CUBAN SOCIALISM: TOWARDS A DEVELOPMENT STRATEGY

Antonio Carmona Báez
UNIVERSITY OF PUERTO RICO AT BAYAMÓN

Abstract

The process of structural economic change experienced in Cuba, especially since the sixth Cuban Communist Party (PCC) Congress in 2011, presents us with a perfect opportunity to rethink about the economic foundation of socialist development. By recalling conceptual frameworks and using primary and secondary sources, I argue that, in Cuba, the basis of socialist development has moved from following a model or pattern of development to the adoption of a real development strategy. A new development strategy for Cuba entails the opening of new markets spaces in order to stimulate a process of industrialisation linked to the global chain of production and distribution.

Resumen

El proceso de cambio estructural y económico experimentado en Cuba, en particular a partir del sexto Congreso del Partido Comunista de Cuba (PCC) en 2011, nos presenta una oportunidad perfecta para repensar las bases económicas del desarrollo socialista. Recordando los marcos conceptuales y a partir del uso de fuentes primarias y secundarias, este artículo plantea que en Cuba la base del desarrollo socialista ha pasado de seguir un modelo o patrón de desarrollo, a la adopción de una verdadera estrategia de desarrollo. Una nueva estrategia de desarrollo para Cuba implica la apertura de nuevos espacios de mercado con el fin de estimular un proceso de industrialización vinculado a las cadenas globales de producción y distribución.

With the continuation of one-party/state socialist governance in China, Vietnam and Cuba, together with the curious appearances of experiments in 21st century socialism throughout Latin America, it is now time to revisit the concept of socialist economic development at theoretical and practical planes. Although current circumstances call to order a comparative evaluation of new socialist practices, I would like to suggest here that a longitudinal study of socialist societies would be a prerequisite. The process of structural economic change experienced in Cuba, especially since the sixth Cuban Communist Party (PCC) Congress in 2011, presents us with a perfect opportunity to rethink about what socialist economic development has meant and what it means in our current context.

In this article I will argue that, in Cuba, the basis of socialism has moved from being a model or following a pattern of economic development to the adoption of a development strategy, and therefore remains relevant to understanding political projects of social transformations. I will do this by, first, revisiting the use of the term socialism as a conceptual framework provided by those observing the collapse of socialist regimes during the early 1990s. Secondly, while thinking about development, I will re-insert the distinction between the two concepts of development strategy versus patterns of development as suggested by Gereffi, Wyman et al. Thereafter, I will provide a brief history of Cuba’s economic performance since the 1959 revolution up until today, looking at some of the most significant features of the country’s economy since the sixth PCC Congress. I conclude by expounding some of the essential characteristics of this country’s development strategy.

Revolutionary Socialism

The rich debates on (Third World) revolutionary socialism were interrupted by the fall of Marxist-Leninist states towards the end of the twentieth century and remain inconclusive. Colburn and Rahmato correctly identified that in the “Third World,” revolutions were fought to dispose of colonial powers and/or dictatorships, whereas the socialist etiquette can be seen as a by-product of the revolutions, often lacking an industrial base, a coherent working class and democratic societies as envisioned by Marx and Engels. Regarding scholarship on Third World Socialism, these same
authors also argue that too much attention has been given to intentions proclaimed by political discourse rather than the outcome of political and economic programmes. Others, like Leftwich, have contributed by differentiating between the classical Marxist socialism as an end-state versus the varying paths and political struggles of getting to socialism, a society that would supersede capitalism. He made clear that (Western democratic) “socialism as a path to socialism” was completely impossible for Third World countries and that socialism as an end-state, confusing socialism as a development model with the development of socialism, otherwise known as the Leninist party/state model, in all its contradictions was the non-option taken by countries of the developing world. Few of these, Cuba among them, have been successful in the (semi-) industrial transformations of their societies, raising the standard of living for the vast majority of its citizens. For all of these authors, although the collapse of socialist regimes could hardly be celebrated, it were to be seen as an opportunity to reflect upon the possibilities of societal transformations and their necessary material conditions from a global perspective.

Socialist Models, Patterns and Strategies

Earlier, the socialist development model was defined as a structure of institutional practices derived from ideology, treating the state as the essential motor of direct economic planning and management, allocating resources according to priorities established by the state itself. This was identified with central planning, nationalisations, restrictions on private property and accumulation; investment prioritised by central planning and monopoly controlled prices. Additionally, soft budget constraints – where government provides additional funding for losses incurred by State-owned enterprises, was a typical feature of socialist industrialisation. Looking at the experience of actually existing socialist societies, Clapham referred to the socialist model, especially in the Third World, as an alternative strategy of development. It may be interesting to note here that in his 1992 article ‘The collapse of socialist development in the Third World’, Clapham argued that reports of the death of a state socialist development model might be exaggerated. At the same time, he says: ‘If there is light at the end of the tunnel, I would look for it in the possibility that revolution might be seen as the precursor, not to socialism, but to an effective process of capitalist development’. If we were to interpret the term capitalist development as that model which classical Marxists deem prerequisite to advancing a project of socialist construction, then Clapham’s statement makes sense and fits with Leftwich’s and Colburn & Rahmato’s assessment that Socialism has not worked in the Global South countries because the material and intellectual conditions for it were absent. So, how then, is socialism to be understood in the case of Cuba and what is its relation to the notion of economic development?

Some Marxist theoreticians both in and outside Cuba concluded that socialism does not equal the elimination of the market, rather the control of it through social planning, be it with more or less centralism. One returning feature in this pattern is what has been identified by some Cuban social scientists as “hyper-statism” (hiperestatalización), which has led to alienation of workers from understanding production processes, authoritarianism and distributive homogeneity with insufficient sensibility towards the diversity of societal needs and heterogeneous interests. To add to this, lack of managerial discipline and the transfer of funds from one sector to another were kept unchecked, no one was held responsible for losses.

With some comparative analysis looking at various socialist experiments from Russia to Yugoslavia, China and Vietnam, Marxist thinker David Schweickart reinterprets socialist economic development and brings to fore the concept of “economic democracy,” otherwise known as market socialism where the state continues to play a central role in planning and coordination, and where the state is the primary actor in deciding what is to be invested and how much. Schweickart emphasises democracy and worker participation and control in planning. This vision of socialist development, founded on the platform of a new development strategy in Cuba, implies the emergence of a mixed market economy where various forms of social property (state and worker owned, i.e. cooperatives) coexist with private enterprise. Current debates in Cuba concentrate on where the emphasis should lie and which new forms of property should be given priority: cooperatives and worker-controlled structures vs. private capital. The outcome of co-existence between new forms of social property and private enterprise working domestically as well as internationally, will define Socialism with Cuban characteristics.
In order to avoid fixed categories that typify Cuba, and for the purposes of this discussion, it is preferable to move away from the term development ‘model’ and utilise the concepts: ‘patterns of development’ and ‘strategies of development’. The first, patterns of development, refers to the complex processes and historical experiences that ‘generate distinctive national structures of organisation and conditions of human and material resource allocation’. They are historically and structurally situated. The second, development strategies, has been defined by Gereffi as ‘sets of government policies that shape a country’s relationship to the global economy and that affect the domestic allocation of resources among industries and major social groups’. Strategies should be thought of as conscious, purposeful and intentional. According to the Cuban political economist Pedro Monreal: ‘The distinction is relevant to the extent that most of the controversy concerning strategies revolves around what governments can actually do, so that the study of the past (patterns of development) reveal their capabilities or lack thereof. That knowledge, consequently, can be utilised as an initial condition for the design of new strategies.’ Walking away from a vague term ‘socialist development model’, allows us to look at how patterns of development evolved and may inform a conscious national development strategy. In Cuba, as will be argued later, what have been identified as development strategies, especially during the 1990s, were in fact fragmented decisions that attempt to mediate the post-Soviet crisis. It is only now that Cuba has an opportunity to build a real strategy.

50 Years of Economic Development

Since the triumph of the revolutionary forces in 1959, the progress and patterns of Cuba’s economic development, and its relation to the global political economy can be categorised into five phases.

1959-1960 saw land expropriation of the latifundios and the implementation of a significant agrarian reform. This initial stage represented the most revolutionary period, whereby the leaders of the new state dedicated the bulk of their time studying various options to reverse or pass beyond the social ills inflicted upon the populace, explained as a result of 400 years of Spanish colonisation and more than 60 years of neo-colonial dependency and domination under US-based corporations exploiting raw materials and cheap labour in agriculture. The platform for revolution was already laid out in Fidel’s 1956 History Will Absolve Me speech, when he delineated the eradication of social ills by identifying the search for economic alternatives to improve social conditions among the island’s mostly impoverished population. Among the guidelines implied in this speech is the nationalisation of major economic sectors and natural resources.

Secondly, in 1961 the revolutionary leadership created a national System of Budgetary Finance and the Central Board of Planning, guided by Ernesto ‘Che’ Guevara, which in turn was absorbed into a Ministry of Industries in 1962. It was believed that in order to relieve the country from social and economic underdevelopment, it would be necessary to enter into a process of industrialisation by import substitution (ISI). This policy was not particular to Cuba at the time but was a policy that was promoted by the UN Economic Commission on Latin America. In 1962, the government proposed defining the economy as an agro-industrial producer. Generally, this objective ran into difficulties due to US postures and eventual economic embargo, the devastation of infrastructure caused by internal conflict between political forces and technical brain drain that coincided with the mass exodus of Cuba’s intellectual and scientific elite.

The hostile US response to nationalisations and the flight of Cuban capital pushed the country’s leadership to officially adopt Socialism as the national discourse for development and economic policy. Socialist development was conceived then, primarily, as a centrally planned economy of state organised industrial and agricultural production, whose raison d’être is the collective improvement of the standard of living for the vast majority of people, conducing to collective and individual emancipation. By 1963, a rationing system to guarantee each citizen a minimum daily caloric intake was consolidated, thus leading to the elimination of hunger. At this very time, the Cuban government oriented over 70 per cent of the country’s trade toward the Socialist Bloc, 40 per cent of which was based on trade relations with the Soviet Union.

Third, the years 1964-1975 saw the definite positioning of Cuba’s economic development within the Soviet bloc’s parallel international market, starting with preferential or subsidised prices for sugar exports in 1964 until the full integration of the Cuban economy into the Council for Mutual Economic Assistance (COMECON). State leaders and economists today recognise this period as one starting
with preference for highly centralised state planning, to a period of experimentation with new forms of management leading to decentralised production. In response to proposals coming from debates at the national labour union (CTC) congress, the Central Board of Economic Planning (JUCEPLAN) was reorganised in 1973, to oversee state-run projects of investment and production and to coordinate management, which became more and more independent from government control. What was clear was the maintenance of the sugar industry as the main source for international trade. Although planned sugar quotas were rarely met, the state continued to invest heavily in this sector, as exports paid for investments in education and health, raising the population’s standard of living way beyond any country in Latin America and the Caribbean, while bringing life expectancy and infant mortality up to par with Western Europe. Productivity also increased specifically in the sectors of steel, pesticides and electric energy; industrial expansion was based on sugar derivatives.

Fourth, the period from 1976 until 1989 was essentially characterised by experimentation with enhanced decentralised production, more management autonomy and the search for more access to Western markets. In 1976, the Cuban government codified the principles and laws of the land in the Soviet-inspired constitution. This document defined such concepts as social property, which was flexible enough to allow for the first attempts at joint ventures with Western-based corporations in the 1980s. The new constitution de-bureaucratised central planning by creating the Organs of Popular Power, made up of provincial administrative committees.

At the first PCC Congress, held in 1975, the System of Economic Management and Planning (SDPE) was outlined and later implemented in 1976 with a five-year plan. This scheme closely followed the economic framework of the Soviet reform era beginning in 1965. Local authorities of this innovative system allowed for the use of small plots of land for private agricultural development; it also encouraged collective subsistence farming and initiated management’s right to hire and fire labour, and the use of bonuses and salary increases to stimulate work place production. During the second PCC Congress in 1980, Fidel Castro proclaimed that the following decade would culminate with higher investment in industry, a fairer scheme of redistribution and the growing satisfaction of the people’s material and spiritual needs. Decree Law # 50 of 1982 provided the bases for joint venture investment in pharmaceutical production and exports for life-saving vaccines. During the PCC’s third Congress in 1985, the leadership passed the socio-economic guidelines for the 5-year period 1986-1991, which mostly concentrated on the balance of payments and trade, savings, promotion of import substitution and the identification of biotechnology as a possible new market space in which the country could participate at a global level. Still dependent on the export of sugar at subsidised prices, Cuba was transformed into the most egalitarian society in Latin America with socio-economic indicators resembling those of the most advanced industrial societies of the world. Up until after this period, unemployment was not recognised by the state and salaries continued to follow egalitarian norms. Average annual GDP growth rate was 5.6 per cent, which is considered relatively high in relation to the neighbouring Latin American countries that were experiencing zero and negative growth due to the debt crisis of the 1980s. Growth in industrial output and infrastructure grew by 6.9 per cent for this period. State discourse and social policies concentrated on correcting the social effects of decentralised planning and autonomous management.

Although Cuba never fully industrialised, throughout the decades it succeeded in gaining higher industrial output, diversification of production, expanded infrastructure and embryonic business networks, especially since the 1980s. Industrial expansion was found in metal processing, industrial machinery, naval construction, pharmaceutical production and medical equipment, electronics and textile plants. As a result, exportable primary and refined resources increased, but industrialisation by import substitution continued to be the main objective.

Lastly, and fifth, 1990-2008 brought unforeseen challenges to the Cuban economy that might be analogous to the experience of the early years of the Revolution, where productive forces had to be re-arranged and the state leadership was forced to look for alternatives. With the disintegration of the Soviet Bloc and its parallel trading system – the COMECON, Cuba lost over 80 per cent of its trading capacity and industrial production practically collapsed. A series of normative and organisational restructuring procedures prepared by the fourth PCC Congress in 1991, allowing for an opening of limited market spaces, held the country together throughout four years of excruciating zero-growth and negative growth.
Together with the legalisation of the use of hard currency, bank decentralisation, the creation of new market spaces, the possibility of new business models like self-employment (cuentapropismo) in services and state-sponsored cooperatives that promote decentralised agricultural production, and a turn to tourism, the 1995 New Law on Foreign Direct Investment allowed for the re-insertion of the Cuban economy into the global market. One of the most important steps here was the conversion of the JUCEPLAN into the Ministry of Economy and Planning in 1994. The opening up of commodity stores operating in hard currency allowed for the sales of domestic products in international prices. The partial liberalisation of markets was accompanied by a rudimentary tax-regime that eventually evolved into an important determinant of fiscal policy. It is worth mentioning here that social investment, especially in health and education, did not drop; on the contrary, more investment was geared towards these sectors.  

All these aforementioned measures resembling liberalisation were considered to be temporary. By the fifth PCC Congress in 1997, however, the System of Entrepreneurial Perfection (SPE) was set up to mainstream State-owned enterprises into the global market, with the intention of making them profitable and more efficient. It is here that an attempt was made to link wages to productivity, making labour more flexible. The SPE was inspired by industrial sectors that were controlled by the military (Revolutionary Armed Forces) under the guidance of Raúl Castro. Production was mainly centred on nickel extraction (Cuba’s number one natural resource export), elaboration of sugar derivatives and, more importantly, technical and health services sold to the global market, especially tourism, and medical and technical assistance abroad. The average economic growth rate (GDP) for the later part of this period was 6.5 per cent annually, whereas between 2001 and 2003 GDP growth averaged 2.5 per cent and between 2004 and 2008 the average was 8 per cent.

An important factor explaining economic growth for this period was the close relationship that the country fostered with Venezuela since the rise to power of Hugo Chavez with his Bolivarian project of building stronger economic ties within the region; most notable was the sale of medical services provided by Cuban doctors in exchange for Venezuelan crude oil. Starting with 17 projects and contracts amounting to US$30 million back in 2000, Cuba-Venezuela accords now have 285 projects with US$3 billion in their oil-for-health care assistance exchange. Cuba receives 80,000 barrels of crude per day in exchange for the 30,000 doctors residing and practicing in Venezuela annually. While regional integration projects like the Bolivarian Alliance for the Americas and the Community of Latin American and Caribbean States may provide for easier trade in the near future, the number of trade agreements between Cuba and China also reportedly increased during the same period.

In 2004, the government took measures that would ensure a re-centralisation of productive forces, limiting the autonomy of management in enterprises, the free market pricing system that occurred during SPE mainstreaming and a re-distribution of wages and services among the population. But the re-distribution of resources aimed at controlling inequalities had no impact on the serious consequences of speedy economic growth. Instead, hyperinflation of basic commodity products like food and clothing led a portion of the population and foreign businesses operating in Cuba to prefer imported products. Stagnation in productivity despite five years of economic growth (2002-2007) can also be explained by the reactivation of a significant portion of the unemployed into the social service sectors of the economy. In 2009, and in response to inflationary tendencies in food products, efforts were made to stimulate local farming organised and managed by municipal councils.

Monetary policy for this period went from the single use of the Cuban peso, to the use of the peso, a convertible version and a variety of foreign hard currencies, to the 2003 Central Bank Resolution 65 creating the convertible peso (CUC), now recognised as the only valid hard currency to be used on the island along with the Cuban peso. The convertible peso was based mainly on US dollar reserves until 2004, but from then on it recognised the euro informally as the main basis for foreign currency reserves backing up the CUC. A large amount of commodity products and even basic needs such as food products, moved from the subsidised pricing system of the peso to the convertible CUC.

While the country experienced high rates of economic growth during this last period, the global economic crisis resulted in the downturn of tourism, less family remittances and a price hike for imported foods. The downturn of production, which eventually slowed down the GDP growth from 2007 onwards, forced the PCC to reconsider the fundamentals of the Cuban economy.

76
State and Market

Eckstein compressed the economic phases up until the mid-90s into periods roughly corresponding to political campaigns in order to elaborate on the interaction among domestic social and international political pressures that shaped economic policy, social priority and state capacity for development. To use Eckstein’s terms, these are: the utopian jump to Radical communism/social re-configuration and mass mobilisation (1959-1968), the Retreat to socialism/institutionalisation (1970s and the first PCC Congress), the Campaign to Rectify Errors and Negative Tendencies (1986-1990) and the Special Period in the Time of Peace (the 1990s). Carmona Báez extends beyond this to the fifth PCC Congress when the New Cuban Economy was proclaimed through the SPE, and identifies quasi-permanent structures that would allow for further re-insertion of Cuba into the global economy while impacting internal socio-economic indicators. These analysts look to both international as well as domestic/popular causes and responses to the economic policies put forth by the party/state apparatus leadership.

Some might consider the documents produced for the party congresses as national strategies of social and economic development. A closer look, however, at how global and local pressures encroached upon policy reveal that within the framework of party/state dynamics, many policies adopted throughout the course of 40 years reflected either ad hoc decisions based on opportunities presented by Cold War logic or state responses to appease the popular masses (popular democratic governance), i.e. politically stimulated. For instance, based on studies corroborated by Domínguez and Zimbalist and Bruneus, all recognise that the changes made during the first half of the 1970s, including the SPDE and especially the de-centralisation of enterprises, were state responses to popular concerns of food shortages, tight rationing and inefficiency in public services. Absenteeism and foot-dragging were considered to be forms of protest, while underground economic activity, especially in agriculture (punished harshly) signalled the possibility of more efficient production under loose-control of the government. The large-scale impact of structural reforms, particularly inequalities budding among the population, featured prominently in scholarly discourse, forcing their appearance into local debates about socialist strategies of national development.

Unanimously, Cuba analysts have identified a zigzag pattern of openings and closing of market spaces, and zigzags between centralisation and decentralisation controlled by the party/state apparatus and influenced by popular responses to changes. This zigzag tendency is a general pattern within the party/state apparatus’ relationship to markets, allowing for the controlled inflow of hard currency, technology and the availability of foreign trade. It is noteworthy to mention here that this pattern has also been documented as a feature of China’s state response to the market since liberalisation took off during the 1970s up until today. 

Cuba’s insertion into the post-Cold War, global economic order represented no less of a zigzag at the start of the twenty-first century. From 2000-2004, numerous national projects for ensuring a balancing act were instated. In 2000, Fidel Castro launched the so-called Battle of Ideas, a series of corrective measures to control the social contradictions emanating from the economic expansion. The government allowed fewer productive spaces for FDI, suspended and reduced new and existing self-employment licenses, and targeted direct aid toward the most vulnerable segments of the populations. Although pensions and other social security benefits increased, the government halted many of the structural reforms made during the Special Period up until 2000.

Parallel to these measures was another ‘battle of ideas’. Already in 2003, the Cuban government welcomed the presence of a Chinese delegation of economists that left an outstanding impact on the debates occurring in the country. Xu Shincheng of the Chinese Academy of Social Sciences was quoted saying that the country ‘should establish mechanisms of socialist market-based economy, and do away with egalitarianism.’

Egalitarianism refers to the practice of maintaining generally equal salaries independent of productivity, which is what until recently differentiates Cuba from similar economies worldwide. An end to egalitarianism would mean strictly linking wages to productivity. This was experimented with briefly in the SPE at the end of the 1990s, after the fifth PCC Congress in 1997 but later suspended and reinstated after 2008.

Since his entry into office in 2007, Raúl Castro’s speeches have been peppered with insinuations about the changes that needed to be made: enhancing popular participation, the formulation of proposals for change and democratic debate; increase in overall productivity, but especially in
agriculture; making sure that people’s standard of living is directly related to their legal income; reduction of redundant state employees and excessive benefits such as meals provided for at the workplace; the closing down of non-economic projects that were launched during the Battle of Ideas; and ensuring transparency, making top management accountable. Parallel to this, Cuba saw greater popular and scholarly debate on development strategies and the re-conceptualisation of the terms ‘social property’ and ‘socialist development’. Some analysts have speculated that the Battle of Ideas was in fact an economic-ideological manifestation of the political transfer of power from Fidel to Raúl Castro.  

As of 2007, the government began passing legislation lifting prohibitions on Cuban citizens’ participation in the market. These are liberalisation of the sale and purchase of such commodity goods as computers and laptops and entertainment appliances. Access to broader services of mobile telephones – which had been reserved for diplomats, business managers and foreign visitors, was also expanded. The same period saw the lifting of restrictions preventing Cuban citizens from enjoying some hotel services traditionally limited to tourists. Flexibilisation in the calculation of salaries was another feature, while Law-Decree No. 259 on the distribution of idle lands for the purpose of private agricultural development and Decree-Law No. 268 modified labour laws to allow for multiple employment and flex work. In a sense, we can speak of the re-introduction of the economic practices, which emerged out of the Special Period.

Here we see an opening up of new market spaces, a tendency ridding the country of features closely identified with the socialist development of the 1980s, when the relationship between the market and the State was re-evaluated. It is possibly a return to the initiatives taken up during the Special Period and interrupted shortly before the transfer of power from Fidel to Raul. There is, however, still a question with which to contend: did the structural changes adopted during the Special Period and extended throughout the last decade reflect the making of a new strategy?

**Combined Re-industrialisation**

The 1990s indeed saw a transformation and restructuring attempts in order to allow for the expansion of an industrial base and would guarantee a certain success in overcoming complete economic collapse. Exports increased during the 1990s due to enhanced exploitation of natural resources through services, especially in tourism. Simultaneously, this helped to reproduce domestic market mechanisms, the acquisition of technology and advances in order to expand an industrial base for local consumption, referred to as ‘exports within borders’. Revealing the importance of hard currency, exports within borders have made it possible to create some industries originally designed to place imports on parity with export-oriented industries for direct access to foreign exchange. From here, domestic markets in foreign exchange could serve as a springboard for the generation of real globally competitive exports but this has not yet been materialised.

We can conclude that what we see happening in the 1990s is not a different strategy, rather what is seen is a different phase of the same strategy, imitating the pattern. According to Monreal: if in the period 1975-1990 Cuba practiced import substitute industrialisation with subsidies from the Soviet bloc, ‘the 1990s opened a new stage of what in essence was the same strategy, which can be called reindustrialisation by means of import substitution with superimposed export orientation (in short, combined re-industrialisation).’

In a sense, the industrial expansion that was more evident during the early 1980s was only possible due to Cuba’s participation in the Soviet bloc parallel market system of preferential and subsidised prices. From the 1990s onwards, a ‘strategy of resistance’ sought to maintain the continuous flow of investment into social welfare and safeguard socio-political stability. The changes made during the Special Period were not a discontinuation. Rather, they sought to preserve the structures of state-dominated production and industrialisation by means of import substitution. This pattern of resistance cannot be thought of as purposeful or intentional. Therefore they were re-conceptualisations of patterns of development and do not represent that strategy of development that can carry Cuba for decades to come. The argument can be taken further to suggest that Cuba never had a real strategy for economic development in the global system. Rather, the patterns of industrial and economic development were framed by Cold War logic, sovietised if you will, especially since 1973 when it entered into the COMECON, until the demise of the Soviet bloc. The structural changes that were expounded during
the 1990s, thought of as temporary measures for recuperation, can only be thought of as impulsive responses to the global market, and may have given clues for a future, conscious development strategy.

Today, the Cuban state is laying the necessary foundations for the unleashing of the country’s productive forces whereby a share of the industrial base can be oriented towards production and global distribution. This does not mean, however, that import substitution should be completely eliminated. Gereffi et al recognised that a combined strategy of both import substitution and outward oriented industrialisation should be the norm, albeit with import substitution taking on a subordinate role. In order to accomplish this task, it would be necessary to adopt other measures that would become permanent features for a new Cuban economy. These include: the elimination of the dual monetary system, financial autonomy of state enterprises, redefining the material bases of accumulation and the introduction of new forms of property, the redistribution of idle lands for the use of private agricultural production, identifying spaces where the Cuban economy can insert itself into the international market and its distribution chains (manufacturing) and, last but not least, securing the confidence of foreign investors.

It seems as if the suggestions made by Cuban analysts have recently been inserted into party/state discourse through the recently formulated guidelines and have laid the groundwork for a sound development strategy. The culmination can be found by studying the guidelines prepared by the PCC Commission on Economic Policy and approved by the PCC in their sixth Congress in 2011. More than structural and normative transformations that enhance production, what is taking place in Cuba today is the implementation of economic reforms that will permanently change the concept of production and capital accumulation itself; this time from the perspective of integrating Cuba into the global economy.

**New Guidelines, New Strategies, New Markets**

It is beyond the scope of this article to place any value judgement on the political procedure that was used in the preparation, discussion and modification of the guidelines. It is worthwhile, nonetheless, to mention that the original documents provoked serious debates, unprecedented in Cuban political history.

The first draft prepared by the PCC Commission on Economy Policy was delivered publicly in November 2010 and national meetings for public scrutiny were held between the following December and February. Out of the original 291 guidelines, 94 remained the same, 197 were modified or integrated into others (68% of the total) and 36 were added to make a total of 311 guidelines that were approved by the sixth PCC Congress in April 2011.

The guidelines are divided into 12 chapters. The most important features for our discussion here are the following: new forms of non-state (social) property; the possibility of private production and the elaboration of non-state systems of public services; new industrial relations with a new intermanagerial framework; tax regimes and agriculture; the reorientation of social benefits traditionally associated with egalitarian policies towards the concentration of social services to the most vulnerable sectors of Cuban society; greater space for private property and the commodification of real estate and other objects such as automobiles.

The first guideline, falling into traditional party/state discourse reads: ‘The system of socialist planning will continue to be the main path for leading the national economy and should be transformed in its aspects of methodology, organisation and control. Planning will consider the market, influencing the same and considering its characteristics.’ Here the state shifts from producer to regulator. That is, separating state functions from business functions through a gradual process, to allow room for defining the normative transformation. Entities remaining under state control will receive more management autonomy in employment, budgeting, operations, and material and fiscal resources use, to increase both efficiency and accountability. The forming of self-managed, collective entities, i.e. cooperatives, in industry and services will be the main form of non-state social property, with obligations similar to private entities in terms of profit-making, revenues, employment, management and eventual (re-) investment. The government should develop a business-state legal order that will facilitate contracts, controls and penalties. A tax regime for business should be elaborated at both the municipal and provincial levels, in order to ensure an adequate redistribution of wealth and investment in infrastructure. Internal finances shall not be tampered with by government
The creation of new market spaces domestically to facilitate a business culture is clear with the commodification of real estate and automobiles; whereas before exchange of housing was strictly mediated by the state, now there is the possibility to sell and rent homes and personal transport vehicles, as well as the liberalisation of renovation and construction services on an individual basis, in
order to alleviate housing shortages. The nascent housing market can also be seen as a tool to kick-start the economy with the inflow of foreign capital. Guideline 297 advocating the establishment of a real estate system was translated into law in November 2011 with the publication of decree-law 288, modifying the General Housing Law of 1988. Between 2011 and 2013, 1.6 million pesos of credit was dispersed for housing construction.

In May 2012, I conducted a sampling of real estate prices on 62 flats and single homes in nine municipalities of Havana province. The average running price per squared meter ran to CUC 459,21 or roughly 344 euros; whereas the most expensive house of those sampled went for CUC 330,000 (CUC 494,75 per squared metre) and the least expensive flat running at 8,000 (CUC 320 per squared metre). The average annual salary of Cuban citizens residing on the island is CUC 204 per year. According to the law, only Cuban nationals are allowed to purchase real estate. So either real estate is being bought up by Cubans making earnings abroad or by investors that hold a trusting or family relationship with the resident buyer. When interviewed, most home sellers indicated that their intention was to remain in Cuba and reinvest the money into another home and/or business. Out of the 63 sellers who were interviewed, only two indicated that they had every intention of abandoning the country.

Special Development Zone, Mariel

Up until now, we have only described the opening of new domestic markets operating in Cuba within the guidelines. While the main function of these, especially real estate, is to serve as spaces allowing for a significant injection of hard currency from abroad into the economy, these, however, do not constitute a sufficient basis for the production of goods to be distributed in the global chain of production and distribution. The one place where we might see a noteworthy effort to link Cuba’s productive capacity to the global market is the new special economic zone located at Havana’s Mariel port (ZEDM), which saw operations start in January 2014. The zone’s construction was financed by Brazilian public and private investors. Besides providing for a new port where approximately 90 per cent of Cuba’s imports can be received, the 465 squared kilometres ZEDM will also serve as a centre for direct foreign investment in different areas including industrial assembly of automobiles, pharmaceutical and biotechnological production, renewable energy, packaging and retail of telecommunication merchandises. In its initial stage, 4,000 Cuban citizens will have been employed at this site. A new law of foreign investment was deliberated while this article was sent for publication; while Decree-Law 313 (2013) already allows for tax breaks on contracted labour, services and utilities. An update of the 1995 FDI Law will necessarily include clauses guaranteeing no state re-confiscation to ensure investor confidence.

New industries at ZEDM include China’s automobile producer, Geely, which will introduce semi-knock down (SKD) assemblage to the island, simulating the same corporation’s operations in Uruguay, where 40% of automobile parts are produced locally. Cuba will host Geely’s market for the entire Caribbean and the northern part of South America. Automobile assemblage will, of course, compliment the new market of automobile sales on the island, also ordained by the 2011 guidelines.

Other investors into ZEDM, private and state-owned, hail from Vietnam, Russia and Germany. With carefully arranged business deals, the special zone will become the bud of Cuba’s new development strategy.

Conclusions

What socialist development has meant throughout the last fifty years in Cuba and what the term entails under this new development strategy are clearly distinguishable. Already mentioned earlier was that shortly after the revolution, in the second phase covering 1961-1963, socialism was conceived as a centrally planned economy of state-organised industrial and agricultural production, whose purpose is development or the collective improvement of standard of living for the vast majority of people, conducing to collective and individual emancipation. The results of the venture radically changed Cuban society and the elevation of the general standard of living certainly ensued. Somewhere between the late 60s and the mid-70s, a zigzag pattern depicting the state’s relationship to the market began to appear and became more evident from the 1980s throughout the entire Special Period of the 1990s and at the start of the 21st century.
Throughout this work I have demonstrated how the basis for Cuban socialism has shifted from following a pattern of development conditioned by the Cold War, to a real development strategy by looking at economic changes up until the sixth PCC Congress held in April 2011. Today, the country’s leadership is bent on making the insertion of key economic sectors into the global chain of industrial production and the development of independent local market spaces capable of interacting with the global economy, as the central nucleus of its development strategy. On the one hand, moving away from strategies of (re-) industrialisation that does nothing more than providing for domestic consumption, towards the opening of market spaces for the purpose of insertion into international production chains of distribution -if done skilfully, can circumvent the problems of external shocks related to the exportation (within and without borders) of natural resources; something that has plagued Cuba since pre-revolutionary times. On the other hand, external shocks can and most certainly will happen, as they do occasionally, in industrial production and distribution chains. The Cuban economy will displace its vulnerability from one sector to the other in a time where financial markets and flows of investment are no less unstable. For this reason, although we can identify a definite change in the adoption of a strategy of development, the patterns of development that highlight the State’s relationship to the market might never change.

If there is a clear answer as to why the economic reforms are not accompanied by a radical change in political discourse, abandonment of the project of socialist construction and the disintegration of the party/state apparatus, it is to be found in the continued pattern of state supremacy over the allocation of resources, production and redistribution in both the public and private sectors; emphasis is still placed on social and economic planning, while new market spaces are allowed to co-exist with collective social property. This is the essence of Cuban socialism (or economic democracy, as Schweickart labels it) operating in 21st century global capitalism. However, to make our study of the state of Cuban socialism complete, it would be necessary to look at the advances-to-be-made by adopting this new strategy of economic development and juxtapose it to forthcoming social implications.

4 Colburn and Rahmato 1992, 159-161.
14 Piñeiro Harnecker, 2010

Gereffi 1990, 23.


Monreal, P. 2004, 99


Monreal, P. 2004, 99


Monreal, P. 2004, 99

45 Monreal, 104.
46 Ibid, 108.
45 http://cubasocialistrenewal.blogspot.com/2011/01/translation-cuba-needs-changes.html (accessed May 12, 2012); See also: Rafael Hernández, Yenisel Rodríguez and Juan Triana interviewed in Espacio Laical (2011).
50 Partido Comunista de Cuba (PCC), 2011, Información sobre el resultado del Debate de los Lineamientos de la Política Económica y social del Partido y la Revolución, Havana: Comité Central del PCC.
51 These are entitled: I-Model for Economic Management; II-Macroeconomic policy; III-External Economic policy; IV-Investment policy; V-Science, Technology and Innovation policy; VI-Social policy; VII-Agro-industrial policy; VIII-Industrial and Energy Policy; IX-Policy on Tourism; X-Transportation policy; XI-Policy on Construction, Housing and Hydraulic resources; and XII-Business (domestic) policy.
52 In guidelines 25-29, two forms of cooperatives are identified: first and second grade; wherein the second may emanate from a mother cooperative, specialising in a particular service for the company. Guideline 26 clearly discourages the sale of the cooperative to individual proprietors and private companies (natural persons) or even to the State.
54 Ibid.
55 Gaceta Oficial, 2011
56 Rodriguez, J.L., Ibid.
57 This sampling was part of a two-month research on new market spaces in Cuba, conducted in April and May 2012. The author is thankful to Laurens Pollman for his assistance in gathering information on real estate in Havana.