

## *Insufficient & Unclear Guidelines*

OSCAR ESPINOSA CHEPE, *Economist and Independent Journalist*

HAVANA, JUNE 14, 2011

The VI Congress of the Communist Party held last April in Cuba approved the *General Guidelines for the Economic and Social Policies* that shall govern the future of the country for the next five years and which are intended to become the main tool to overcome the current critical economic situation. The approval process had started in December 2010 and concluded last February after a strict analysis by the Party nucleus, work centers, political and social institutions and other entities.

The Guidelines were increased from 291 items in the original draft to 313 in the approved document. It maintained original concepts, including outdated ideas, such as prioritizing socialist planning as the direction of the national economy, but “taking the influences of the market into consideration and including its characteristics,” a formula equivalent to finding the square area of the circle. The Guidelines reflect an intention of maintaining the state-owned companies as the main form of the national economy, although it recognizes foreign investment and other types of property such as cooperatives, small farm operations, *usufructure*, leases, independent workers and other forms not specified. It also continues to ban the concentration of property for individuals or legal entities, tightening such restrictions even further in item 3, since this criteria extends not only to private enterprises as originally proposed, but also to those which existed previously.

***The Guidelines insist in updating a proven dysfunctional system that should be replaced in its entirety.***

The Guidelines insist in updating a proven dysfunctional system that should be replaced in its entirety. In addition, many important issues are not addressed, such political issues, that interact decisively with the economy and society at large, such as freedom, democracy and respect for human rights, access to internet, a legal system that offers guarantees for the so-called “non government sector of the economy” and foreign investments, a more flexible policy that would allow Cubans to be hired abroad and to be able to return to Cuba (for example athletes), the relationship with the United States, improvements in relationships with the Cuban community abroad, the need to return to international organizations (in particular the IMF) and others, that could provide consulting and financial support to revive the asphyxiated

## *Insufficient & Unclear Guidelines*

---

Cuban economy. Therefore, the document has a limited perspective and does not offer a consistent and solid option to overcome the crisis and to move on and progress.

By approving the guidelines, Raul Castro and the military have consolidated their position in power and have ended the period that began when he assumed power temporarily due to the illness of his brother at the end of July 2006. In spite of these limitations, the document has certain concepts that are more pragmatic, that were born in the Armed Forces some time ago as needed to direct reforms within the system, without changing the regime, but rather to make changes in order to preserve it. These intentions were always rejected and even boycotted by the ultra conservative sector of the Party and the government, who have now replaced in both the Political Bureau and the Central Committee of the Party by active military and individuals identified with the ideology of the current President. The new document clearly reflects the triumph of the doctrines of the younger Castro and his followers, in particular in new Item 15: “the Business Optimization (created in the MINFAR) shall be incorporated to the policies of the economic model in order to obtain more efficient and competitive businesses.”

Of course, this concept was developed in the Guidelines by new contributions introduced in response to the serious current economic situation, which is “at the edge of the precipice”, as indicated by Raul Castro in December 2010. The methods followed by military businesses have offered a certain degree of autonomy and decision-making to their directors, a relatively higher degree of administrative flexibility, and certain participation of the workers, which contributes to increased productivity. But this experience was implanted under a limited framework with organization levels, discipline and selection of personnel nonexistent in the society at large, and, most importantly, under completely different conditions to those prevailing in the civil society, dominated by the absence of labor stimulus and lack of supplies. Consequently, when trying to apply the mechanisms of Business Optimization to the majority of the state run companies, the results have not been encouraging, since they do not offer the most basic conditions, including a reliable accounting system.

Consequently, it will be necessary to radically modify the methods followed by the armed forces so that it could be applied to the national economy. This is not practical unless a more extensive participation by the private sector is allowed with the necessary guarantees. Also, a larger participation should be given to the market as an objective economic category. This does not imply the elimination of the participation of the state as regulator of the economy, with participation in certain sectors, or that planning could not have an important participation to guide the decisions of the public and private entities.

In spite of the uncertainties and limitations, the Guidelines represent certain progress with respect to the current system and reflect a more rational attitude in important economic issues. They even recognize the limited progress of certain decisions recently made in important economic matters. It is even clear that Decree Law 259, which governs the delivery of land under the legal figure of *usufruct* has failed to increase farm production, and will be modified according to item 189. Finally, item 183 provides the “possibility that the producer may participate in the market by his own means”.

Days after the Congress, Orlando Lugo Fonte, president of the National Small Agricultural Producers Association (ANAP), during an interview with the newspaper *Juventud Rebelde*, indicated his support for a permanent *usufruct* and for the right of the beneficiaries of the *usufruct* to establish themselves in their land and built houses and other facilities to protect their assets, and that in the event of their death their descendents be entitled to inheritance. He also manifested his support to the direct sale of the products by

***In spite of the uncertainties and limitations, the Guidelines represent certain progress with respect to the current system and reflect a more rational attitude in important economic issues.***

## *Insufficient & Unclear Guidelines*

---

the beneficiaries of the usufruct and stated that “although there is private and diversified production in Cuba it is impossible to have monopolized commercialization”. The words are not casual, but a recognition by the authorities of the failure of the limited measures adopted which must be extended in order to face the absence of food products, a problem made worse by the substantial price increase in the international markets.

The situation is similar with regards to independent work, since it has not progressed according to the reorganization schedule for the current government employees. That is why the dismissal of 500,000 state workers had to be postponed from October 2010 until April 2011, due to the lack of available positions. In this context, on May 14 the Council of Ministers agreed to extend the authorization to hire workers for all the activities of the private sector and to “continue with the relaxation process of the independent work”. From the 188 independent activities permitted to date, only 83 were allowed to hire workers.

The decision is correct but insufficient since it does not eliminate the main difficulty for hiring labor: the enormous amount of taxes, which increases as more employees are hired, with the obvious intention to prevent the prosperity of businesses. That is why these and other taxes should be reduced to rational levels and the possibility of a moratorium for the mandatory contribution to social security should be considered, or at least the one applicable to government workers and the payment of taxes for activities that could be an important source of employment. At the same time, it is indispensable to increase private enterprise and to authorize university graduates to exercise their professions independently.

*...taxes should be reduced to rational levels and the possibility of a moratorium for the mandatory contribution to social security should be considered...*

The Guidelines also discuss the need to eliminate the food rationing system, in place since 1962, as well as the dual currency. But no terms are given, nor is there any indication on how to reach these objectives. There is also mention of the future publication of laws that would allow the sale/purchase of homes and automobiles. The most important is item number 265, which states that the government will “consider a policy that will allow Cubans to travel abroad as tourists.” Regardless of the advantages that freedom of travel would represent for Cuba, and the fact that such a move would bring Cuba into compliance with Article 13 of the Universal Declaration of Human Rights, this issue is quite difficult to enact under the current circumstances of poverty and low hopes for the future, since it could cause a massive exodus of people looking for a better life abroad.

During four of the last five years, the total population has shrunk, with a relative increase in the proportion of those older than 60 years of age to 17.8% of the total population for 2010. It is estimated that this number could reach 22% in 2020 and 30.8% in 2030, if the current low birth rate is maintained (1.6%) and the exodus of Cubans continues, which showed a negative balance of 332,356 in particular among young people—for the period 2000-2009, almost three times the number of annual births for the last few years. Demographically, this situation cannot be maintained in a poor nation with such low productivity, and undergoing a de-capitalization process with significant technological backwardness, and without any possibility of facing current expenditures and investments that this lack of proportion would demand.

According to the approved Guidelines a continuous policy of adjustments to social expenditures shall continue. But at the same time, it will be necessary to adopt compensatory measures to allow the least favored sectors to face the reduction either through an increase in their pensions and salaries, or by giving more freedom to people who could work to support themselves honestly. This is a delicate area, that unless is handled with discretion, could cause social instability in a country with already very low living standards.

## *Insufficient & Unclear Guidelines*

---

In approved items 145 to 153, those applicable to education, the old and adverse educational policies of schools in the country are abandoned, as well as the training of emerging and integral teachers, the discredit of the training of technicians and qualified workers and the excessive priority given to humanities taught with a high degree of ideologies, a practice that is still in effect. Unfortunately, the significant damages caused to the education and health systems, where great advances were obtained, will take time to repair, especially with the lack of economic sustainability that prevents the allocation of the significant resources that are needed to recover the normal operation of these important services.

By focusing the attention of the Congress on economic issues and somewhat less on social issues, as we have indicated previously, other issues that are vital for the society were ignored, including political considerations. Among these issues is the need to offer unrestricted access to Internet, which is a basic tool for the cultural development of our people, in particular, specialists and students in the scientific and technical areas. This represents a punishment for the country and a technological delay. With the intention to prevent any ideological debate over this crucial issue, the Guidelines avoid any analysis about this situation of the telecommunication and the future of this sector.

Another essential issue omitted is the possibility of normalizing the relationship with the United States. In addition to political connotations, it is vital for the economic development of Cuba in numerous areas, from the joint development of tourism, to the joint exploitation of probable oil in Cuban waters in the Gulf of Mexico, as well as the investment potential and the first level source of technology. Another issue that was ignored was the great importance for the future of the relationships with the Cuban community abroad, in particular with the community located in the US, which numbers 1.8 million residents, according to the 2010 census. With its experience, resources and prestige, the Cuban community living abroad could become a privileged bridge for the building of relationships with the US.

*With its experience, resources and prestige, the Cuban community living abroad could become a privileged bridge for the building of relationships with the US.*

Cuban authorities are failing to take advantage of the gestures President Obama has offered in benefit of the Cuban people. The recent repressive actions with several years of prison sentences against peaceful opponents, and the persecution of well-known artists who attempt to express themselves freely, such as the case of painter Pedro Pablo Oliva, do not contribute to the insertion of Cuba in the international community or to the improvement of relations with the US and Europe. Of particular note, is the incomprehensible decision to keep US contractor Alan Gross in prison, given its negative effects.

These issues are not necessarily economic in nature but they have an extraordinary weight on the reinsertion of Cuba back into the international community. Cuba has been absent from international financial organizations, such as the World Bank, the International Monetary Fund and other institutions that could be very useful to obtain financial resources, as well as experience for the economic development. It will be very difficult to find the desperately needed resources to correct the many years of de-capitalization and the technological backwardness prevailing, if the lack of freedom and democracy persist and human rights continue to be violated. The complexity of the globalized world makes it increasingly necessary to debate ideas in a civilized manner with free flow of information, in order to select the best options for development. Without these conditions, the harmonious progress of our society will be practically impossible.

The Guidelines of the Economic and Social Policy approved during the VI Congress of the Communist Party in Cuba reflect a certain level of rationality, but they fail to contribute the urgent solutions required by the delicate situation of the nation, when it reaffirms the absurd prejudices against private property and free

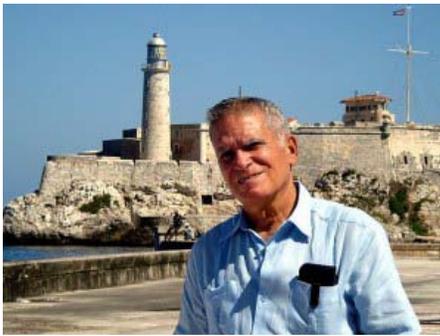
## *Insufficient & Unclear Guidelines*

---

market as an objective economic category. In addition, the Guidelines continue to attempt to update an old, failed economic, political and social model that must be replaced. But in spite of its limitations, inconsistencies and contradictions, and since there are no other options; it represents a small opening in the totalitarian wall that, in the next few months, could be enlarged to allow the necessary changes. A positive factor to achieve these goals is the increasing consensus among the general population in favor of the changes required by the country.

In order to achieve this, shall be necessary to maintain the strength, will power and spirit of sacrifice from all Cubans, without exclusions, working together to overcome the crisis and to conquer a better future in a general context of national reconciliation.

***...the Guidelines continue to attempt to update an old, failed economic, political and social model that must be replaced.***



### OSCAR ESPINOSA CHEPE

Economist and independent journalist. One of the 75 prisoners of conscience sentenced to 75 years and conditionally released due to serious health issues. During the '60s he was sentenced to two years of forced labor after being expelled from the Economic Research Team of Prime Minister Fidel Castro.

Member of the Diplomatic Corps. Economic Consultant to Yugoslavia, responsible for economic, scientific and technical relationships with Czechoslovakia, Hungary and Yugoslavia. Expelled from the Cuban National Bank in 1992 accused of counterrevolutionary activities. Wrote two books and several presentations for academic events.