most universal form of redistribution of the national income, in the interest of covering social costs."

Tax creates a new area of win-win in Cuba. The government wins if the private and self-employed sector prospers. It also establishes the principle of progressivity. If the reforms allow material prosperity for Cubans, the affluent will pay progressively more. Different forms of taxes and their incidence will mean new

feedback from Cuban civil society. If new employment is the objective, then payroll taxes are not a good idea. Indeed the modification of original proposals on payroll taxes is the first victory for the new mentality. The payment of and use of taxes creates a non-governmental lobby. Cuban people who pay taxes but are not allowed a choice in electing their government will now press for accountability and the Revolution now has no choice but to respond.

Who is to administer taxes? There will be state-trained professionals, but equally, as in all developed systems; the tax inspector will eventually morph into the tax advisor. Such interchange and mobility between sectors will become a feature of the Cuban economy. The government has already conceded that an overly aggressive tax regime will be counterproductive, marking a major change from previous experiments with self-employment. In other words, people must be able to make money or the crisis will deepen.

Raul and the Cuban Communist Party

The Chickpea Promise

The paper has discussed how the economy is changing calculations in Cuban politics. The problem for Raul is what part the communist party can be made to play in these changes. Equally if reforms do not produce changes and the *Lineamientos* documents merely gather dust on shelves, then the capacity of the Revolution to manage change- following the massive consultation exercise of 2008-2010- will be questioned. A state needs implementers, and Raul Castro is concerned with “institutionalization” and a move away from “Fidelismo.” Yet, to many in the Communist Party, the system of controls is comprehensive and only makes sense if it remains total. Raul himself is dismissive of the party’s past record of implementing “previous agreements.” He says, “most of them have been forgotten and unfulfilled.” So, according to the head of the organization, talking not doing has been the organization’s main activity.

The theory is that, as in China, the institution of the Cuban communist party will prove through its efficiency, its CDR complaints bureau outreach and its history that it is indispensable. It will use its CDR status to be the new vanguard and guardian of the Revolution. Yet, if Raul's economic vision is to take effect, he has made it clear that the Communist party must lose its oversight role and keep out of issues that are not its concern. The CDRs will now be told to let business manage itself and the party must help other Cubans make an income and a profit. Raul also wants key jobs in his economic management to be open to non-communists. He wants new talent, new ways of acting. "Membership in a political organization should not be a precondition for holding a leading position within the State or Government." Raul Castro is also ordering the party out of administration, holding "pointless meetings" and managing every breath that Cubans take. The party must now be "the main advocate of the interest of the Cuban people." Will this include standing by and watching the numbers of *compañeros millonarios* grow in the military and in the private sector?

It is of course significant that the party's First Secretary during most of its existence since 1965, Fidel Castro, has escaped criticism. Raul Castro called his brother a "genius." Meanwhile Fidel himself, with great political acumen, announced he had in fact resigned from leading the party several years ago.

If Raul Castro does not trust the Communist Party, what about "the people?" Of course polling is clandestine, but those conducted by the IRI in February 2011 and interviews of recently arrived Cuban émigrés suggest that the economy, food prices, and low salaries are the dominant complaints. However, the confidence in the government to fix them is also low. The promise that never again would chickpeas be mixed with Cuban coffee is only one of the most recent broken promises.

Raul Castro is saying that he needs actors beyond the communist party to implement reforms and boost the capacity of the Cuban economy to deliver growth and development. Beyond the economy, Raul's

other target is the inertia and counterproductive activities of the Communist Party and the official media. This is new territory indeed and one in which Fidel Castro seldom ventured. Having recognized that the capacity of his two major allies- the military and the communist party- to save the economy is very limited, Raul is open to negotiate deals with several new allies. Before we analyze the strength of the different negotiators we need to look at how the debate on issues is evolving.

The Debate on Solutions- The Role of the Media

Whatever the anodyne language of the *Lineamientos* may indicate (in contrast to Raul Castro's speeches), the critical debate of the issues is center stage in today's Cuba. The Cuban government is blaming its own system for the problems. More important Raul is punching holes in some fundamental principles of the Revolution. The debate in Cuba is now about ideas and concepts all of which require relaxation of controls.

One of the enduring problems that such a debate faces in Cuba is the battle of definitions. Stripped down, the issues are similar to many right-left debates in mixed economies. The starting point is the total and real Cuban revolution of "Socialism or Death." Raul indeed commits himself to the "continuity and irreversibility of socialism." Yet this is a socialism which now means something different- "the equality of rights and opportunities for citizens, not egalitarianism." So although Raul is keen to stress that he is not about to espouse capitalism, his professed philosophy is close to that of western social democrats. But there is a difference. The basis of the Cuban economy, Raul has said, will be "planning and not the free market." "The concentration of ownership will not be allowed" and the "state, on behalf of the people, should keep ownership over all basic production means." Why? Because only the state can provide certain functions. At

no point does Raul Castro acknowledge that “capitalist” countries like Canada, the UK and Sweden have healthcare and education provided without charge and financed through taxes.

Raul also switches seamlessly between the “people” who he says stated their views on the *Lineamientos* and the party which then produced the document itself. As members of the Cuban opposition have noted, Cuba’s future “guidelines” are being decided not by the National Assembly but by the delegates of a party whose members constitute some 7% of the Cuban population.

Raul is cautious also when discussing the non-public sector and seldom uses the term “private sector.” His approach is to offer “self-employment” but he ignores the implications of ending egalitarianism and increased inequality of wealth. He has acknowledged that economics is “the reality of figures” which must “prevail over all our hopes and dreams.” “Two plus two make four, not five or six.” To produce new solutions, Raul commits himself to make more use of “professionals graduated by the Revolution in economics, accounting and finances.” “We must further unite it, with the help of the National Association of Economists and Accountants (ANEC) to take up the task of constantly and systematically instructing our educated public and their leaders at all levels in this subject.”

He also cites Fidel Castro as favoring a dose of reality for the Cuban economy. Fidel had admitted it was wrong to claim “someone actually knew how to build socialism.” “Many do not understand that the socialist state, just as any other state or system, cannot deliver what it does not have. Much less is it going to have that which it does not produce if it gives away money without having a productive backing.” Whilst Raul professes to want new ideas, defining the parameters of the debate is difficult when Fidel is placed on a seemingly untouchable pedestal. Raul blames everyone else for the failures: we have been inconsistent “with the countless orientations given by Fidel from the early days of revolutionary victory.” Cubans remember that Fidel seldom talked about food, transport or housing. He always emphasized the lack of need for

material goods, and significantly the Communist party Congress in April 2011 that the Revolution would always be “of the poor, by the poor and for the poor.”

However he handles Fidel, Raul is impatient with false statistics, lies and sycophantic media. “The differences of opinion, preferably expressed in the right place, time and form, at the right moment and in the correct form, shall always be more desirable than the false unanimity based on pretense and opportunism. Moreover it is a right nobody should be deprived of.”

In reality, Raul is searching for the same solution for Cuba as many international finance managers- economic growth and better use of national resources. Raul wants a debate but one that is limited and cautious. He is pinning his faith on positions that break key revolutionary principles but lack the conviction to apply real alternatives. For example, the six “*lineamientos*” on prices do not once mention the word “market.” But nevertheless the Cuban economic system is supposed to become more concerned to measure “economic facts.” There is also approving comment on the need to work toward a single convertible currency and promote external financial equilibrium on Cuba’s foreign trade account. On managing the economy, Raul wants to move “toward a decentralized system where planning will prevail, as a socialist feature of management, albeit without ignoring the current market trends.” Although Raul says Cuba will find its own solutions, he does acknowledge that Cuba is willing to learn from other systems. He might wish to omit a key feature of the recent Chinese experience. According to the Unirule think-tank in Beijing, the state’s share of industrial output in China fell from 49% in 1999 to 27% in 2009. Raul will however note that most of the largest Chinese companies are still government owned- in the Forbes 500 list of the world’s biggest firms in 2010, there are 42 Chinese and all but 3 are government owned.

The debate therefore will continue to spend much energy on semantics. But the “2 plus 2” logic will inevitably work against the current suffocation of initiative, and harness the private sector to promote wealth

creation. “To get rich is good” is not yet in the Raulista dictionary, but it took time for his Chinese mentors to adopt it. And a red line for Raul is still to refuse to accept any “concentration of wealth.” So businesses not controlled by the state or military will remain small. Trading of real estate will similarly be limited, with taxes and regulations imposing rigid state control. Stubbornness in dogmas remains. But no Cuban will believe that private lemon juice stands or nail manicures will be enough to revive the Cuban economy.

Raul has repeatedly called for new ideas. But as the overwhelming and robotic vote in the National Assembly on August 1, 2011 showed, false unanimity will be hard to break. The “biggest hurdle,” Raul told the National Assembly “is a psychological barrier formed by inertia, inaction.” Raul has also said he is looking for new people to run the country as well. His definitions again are carefully crafted. He wants leaders of “Party, State and Government” to have “sufficient experience and maturity” but also wants to herald a “systematic rejuvenation of all the Party and of management positions.” He remains distrustful of any wider accountability to the “people.” The term limits he has proposed for leaders of two five year terms are of course no substitute for democracy- but it is a de facto system that has served the Chinese well.

One important test for the genuineness of the debate will be Raul himself. Will he this time go beyond rhetoric to actions and allow other members of his party or his military to express opinions in public? Will he allow the state media to voice criticisms of himself and Fidel? No other Communist voice has so far made public comments of even minor disagreement with any word Raul Castro said. If there is to be business confidence then the totalitarian nature of the regime will also have to change. Criticism and accountability, even of senior leaders and the Castro family, will have to be accepted. Business needs guarantees that the regulations for its activities will not be arbitrarily changed. Economics is about facts not politics and if resources are not to be wasted, prices should not be set by unaccountable bureaucrats. Judicial decisions and appointments must also countenance decisions which go against the government and rule for the private sector. Contracts must be enforceable in courts. There must be a start to real interconnection between every

Cuban sector. Bankers must lend to private pizza restaurants, machine shops as well as military-controlled tourist theme parks and agricultural equipment makers. Perhaps most important, bankers must be interested in the success of businesses which needs genuine internal competition and mobility.

Whatever the differences in definitions and concepts Raul Castro has said the truth must now be told. “We recall that the eighth of the Ten Commandments of the Bible reads: ‘Thou shalt not bear false witness or lie.’ Indeed Comrade Fidel had defined his concept of revolution as ‘to never say a lie or violate ethical principles.’”

A central issue of the new debate is whether the days of false unanimity will also be over. Will the government stop trying to manicure its own statistics, rose-tinting the growth and unemployment figures? Will foreign exchange reserves be published along with numbers employed in state security? In this quest for truth, Raul makes it clear that the official media is more hindrance than help. He castigates them for “dissemination of boring, improvised, or superficial reports.” They prefer to describe “the national reality in pretentious high-flown language.” *Granma* is now complaining about restrictions on its own investigative reporting and freedom to interview Cubans. Communist journalists are blaming communist officials- the excess of secrecy is hurting every aspect of the Revolution. And Raul Castro told the National Assembly in August 2011 that Cuba must stop blaming others and look into the mirror:- “we have said more than once that our worst enemy is not imperialism, much less its local salary earners, but rather our own errors, and if we analyze them thoroughly, they become lessons.”

All Cubans, including the government, know that the real battle of the media will not be on the printed page but on the internet. July 2011 marks the date when the Cuban government promised that broadband access will be technically feasible in Cuba. The government is entering unknown territory. They have made it known that they will no longer be able to base their internet controls on blocking access.

Millions of Cubans who watch U.S. TV series like 24 and CSI know that internet access is taken for granted throughout the world. This marks a major change from 2008, when Boris Moreno, Deputy Minister for Computer Science and Communications, said “Cuba is not concerned with the individual connection of its citizens to the Internet.” “We use the Internet to defend the Revolution and the principles we believe in and have defended all these years.”

We must assume that the bloggers will find a way to have their own broadband access and use it to produce economic and political changes. Their imaginative approaches including SMS texting from cell phones in Spain are already impressive. One blogger Yasmin Portales wrote in March 2011, “blogs are for talking about whatever we want; we have to exercise that right because this is our country and we have the right to talk about it however we want.” And Dagoberto Valdes, one of the pioneers of independent journalism in Cuba, has said, “it’s due to this new phenomenon (internet) that it becomes very difficult to manipulate public opinion because there are very diverse Cuban voices. It’s not about who is right or who has got the truth. It’s about the fact that the persons who have access to this diversity of information can build their own opinions and have the necessary information to elaborate their own judgment. That is what freedom of expression is for. It’s diverse and opposite to the exclusiveness of the sources and to the exclusion of the voices.”

The central feature fuelling the debate will be the new interaction between Cubans that economic salvation will demand. As Yoani Sanchez has observed, “the government is forced to open up, or the reality will leave them behind.” Economic reform will demand interaction between Cuban private farmers, state companies, the self-employed sector, foreign investors and visitors from the diaspora. Cubans will rely on other Cubans with different views. They will have shared interests and shared values to make business work. Farmers will not just look for state credits. They will want to market their own products, breaking up heavy-handed state monopolies like Acopio, improving quality of produce, selling direct to foreign- owned hotels,

buying vehicles and equipment. Sweeping away the economic and political bureaucracy will seem just as natural as eradicating the marabu weeds. It would be ironic indeed if clearing marabu created the first home-grown Cuban post revolutionary millionaires.

All Cubans will soon be dealing with each other, not just the government, in real estate, in looking for jobs, in doing for themselves what the state will no longer do for them. Cubans will own property that has a market and will have personal stakes in a country where the revolution will be less total. Military-run enterprises will ultimately be competing with the private sector for the best professionals in marketing, accounting. Lawyers will be doing company work across the sectors. Word of mouth will do the advertising that communist dogmas will be slow to permit. Internet and texting use, from close to negligible density, will explode in Cuba and will become a new way of interconnecting based on new values for running the economy. The measure of success will be sales, employment and cash flow. The speed will far outstrip the capacity of bureaucrats to control it.

The new debate in Cuba will take place through actions not word. The system will prove itself through Cuban fingers, feet and eyes. Cubans will use their fingers to text message, and to promote the value for Cuban interconnection of websites like revolico.com. They will take cell phone photos to publicize wastage of resources and abuses of power. They will use their feet to move from job to job or find a buyer for their homes. They will use their eyes to recognize what produces individual and collective prosperity- or as economists call it- economic growth. Their justification will be Raul Castro's call for socialist Cuba to become an "entrepreneur society." "Our entrepreneurs, with some exceptions, settled themselves (into being) comfortably safe and quiet 'to wait' and developed an allergy to the risks involved in making decisions, that is being right or wrong. This mentality is defined by inertia." Raul says he wants Cuban entrepreneurs to be involved in the debate. Inertia will no longer save the economy.

Raul and the Diaspora

Yes, the Cuban diaspora is about the economy too. The advantage to Raul is that members of the diaspora are Cuban, they are travelling now in hundreds of thousands to Cuba, and many are wealthy. The disadvantage is that they are neither communists nor members of the military. The diaspora know how economies and economic actors work. They are not going to invest substantial money in beauty parlors that can never expand beyond a few employees: neither will they be interested in an auto-repair shop that can be taken over by a well-placed colonel who likes what he sees. Equally, a farmer who has no control over getting produce to markets, or what his vegetables sell for, will never realize his potential and will find few investors. Similarly, paltry returns in a worthless currency will not be attractive, nor an arbitrary and punitive tax regime which will prevent any wealth accumulation or restrict the marketability of real estate.

This is a difficult choice for Raul which goes well beyond the issue of remittances which the diaspora has been sending to families in Cuba for years. Raul recognized in August 2011 that “today the overwhelming majority of Cuban immigrants leave for economic reasons, and almost all of them keep their love for family and their country.” So the basis is there for a deal with the diaspora on economic terms. Now the diaspora want to invest in the Cuban economy but to retain their interest and those of their families. As a student and admirer of China, Raul will know that two-thirds of the early “foreign investment” in the new capitalist China came from Taiwanese and Hong Kong Chinese. Equally by reserving a privileged place for chavista-inspired investment in Cuba, Raul will recognize that he is jeopardizing inflows from Cuban diaspora sources which in the long-run will be much more stable and dependable. The choice for Raul may well be between chancing on Chavez or faith in the family.

The Cuban-American Cuba Study Group, with its strong links to the Catholic Church, has proposed a new microfinance facility with externally raised capital, for SMEs developing in Cuba. It will again be a

protracted negotiation, but the Cuban state knows that they themselves cannot grant credits for importing machinery where no hard currency exists. The Study Group's offer will be analyzed with typical government caution but the Church could play a decisive role in making it happen. The outcome will indicate how ready Raul is to work with the diaspora as potential saviors of the Cuban economy.

Raul and the Church. The Church and Raul

Raul Castro's relationship with the Catholic Church is perhaps the crucial new relationship in the new scenario. The Church has gained political space through a direct intervention on one key issue- political prisoners. This has demonstrated what many had believed- the potential the Church has for making a wider impact as an innovative political and economic force. In the absence of legal alternative political parties in Cuba or diversity permitted within institutions the Church could play a key role in Cuba's reforms and in pushing out the barriers of tolerance and diversity. Its assets are considerable. First there is a long tradition of Catholicism engrained in family life in Cuba. This legacy includes the reverence of the Virgen de la Caridad del Cobre, the visit of Pope John Paul II, and the pre-revolutionary role of the Church in education (the Castros themselves are Catholic alumni). An estimated 70% of Cubans still have Catholic burials. The Church provides safe haven for alternative ways of thinking and alternative ways of acting. Equally home churches, particularly amongst Protestants, are increasingly an entrepreneurial alternative to avoid the problems in Cuba of permits, bricks and mortar, and snooping security. In short it is Cuba's only genuine nationwide NGO.

The Church has been careful not to overstep the limits. It has long had its publications such as *Palabra Nueva*, *Vitral* (closed due to government pressure, now online with *Convivencia*), and *Espacio Laical*. It has been a de facto incubator for a freer press, holding authority accountable and promoting a

limited free exchange of ideas. But writing and seminars alone did not produce the brokering deal that gave the 75 their freedom. Indeed readership of these publications has been extremely limited within Cuba and for many years the Church has been cautious about commenting on social and political issues. Raul Castro 's fulsome tribute to the Church at the opening of the Communist Party Congress in April 2011 showed a wily politician who recognized the developing role of the only genuine NGO in Cuba. "The Church," said Raul, "enriches the spirit and is a model for unity." But does Raul see the Church as an ally in a new political framework? That seems unlikely when in April 2010 Cardinal Ortega told *Palabra Nueva* that "many people are talking about socialism and its limitations." In the same interview he also said "the constraints of the type of socialism practiced here result in an often gloomy outlook." The Cardinal was blunt. Cuba faced "a difficult situation, the most difficult we have experienced in the 21st century."

In his April 2011 speech at the opening of the Communist Congress, Raul endorsed the views of Father Felix Varela, the nineteenth century Cuban priest after whom Oswaldo Paya named his constitutional petition. Raul agreed with Varela that he "would choose to see the fall of institutions created by man... rather than see falling from the human breast the sentiment of justice: that sun of the moral world." Raul reminded the communists that Fidel, before their revolution or their party was established, spoke in 1954 of "the immortal values of the spirit." Fidel believed "there are ten thousand more coincidences of Christianity than there might be with capitalism" and "there are no contradictions between the purposes of religion and the purposes of socialism."

The Church may find it uncomfortable to go beyond a spiritual role. But there is unlikely to be any realistic prospect of retreat. If Raul Castro were to repeat the March 2003 crackdown on the opposition, or show new indifference in the face of hunger strikers, it is inconceivable the Church could stay silent. Drawing on the language used by Cardinal Ortega, they should recognize that to move further into Cuban society is the right way to respond to the crisis. The Church will not be campaigning politically, nor will it

attempt to draft a manifesto but it does have the capacity to do practical work helping Cubans in a material way. For years it has been running computer courses, teaching English, or feeding the hungry, particularly the retired who have little or no support from the state.

Beyond this, the Church should reinforce its role as an incubator for new ideas in both political and economic activity. It could use its nationwide presence on the ground to develop the emergence of sound micro businesses and microcredits. It is encouraging that in July 2011 the Church announced in *Espacio Laical* that they will administer a new Masters program in Business Administration for micro, small and medium enterprises. It will run by the Cultural Center of Padre Felix Varela of the Archdiocese of Havana and the San Antonio Catholic University in Murcia, Spain. But the real contribution of the Church will be in providing a laical space for business actually to operate and be successful.

The Church can of course reach out as well to the Cuban diaspora. Business, investment and ethnic and spiritual affinity will merge comfortably under the auspices of the Cuban Church. Many members of the Church living in Cuba will be among those who have been or will be granted licenses to run new small businesses. The Church can play an important role in ensuring that the entrepreneurs do not find their efforts blocked by old ideology and obstructive officialdom. They can also facilitate the efficient channeling of diaspora funds so that new entrepreneurs have every chance of success: to generate employment, wealth and taxes for the nation. As a nationwide NGO, the Church can be a conduit of complaints and ensure accountability. Above all, the Church can show it is an active force in Cuban society, concerned, as was Father Varela, with both the spiritual and material needs of the Cuban people.

Raul and the Opposition

Raul Castro is most unlikely to acknowledge the possibility of a contribution to the new era from the Cuban opposition. The totality of the Cuban Revolution cannot be undermined. The extent and influence of “civic society” and the Cuban peaceful opposition is a matter on which there is little consensus. The government and the communist party argue there is no independent opposition promoting new ideas and that the individuals involved are mercenaries. To anyone who has lived in Cuba and met members of the opposition this is clearly not true. Oswaldo Paya achieved over 25,000 notarized signatures and addresses for his Varela Petition in 2002-03, indicating with family units that at least 100,000 Cubans were prepared to identify themselves as opposed to totalitarianism, with the huge risks that that entailed. Churches have expanded outreach into civil society but as yet have realized only a tiny fraction of their potential in Cuban society. The blogosphere has attracted much attention through its novelty value in a society with suffocating information controls. But this too has not even scratched the surface of its potential. It will be a vital medium to promote new civic activism in the economic sphere.

It is true that the opposition has included some individuals who have been more concerned to promote their own agenda against those of others. The government has readily encouraged suspicion between them with the copious use of state informers. Even after the release and exile of some political prisoners, harassment remains common. But the opposition must equally recognize that new economic and political space is opening. There are practical issues to be addressed, most well outside the communists’ comfort zone. As in other political systems, whoever has success in dealing with rice and beans matters will have influence in a genuine “*batalla de ideas*.” It is important for the opposition and civic society to be as involved as the CDRs once were. They need to be engaged in Cuba with Cubans on Cuban issues and to make imaginative practical proposals. The government will continue to attempt to discredit them as individuals, labeling them all as only existing because of U.S. or EU support. This is also manifestly untrue.

Indeed many key figures of the opposition like Oscar Elias Biscet have never even been charged with taking money from the U.S. and indeed around half of the 75 sentenced in the March 2003 crackdown were never so charged.

Raul Castro's instinct will be to divide elements of the opposition, perhaps by offering deals on business or by granting media concessions. But there will be no relinquishment of political control. Meanwhile the opposition themselves appear to be converging in their positions on key issues. In July 2011 "*El camino del pueblo*" (a new document sent to the overseas press), was signed by several leaders of the opposition such as Oswaldo Paya and Guillermo Fariñas, the Damas de Blanco spokesperson Laura Pollan and the head of the Cuban Commission for Human Rights and National Reconciliation, Elizardo Sanchez.

Cuba's Choice: The Civic Entrepreneur or Unemployment

In post-*lineamientos* Cuba new ideas will prevail. This is certain because the government and those who reject the economic and political legacy of 52 years agree. The government is afraid of losing control and knows it must make adjustments. The 2002 vote on the "irreversibility" of socialism still provides the official backdrop to "popular" support. But now Raul Castro is insisting that major chunks are to be bitten out of an all-planned, all-state ownership model and that freebies and egalitarianism are a thing of the past.

Equally all Cubans recognize that Cuba is unlikely to be changed by "*lineamiento*" or articles written by "Centers for Studies." The Cuban Revolution was made by individuals, motivated and fanatical, who were men and women of action. As Jorge Domínguez has observed in his book Order and Revolution, one of the distinguishing and decisive features of the Revolution was the role of the "civic soldier." These were a cadre of soldiers that fought as guerrillas, but also cut sugarcane, spearheaded literacy campaigns, and spread revolution. Cuba in 2011 is beginning to see the arrival of the "civic entrepreneur." Action on the economy is

what most want. Living standards and food are the dominant concern, not books on Marxism. The iPad, Google and Facebook are the aspirations rather than a revolution of leveling down to ensure that no Cuban should get rich. There is now acceptance of using talents better rather than the “inverted pyramid.”

Cubans see the alternative to successful civic entrepreneurs is unemployment. The alternative to wastage of resources is market mechanisms, the alternative to indiscriminate subsidies is targeted benefits, the alternative to managerial inertia and suffocating bureaucracy is delegation and entrepreneurial flair. As for maintaining free education and healthcare, more Cubans will learn that this does not depend on a planned economy where no individual can become prosperous. The state will no longer be inventing new jobs, simply because it can't afford to do so. The detailed regulations on taxes surrounding the self-employed categories will certainly create some- the prevention of too much success will find enthusiastic enforcers. But the civic entrepreneur will show Cubans the choice is not between socialism and capitalism; or between paltry wages and free education and health services; or between anarchic chaos and free expression.

So far the evidence suggests that the government experiment in self-employment is not producing many new entrepreneurs. Up to April 2011, 68 percent of the 221,839 new permits granted and being processed for self-employment were for Cubans who were not previously employed, suggesting many were already illegally engaged in these or similar activities. Some 16 percent of the licenses were issued to retirees and state workers. Only 7% belonged to university graduates and most licenses were taken up before the mass lay-offs from the state sector began to materialize. Many prefer to continue operating illegally because of the high taxes they see the government imposing.

The civic entrepreneurs should be drawn from a new pool of talent. After 52 years of the Revolution, there are very few Cubans who can claim to be experienced business operators. Despite the “civic” label, the group will include ambitious members of the military who will see the state cutbacks as a threat to their

current positions. To fulfill their wider role in opening Cuban society and the economy, the civic entrepreneurs will need to use their positions as a platform to bring complaints to the attention of government, to promote accuracy in statistics, tolerance of behavior, and effective use of the internet. Like the Revolutionary Armed Forces of the early post revolutionary years (before the formal founding of the new Cuban Communist Party in 1965), they must be dynamic, imaginative, committed and above all be seen on the ground all over Cuba.

The CDR Index- What Might Happen

The Committee for the Defense of the Revolution has been the most visible local presence of government control in post revolutionary Cuba. Through the CDR the government monitors Cubans' dependence on the state and in return for conformity of political and economic behavior provides to Cubans employment, services and low wages. Raul's messages in his speeches mean that that bargain is now at an end. We now can try to measure Cuba's propensity to change by what I have termed the CDR index. This examines the capacity of the Cuban system to adapt and loosen controls. The existing system of CDRs has been designed to enforce three enduring policies of the Cuban Revolution- *Conformidad, Dependencia and Represión*. The new CDR index will measure how far Cuba has a Capacity for Democratic Reform. How far will Cuba diverge from the Shoethrower's index?

In Cuba, in the second decade of the 21st century and the 6th decade of the Revolution, the issues that are center-stage are economic. Here then is perhaps a link with the first comparison of this paper- the Arab uprisings. A Tunisian market-stall owner, Mohamed Bouazizi, became the symbol of hope for many Arabs. He was not a known human rights or democracy advocate but a tradesman. He had invested \$200 in purchasing fruits and vegetables and was harassed by police about his permits and had his weighing scales

confiscated. He was young, entrepreneurial and determined not to be shackled. The early signs suggest that Cuban entrepreneurs will not be fooled or conceal their complaints if the investments in their businesses are ruined by political dogma and bureaucracy. Reports from Cuba suggest thousands of licenses have already been returned by disappointed entrepreneurs. Farmers of idle lands have successfully demanded that lease terms be extended to make them viable and they be given the right to build houses and other structures on their land. *Cuentapropistas* have also successfully complained about payroll taxes limiting employment and the state is finally granting discounts to restaurants that buy food items in bulk. The first glimpses of the civic entrepreneurs' potential influence are emerging.

A second feature of Arab economies offers another message for Cuba's policy makers. In Egypt, the state controls over 40% of the economy with the military accounting for 20%. Youth unemployment is extremely high but internet use is at 20 million- a quarter of the population. In Syria, it is estimated close to 50% of those unemployed are under 30, whilst military service is compulsory for those between 18-42. Alawi military officers have dominated many growth sectors in Syria like tourism. But increasingly the private sector is forcing the fragmentation of this control. Egyptian and Syrian youth have shown that governments can no longer hide behind the military to provide order and control. In the era of Twitter and Facebook, the young do not show deference to a gun barrel if they are deprived of economic opportunities.

A Cuba with a significant community of civic entrepreneurs has the opportunity to reconnect and work with a sympathetic and wealthy diaspora, and can use the safe haven of the Church to promote practical debate. The civic entrepreneurs will also be promoting interconnections within the Cuban economy through advertising, nationwide business links and new standards of efficiency. Without a dynamic private sector, where competition rather than controls will determine upward limits on growth, Raul Castro will know that stagnation awaits the Revolution. Even if Cuba makes viable deep water oil discoveries, the real challenge will be how far Cuba reverts to the sclerotic state-controlled model for oil exploitation, rather than trust in a

new entrepreneur society with private businesses playing a full part. Raul Castro and the military will of course resist any dilution of control in strategic sectors. But entrepreneurs at all levels will tell him that Cubans badly need to interconnect freely to create wealth throughout the economy. The alternative is human marabu lying idle, becoming frustrated that the fertilizer of new ideas and new products is being blocked by stubborn dogmatic leadership.

Raul Castro has reshuffled key elements of the Revolution and has told the Communist Party to reform its ways. The state sector must rationalize and freebies will end and even education and healthcare must economize on resources. Other Cuban actors must adapt as well. The civic entrepreneurs, embracing within them the Church, civic society, military in business, independent intellectuals and bloggers, could show how far the Cubans active in the economy can produce an alternative to the old CDRs. The old CDRs have resulted in remoteness, conformity and stagnation. The new ones must be equally vigilant as the old, with their eyes and ears to the ground. But that is where the similarity ends. The civic entrepreneurs will need to demonstrate the practical benefits to all of new qualities among Cubans. How far they are successful will determine what might happen in Cuba. They will build a new CDR index based on *Conectividad, Diversidad and Renovación*. This new CDR index will measure how far what might happen in Cuba could produce real change.

Annex: How Far Apart are Cubans?

It is difficult if not impossible to gauge opinions on key issues of Cubans on the island. As an attempt to measure the scope of the debate, I have compared below what the government has been saying on a variety of issues with public comments of Cubans not in government positions who live on the island. Some are from members of the “opposition,” some from semi-official centers of studies, and some from popular cultural figures. All are producing the critical comments and new ideas which Raul Castro professes to value. These issues are some of those on which Cubans must join in a debate and where the civic entrepreneurs will have a key contribution.

THE IDEOLOGICAL AND PRACTICAL DEBATE

ISSUE	GOVERNMENT	OPPOSITION/NGO COMMENTS
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<p>Free elections - non Communist parties</p>	<p>“If we are to have a single party, the Communist Party has to show itself the most democratic ever.” Raul Castro 2010.</p>	<p>1. “Raul knows that Cuba needs change, but he also knows that change will be his downfall.” Yoani Sanchez¹, <i>Der Spiegel</i>, July 2010 2. “Article 5 of the Constitution declares the Communist party the directing and superior force of society and the state – or an elite above all citizens in spite of its well-known failures to act.” Oscar Espinoza Chepe² 2011. 3. “A project that does not plan everything or control everything, or lead the dreams, or hinder the equality of opportunities. A project that may create the legal framework to open spaces . . .for the citizenship and for the civil society.” Dagoberto Valdes³, <i>Convivencia</i> 2010 4. Free elections in universities. “Democratic election of rectors, deans, and heads of department,” Carlos Alzugaray⁴, <i>Temas</i> 2010</p>
<p>Non - Communists in key positions. Dialogue with Opposition.</p>	<p>Yes. But Articles 5 and 62 of Constitution still give monopoly position to PCC. No word on dialogue.</p>	<p>1. “I also don’t like how the Communist Party’s been operating. It’s now renewing itself, thank goodness. It was time.” Mariela Castro⁵, March 2011 2 “If the regime were willing to have talks, we have demands. We want Raúl and Fidel Castro to resign because they have drowned the country in misery, political assassinations and persecution. Let them assign other people to represent their interests and let us begin a</p>

¹ Yoani Sanchez is the founder of the *Blog Generacion*.

² Oscar Espinoza Chepe is an independent economist, and former political prisoner.

³ Dagoberto Valdes is editor of the online *Convivencia*.

⁴ Carlos Alzugaray is a retired Cuban diplomat and professor of international relations

⁵ Mariela Castro is the daughter of Raul Castro and Director, Cuban National Center for Sex Education.

		transition toward freedoms for the Cuban people.” Oscar Elias Biscet, ⁶ April 2011 3. “Fidelity to one’s country is not fidelity to a party. A party is a social construct, while the homeland retains itself in the thoughts and hearts of all.” Pedro Pablo Oliva ⁷ , 2011.
New Plebiscite on laws	No.	“Let no one speak for all the people - ask the people in a referendum.” Oswaldo Paya ⁸ , 2010
Socialism	“Socialism is the only guarantee that Cuba remains free and independent.” Raul Castro, 2011	1. “No Social property exists in Cuba. There are no independent trade unions.” Oscar Espinoza Chepe, May 2011. 2. “Socialism or death. We say: freedom and life. That defines our program.” Oswaldo Paya, 2010 3. “Many people are talking about socialism and its limitations.” “The constraints of the type of socialism practiced here result in an often gloomy outlook.” Cardinal Jaime Ortega ⁹ , <i>Palabra Nueva</i> , April 2010.
Economic Reforms or Restructuring	Socialism remains. But can be reformed and perfected. “Ideas chart the course; the reality of figures is decisive.” Raul Castro. Cuba “must avoid excessively paternalistic, idealistic and egalitarian approach instituted by the Revolution in the interest of social justice.” Raul Castro	1. “A ‘patas arriba’ approach to Cuba’s economy. Total overhaul required.” Pedro Monreal ¹⁰ , <i>Espacio Laical</i> 2010 2. Need to “transform our society, our politics, our culture.” Rafael Hernandez Online interview 2009 3. “Socialism must show that it is capable of managing, of fixing problems.” Rafael Hernandez ¹¹ , <i>Temas</i> 2010 4. “Old dogmas persist as obstacles to national development. They have restated they will not allow concentrations of private property, so as to block progress in the private sector.” Oscar Espinoza Chepe, May 2011

Free media	No. But stop being “boring and superficial,” They are “denying national reality.” Raul Castro, Communist Party Congress speech, April 2011	1. State media is “boring,” “repetitive,” and “overly politicized.” Rafael Hernandez, <i>Temas</i> . 2. “The government is talking about change, so it’s time to propose more changes,” Hector Palacios ¹² 4. “Changes in laws to guarantee freedom of expression, of press and association, freedom of movement, freedom to leave and enter freely.” Oswaldo Paya, Paragraph 1 in “ <i>Todos Cubanos</i> ” Road Map for Change, April 2011. 5. “...the absurd supposed monopoly of truth of the Cuban Communist Party. One indispensable step is that
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⁶ Oscar Elias Biscet is a doctor, political activist and former political prisoner.

⁷ Pedro Pablo Oliva is a Cuban painter and provincial delegate of the Communist party, dismissed for criticizing the government.

⁸ Oswaldo Paya is founder of the Christian Liberation Movement and author of the Varela Project.

⁹ Cardinal Jaime Ortega is Archbishop of Havana.

¹⁰ Pedro Monreal is a professor at the Center of international Research on the Economy, University of Havana.

¹¹ Rafael Hernandez is Director of *Temas* magazine.

¹² Hector Palacios, former Communist Party official, founder of Democratic Solidarity Party, and former political prisoner.

		Cubans should be able to use the Internet freely and that new press publications are permitted to reflect diversity of opinions in Cuba.” Oscar Espinoza Chepe, May 2011 6. “Blogs are for talking about whatever we want; we have to exercise that right because this is our country and we have the right to talk about it however we want.” Yasmin Portales ¹³ , March 2011
Buy/sell private property	Yes, but no concentration of ownership. One house per person.	Yes. But in conflict with Cuban Constitution, Art 21, because ownership rights still limited. And limit to one house per Cuban. State permission still required to sell, rent etc.
End rations/free lunches	“Elimination of free services and improper subsidies- with the exception of those called for in the constitution, healthcare, education and social security.” Raul Castro, 2009	No objection from opposition.
Central Planning /Decentralization	Yes. But the model is “excessively centralized.” Move “towards a decentralized system where planning will prevail, as a socialist feature of management, albeit without ignoring the current market trends.”	1. “The cure for the deficiencies of planning cannot be worse than the illness.” Pavel Vidal-Alejandro, <i>Temas</i> ¹⁴ , 2010 2. IRI survey poll of 463 Cubans in 12 different cities in February 2011 ¹⁵ asked “If you were given the opportunity to vote to change from the current economic system to a market economy system – with economic freedoms, including opportunities for Cubans to own property and run businesses – would you vote in favor of, or against, that change? “ 90.7 % of the respondents were in favor
Greater incentives	Attack inverted pyramid. “We are fully aware of the harm caused by the ‘upside-down pyramid’ over the years; I mean, when salaries are not paid in relation to the importance and hierarchy of leadership positions, nor is there adequate differentiation between some and others, all of which works against motivation for promoting the most capable workers	1. “Cuba lacks wage rates that stimulate work and promote innovation” Pedro Monreal , <i>Espacio Laical</i> 2010 2. “We have to offer incentives to keep people here. We have to create more attractive policies for young people, so that it also makes economic sense for them to stay. We need growth and a better quality of life for everyone.” Mariela Castro, <i>De Spiegel</i> , July 2010

¹³ Yasmin Portales, Cuban blogger.

¹⁴ Pavel Vidal-Alejandro, Assistant professor, Center for Studies on the Cuban Economy, University of Havana.

¹⁵ International Republican Institute.

	towards senior level responsibilities in the companies.” Raul Castro December 2010	
Unify dual currencies	Eventually.	“People associate dual currencies with the Cuba of 1980s. People associate double currency with inequality.” Pavel Vidal-Alejandro, 2010 <i>Temas</i>
Mixed economy	Yes, but limited. No concentration of ownership. Self-employed limited to 178 categories plus a few new ones. “We must eliminate for ever notion that Cuba is the only country in the world where you can live without working.” Raul Castro 2011.	1 “Private sector properly regulated should not be seen as enemy of the nation’s progress. It can contribute to the creation of jobs, wealth or the country, complementing public initiatives.” Oscar Espinoza Chepe, May 2011 2.”The solution lies not in savage capitalism and its privatizing frenzy, nor in savage communism with its single party and its single super-capitalist.” Oswaldo Paya, 2010 3.”Essential to have mixed ownership of assets, and decreased reliance on services.” Ricardo Torres Perez ¹⁶ . <i>Temas</i> , June 2011
Private sector growth	“Cut bloated payrolls in public sector.” And need for entrepreneurs. “Our entrepreneurs, with some exceptions, settled themselves comfortably safe and quiet ‘to wait’ and developed an allergy to the risks involved in making decisions that is being right or wrong. This mentality defined by inertia.” Raul Castro 2011	“Future employment must come from small and medium enterprises. Will these be supported by the state? And microfinance needs independent professional advice. If you have a successful company, it is illogical to penalize and limit its growth.” Ricardo Torres Perez, <i>Temas</i> , June 2011.
Market prices	1. Take into account market but still planning. “Planning and not the free market shall be the distinctive feature of the economy.” Raul Castro 2. Market is based on “personal interest, material and individual.” Jose Luis Rodriguez, former Planning Minister	Yes, to determine allocation of resources. “The market plays an active role in the process of development; to ignore it generates areas of inefficiency which conspire against the very process of development and growth.” Juan Triana, 2011
Education and Healthcare	Maintain as constitutional right but fund more from	“Standards are declining and healthcare has been threatened by reliance on exports/services to tourists.

¹⁶ Ricardo Torres Perez, Professor of Economics in Center for Studies of the Cuban economy, the University of Havana.

	taxes and need to economize on resources	...an anarchic system of privatization in education.” Oscar Espinoza Chepe, 2011
Capacity of existing institutions to implement reforms.	Doubtful based on track record. Communist Party Congress’s “previous agreements, most of them forgotten and unfulfilled.” Raul Castro, April, 2011	No. “The <i>lineamientos</i> are beyond the capacity of Cuba to implement. Need new skills, a new economic culture.” Pavel Vidal-Alejandro, <i>Espacio Laical</i> , 2011.
State ownership of strategic sector	Yes. Fundamental to Revolution.	“The world is capitalist so Cuba can’t be socialist.” Juan Triana ¹⁷ , <i>Temas</i> 2010 “The communist Party can only do good if it gives back to the people what belongs to the people.” Oswaldo Paya, 2011
State monopolies in food trade - ACOPIO	Ambivalent on future	Fundamental to end Acopio. Armando Nova ¹⁸ /Pavel Vidal-Alejandro, 2010
Agricultural land	No security of tenure. “Thus, if these are required for uses different from these in the future, the state would compensate beneficial owners for their investments and would pay to them the value of the benefits created.” Raul Castro 2010	Allow full private ownership. Foreign investment in agriculture. Allow owner producers to sell directly to food market. Reflects views of most independent economists
Foreign Investment	Yes, but not in strategic sectors	Important to diversify away from dominance of political partners like Venezuela.
Banking/Professional services	Yes, but remain in state hands. No self-employed in these sectors.	“Ridiculous to limit such vital sectors to state control. Expand self-employed categories to teachers, doctors and other professionals. Pavel Vidal-Alejandro.” (with Carmelo Mesa-Lago, <i>The Impact of the Global Crisis on Cuba’s Economy and Social Welfare</i> , 2010)
Cubans right to free travel overseas	No 265 in <i>Lineamientos</i> – study system that will facilitate travel overseas by Cubans as tourists. Government is “making advances with the reform and elaboration of a series of regulations on migration that have lasted unnecessarily for a long time.” Raul Castro, August 2011	Yes. Of course. Present restrictions are a fundamental deprivation of rights. Need for new legislation. “For Cubans, entering or leaving Cuba, is not a recognized right.” Oswaldo Paya, 2008
Constitutional Amendments e.g.	Silent	Art 21 of Cuban Constitution makes it illegal to employ non-family members.

¹⁷ Juan Triana Cordovi, Director of the Center for Studies on the Cuban Economy, University of Havana.

¹⁸ Armando Nova, Professor in agricultural economics, University of Havana.

employment of non family labor		
Participation in discussion of changes	“...participation of 8,913, 838 people in more than 163,000 meetings in which over three million people offered their contributions.” Raul Castro, Communist Congress speech, April 2011	1. There should be a political system where “opinions and participation of people is not only accepted at the level of mobilization and consultations, but also in how decisions are taken and in how policies are controlled.” Rafael Hernandez, <i>Temas</i> , 2010 2. “Only 6.9% of Cubans participated in ‘consultas’ on the <i>Lineamientos</i> . 70% of those who attended said nothing.” Lauritza Diversent ¹⁹ . 3. “We have ways of participation and taking decisions that have not changed since the 1980s.” Mayra Espina Prieto. ²⁰
Trust in Government	Yes, but with non-communists also included	Independent opinion polls are not permitted in Cuba. The International Republican Institute conducted a survey of 463 Cubans in 12 different cities in February 2011. The answers to their questions are the nearest we have to a poll of freely expressed Cuban opinion. Do you believe the current government will succeed in solving Cuba’s biggest problem in the next few years? <i>77% said no.</i> If you were given the opportunity to vote to change from the current political system to a democratic system – with multi-party elections, freedom of speech and freedom of expression – would you vote in favor of, or against, that change? <i>78.2% were in favor.</i>
Continued dependence on Venezuela	Yes.	No. “To return to sticking with one country is dangerous.” Juna Triana, <i>Temas</i> 2010. “63% of all Cuban trade is with countries (Venezuela, China and the US) where market conditions are distorted by political considerations.” Jorge Mario Sanchez ²¹ .
Non-discrimination Tolerance	Greater effort needed. Communist party has shown “lack of systematic work and political will to secure the promotion of women, black people of mixed race, and youths to decision-making	“We want a new society, one without discrimination by class, race, gender, ethnic group, birthplace, language, among others.” Mariela Castro, 2010.

¹⁹ Lauritza Diversent, Cuban blogger.

²⁰ Mayra Espina Prieto, Researcher at the Center for psychological and sociological research and professor of sociology, university of Havana.

²¹ Jorge Mario Sanchez, Professor of Economics and international trade, Center for Studies on the Cuban Economy, University of Havana.

	positions.” Raul Castro,2010	
The Old Dreams		<p>1. “The inflexibility that we have suffered from for years did us harm, much harm and I think that we've broken the inertia, fortunately, in many directions and we have to keep moving forward.” Silvio Rodriguez²²</p> <p>2 “Our apartment is very surveyed. There is a political police office upstairs and it’s been there for many years. Now nobody believes in Fidel Castro. They don’t even listen or read his reflections and Raul Castro has lost a lot of what he encouraged at the beginning of his term, it’s been lost.” Miriam Leiva²³, May 2011</p> <p>3. “This is our last opportunity.” Rafael Hernandez, May 2011</p> <p>4 “The Cuban people have the right to be more free, to think differently, and to be respected for being different.” Carlos Varela²⁴, June 2011</p> <p>5. “What does it matter who won or lost, when the old dream has died?” Carlos Varela’ song “<i>El Viejo sueño acabó</i>”</p>
The US embargo	“The U.S. has not changed its traditional policy of discrediting and ousting the Revolution.” Raul Castro, April 2011	<p>1.”The brutal pressure that the combination of blockade and terrorism paid with US money imposes.” Juan Triana, 2011.</p> <p>2. “The embargo has become an important political instrument for the government. The embargo is used by the regime as an excuse for the miserable economic conditions. Of course, the embargo should be liftedBut it is not lifting the embargo that will liberate Cuba; it is the duty and mission of the people to liberate Cuba.” Oswaldo Paya, 2010</p>

²² Silvio Rodriguez, Cuban singer/songwriter.

²³ Miriam Leiva, Independent journalist and opposition activist, wife of Oscar Espinoza Chepe.

²⁴ Carlos Varela, Cuban singer/songwriter.

About the Author

Ambassador Paul Webster Hare was the British ambassador to Cuba from 2001-04. Hare graduated with First Class Honors in Politics and Economics from Oxford University in 1972 and from the College of Law in London in 1976. He worked for 5 years in the private sector, in law and investment banking, before serving for 30 years in the British Diplomatic Service. Hare served overseas in Portugal, New York, at the UK Representation at the EU in Brussels, and in Venezuela as Deputy Head of Mission. He was Head of the Foreign Office's Non-Proliferation Department and the first Project Director for the UK's presence at the Shanghai World Expo in 2010.

Hare is a Fellow of the Weatherhead Center for International Affairs at Harvard University and a member of the Brookings Institution Core Group on Cuba. He has written two policy briefs for Brookings: "The Odd Couple; The EU and Cuba 1996-2008," and "US Public Diplomacy for Cuba: Why It's Needed and How to Do It." With Carlos Blanco, he is the coauthor of a Brookings paper published in November 2010 on Cuba and Venezuela: "Is Three a Crowd – the Venezuela factor in Cuba's policy towards the United State". He is an invited Cuba contributor to the New York Times online Cuba Topics and has written articles for the Miami Herald.

Hare served as president of the British Baseball Federation from 2000-01. He has been designated a Lieutenant of the Royal Victorian Order by Her Majesty Queen Elizabeth II. Ambassador Hare is a lecturer on International Relations at Boston University and teaches classes on Diplomacy and on "Cuba in Transition." His novel, "Moncada – A Cuban Story", set in modern Cuba, was published in May 2010.