

A NATION'S DEBATE: WHAT TO EXPECT?

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From June 15 through September 20, 2016, Cuban society will engage in a nation-wide debate on two policy papers: *Conceptualización del Modelo Económico y Social Cubano de Desarrollo Socialista* (hereinafter “Model”), a theoretical framework of Cuba’s economic and social development model, and the *Plan Nacional de Desarrollo Económico y Social hasta 2030* (hereinafter “2030 Plan”), the steps to implement the Model and make it a reality.

Granma’s June 15, 2016, editorial announcing the beginning of the debates made a couple of interesting assertions. First, it sent a strong reminder that these documents are not the result of improvisation and are instead the work of hundreds of experts in addition to the members of the Central Committee, the Politburo, and the National Assembly. What’s the message here? That the authors of the documents are the best qualified in the land and therefore there is no overriding need to question or alter these documents through the debate process. Second, it is stated that the 7th Congress “approved in principle” the two documents. I do not recall such a statement at any given moment of the Congress, and President Raúl Castro, right from the beginning, spoke about withholding the approval of the documents until the end of the national debate, which would act as a validation procedure, and there was no mention of the documents being “approved in principle.” Again, what is the message here? That the debates should be downplayed to a mere formality, a simple act of ratification? If so, then it is not a good beginning.

The fact that these policy papers were not submitted for discussion nation-wide prior to the 7th Congress was ill-advised and a source of discontent among

many Party members and non-members. The discontent was strong enough to persuade the Cuban leadership of their mistake and bring about the ongoing debate. It should be recalled that there are precedents in Cuba supporting the procedure of nation-wide debates prior to the adoption of key policy statements, among the most recent ones being the national debate around the 1991 *Llamamiento al IV Congreso*, the 2007 debates regarding freedom of expression and policy reforms followed by the submission of hundreds of thousands of grass-root proposals, and the discussions of the *Lineamientos* in 2011, a process during which many modifications and recommendations were made and finally adopted.

What to expect then? A lot of “I couldn’t care less”? Blatant indifference? Shrugging shoulders and raising hands in formal approval? There is going to be a lot of these reactions, especially among various segments of the youth—by every standard, the most agonizing challenge faced by the old generation of revolutionaries—but also from those who in 1991, 2007, and 2011 were demanding deeper economic and social changes, an expanded democratic setting, including direct and fully transparent elections, full access to an unregulated media and IT technologies and services, the end to secrecy and verticality, and other issues. I am sure that there will be some who would not like to see one comma added or a phrase changed, but I am absolutely certain that many amendments, changes, additions and deletions will be brought forth and will have to be officially registered and submitted for further consideration. This means that, at the end of the nation-wide debate in September, the newly-elected Central Committee

will face a complex challenge in incorporating to the final version of the two policy papers, the huge waves of proposals coming from the grass-root experiences and ideas of large segments of Cuban society.

NATURE OF THE POLICY PAPERS UNDERLYING THE DEBATE

The policy papers submitted for national debate contain considerable ideological and political statements aimed at reassuring the legitimacy, stability, and future of socialism, as conceived within the Cuban context (unity of the people, majority support, universal social welfare, and international prestige and recognition) and principles such as socialist economic relations being primordial, the objective of achieving a prosperous and sustainable socialism, levels of development and growth and structures ensuring prosperity, and overall an economic system that functions efficiently combined with a monetary and financial system based on a single currency and a single exchange rate.

A large consensus of the Cuban population can support these general principles, except for the controversy around the last one. There is a wide range of concerns, doubts, fears, among average citizens as to what the consequences may be from currency unification and a single rate of exchange, in particular how such changes would affect wages and prices. The population's unease about the impact of these policy changes is aggravated by the lack of clarity and information and the persistent government secrecy on this topic. It is not by chance, that one important issue in the Model policy paper is to "watch over the dynamics between retail prices and average wages and pensions."

The length and comprehensiveness of both policy papers makes it impossible to discuss all the different angles and issues they cover. I will concentrate on two, which I consider extremely important. First, concepts on property and management in the Model, and second, goals and development priorities of the 2030 Plan.

PROPERTY AND MANAGEMENT IN THE MODEL

The Model document recognizes the existence of diverse forms of property and management, beginning by highlighting the role of foreign direct investment, and the existence of the market, which when properly regulated, is complementary to the workings of the socialist economy. The Model document also notes that the concentration of property and wealth in the hands of individuals and entities will not be permitted, a much-repeated statement throughout the document. It is the articulation of the principle of the separation between the rights of property ownership from the exercise of the control by the State over such property with respect to its possession, management and utilization.

Five different types of property and their corresponding types of management are recognized in the document:

1. Socialist property (owned by all of the people) over the fundamental means of production;
2. Cooperative property;
3. Mixed property;
4. Private property; and
5. Property of political organizations, mass organizations, social organizations, and other forms of association.

Management of property under any of these forms is subject to the policies and regulations of the State and the guiding principle of central planning. At this point one could ask about the need to also define "foreign property" and why not characterize the Cuban economy as a mixed economy or a "socialist market economy." These are important omissions in both papers.

Holding of private property by individuals or entities, national or foreign, is recognized in certain activities as long as they fulfill a social function. Private owners are accountable for all existing legal obligations. Wholly-owned private companies (100% private ownership) are authorized on a case-by-case basis, depending on the economic and social development needs of the nation, the modalities of the investment, and the rational use of natural resources and of the environment.

Small and medium size (SME) as well as micro businesses—defined based on the value of the activity and/or the number of employees—contribute to local development, and link up with state companies. Political and mass organizations and other forms of association are able to own property as long as they keep their non-profit profile.

The recognition in the Model document of private property market relations and of various types of property constitute an important step, but private property is still placed within an extremely restricted framework (complementary, existing only in certain activities, depending on specific circumstances, on a case-by-case basis, or so long as they do not result in concentration of property and wealth, etc.) in which the state, using its discretionary powers, may intervene and regulate. This sort of “short leash” policy is particularly damaging in curtailing the independence and management of cooperatives, disregarding the abundant evidence in Cuba that proves—well beyond any rhetorical arguments—that the most productive cooperative sector in the island has always been and continues to be the small farmers’ CCS (Credit and Services Cooperatives). The minimal State interference occurring in the CCS should be followed in all agricultural and non-agricultural coops in the country.

Another important issue is the lack of clear standards. For example, at a meeting with the UJC (Communist Youth Union) leadership to discuss the two policy papers, one participant demanded clarification of the limits to “the concentration of property and wealth.” Other unclear or undefined concepts are the size of businesses, areas of activities, number of employees, and for the SMEs, their interactions with the banking and fiscal institutions, and other sensitive issues such as their access and possibilities to interact with the external sector, including forms of association and financing from foreign sources.

The State’s ownership over the “fundamental means of production” remains without limitations; this means that potential investors, foreign and domestic, are unable to determine in which areas they could try their luck. Is the State planning to keep its ownership and control over everything it has in its hands today,

including the many hundreds of bankrupt industrial companies and services providers, or come up with rational choices and priorities to make fundamental means of production a clear and tangible set of activities? Again, which areas then will be open to SMEs and foreign investors beyond the current portfolio of opportunities presented by the Ministry of Foreign Trade and Investment? There is nothing in the Model document on these specific issues.

GOALS AND DEVELOPMENT PRIORITIES OF THE 2030 PLAN

The 2030 Plan provides several important clues about the expected path of the Cuban economy. It is also a more concrete and hands-on policy paper than the Model.

Interestingly enough, after referring to the persistence of “enemy activity” from the U.S. as the number one threat, the second mentioned threat is corruption. It is significant that right after the external threat, an internal threat is identified.

Setting aside these issues and the usual national security rhetoric, the 2030 Plan sets out crucial development priorities such as:

1. R&D;
2. Transforming the energy matrix of the country by way of domestic renewable sources of energy;
3. Infrastructure;
4. Demographic sustainability;
5. Coherent currency and financial policies, including prices, rates of exchange, and fiscal balance;
6. Achieving a better insertion in international and regional markets;
7. Achieving a high degree of food self-sufficiency;
8. Increasing savings;
9. Expanding and diversifying mid- and long-term sources of external financing that will actively contribute to the nation’s development and to guarantee the sustainability of Cuba’s creditworthiness;
10. Expanding and diversifying Cuba’s foreign trade and international cooperation;
11. Perfecting and expanding the internal market;
12. Consolidating the Revolution’s achievements;
13. Ensuring sources of employment in productive areas with high productivity;

14. Adequate territorial distribution of the productive forces; and
15. Preservation of natural resources.

And all of the above shall be achieved by promoting the following prioritized economic sectors:

1. Construction;
2. Power and energy;
3. Telecommunications/IT;
4. Water supply logistics and networks, including seawater for industrial and human consumption;
5. Tourism with a diversified approach;
6. Export of services, medical services in particular;
7. Agribusiness other than the sugar industry;
8. Sugar industry and its byproducts, including energy projects (biomass);
9. Production and export of pharmaceuticals, biotechnology, and biomedical products;
10. Light industry; and
11. Expanding SMEs.

Within the context of the Model document, foreign direct investment is seen as “complementary” to domestic investment and the socialist economy, but in the 2030 Plan, foreign direct investment is deemed an essential component of the development strategy, in particular with respect to those sectors defined as strategic. These are not semantic differences; there is a substantive difference in approach, and the approach in the 2030 Plan is the correct one.

The overriding objective of the 2030 Plan is “to ensure a dynamic growth of Cuba’s GDP that will allow for a sustainable development and that will generate welfare with fairness and social justice.” Such an aspiration makes perfect sense and is an attractive proposal, but to achieve such objective—as Cuban economists and top officials have acknowledged repeatedly—the nation needs a consistent GDP growth of between 5% and 7%, with a yearly inflow of 2.5–3 billion dollars in foreign investment, considering the existing very low levels of domestic capitalization.

The economic picture is extremely complex. Official growth estimates released in December 2015 indicated that Cuba’s GDP growth in 2016 would be 2%, instead of the 4% reached in 2015. At the end of the first semester of 2016, many economic areas were

performing below expectations. Exports were lower by 24% from a year earlier, the sugar harvest had another setback with production some 300,000 tons short of what was planned, world market nickel prices were still very low, and tobacco agribusiness faced some setbacks. Cuba’s external sector was (and is) under pressure: Venezuela and Brazil are becoming increasingly unstable partners. Meanwhile, with the U.S. embargo still lingering over the big picture and giving cold-feet to many potential investors—who keep visiting Cuba, testing the waters and touching base, but not committing, with just a few exceptions, to any major projects—the 2.5–3-billion dollars needed annually are nowhere in sight and tourism and remittances are not enough to fill that vacuum.

Under such circumstances, the 2030 Plan is subject to a host of contingencies and unexpected challenges. True, many negative external factors are looming today over Cuba’s current situation that affect its policies, but restricting cooperatives and free markets, enforcing again *acopio* (forced agricultural procurement) restrictions, suffocating SMEs through taxation and lack of incentives and support, continuing to drag along hundreds of industrial and services companies that have been bankrupt for decades, further delaying currency unification, and continuing to place many restrictions on foreign direct foreign investment—whose capacity to own property is not even mentioned—will not make the recovery process a reality anytime soon.

A MORE HETEROGENOUS SOCIETY

This nation-wide debate is taking place in a very different society. It is not like it was 30 or 40 years ago, when the vast majority of the population was employed by the state and earned incomes that allowed them to live modestly in the midst of many shortages. A uniform social-cultural pattern tended to prevail at that time: a uniform society, a one-Party system, strong loyalty to the leadership. Today Cuban society is very different in many ways and is becoming increasingly heterogeneous and diverse. In his opening speech to the 7th Party Congress, President Raúl Castro acknowledged this fact. Many participants at sessions of the Congress also pointed out the complexities of this new society. Former Politburo

member, Ricardo Alarcón, stressed the notion that “this is a heterogeneous society and it is going to be more so in the immediate future.” Minister of Foreign Affairs, Bruno Rodríguez Parrilla, insisted that the current battle of ideas will take place in “a very heterogeneous society, with greater diversity of individual and family interests, in which there are changes in the perception of the enemy...”

The current social, cultural, and political diversity will, inevitably, translate into diverse social groupings, interests, demands, and, eventually, political and institutional rearrangements. In one way or another, they will manifest themselves in the course of the nation-wide debates on the Model and the 2030 Plan. Many Cubans will speak-up not just for the

sake of the welfare of the nation, but also express their particular views about the topics and issues affecting their new life-styles, employment, higher or lower income, taxation, availability of supplies, prices, markets, etc. A state employee earning 600 CUP per month is very different from a private sector entrepreneur earning 3 500 CUP or more; a member of the armed forces earning a salary in CUP is an entirely different social being from the owner of a B&B or a restaurant, a private taxi driver or the employee of a foreign company. They will express their different views, strongly and clearly, and the Party will have to listen. There is too much at stake for them not to do so.