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Author(s): Ricardo Torres Pérez

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# VICINITY MATTERS: CUBA'S REFORMS IN COMPARATIVE PERSPECTIVE

*Ricardo Torres Pérez*

*University of Havana, Cuba*

## Abstract

After five years from the adoption of the *Lineamientos*, the Cuban model is going through its most profound transformation since the triumph of the Revolution. It is common in the literature to find comparisons using China and Vietnam as benchmarks for obvious reasons. This article tries to summarise the impact of US sanction in the conformation of the Cuban model, analyses the usefulness of the Asian experience and puts the current reform in the context of the restoration of ties with the United States. It concludes that the structural factors behind this unique model are now altered in many important ways and will be more so in the near future. Big implications are expected as a result.

**Keywords:** Cuban economy, economic changes, US blockade, China, Vietnam

## Introduction

It is well known that from the second half of the 19th century, the United States, then an emerging industrial power, became the economic metropolis of Cuba. This relationship grew much stronger after the US intervention in 1898, which was followed by the formation of a broad legal basis since the founding of the Republic that strengthened the economic ties and spread them to the political, military and cultural fields.<sup>1</sup> The sharp break after 1959 eliminated in a few years what had been a long-standing close relationship. However, this relationship had been very asymmetric and in many cases limited the real possibilities of an indigenous Cuban economic development, due to the privileges large US corporations enjoyed in the Cuban domestic market. Now a moment of cautious

rapprochement has arrived between two states that once shared a deep relationship which was interrupted abruptly and who have remained distant for over half a century. In addition, this is taking place in the midst of the most extensive transformation of the Cuban economic model in half a century. This crucial moment is giving rise to a vast literature that explores the synergies that could result from the Cuban reform, the peculiarities of the Cuban case and the expected lifting of economic sanctions from the United States.

In that vein, this work contains three interrelated objectives. Firstly, it analyses the formation of the Cuban economic model as the result of the interaction between the US blockade and the common characteristics of the Soviet-style central planning model.<sup>2</sup> It then tries to establish parallels and differences between Cuba and Vietnam and China, two countries that have also opted for gradual adjustments in their models, taking into account a peculiar domestic context and geopolitics. Finally, it examines the potential effects on Cuba's recent rapprochement with the United States, mainly in relation to Cuba's economic reform. The article is divided into five sections. After the introduction, the effect of the US embargo of the island and its interaction with the weaknesses of the Cuban economic model is analysed. In the third section, the current process of economic reform is examined through the comparative study of the experiences of China and Vietnam. Next, details of the current Cuban reform and the expected impact of the normalisation of ties with the United States are discussed. Finally, some thoughts are proposed that draw together the central logic of the argument.

## **The Formation of the Cuban Economic Model in Light of US Sanctions**

The US embargo has been the subject of much controversy both inside and outside Cuba. Within the Northern power, there were always voices that opposed these measures from various positions, and these currents have strengthened significantly since the mid-1990s. Hardly any sovereign state defends these sanctions, and even fewer do anything to adhere to them (Leogrande 2015). In the case of Latin America, they have become a permanent source of misunderstandings and headaches for an already beleaguered US policy towards the region. These differences threatened to completely derail the Summit of the Americas in Panama in 2015, a forum for consultation which is considered one of the greatest achievements of US diplomacy in the area.

However, it seems undeniable that the highest price has been paid by the Cuban people, through its perverse effects on the economy, which in many cases has amplified the deficiencies of its own model of central planning.<sup>3</sup> At this

point, it is worth noting how the embargo has interacted with the shortcomings of the Cuban model, since the latter is undergoing the biggest transformation in half a century and the sanctions regime now seems destined to disappear sooner rather than later.

The literature on centrally planned economies (CPEs) refers to some specific features that are of great interest given the great diversity of countries that have adopted this model during the 20th century. In this segment, three aspects that showed similar behaviour in all of them are examined: trade patterns, industrial organisation and ownership structure.

A feature attributed to the CPEs had to do with the relatively low level of external openness, even when controlling for the size of the economy (Weill 2008). In relative terms, for these countries trade was less important, a particularly striking fact given the rapid increase in trade after World War II (Fouquin *et al.* 2012) and the existence of the Council for Mutual Economic Assistance (CMEA), one of whose objectives was to promote economic integration through trade and finance. In practice, planners' priorities were inclined towards domestic equilibrium, and that goal became problematic in proportion to the extent of interactions with other economies (Myant and Drahokoupil 2011). This resulted in two fundamental trends. On the one hand, trade with other socialist countries, specifically within the CMEA, was very large, facilitated by the existence of coordinating mechanisms. On the other hand, agreements were made essentially in physical quantities, because the use of international prices was controversial, and even counterproductive, given the wide variations within each country. Finally, in all cases, the State exercised control of external activity through an effective monopoly on international trade, which rested on a few companies authorised to conduct such transactions.

In the case of Cuba, the amount of trade has been less than expected according to its level of development and the size of its economy. Until 1989, the ratio of trade relative to gross domestic product (GDP) increased mainly based on the increase in imports, while exports remained stagnant (Figueras 1999). In the following two decades the general trend remains essentially unchanged, although the volume of trade with the rest of the world has increased (Torres 2014).

This characteristic was reinforced by the punitive US actions, as they impose additional costs on transactions with the rest of the world. This must have been especially true for links with the Western world, as these are developed according to the usual practices in international trade. On the Cuban side, trade was subject to the availability of foreign currency for transactions, and consequently access to abundant credit, which in turn was linked to the climate in political relations with this group of countries. These relations, in turn, were always sensitive to US pressure on several of its Western allies. A notable example was the

cooling of these links with key partners such as Canada, when the Cuban army intervened in the war in Angola, or the almost total suspension of contacts with the European Union in the light of events that took place in early 2003.

In the 1980s, the debt crisis and the tightening of sanctions under the administration of Ronald Reagan led to credit being removed completely and Cuba declaring an indefinite moratorium on its payments in 1986, which deteriorated the external context even more.<sup>4</sup> This had a tremendously negative effect on economic performance in the following years. As an open economy, Cuba is very sensitive to changes in the external sector, so the collapse of trade with the Western bloc limited its expansion possibilities. Furthermore, these countries supplied equipment and goods that were not available in the socialist area, thus affecting the use of certain industrial capabilities that had been acquired in those countries. This effect extends to the present and is clearly seen in the difficulties in accessing commercial loans and development assistance.

These facts resulted in a higher trade dependence on the socialist countries in the eighties, just before their collapse and when they were experiencing a precarious economic situation. Note that in the second half of that decade, a major movement had already begun in several states, including the Soviet Union, towards comprehensive economic reforms, seeking a greater role for the market. Several countries in Eastern Europe already maintained a strong trade relationship with the developed capitalist countries.<sup>5</sup> China (since 1979) and Vietnam (since 1986) also undertook radical reforms in their economies. All this put them in a better position when facing the collapse of the bloc at the end of the decade. Cuba, however, had to endure an adjustment of enormous dimensions with an already weakened economy (GDP barely grew between 1986 and 1990) partly due to a disproportionate reliance on commercial and financial terms of the Union of Soviet Socialist Republics (USSR) (Pérez 2010).

This distorted trade pattern (Montenegro and Soto 1996) has imposed severe costs on the economic development of Cuba, to be grouped in three main areas. Firstly, the Cuban productive structure by 1959, and particularly trade and logistics systems, was designed to accommodate the links with a close trading partner, the United States, which concentrated around two thirds of foreign exchange. The sudden interruption of trade, forced Cuba to divert it to more distant countries, initially the socialist bloc and most recently, others in Western Europe, Asia, Canada and Latin America. This has implied a substantial increase in transportation costs, storage and the need of a merchant fleet.

Secondly, and probably with even more perverse dynamic effects, the distancing from the United States, and to a lesser extent from other major developed countries, has reduced the growth potential of the Cuban economy due to the persistent use of means of production that are distant from the technological

frontier. During the first 30 years, most of the imports of capital goods came from the CMEA countries, and mainly from the Soviet Union; from the 1990s a sustained increase in China's participation in such purchases has increased. Cuba bought more equipment in those countries, than other comparable countries (Eaton and Kortum 2001) did.

Soviet means of production were of inferior quality, which is clearly evident in their pattern of international specialisation. Internally, the country was a major producer of machinery; however, exports of these products to countries of the same level of development were insignificant (Myant and Drahokoupil 2011).<sup>6</sup>

Moreover, that machinery was designed to manufacture a limited variety of products, with high levels of standardisation and a preference for quantity rather than quality. All consistent with the predominance of the Fordist model and an economy dominated by supply (Kornai 2014). This limited the already diminished capacity of the country to expand and diversify its exports and penetrate new markets outside the CMEA. Recurrently, this reinforced the shift towards that block, deepening the vicious circle that has been described.

Another impact had to do with the shortage of spare parts for an industrial system largely based on equipment from US suppliers. This meant, on the one hand, the replacement of equipment where it was feasible, and on the other, the development of capacities for the production of those components. However, to the extent that technical obsolescence grew, it can be said that these facilities permanently operated below their potential capacity (Rodríguez 1990) as a consequence of deterioration, breakages and recurrent interruptions.

Finally, the extreme concentration of trade within the CMEA contributed significantly to the fact that trading houses only slowly acquired new practices in international trade and remained far behind in areas such as marketing techniques. Sales to the socialist countries were guaranteed through plans and inter-governmental agreements. This meant an additional barrier once this preferential scheme disappeared.

Another problem revolved around the average size of production units. It has been a well-documented fact that in most of the CPEs there was a tendency towards the formation of a peculiar industrial structure, characterised by a relatively small number of large companies. The logic was the search for economies of scale. However, there were other reasons. For example, many planners believed transaction costs associated with control and planning were proportional to the number of entities in the scheme. That is, it is easier to coordinate plans and improve efficiency with a relatively small number of entities (Blazysca 1980). In the same vein, in the Cuban case it appears that the permanent aggression of a powerful neighbour reinforced the need for a centralised and vertical

direction. In that sense, the sanctions have helped legitimize the belief in the usefulness and necessity of a model with these features.

Similar reasoning works in other areas. Perhaps the dimension where the need to exercise direct control over economic activity and limit the effect of external actions is best reflected is the ownership structure.<sup>7</sup> The dominance of so-called social ownership (state and cooperative) was not only consistent with the theoretical basis of the model but guaranteed direct access to profits and subsequent distribution (Myant and Drahokoupil 2011).

This also explains the peculiar industrial structure that emerged, with a clear preference for industry, especially heavy industry. In Cuba, in the late eighties, the industrial sector had grown too big after controlling for size, endowments and development stage. An anomaly that has been corrected since then by the increased exposure to the forces of international trade and the loss of external support (Torres 2014). This would also explain the poor deployment of personal and business services, whose characteristics justify the presence of smaller companies where private initiative works better.<sup>8</sup> And more recently, it also explains the private sector's slow progress other than in certain low value added activities; even in the face of advantages anchored in human capital.<sup>9</sup> This would also explain the residual role of cooperatives, confined to agriculture until 2012, in spite of the fact that some of these have shown more than modest results, even since the beginning of significant changes in the sector in the light of the economic crisis of the 1990s. The Cuban model had one of the highest proportions of 'state property' within the socialist community in the late 1980s and despite limited reforms in the following period, continued to exhibit a hypertrophied public sector that only began to change since 2007.

In general, we can say that US policies contributed decisively to isolate the country leaving virtually no options to the Cuban government, pushing it towards its allies in the CMEA, and justifying the orthodox policies that deepened in the second half of the 1980s. The same has occurred since the late 1990s. Given a disadvantaged situation in the international market, trade has been concentrating on countries that offer certain advantages or special arrangements such as Venezuela, China, Russia or Brazil. An example of this is that sales of medical services, currently the main component of Cuban exports, rest essentially on intergovernmental agreements.

In general, two characteristics of the Cuban model that have implications for the current transformation process and its future development can be discerned. First, the set of factors explained above shaped a very orthodox model, particularly with regard to the ownership structure and the adoption of a central planning style along Soviet lines. Even in the midst of extreme events, the essential features remained unchanged for 20 years, with some modifications since 2007.

This raises questions about the possibility of more radical changes in the future, in pursuit of the necessary balance with a new contemporary reality. At the same time, the interaction with the outside is expected to grow following the gradual rapprochement between Cuba and the United States. The pace seems to be gradual and preference is for a very smooth path, setting Cuba aside from the Eastern European pattern (Morris 2014), but also generating numerous contradictions.

In that sense, is it possible to find useful lessons in countries that have opted for a gradual transformation but sustained their original political models?

### **Vietnam and China as Benchmarks?**

It has become recurrent in the literature of economic and geopolitical analysis about Cuba to attempt to make comparisons with other contexts that are assumed close to the Cuban experience and which therefore serve to extract potentially useful lessons for the diagnosis of, and viable alternatives to, the Cuban situation at this time of transformation. Within the existing possibilities two countries stand out: China and Vietnam. Perhaps the most obvious reason is that these nations, at least as a stated goal, have opted for broad reforms, while keeping elements of the model, which approximate the current Cuban process of 'updating'.

However, here itself lies one of the first major differences: while these Asian states, at different paces, have openly embraced models with a marked predominance of mechanisms of market economies, Cuba states that the objective of these changes is not the establishment of a typical market economy. The Cuban authorities explicitly eschew the current transformations from the Chinese or Vietnamese 'reform', resorting instead to the label 'updating'.

This creates different perceptions about the necessary degree of integration into the global capitalist system, with a strong US influence. In the Asian case, the label 'reform' itself implies the need to normalise ties with the United States in the medium and long term. The critical component of these processes of change is the economy, and economic success is seen dependent on a growing interaction with the dominant power. Cuba still assumes the need to open up to the world with many precautions, partly determined by the perceived aggression of the United States, so this integration moves at a different pace, searching for many counterweights according to the partner in question, Europe versus United States Latin America versus other regions, China and Vietnam versus other strategic partners, and so on.

There are other differences. The growing importance of China in the world economy has provided more degrees of freedom to manage its relationship with



the United States, aware of the emergence of a bilateral dependence. Vietnam's rise also increases its relevance, which is also associated with differences with China and active participation in regional coordination and integration mechanisms such as the Association of Southeast Asian Nations (ASEAN). On the other hand, Cuba has a peculiar situation. Its relevance in international politics is well above its size and economic potential (Domínguez 2009). Its influence in Latin America is huge, largely due to the collaboration provided in various social spheres and political empathy with progressive governments that have emerged in the last 15 years. The practical effect for the United States from the restoration of links is quite small, but it carries a high symbolic value because it is a close and untapped market with little exposure to the forces of international trade and investment.

In addition, the origins, history and triumph of the Cuban Revolution were linked closely to US influence in a magnitude much higher than the Asian case. The establishment of a large part of the Cuban bourgeoisie in the US, with a clear position against the Cuban government has been very important in setting the foreign policy of the United States to Cuba. Although there have been parallels with other diasporas (Chinese or Vietnamese), the scope and longevity of political groups of Cuban-Americans in the United States exceeds any other (Leogrande 2013), even to the extent of maintaining an influential caucus in the US Congress.<sup>10</sup>

Relative economic dimensions also vary significantly. China and Vietnam are large countries with relatively young and growing populations, with significant economic potential in the medium and long term (Table 1). Their relative endowments of production factors are functional to the needs of foreign capital, particularly with regard to the possibility of exploiting cheap labour, benefitting from continuous improvements in education. Some dynamic areas of trade such as electronics, automobiles (China) and textiles have flourished in those countries in tandem with the reform process.

By contrast, Cuba is a small economy with limited natural resources. Cuba is not perceived by most large corporations as essential to their prospective development. This determines that the pressures of the business sector on the US political elite to normalise ties with China and Vietnam have been stronger compared with the case of Cuba.

While the changes in China and Vietnam started from greater relative economic backwardness, it helped them to broaden their development options, creating a very high marginal return from the chosen policy mix. Cuba displays a context that requires a much more sophisticated mix of policies, more typical of a middle-income country.<sup>11</sup> Moreover, much needed change was deferred for at least two decades from the moment of greatest economic weakness.

*Table 1* Reforms and asymmetries (China, Vietnam y Cuba)

	China	Vietnam	Cuba
Start of the reform	1979	1986	2007
Population density	103	185	106
Working age population (1,000s)	524,907	30,521	4,996
Workforce growth rate (annual average)	1.25	2.1	1.18
Rural population (percent)	81	80	24
GDP per capita (constant 2005 dollars)	207	269	4,543
Agriculture (percentage of total workforce)	69	70 (1996)	18.7

Source: International Labor Organization (2015) and The World Bank (2015).

Note: All indicators reflect the value in the starting year of the reform, unless otherwise indicated.

GDP = gross domestic product.

At the same time, some parallels should be highlighted with its two Asian allies, with whom he has maintained close political relationship for most of the past five decades. This relationship strengthened considerably after the collapse of European socialism, just when they were ready to jump onto the international stage as fast-growing economies.

Although they differ in size, all three are developing and transition economies, sharing many priorities of their international agenda.<sup>12</sup> It is appropriate to highlight two of these elements. First, as developing nations, international trade represents a critical component of growth and structural transformation. Likewise, a substantial part of the reform has to do with a new framework of relations with foreign agents such as multilateral financial institutions, companies, markets, among others. In short, at different rates, the three countries are becoming more open and integrated into the world economy, which implies knowing and accepting with great pragmatism the rules governing the international order.

It seems clear that the trajectory in the Asian states has been strongly impacted by the integration into the world economy and the establishment of economic relations with the US. This would explain why the changes driven by Raul Castro have led to the restructuring of Cuban foreign debt, the adoption of a new foreign investment law in 2014, the negotiation of a cooperation agreement with the European Union, among other on-going initiatives of this sort.

Second, the three nations maintain political systems that distance themselves from the United States' preferred model. Although significant changes were advanced in the Asian models, these were carried out amid relatively stable institutional contexts, without radical breaks with respect to the existing position, which allowed the US to keep on the agenda traditional issues of Western discourse such as democracy, rule of law and human rights.

An interesting aspect is that all three have maintained conflicts with the United States of relative importance on the political-military level, albeit with varying intensity and implications. Vietnam is an extreme example in this field. The war between the latter and the American power, with a high loss of human life by both sides and lasting consequences for the Vietnamese side, in addition to the alliance with the USSR and intelligence collaboration, created a strong antagonism. The reform and economic successes of Vietnam must have contributed to turn the page, as changes have been systematic with a clear orientation towards a market system. In the case of China, the US position on Taiwan and the US military enclave in South Korea against the North Korean government, which is supported by the Chinese, remain today as a permanent source of misunderstandings. However, both China and Vietnam moved on to a pragmatic handling of these issues, so as not to hamper cooperation in other areas.

For Cuba there have been numerous outbreaks of confrontation with the United States: radical at the beginning of the revolution that directly affected US interests in Cuba; further alignment with the Soviet Union at the time of the Cold War, from which followed several episodes such as the missile crisis; intervention in the war in Angola; support of popular movements in Latin America and other regions, among others. The accumulation of controversies in five decades leads to the conclusion that this must be probably the most difficult case of bilateral conflict out of the three countries to resolve. To this must be added structural issues related to the proximity of Cuba to the United States, the great Cuban diaspora living in the US and the mythology that it has built with respect to the transformation of the island, understood essentially as a transition to a market economy and a Western-style political democracy.<sup>13</sup>

### **Economic Reform and 17D, Now What?<sup>14</sup>**

The above discussion refers immediately to the exceptionality of Cuban history and its meaning for economic reform. Five years after the official launch of the transformation process (2011) and nine since President Raul Castro spoke for the first time of the need for ‘structural changes’ it is possible to outline some essential features of this process (Torres 2014). A first issue reveals a contradiction. On the one hand, the government has been quite clear on the urgency of a substantial transformation of the Cuban model, which is understood to be exhausted. Although the label ‘updating’ is proposed, suggesting it is simply a matter of weaving some incremental improvements into a successful model, which only needs to adapt to changing times. Nevertheless, it does not seem to be either what is happening or what Cuba needs.

The Cuban government's insistence on its willingness to have a respectful dialogue with the United States and the dramatic announcements in December 2014 represent a tacit acceptance that a prosperous economy requires a radical shift in ties with the northern neighbour, as China and Vietnam, larger and more remote from the United States, have found out already. The interesting thing now is that the Cuban reform, presented as restricted to the economic sphere, is beginning to appreciate the necessity of internal coherence and strategic thinking.

The economy itself is a headache for the government, and has only worsened in 2016, as a result of the contagion of the Venezuelan situation. In this context, relations with the United States are a priority. It is a very rational conclusion that a leader with the legitimacy of Raul wants to make peace as soon as possible, and incidentally, contribute decisively to enhance the prospects for economic improvement. The success of one of the star projects of the government, the Special Development Zone of Mariel, depends on the opening to the American market. Due to its location, this initiative will never be complete without the participation of US companies and direct access to that market, something conceivable only if the sanctions are removed.

The improvement in ties with the US can significantly contribute to the reintegration of the country into the international monetary and financial system, which would generate significant benefits of greater access to new resources, reduction of lending costs through lower country risk, and support in the form of valuable technical assistance in key areas of successful macroeconomic management for an economy in transformation. For the latter, the experience of financial institutions in dealing with countries all over the world could be a valuable contribution. Also it would dilute the fears of third parties (companies and countries) regarding the risks of actively participating in the process. This would contribute to the success of the Cuban reform, and therefore strengthen the government's position in the short term.<sup>15</sup> The Cuban side may adequately manage these potential benefits, without unnecessarily giving up sovereignty in sensitive areas.

Other effects have to do with the legitimacy of the government. The restoration of diplomatic relations has a positive effect on its position due to its recognition as a representative of the Cuban state, and therefore, as the natural counterpart to discuss a wide range of topics of mutual interests. Also, for the internal public the recent shift represents the acceptance of the failure of a mistaken policy, which has been systematically denounced by the Cuban government.

In other areas, the balance of potential impacts is more ambiguous. For example, greater interaction by a wide variety of organisations and the Cuban people with the world, operating under market rules, may amplify the claims of greater economic independence – to facilitate appropriation of income – and political

opening that allows the representation of more varied interests arising from a more heterogeneous society. In light of current conceptions, this can be interpreted as a threat by some sectors in Cuba. One of these would be a rather large group within the Cuban population for which there are immediate costs from a significant moderation of public social spending (Torres 2015) without equivalent short-term compensation in terms of new economic opportunities. Other layers would be *ideo-político* type arguments, insisting on economic reform led by the State without radical changes in the political structure. These positions could generate a hesitant attitude towards the current changes and the approach to the United States.

Another element, which was also important in Asia, is the role of the diaspora. The Cuban-American community has a size, economic status and political influence that make it one of the most powerful in the United States. Their participation in the transformation of the Cuban economic situation has become very visible since the nineties, with remittances and visits in both directions (Portes and Puhrmann 2015). New opportunities are emerging now. It is known that a substantial part of the financing of new business comes from that community, and initiatives have been established to provide training and advice. With the easing of foreign investment laws and changes in the US position, many Cuban-American businessmen begin to imagine that they can participate in the process, not only to make money but to contribute to ‘national development’.

Perhaps it should be emphasised that even though the balance for Cuba of a normal relationship with its northern neighbour is sought to be positive, this process should not replace the changes that are required in the domestic front. It would be a strategic mistake and an unforgivable illusion to consider that the main obstacle to the country’s prosperity is beyond its borders, as it is irrefutably demonstrated by the trajectory of several Latin American countries.

## Final Thoughts

Cuba’s society arrived at 2016 with a very peculiar model as the result of the proximity to the United States, the severity of sanctions on the country, the high priority given to security issues and the maintenance of an economic model that was highly influenced by distant historical experiences.

Some lessons can be learned from China and Vietnam. Reforms are not initiated to improve relations with the United States, but as a response to the shortcomings of these models to create lasting prosperity (Torres 2013). In that effort, external integration is a key development vehicle and for this, it is essential to normalise ties with the United States. It should be noted that the impacts will be especially strong for Cuba, smaller, closer, culturally and idiosyncratically a Western country.

Cuba needs to find a new equilibrium in the emerging model, whose general contours have emerged from the new documents proposed by the Seventh Party Congress. The removal of US sanctions and the needs of economic development in a small open economy inevitably push towards greater influence of market relations in the domestic economy. However, well used, they can contribute decisively to provide more opportunities to increase the welfare of the Cuban people, but also make a significant contribution to the strength of the state.

There are two main ways. On the one hand, a State that delivers higher living standards will be more legitimate, just at the time when the historic generation is stepping down, raising the need to incorporate new sources of legitimacy. Second, a growing economy, with active policies to promote an equitable distribution of the fruits of that progress, will be better placed to address the necessities of the most vulnerable sectors and ensure access to social services, whose quality has suffered due to the crisis in the early nineties. This desirable process of structural strengthening of the Cuban state would put it in a better position to ensure that the interests of the country and its people are taken into account when approaching the world economy.

But the path has its stresses as well. To the extent that security concerns are reduced, it will be necessary to rethink the notion that social control is equivalent to the concentration of decisions at the highest levels of government. Evidence shows that neither politically nor economically, social participation is equated with Soviet-style central planning. It is possible to significantly reduce the mediations in the exercise of social control.

It is very difficult, if not impossible, to establish the extent of these changes once the market, private property (including foreign) and international trade and finance play a more important role in the Cuban economy. However, failure to develop the productive forces and its effects on welfare and social services represent a bigger short and medium-term threat. One of the immediate consequences is the loss of the country's main asset: its skilled workforce, without whose contribution it is impossible to conceive a prosperous and sustainable society.

There are some certainties. The vast majority of the structural factors that explain the formation and evolution of the Cuban model to the present have changed radically or are in the process of being altered within a few years. These would include political leadership based on charisma and legitimacy granted by history; the existence of external partners able to provide an exceptional framework for economic and political support; the relative homogeneity of the Cuban population originating in reduced income disparities and ideology; and economic isolation from the rest of the world as a result of the US blockade. This socio-economic tsunami will substantially impact the political foundations of the Cuban model.

## Notes

1. This consisted mainly of the Platt Amendment (included in the Cuban Constitution on June 12, 1901), the Treaty of the Cuban-American Relations (May, 1903), the Treaty of Commercial Reciprocity of 1903 and 1934, and the new Treaty Relations of 1934.
2. Throughout the text, the term central planning refers to the specific type of planning that was consolidated in the Soviet Union and other states declared to be socialist, including Cuba. This planning implied a bureaucratic, not social, control over the means of production and fundamental decision making. This created favourable conditions for the alienation of the individual and the worker, not from capital, but from the state structures of power and control.
3. This reasoning has also become a favourite of those in the US who oppose the embargo. That is, the policy has not weakened the government on the island, while it has punished the Cuban people, the very people the US claims to defend.
4. The inclusion of Cuba on the list of states that support terrorism by the Reagan administration.
5. Especially Czechoslovakia, Poland, Hungary and Yugoslavia.
6. This also happened in other socialist countries such as Czechoslovakia, The German Democratic Republic and Poland.
7. In the case of Cuba, private ownership of the means of production was considered a door towards capitalism and a tendency allied to the US government agenda. This justified the so-called 'revolutionary offensive' of 1968.
8. Other reasons exist that are discussed extensively by Torres (2014).
9. One could also mention other concerns, such as competition for qualified professional employees in the public sector, where pay is lower and generally the responsibilities are greater.
10. In the 114th US Congress, there were five Cuban-American representatives (three from Florida, one from New Jersey, and one in West Virginia) and three senators (one for Florida, another from Texas, and a third from New Jersey). In addition, five (four representatives and one senator) have served in Congress before. This makes the Cubans the second most overrepresented group in the US Congress, second only to the Jewish community.
11. There is an established body of literature around the so-called middle income trap.
12. Transition in this context is used to mean the process of change from an economy of centrally planned Soviet style to another where the market plays a much greater role in allocating resources and determining supply and prices, which is that which will emerge according to the documents approved by the seventh Congress of the Communist Party of Cuba in April 2016.
13. Note that this community has become a much more diverse and plural space currently observed as favourable to a rapprochement between the two countries, with a low component of conditionality. This current community has been a key element in shaping the political capital that President Obama used to decide a substantial change in policy towards Cuba.

14. 17D refers to December 17, 2014, when the presidents of Cuba and the United States announced the start of a gradual process of normalisation in relations between the two countries.
15. For a more detailed discussion of this issue, see Feinberg (2011), Vidal and Brown (2015), Sánchez (2015) and J. Rodríguez (2015).

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