

## FAR: MASTERING REFORMS

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More than 15 years ago, something very important began to take shape. The *Fuerzas Armadas Revolucionarias* (FAR) began to restructure their industries and services. Such changes became to be known as *perfeccionamiento empresarial* (managerial improvement). No one paid too much attention to this development at the time despite of its tremendous importance. Nowadays, and especially after the V Congress of the Cuban Communist Party (PCC), held in October of 1997, when *perfeccionamiento empresarial* was adopted as the Party official policy to guide the full restructuring of the Cuban state economic system, it has become a must for a clear understanding of the latter and the current dynamics of reforms in Cuba.

Before entering into a discussion on *perfeccionamiento*, it is important to clarify the reasons why in the early 1980s the FAR embarked on a process that departed so radically from the existing policies and institutions. Let us outline some of the reasons behind such a decision.

First, Soviet-Cuban relations were entering an increasingly conflicting stage, which began in the late 1970s, the last years of the Brezhnev era. A chain of dramatic clashes with Soviet policies and actions characterized bilateral relations since then. Cuban unilateral actions in Angola (1975) and Ethiopia (1977) caused great concern and displeased the Soviet leadership. The Soviets even tried to stop Cuba's initial involvement in Ethiopia. In Angola, as in the past, they supported the *fraccionistas* and their armed uprising against Neto, who was being supported by the Cuban forces. Clashes over the support of the

*Sandinistas* and other guerrilla movements in Central America, in open opposition to Soviet policies, was another major source of conflict.

By 1979 two events came to aggravate bilateral relations. One was the failure of Cuban leaders to make the Soviet leadership accept their views and approaches regarding the dangers of the Reagan option and the impact of the Santa Fe program. Subsequently, the Soviets denied any possibility for additional commitments regarding defense and security, including requests for large increases in military supplies, particularly with updated technology; Moscow made it clear that security arrangements would have to adjust to the new and changing circumstances and Soviet leaders increasingly challenged Cuban views and actions. Soviet reactions on issues such as the submarine base at Cienfuegos and the subsequent deployment of Cuban submarines near U.S. targets, the incidents over the supply of MiG 23s, among others, were additional episodes perceived in the eyes of the Cuban leaders as dangerous signs of a potential sell-out. Cuban demands and pressures found blunt and unwavering Soviet rebuttals. These strained relations had an enormous impact on the Cuban leaders, who felt a growing sense of unreliability and insecurity about their Soviet allies as never before.

At the time, Cuba's international position had been boosted by its chairmanship of the Non-Aligned Movement (NAM), an achievement not appreciated by Moscow. The Soviets did not hesitate or consult with their Cuban allies on the decision to invade Afghanistan, a NAM member country. Fidel Castro felt humiliated, outraged and, once again, frustrated al-

most as much as during the days of the Missile Crisis. Forced to support — at least publicly — the Soviet invasion of Afghanistan, he took special care in conveying to the Soviet leadership his strongest condemnation and total disagreement with such action. At the same time, he shared these views with close associates and several Third World leaders.

Second, Soviet economic and military cooperation was seriously questioned and all kinds of uncertainties flourished among Cuban leaders. The repeated visits of to Havana of Nikolai Baibakov, Chairman of the Soviet Central Planning Agency, *GOSPLAN*, pointed to a *cul-de-sac* in relations and some key important economic projects in Cuba could not be properly implemented. The days of a second Soviet economic and oil embargo, as in 1965-1968, was perceived as a serious possibility.

And third, among Cuban experts dealing with Soviet/COMECOM affairs there was a growing perception that the economic decline in Cuba's foreign allies was reaching new and unprecedented heights — although no one predicted an imminent collapse — and that this was going to have a very negative impact over relations with Cuba.

Later on, in the course of the first half of the 1980s, relations would get even worse. Events in Central America and Granada had Soviet and Cuban policies clashing again and again. And military coordination with Moscow over Angola was cancelled completely.

This is the context in which the Cuban leaders began to seek new ways and alternatives. This is the context in which Fidel Castro took several key decisions:

- his overture to the Cuban-American community as a permanent component of Cuba's economic and political security; the orchestrating of the Mariel boatlift; and engaging in secret talks with representatives of the Reagan administration;
- the adoption and proclamation of the strategic policy of *Guerra de Todo el Pueblo* (All People's War);
- the creation of the *Milicias de Tropas Territoriales, MTT* (Militia Territorial Troops) and the acceptance of a special Vietnamese advisory for

such purposes, in opposition to Soviet advice; and

- the accelerated dismantling of the *Sistema de Dirección y Planificación de la Economía* (SDPE), the overall economic management and planning system sponsored by the Soviet Union.

These decisions confirmed the crisis of the Soviet-Cuban alliance, a crisis that did not result from the coming into power of Gorbachev — it simply culminated during Gorbachev's tenure — or from the collapse of the Berlin Wall.

It is in this context that *perfeccionamiento empresarial* is born: the prototype of a new economic system, implying a total restructuring of the economic, institutional, social, and, eventually, of the existing political system. The task of developing and implementing *perfeccionamiento* was not entrusted to the *Junta Central de Planificación* (a dying institution at that time), the Economic Department of the Central Committee of the Cuban Communist Party, the School of Economics of the University of Havana, or any other Cuban think-tank specialized in economic affairs. Instead, the FAR is the institution entrusted with this project. Why the FAR? Within the existing power structure the FAR provided important advantages:

- The highest degree of legitimacy in terms of historical background, performance, efficiency, control, honesty, prestige, dedication, loyalty, trustworthiness, popularity, representation/promotion of blacks, and real authority.
- The highest degree of reliability to meet the complexities and challenges of the drastic changes, something that was, and continues to be, perceived as entailing very high risks in terms of national security (*"defensa de la Revolución,"* is the equivalent concept in Cuban rhetoric) considering the changes in the nature of the system, the emerging social tensions, and the implications of close association with foreign capital/technology/influence.
- The best infrastructure, within Cuban standards, in every field (resources, reserves, transport, communications, financial accountability, manage-

ment, and others) together with a highly qualified structure of professional personnel and cadres.

Mastering the reforms associated with *perfeccionamiento* has become the biggest and most difficult battle ever to be waged by the FAR, seeking to achieve survival and continuity.

### HOW DID IT COME ABOUT?

The growing sense that the whole economic system had to be redefined and restructured was already very much in the minds of Fidel Castro and his brother Raúl by the early 1980s, but with very different perceptions and perspectives. While Fidel Castro was still considering various options and unrealistic projects, his brother Raúl focused on the need to experiment with one specific and coherent system, more in line with the major trends in the real world. Fidel Castro, while eager to dismantle the SDPE (some called it Baibakov's pet project), was absolutely reluctant to Raúl's project and ideas and had no alternative solution of his own. The ultimate compromise was to let Raúl experiment with his project, but only within the confines of the FAR.

By 1984-85 everything was ready to start the project. The enterprise chosen to begin the experiment was the huge "Ernesto Ché Guevara" industrial plant in Manicaragua, one of the key industries of the *Unión de la Industria Militar*. The team of planners, executives, and administrators (later in 1986 known as *Grupo de Perfeccionamiento Empresarial*, whose executive secretary was and continues to be Engineer Colonel Armando Pérez Betancourt), mostly composed of engineers and economists, were under the supervision of Division General Julio Casas Regueiro, who reported to Raúl Castro. Gradually, it expanded to all of the *Unión de la Industria Militar* (industries, services, and finance) and its 230 enterprises. By 1987, the slogan that the FAR was the laboratory for economic organization and leadership was becoming very popular among military leaders. To realize how subversive the experiment was, we must realize that a special authorization had to be issued by the government to allow the FAR to violate, ignore, bypass, more than 100 norms, codes, and regulations of the existing system.

Within 5 years, *perfeccionamiento* was already being applied within the FAR. Close to 40 percent (some 27,000 workers, technicians, and professionals) of the FAR civilian workforce (a key component within the military industries) was laid-off, while the gradual reduction of the armed forces reached 50 percent of its 1980 level. The incredible paradox in 1991 was that while the country was crumbling, virtually in shambles, the FAR were doing pretty well in a comparative sense.

The question then was: why not expand the experiment to the rest of the country? The answer was neither economic nor technical — it was essentially political. The internal pressures on Fidel Castro to move ahead and swiftly with reforms had caused serious internal clashes within the Cuban leadership. Men who had had the courage to advocate for urgent changes since the mid-1980s had been dismissed from the Politburo — like Julio Camacho Aguilera and Sergio del Valle. Juan Almeida was on the verge of a major confrontation with Fidel. And last, but not least, his own brother, Raúl, had had another major confrontation with his older brother on the same grounds as the others. Carlos Aldana and other low-level members of the Politburo were also in favor of changes, but Fidel Castro could not tolerate anything along such a line. It all smelled to him of *perestroika* and *glasnost*, and the consequences were too evident: *el desmerangamiento*, as he called it, meaning the crumbling of the systems in Easter Europe and the Soviet Union. He was unwilling to take any risk that could place in jeopardy his domestic control. And for Fidel Castro, expanding *perfeccionamiento* outside of the FAR and into the rest of the country could have very risky consequences.

It was only after the popular demonstrations and clashes in Cojimar-Regla in the summer of 1993 and in Havana in August of 1994, that Fidel Castro began yielding to the enormous pressures from within. It was only then that the imperative for reforms began to gain momentum, but even then any attempt to adopt *perfeccionamiento* as a general policy was rejected. His concession was that a small number of key enterprises (telecommunications, mining, beverages, rubber, energy, fisheries, and others) could

adopt the new system on an experimental basis. Finally, a group of 100 enterprises carefully selected began preparing for the different steps and stages. A combination of increased domestic and international pressures plus encouraging good experimental results finally led, 12 years later, to the doption by the V Congress of the Cuban Communist Party of *perfeccionamiento* as a general economic strategy.

By 1999, approximately 900 enterprises (close to 30 percent of the existing industries in the country) were involved in implementing the early stages of *perfeccionamiento*. The group of 100 enterprises that began to implement *perfeccionamiento* has moved ahead rather successfully; 45 of them have been approved to continue on the path of implementation on the basis of their diagnoses, reliable accounting systems, and other previous studies, and 22 others have fulfilled the requirements for step one.

Currently — as of June 2000 — 1,419 out of a grand total of more than 3,000 enterprises are already involved in the early stages of the *perfeccionamiento*. They employ approximately 810,000 workers. The process is moving ahead cautiously, looking for reliable results, beginning with the diagnoses. For example, in one very sensitive and important province like Santiago de Cuba there were 72 enterprises already involved in the different steps in conducting the diagnoses, but only 4 have been approved to move ahead to the next stage.

The slow and cautious implementation of *perfeccionamiento* is currently subject to various pressures: from worker's unions, provincial and local administrators, collapsing industries, tensions derived from unemployment, need to expand to other areas, growing private sector, increased foreign investment, international sources. These pressures are likely to play a role in accelerating and expanding *perfeccionamiento*.

### SOURCES AND LEADERSHIP

What are the sources and experiences guiding *perfeccionamiento*? Some who favor comparative studies will say that it is an ill-conceived, and too late, mixture of economic reforms from Hungary and Yugoslavia with a touch of Leiberman's legacy of Soviet re-

formists under Khrushchev. In my humble opinion they are missing the current context and a clear understanding of the Cuban "big picture."

Others will argue that *perfeccionamiento* is inspired by the Chinese or even the Burmese paths, suggesting a more conservative, fragmented, approach to reforms. To some extent the arguments may be valid, but they are still far from real, local dynamics.

The Chinese pattern has had considerable influence; after all it preserves a certain flavor of nostalgia associated with socialist and communist past experiences. And Cuban leaders travelling to China — as part of the ritual of their host — are regularly taken to see and learn from Shenzhen. Zhu Rongji and his advisers are well known to Cuban leaders and executives. When Raúl Castro went to China, he spent long hours talking to Zhu (something that was not reflected in the Cuban press) and invited his main adviser to travel to Cuba (something that Fidel did not do when he visited China). This famous adviser went to Cuba, caused a tremendous impact, talked to leaders and executives for many hours and days, but there was one person who refused to do so, except for a brief and formal reception: Fidel Castro. This shows, once more, the different approaches, attitudes, and inclinations that coexist inside the Cuban leadership, and that Fidel Castro is, as always, the less enthusiastic person regarding the Chinese approach and this helps to curtail and prevent, to a considerable extent, the influence of the Chinese model. But this should not mislead us to underestimate China's enormous importance for the Cuban leadership. This importance is not so much as a model but as a practical alliance in terms of cooperation, trade, technology, military supplies and cooperation, and the political and diplomatic support that China can lend as a big power and a permanent member of the U.N. Security Council.

What is then the theoretical and practical basis of *perfeccionamiento*? The best economists in the European Union, the United States, Canada, Latin America, and Japan. Their views translated, duplicated, circulated, from hand to hand, through lectures, workshops, and seminars. These views are all over the place together with IDB and ECLAC studies and lec-

tures from experts from the IMF and the World Bank, going back to the early 1980s, when U.S. experts began lecturing Cuban leaders under the sponsorship of the Ford Foundation and other U.S. institutions. This is the cultural and theoretical environment of the *Grupo Gubernamental para el Perfeccionamiento Empresarial*, the actual guiding and supervisory institution, and the kind of information and knowledge it disseminates. Its ideas are being debated at seminars and in publications of the ANEC (*Asociación Nacional de Economistas Cubanos*, National Association of Cuban Economists), within the Cuban “think tanks” (*centros de estudios*), the School of Economics, and others. Marxism? It is acceptable as part of a certain legacy that it contains and for some methodological value. Nationalism? Yes, very much so, and more deeply entrenched.

The other important question concerns leadership. I am not referring to Fidel Castro, Raúl Castro, and others from the “old guard,” but to the thousands of executives, managers, advisers, counselors, that is, the professional elite. Are they conducting this process with the old manuals from the Soviet Union? Hundreds and thousands of them have been retrained and retooled in many of the best universities and economic institutions of the Western Hemisphere, the European Union, and Japan over the last 10 years. Knowledge, culture, values, attitudes, even the current operational language, have changed considerably. They speak in terms of markets, of costs and benefits, of statistics and prices, of mathematical modeling and financial engineering, and even of stock markets. These professionals are the real leadership of the *perfeccionamiento*.

Allow me to use a metaphor: When Zhou and Deng were fighting against Mao and his supporters, where was Zhou Rongji? When the Four Modernizations were proclaimed in China, there were all sorts of objections, but nevertheless they cleared the way and helped history evolve. Where was Zhou Rongji if not somewhere along the line? This sense of history might help to understand the current dynamics of the Cuban experience beyond any other wishful thinking in terms of transition scenarios, at least for the foreseeable future.

## GUIDING FORCE OR MILITARIZATION?

*Perfeccionamiento* has led to a considerable increase of the direct share of power in the hands of the FAR or former FAR leaders. A brief overview of the institutions and enterprises that are under the direct control, supervision or influence of the FAR provides ample evidence on this point:

- Ministry of the Sugar Industry (Division General Ulises Rosales del Toro, former Chief of Staff of the FAR, and a Politburo member).
- Ministry of Fisheries and Merchant Marine (Ship Captain/Colonel Orlando Rodríguez Romay, “the youngest colonel in the FAR” in the 1980s, member of the Central Committee).
- Ministry of Transport and Ports (Colonel Alvaro Pérez Morales).
- Cuban Civil Aviation Corporation, Sociedad Anónima, CACSA (Division General Rogelio Acevedo, member of the Central Committee).
- National Institute of State Reserves (Brigadier General Moisés Sio Wong).
- *Plan Turquino-Manatí*, a huge developmental plan covering some 20 municipalities, approximately 20 percent of the Cuban territory, in the Cuban mountain ranges and the Ciénaga de Zapata, where a large portion of the Ejército Juvenil del Trabajo is concentrated.
- *Banca Metropolitana* (Metropolitan Bank), a banking institution created 5 years ago.
- *Habanos S.A.*, an enterprise in charge of international marketing of Cuban tobacco/cigars/cigarettes. When created in the early 1990s, headed by Colonel Linares from the FAR; due to Linares’ health problems, Colonel Oscar Basulto took over.
- *Gaviota S.A.*, Cuba’s fastest growing tourist enterprise since 1992 in association with Spanish, German, French, and Jamaican capital. One of FAR’s “pet” projects.
- *Grupo de Electrónica de Cuba*, formally a part of the Ministry of Steel, Mechanical Industry, and

Electronics, known as SIME, but very much autonomous under the direction of *Comandante de la Revolución* Ramiro Valdés Menéndez, a former Politburo/Central Committee member and former Minister of the Interior. The backbone of this *Grupo* is COPEXTEL, specialized in telecom.

- CIMEX, the First Cuban corporation to operate as a *Sociedad Anónima*. Created in 1979 under the control of the Ministry of Interior to engage in foreign trade of goods and services through 17 holding companies under its control; since 1989 under FAR jurisdiction.
- CUBANACAN, established in the early 1980s following the same pattern as CIMEX; currently has 10 companies focused on tourism and works very closely with CIMEX.
- *TECNOTEC*, an importer/exporter of high tech for civilian and military purposes.
- GeoCuba Entrepreneurial Group, which deals with policies and transactions connected with land concessions/leasing, related to mining, tourism, agriculture and real estate.
- Industrial Military Union, consisting of 12 major industries/services and 16 factories and bases throughout the country encompassing 230 facilities. Now closely associated with the most prosperous emergent sectors of the state economy. Headed by Colonel Luis Bernal León.
- Ministry of Information Technology and Communications. For more than 20 years it was in the hands of the FAR. Under Brigadier General Silvano Colás, the Ministry was refurbished in the mid 1990s and ETECSA — an important joint venture with Italian corporation STET — was founded. Recently, General Colás returned to the FAR and a famous civilian technocrat, Engineer Ignacio González Planas, the man who “rescued” SIME in the 1990s, was appointed Minister. Moreover, all information technology functions were transferred from SIME to a newly redesigned ministry under the name of Communications and Information Technology. It re-

mains to be seen if Colás’ replacement was routine or a move to involve more civilians at high levels. In any case, FAR influence over Communications and IT is considered to be high.

- Citrus, both agriculture and industrial processing, an important sector of the economy controlled by the military with Israeli enterprise BM Group.
- Export-Processing Zones (EPZ)-Free Trade Zones (FTZ), under CIMEX (HAVANA IN BOND, in the Berroa Valley, in the outskirts of the capital city of Havana) and ALMACENES UNIVERSALES S.A. in El Chico (outskirts of Havana), and the city ports of Mariel and Cienfuegos.
- The State Commission for *Perfeccionamiento Empresarial*, where Colonel Pérez Betancourt plays a key role.
- Ideological Department of the Central Committee, Colonel Rolando Alfonso Borges, former second-in-command of the Central Political Directorate at the General Staff.

By every possible standard, this is well beyond the “lion’s share” of the nation’s economy. But it is not only this apparently disproportionate share that is relevant in understanding the FAR’s place and role in mastering reforms. Their role in the policymaking process is not simply determined — and wrongly perceived — by how many high-ranking officers we find in the Central Committee and even in the Politburo (compared with earlier years, they have reached today their lowest level of numerical representation), but by the overwhelming centrality of the FAR in every single area of policymaking. We may wrongly perceive the Politburo as the only source of policymaking or look at the Council of Ministers as another major source, but the truth is that frequent policy designs and recommendations can play a more influential and decisive role than those coming from other quarters in the Party or the Government.

A similar pattern is connected with the Consejos de Defensa of the three armies, whose deliberations, concerns, and suggestions are extremely important.

Research and analyses conducted by the National Defense College in the 1990s are similarly important compared with other research centers. Looking at names, Julio Casas Regueiro, Leonardo Andollo, Luis Pérez Róspide, Armando Pérez Betancourt or Eladio Fernández Cívico (all of them key players from the FAR) are more crucial today to real policymaking in Cuba than many civilian ministers or brilliant civilian economists like Pedro Monreal, Julio Carranza, Osvaldo Martínez or even José Luis Rodríguez.

Should *perfeccionamiento* be perceived as a process of militarization, as was the failed experience of the late 1960s? Not at all. They are not militarizing the sectors and institutions to which they have expanded. They do not uphold a command economy — quite the opposite. It is not the regimentation of industries, services or agriculture, without an economic rationale. On the contrary, their language and tools are not those of *manu militari* or extra-economic coercion, but of costs and benefits and direct incentives, of eliminating subsidies and implementing massive lay-offs when necessary, of strict and transparent accountability, of responding to market demands and meeting each client's needs. It is by no means giving orders or resorting to direct pressures of any kind but responding to financial principles and updated technology.

This is not Prussian *militarization*, Russian *war communism*, a Pol Pot-type design or the rigid schemes of the Burmese military. These are not the whims and improvisations of Fidel Castro as in the past. This is a political elite, with or without a uniform, highly unified, fighting for its survival, recovery, and continuity. It is not a segment of society or the state known as “the military,” isolated in its drills and barracks. It is a group learning to master new systems and spaces in which they can insert themselves once they retire, and that will meet as well the expectations of the generations and segments of the population that are still loyal to the existing power structure.

## PERFECCIONAMIENTO... WHAT IS IT ALL ABOUT?

*Perfeccionamiento* is the closest approximation to a capitalist-type of organization within the current conflicting trends and pace of reforms in Cuba. It brings down the old bureaucratic, rigidly centralized and chaotic system and all of its foundations, with the sole exception of the state nature of property. But even the latter is being actually and potentially undermined and diluted to varying degrees by legal redefinitions like corporations, entrepreneurial holding companies, sociedades anónimas (share companies), and even sociedades mercantiles de carácter privado, propiedad del Estado cubano, as well as different forms of association with foreign companies in Cuba and abroad. It may be considered and discussed as a peculiar experience of privatizing the Cuban state.

An interesting perspective on this issue is provided by the prestigious IRELA (Instituto de Relaciones Europeo-Latinoamericanas), an institution actively supported by the European Union, in a document issued in 1999:

Aunque no se autorizara la creación de empresas privadas (referring to the V Congress of the Cuban Communist Party), éstas podrían emerger a largo plazo como resultado del proyecto de “perfeccionamiento empresarial”: en agosto de 1998 se eligieron 103 empresas para imponer un nuevo modelo piloto de gestión descentralizada orientado hacia la economía de mercado. Durante 1999 se incluirán otras 700 empresas en el experimento. Según esta reforma, la dirección de las empresas tiene un mayor nivel de independencia, ya no rinden cuentas ante los Ministerios, no producen según un plan quinquenal, ofrecen incentivos laborales y funcionan bajo los criterios de la economía de mercado (se permite la bancarrota). Según algunos expertos cubanos, si la reforma se lleva a cabo en estos términos, surgirán a largo plazo empresas privadas *de facto*.<sup>1</sup>

The implementation of *perfeccionamiento* is not a bureaucratic decision by which certain enterprises join the process: there is no jumping on the bandwagon or being a free-rider. Every enterprise must

1. IRELA, *40 años de revolución en Cuba: ¿Transición hacia dónde?*, Dossier 68, Madrid, Mayo 1999, p. 23.

start by doing away with their old foundations among them: centralization, central budgeting, production plans that totally disregard costs, planning based on material balances rather than on costs, lack of internal accounting systems and accounts payable and receivable systems, reliable statistics, inflated payrolls, huge inventories, subsidies, low levels of productivity, producing on the basis of a plan and not taking into consideration the specific needs of clients, low quality standards. Making this dramatic change is step one, the so-called diagnosis stage. Those who fail step one are in serious trouble and, eventually, will be out of the game.

It is only after successfully negotiating step one that enterprises will be evaluated to determine if they qualify to be admitted into *perfeccionamiento*. Once inside the system, they will have to meet a number of additional requirements to be granted the full benefits of achieving, and remaining within, *perfeccionamiento*, meaning that they have reached full decentralization and autonomy in every aspect; that they are on their own; that the whole production process of production will be placed entirely in their hands, from their supplies of raw materials down to the operation of their accounts in *pesos* and hard currency, their loans and payments; that they will be able to define or change production lines, upgrade technology and research, increase quality, productivity, and competitiveness, become profitable and make money; that they will be able to conduct their businesses with foreign partners in the country and abroad, going into the Internet with their websites, and distribute incentives and other social benefits.

For those not meeting the standards, the ultimate outcome will be closing down. This is a course of action that has been gaining momentum lately as several key government officials have raised, repeatedly, the possibility of closing down industries, including a considerable number of sugar mills, if they do not meet standards within two-years time at the most, arguing that those not meeting the standards cannot go living at the expense of others' achievements and financial viability.

Another important step being sought by *perfeccionamiento* is what has been described as *redimensionamiento*,

meaning essentially the downsizing of big enterprises and factories (those with more than 500, 1000 or even 3000-4000 workers. This *gigantismo* — as it has been described — is being tackled by a process of *redimensionamiento* which entails downsizing into small units, with less than 300 to 500 workers, and redefining productive profiles. It is believed that rationalization, technological upgrading, investment, control, and efficiency can flow more smoothly through the smaller enterprises.

Competitiveness is another key element. Government officials have stated clearly that there will be no protection given to Cuban products sold in the *mercado en frontera* (the dollar market in Cuba). Domestic producers of sea food, beverages, citrus, steel, cement, biotech products, pharmaceuticals, medical services, tourism, software, appliances, and others, will survive, compete, and succeed only on the basis of their costs, quality standards, and competitiveness *vis-à-vis* foreign products and services. Cuban electric fans competing *en frontera* with similar products from Japan, Korea or China or Cuban sea food competing in the EU markets, they have to meet the international standards without any protectionist interference, including subsidies.

*Perfeccionamiento* is not an isolated policy in the industrial sector; it potentially encompasses the entire economy, including services (tourism, banking, commerce), agriculture, and research, scientific and technological activities. Step by step, in a very cautious way, some times in virtual slow motion reflecting the contradictions at the leadership level, the pieces of the puzzle begin to fit. Cuba's reinsertion into Western markets; the reform of the banking system; the new investment law; the free zones; and a whole new body of legislation, principles, norms, and rules. These innovations are intended to reshape or shape the system to allow *perfeccionamiento* to work effectively.

## PRELIMINARY CONCLUSIONS

On a national scale, we can argue that the *perfeccionamiento* is still a very recent experience (excluding their 12 years of isolation within the military), being implemented for less than two years and only five enterprises have completed the process. In many ways



much of its development and long-term consequences remain to be seen. Objections? Yes, many. Conflicts and contradictions over its implementation? Millions of them, of course. Just one example: Let us all be aware that every step forward for *perfeccionamiento* will mean — as it has been proven already — tens of thousands of lay-offs and redundant workers that take time to relocate and readjust. Will the government risk it? It seems it is willing to do so, even in the sugar industry, where only the fittest will survive.

Is *perfeccionamiento* working? It seems to be working pretty well so far given the Cuban context. *Perfeccionamiento* is not something cosmetic or superficial. It is irreversible and it is not just a temporary thing. Will it deepen its scope? It is something unavoidable and it will be looked upon in the future as one of the turning points of the Cuban Revolution. Furthermore, my preliminary assessment suggests that it will have an impact over the next 10-20 years in transforming the Cuban polity and in shaping a very different transition, with very different outcomes, than those expected or suggested by many experts.