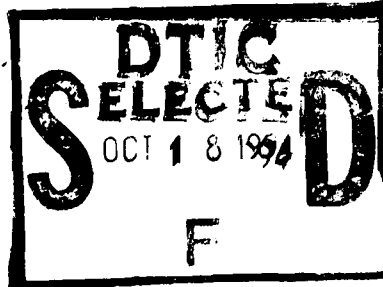


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*Storm Warnings  
for Cuba*

*Edward Gonzalez, David Ronfeldt*

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The research described in this report was sponsored by the Office of the Secretary of Defense under RAND's National Defense Research Institute, a federally funded research and development center supported by the Office of the Secretary of Defense, the Joint Staff, and the defense agencies, Contract No. MDA903-90-C-0004.

ISBN: 0-8330-1560-5

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# Storm Warnings for Cuba

Edward Gonzalez, David Ronfeldt

Prepared for the  
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## PREFACE

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This report completes the project on "Alternative Transition Modes for a Cuba in Crisis." The project was conducted under the International Security and Defense Strategy Program of RAND's National Defense Research Institute, a federally funded research and development center sponsored by the Office of the Secretary of Defense, the Joint Staff, and the defense agencies. The client for the project is the Office of the Assistant Secretary of Defense (International Security Affairs/Inter-American Affairs), in the Office of the Under Secretary of Defense for Policy.

This report assesses Cuba's current crisis and a range of possible outcomes. The report identifies the implications of the deteriorating Cuban situation for Cuba as well as for the United States, reviews U.S. policy options, and recommends some policy modifications to better prepare the United States for dealing with alternative possible outcomes in the short- (1 year) to medium-term (1-3 years) future. The information in this report is revised and updated as of April 1994; a postscript has been added to cover developments to the beginning of June 1994.

The project also produced a companion report by John Arquilla, *A Decision Modeling Perspective on U.S.-Cuba Relations*, MR-337-USDP, 1993.



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## CONTENTS

---

Preface .....	iii
Figure and Tables .....	vii
Summary .....	ix
Acknowledgments .....	xxi
Acronyms and Abbreviations .....	xxiii
Chapter One	
INTRODUCTION .....	1
A Reeling Economy and Piecemeal Reforms .....	2
A Turning Point for Cuba .....	6
Critical Issues for the United States .....	7
A Preview of What Is to Come .....	9
Part I: TRANSITION POLITICS AND ECONOMICS	
Chapter Two	
KEY REGIME ACTORS AND POLICY DIVISIONS .....	13
Castro and the Hardliners .....	15
Centrists and Liberalizing Reformers .....	19
The Politics of Reform .....	25
Chapter Three	
THE LIMITS OF REFORM FROM ABOVE .....	29
Two Steps Forward, One Step Back .....	29
Reform Prospects in the Absence of Civil Society .....	36

<b>Chapter Four</b>	
OBSTACLES TO RECOVERY . . . . .	39
Policy as an Obstacle to Economic Recovery . . . . .	40
Limits to Integration into the Global Economy . . . . .	51
<b>Chapter Five</b>	
THE CHALLENGE OF LEGITIMACY . . . . .	57
Eroding Bases of Traditional Legitimation . . . . .	57
Is Time Running Out? . . . . .	63
 Part II: MODELS, ENDGAMES, AND THE UNITED STATES	
<b>Chapter Six</b>	
CUBA IN A CONTROLLED CRISIS . . . . .	71
Endgame I: Crisis Persists Under Current Model . . . . .	72
Alternative Chinese and Mexican Models . . . . .	77
Endgame II: Survival Through a Hybrid Model . . . . .	88
<b>Chapter Seven</b>	
CUBA IN AN UNCONTROLLED CRISIS . . . . .	97
Precipitating Factors . . . . .	98
Endgame III: Stasis and Heightened Repression . . . . .	102
Endgame IV: Nonviolent Change and Power-Sharing . . . . .	106
Endgame V: Violent System Change . . . . .	112
Assessing Endgame Probabilities . . . . .	113
<b>Chapter Eight</b>	
U.S. POLICY AND THE CHANGE PROCESS IN CUBA . . . . .	117
Cuban Futures and the United States . . . . .	117
Perils—and a Conundrum—for U.S. Policy . . . . .	120
<b>Chapter Nine</b>	
TIME FOR A TWO-TRACK STRATEGY . . . . .	125
Reconsideration of U.S. System-Changing Goals . . . . .	126
Track One: Revisiting U.S. Policy Options . . . . .	130
Track Two: Preparing for an Uncontrolled Crisis . . . . .	138
Postscript . . . . .	149
Bibliography . . . . .	151

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**FIGURE AND TABLES**

---

**Figure**

1. Possible Political and Economic Combinations . . . . . 76

**Tables**

1. Cuban Economic Indicators, 1985-1993 . . . . . 3  
2. Cuban Models and Endgames . . . . . 78

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## SUMMARY

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Cuba is undergoing a halting process of transition as the Castro regime grapples with the severe economic crisis caused by the collapse of communism in the former Soviet Union and Eastern Europe. But while Cuba is experiencing some economic reform, the essence of the Castro regime has not changed all that much. The regime clings to its old socialist vision, represses dissidents and other civil society actors, and insists on the retention of one-party rule. The continued weakness of civil society vis-à-vis Cuba's strong state accounts for much of the regime's staying power in the face of economic adversity. Nevertheless, the crisis has obliged the regime to begin a transition toward a more liberalized economic system.

### THE LIMITS OF CUBA'S ECONOMIC REFORM PROCESS

An internal policy debate—the first since the mid-1960s—has surfaced within the regime regarding Cuba's economic alternatives. A small new generation of liberalizing reformers is pressing for the adoption of market-type reforms. A few reformers have gained positions in the Political Bureau, but their influence is far from assured. To prevail, the reformers must attract the support of others within the regime—centrists, hardliners, and, above all, Castro himself.

For reasons of power and ideology, Castro, the hardliners, and the centrists oppose not only political liberalization, but also the kind of economic liberalization that would introduce the market system to Cuba. And they, not the reformers, hold the reins of power: Castro and his Provincial First Secretaries control the party apparatus, and the military and security organs are largely in the hands of hardline

officers. Castro, the hardliners, and the centrists thus remain well-positioned to resist the market prescriptions of the reformers, forcing them to dilute or disguise their economic agenda and to avoid altogether the area of political reforms.

As a result, Cuba's ship of state has been on an erratic, stop-and-go course of limited economic liberalization. Three years ago, the regime bifurcated the economy by opening the external, foreign-exchange-producing sector to foreign investors in such areas as tourism, oil exploration, and biotechnology. Last summer, as the economic situation continued to deteriorate, Castro finally relented and agreed to three modest liberalizing reforms for the domestic economy. The first provides for the "dollarization" of the economy, which permits Cubans to possess hard currency for the first time. The second, Decree 141, enacted in September, allows for limited self-employment by individuals and their families in at first 100 and now 140 trade, craft, and service categories. But this decree does not open the door to private enterprise of modest—let alone large—scale because, among other things, it prohibits the hiring of nonfamily employees. The third establishes more-autonomous cooperatives as a means of raising sugar and agricultural production. However, farmers remain without production incentives because they are denied title to their land and must sell their crops to state purchasing agencies at fixed prices.

As of early 1994, the economic crisis seemed to be easing somewhat. But last year's sugar harvest of only 4.3 million metric tons—the lowest in three decades—works against the island's sustained economic recovery, in part because of the probability that the 1994 harvest will also be low. Additionally, Cuba lacks the infrastructure and the large domestic market to attract foreign investors on a large scale, except in a few specific areas, such as tourism. This limitation, together with the resistance of Castro and other conservative leaders to market reforms, is likely to further restrain Cuba's economic recovery.

The extraordinary session of the National Assembly that will be convened in May 1994 may well determine whether the regime deepens the process of economic liberalization, or, as is more likely, continues to favor nonmarket solutions to the crisis. Meanwhile, time may be running out. Sooner or later, the regime will have to settle on a new political and economic model for Cuba.

## CUBA'S ALTERNATIVE MODELS AND ENDGAMES

The current transitional model retains Cuba's totalitarian control apparatus and mass-mobilization system, but also creates a bifurcated, "dual model economy": In the external, foreign-exchange-producing sector, Cuba now pursues an open-door policy toward foreign investments; meanwhile, a "mixed economy" has been emerging slowly in the internal economy since 1993. Although the new mixed economy is composed of state, cooperative, and private (legal and illegal) sectors, the state and not the market remains the driving force, severely limiting the extent to which the private and cooperative sectors can function effectively. Because it offers too little, too late, this transitional model is but a temporary way station on the road to another model.

What are the regime's alternatives? It may attempt to remold Cuba's economic and political systems along the lines of the current Chinese model or the pre-1982 Mexican model, or form a hybrid that draws on the Cuban, Chinese, and/or Mexican experiences. To varying degrees, each of these models combines an authoritarian government with a liberalized mixed economy, including a partially administered marketization and some privatization of the domestic economy.

The regime's efforts to pursue these models may lead to the following possible endgames, which may occur in various sequences and combinations over the short term (1 year) or medium term (1-3 years):

- *Endgame I.* The Castro regime survives over the short to medium term by means of the current transitional model.
- *Endgame II.* Over the short to medium term, the regime adopts major economic reforms and muddles through with an authoritarian market-oriented model—most likely a Cuban-Chinese hybrid based on "market-Leninism."
- *Endgame III.* In the short or medium term, the regime begins to lose control and Castro halts all reform (regardless of the model); stasis and heavy repression follow.
- *Endgame IV.* In the short or medium term, popular resistance increases, Castro leaves the picture, pro-reform factions in the

regime regroup, and nonviolent change takes place from above and below. This sequence leads to a new coalition-type government with elements from the internal opposition, possibly ushered in with elections and including some former exiles.

- *Endgame V.* In the short or medium term, violent change from below occurs as widespread popular unrest erupts, leading to civil war, the downfall of the Castro regime, and a seizure of power by a new set of (dictatorial? democratic?) leaders.

The regime already appears to be moving beyond Endgame I toward some variant of market-Leninism under a hybrid Cuban-Chinese model. As depicted under Endgame II, there is a good chance that the regime may survive at least in the short term and possibly medium term, owing to its political strengths, which include a relatively cohesive political leadership; a strong state supported by military and security forces, party and government cadres, and key sectors of the populace, among them many Afro-Cubans; and a weak civil society that, save perhaps for the Catholic Church, has thus far presented no organized challenge to the regime.

Beyond the short term, the odds start to shift against the regime's muddling through on the basis of a market-Leninist model as in Endgame II. Internal leadership constraints on the reform process, as well as the structural limitations and deficiencies of the Cuban economy, make it unlikely that the regime can transform Cuba's economy in the direction of a productive, market-oriented system. The odds are also remote that the regime can manage a peaceful type of system change as depicted in Endgame IV, unless Castro unexpectedly departs the scene and the regime's remaining leadership and opposition groups inside and outside Cuba achieve reconciliation.

A key concern, then, is that trends and conditions on the island will increase the prospects that a violent outcome may await Cuba in the form of Endgame III or Endgame V if the economy does not rebound soon. As the regime's heavy-handed repression of dissidents and human-rights activists demonstrates, Castro and many of his hardcore *fidelista* supporters are prepared to dig in and fight to prevent the regime's collapse. If the economy worsens and popular discontent rises, the relative probability will increase that before long—per-

haps as early as this year—Cuba could experience stasis and increased state repression from above (Endgame III). Much will depend on the position of Cuba's Revolutionary Armed Forces (FAR). If the cohesion and loyalty of the FAR hold, the regime may remain in power for a time, as depicted in Endgame III; but if army units waver in the face of mounting social unrest, Cuba could also be torn apart by explosive violence from below (Endgame V).

One factor that portends a violent endgame of one form or another is that the regime's traditional sources of legitimacy are steadily being eroded: Castro's charisma is tarnished; the regime's nationalist posture has been undermined by its promotion of foreign investments and *apartheid tourism* (tourists receive luxury treatment that is off-limits to Cubans); the collapse of the communist world has vitiated the regime's self-proclaimed vanguard status; and the government no longer is able to provide for the so-called basic needs of the population. These factors suggest that, to regain legitimacy, the regime must revitalize the Cuban economy and do so soon—something that the regime was never able to do even when it was propped up by the Soviet Union.

Meanwhile, the economy's deterioration has led not only to a loss of popular support for the regime, but also to a weakening of the state's grip over society. Cubans must resort to illegal activity in using the informal economy to survive. Some have engaged in violent, lawless behavior by throwing rocks against government facilities during the blackouts that darkened Havana and other cities last August; still others have clashed with the police. Together with the appearance of (repressed) dissident groups, these acts may be the harbinger of explosive polarization.

#### IMPLICATIONS FOR U.S. POLICY

None of the endgames augurs well for U.S. interests. In the worst of cases, the United States could be faced with widespread bloodshed and civil war on the island, with increased chances of a military conflict with Cuba if a desperate Castro engineers it, opposition groups on the island appeal for U.S. assistance, and/or Cuban-Americans and other circles in the United States press for "humanitarian intervention." Even the less-apocalyptic endgames could result in unmanageable waves of outmigration from the island



that would dwarf the Mariel exodus of 125,000 Cubans in 1980, and in increased drug-trafficking on the island. And most endgames bode poorly for achieving democratic goals in Cuba.

What are the prospects that U.S. policy may be able to foster a more positive Cuban outcome in which the reformers are strengthened and peaceful, fundamental system change occurs? They are not good. In many respects, Castro and Cuba may march to their own drummer almost regardless of what the United States does. Even though reformers have emerged within the ranks of the regime, major efforts by U.S. policymakers to strengthen their hand in hopes of facilitating further liberalization could well backfire if such efforts—e.g., lifting the embargo—strengthen Castro and the hardliners instead.

For 1994 and beyond, therefore, U.S. policymakers confront a far more complex set of Cuba issues than that of even two years ago. They must prepare for two very different types of Cuban outcomes:

- The Castro regime may survive, as in Endgames I and II. If so, it will probably remain in a lingering, prolonged, but *controlled* state of crisis for many years. During this time, it may try to evolve into a Cuban variant of Chinese market-Leninism or, perhaps toward a somewhat more liberal political-economic order like that of pre-1982 Mexico.

Under this outcome, U.S. policy may try to press for democratic and market reforms, respect for human rights, and greater tolerance of civil society—but these goals will remain elusive.

- An *uncontrolled* crisis may erupt at almost any time, along the lines of Endgames III and V, or possibly IV. That is, U.S. policy may be faced with a situation where the regime resorts to heightened repression; or it is violently overthrown by a coup or civil war; or it collapses but a new (dictatorial? democratic?) government gets constituted fairly quickly.

Under these circumstances, U.S. policymakers may be compelled to act unilaterally and/or multilaterally, in both military and nonmilitary ways, to contain, alleviate, and resolve the crisis.

These two stark depictions reduce, in turn, to two very general implications for U.S. policy:

First, if the Castro regime can muddle through to a new system that combines political authoritarianism with economic liberalization, U.S. policy will be faced with a new situation in which democratization remains an elusive goal. If so, and if there are good reasons to improve relations despite this outcome, U.S. policymakers may want to consider elevating marketization over democratization as a system-changing goal of U.S. policy. In the meantime, they could still try to utilize new avenues for contact and influence to soften the regime's authoritarian behavior and strengthen the emergence of civil society.

Second, because of the likelihood that the regime cannot muddle through, U.S. policymakers may find it advisable to develop an explicit dual-track strategy that prepares *simultaneously* for dealing with a Cuba that remains embedded in a controlled crisis and a Cuba that is plunged into an uncontrolled crisis.

#### **Track One: Maintain Current Policy**

With respect to the first track, it appears that the United States should stay with its current policy for now. This policy maintains the embargo, as strengthened by the Cuban Democracy Act of 1992. It is also being improved by a new communication-and-information component that aims at lowering Cuban-threat perceptions; beginning to build bridges with key Cuban elites; and nurturing the development of civil society. If further modification is considered, it might focus on facilitating the sale and provision of medical, health, and related humanitarian assistance to alleviate suffering among the Cuban people. Such a selective easing of the embargo would counter the regime's anti-American rhetoric and may encourage the reformers and dissidents in Cuba. It could also make the present policy more viable politically, both at home and abroad.

Contrary to what many critics of U.S. policy argue, lifting the embargo at this time may not give the reformers more space or strengthen the liberalization process. Lifting it could, instead, strengthen Castro and the hardliners, and prevent the reform process from moving ahead, particularly if it results in the regime's ob-

taining an infusion of new dollars from U.S. tourists and investors. Moreover, once the embargo is lifted, the United States loses its single most influential instrument for trying to contain Cuban behavior.

In the meantime, one fact is clear: More liberalization has occurred in Cuba in the past few years than in the past few decades—with the U.S. embargo in place and more effective than ever, owing both to the Cuban Democracy Act and the “second embargo” created by the collapse of the Soviet Union. Yet Cuba has still not moved as far along the road toward a liberal market economy as has Vietnam. Before eliminating the embargo, it would be prudent to wait until more economic and political reforms occur, and the process appears irreversible.

### **Track Two: Prepare for an Uncontrolled Crisis**

On the second track, the United States should prepare to respond to a complicated mix of simultaneous challenges and threats that could have international, transnational, and U.S. domestic dimensions. Three distinct tasks seem in order.

1. *Containment of the crisis.* The first priority of the United States should be to prevent the crisis from escalating into direct military confrontation. The U.S. Army, Navy, and Air Force may need to take defensive and precautionary measures to safeguard from surprise attack military installations in Guantánamo and on the U.S. mainland, as well as possible civilian targets in Florida, and to prevent any armed clash between U.S. units and the FAR from precipitating a wider conflict. Additionally, U.S. Coast Guard and naval units may need to restrain Cuban-Americans from going to the island to retrieve relatives and friends—or to fight Castro’s forces.

Nonmilitary measures may also be important for influencing developments on the island and limiting their repercussions. Because misinformation, disinformation, and general confusion are certain to accompany a rapidly unfolding uncontrolled crisis, the U.S. government will need to have accurate sources of information in place. For similar reasons, the capacity of Radio Martí and other U.S. government broadcasting facilities to present reliable, accurate information to Cuban audiences should be upgraded and kept in a state of readiness.

2. *Alleviation of the crisis.* Once an uncontrolled crisis commences, the United States must be ready to process and render assistance to Cuban refugees who arrive in Florida or Guantánamo. The onset of a crisis could precipitate a sudden, initially chaotic flow of Cubans fleeing repression, turmoil, or civil war that could far exceed the recent outflow of Haitians. At the same time that the United States renders assistance to the refugees, it must take steps to bring the outmigration under control and in conformance with U.S. immigration laws.

The United States may want to be prepared to mount a major humanitarian relief program in Cuba to assist Cubans who have long endured privations and who most certainly will be suffering even more under an uncontrolled crisis. Relief missions are certain to include the efforts of Cuban-Americans, and programs undertaken by nongovernmental organizations (NGOs), the United Nations, and other countries. Still, U.S. government participation in, and coordination of, humanitarian assistance will be required. From the U.S. side, the relief effort could run the gamut from supplying food, medicine, and clothing to a stricken population on the island, to providing public health, police, administrative, and other government-type services in areas of the island devastated by war or internal chaos.

3. *Resolution of the crisis.* Bringing an uncontrolled crisis to an end is likely to prove the most daunting, complex task—and potentially the one most fraught with peril. How the United States responds may depend not only on the kind of crisis that befalls Cuba, but also on the readiness of other governments and international organizations to play active roles. For example, it is unlikely that unilateral or multilateral military intervention would be used to end increased state repression under Endgame III. However, multilateral intervention might become feasible were a new coalition government to call for it under Endgame IV, or were civil war and the downfall of the Castro regime (Endgame V) to open the way for a peacekeeping force.

Ideally, U.S. efforts to terminate the crisis would begin by enlisting the political and diplomatic efforts of other governments that have ties to Cuba. In particular, Spain, Mexico, Colombia, Venezuela, and Canada could be asked to intercede to lessen the Cuban govern-

ment's repression if Endgame III is unfolding, or to use their influence to facilitate a transition to a post-Castro regime under Endgame IV. They could be instrumental in arranging political asylum in third countries for members of the Castro government. The United Nations and the Organization of American States (OAS) may also provide multilateral mechanisms that could be employed for internal conflict resolution, as occurred in El Salvador.

But what if these nonmilitary initiatives prove useless, the internal conflict intensifies, and the anti-Castro opposition calls for U.S. or multilateral intervention to consolidate a new unity government or put an end to civil war and further bloodletting? In this scenario, the U.S. government is likely to be confronted with far more domestic pressure to undertake "humanitarian intervention" than was true with either Somalia or Bosnia-Herzegovina.

Were consideration of intervention to ensue, it should heed three caveats:

- Military intervention should not be undertaken to impose peace on a nation bogged down in civil war. A peace operation in Cuba should be initiated in response to appeals by the rival Cuban camps to establish a buffer, to provide sufficient observers and monitors to reduce fear of aggression by the opposing sides, and to help create a climate conducive to the reconstruction of Cuba.
- Military intervention should not be undertaken unilaterally. Doing so would stir up Cuban nationalism and memories of the U.S. intervention and occupation at the turn of the century. Thus, even if the United States were to supply the lion's share of troops, the forces participating in the peace operation should serve either under a U.N. or OAS mandate, and should include military and police units from other hemispheric countries.
- The duration of the peace operation should not be open-ended; it should have a definite time limit. The longer the multilateral force is on the island, the greater the prospects are for increased armed resistance and casualties, and the greater are the probabilities of political fallout in the countries participating in the mission.

It needs to be emphasized that even under these conditions, armed intervention to keep the peace in Cuba is a contingency measure of last resort under Track Two.

A looming prospect of civil war and U.S. intervention conceivably could give the United States the opportunity to help resolve the crisis along the lines of Endgame IV, and by so doing save countless Cuban and, possibly, American lives. To do so, the United States may see fit to consider proposing a "grand bargain," a deal that would obtain Castro's resignation and departure from Cuba, the formation of a provisional coalition government, and the holding of internationally supervised elections for a new constitution and government. For this gambit to succeed, however, the United States would have to offer terms that would preserve the Cuban leader's dignity and confirm his stature as a statesman—for example, by promising the return of the symbolically important U.S. naval base at Guantánamo to the new Cuba.

#### POSTSCRIPT

This study was completed in early April 1994. Since then, events have borne out its overall assessment of dim prospects for the further deepening of the liberalization process. Many of those events also appear to be compressing the time frame in which Cuba may be plunged into an uncontrolled crisis. As a consequence, Cuba may well be approaching either Endgame III (stasis and repression) or Endgame V (civil strife and violent upheaval) at a *faster rate* than we originally predicted.

Unless there is a breakthrough on the oil front, the countdown for the Castro regime may well be speeding up. And unless Cuba can provide basic necessities to its people and fuel to run power plants, the hot summer and fall months ahead are likely to create a combustible situation that could spark civil unrest on a scale larger than last year's incidents. Although the regime probably can contain such unrest, this turn of events would signify that Cuba is moving into an uncontrolled crisis—and that time is running out for the United States to prepare a Track-Two policy.

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## ACKNOWLEDGMENTS

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We are grateful to our former RAND colleague John Arquilla and to other scholars and analysts in Washington, D.C., for the observations they contributed at various stages of this project. We are also indebted to anonymous Cuban scholars who vigorously exchanged views with us early in this project. We particularly want to single out four scholars who made significant contributions to the final version of this report: José Alonso of Radio Martí for generously sharing his economic data on Cuba; MAJ Rick Brennan, U.S. Army, of the Department of Defense, for his helpful comments on peacekeeping missions; and Eusebio Mujal-Leon of Georgetown University and Michael Swaine of RAND, for their constructive reviews of the earlier draft. We also wish to thank Marian Branch for her expeditious, yet careful, editing of the manuscript. Of course, we alone are responsible for the analysis, conclusions, and policy recommendations that we develop in the following pages.

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## ACRONYMS AND ABBREVIATIONS

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ACRC	Association of Combatants of the Cuban Revolution
ANAP	National Association of Small Farmers
ANPP	National Assembly of People's Power
CDA	Cuban Democracy Act
CDRs	Committees for the Defense of the Revolution
CEA	Center for the Study of the Americas
CTC	Cuban Confederation of Workers
EIU	Economist Intelligence Unit
FAR	Revolutionary Armed Forces
<i>FBIS-LAT</i>	<i>Foreign Broadcast Information Service—Latin American Daily Report</i>
GDP	Gross domestic product
GONGO	Government-organized nongovernmental organization
GSP	Global social product
IGC	Institute for Global Communications
ISO	International Sugar Organization
JUCEPLAN	Central Planning Board (Cuba)
MINFAR	Ministry of the Revolutionary Armed Forces
MININT	Ministry of Interior
NGO	Nongovernmental organization
OAS	Organization of American States
PCC	Communist Party of Cuba
PRI	Institutional Revolutionary Party (Mexico)
S.A.	<i>Sociedad Anónima</i>
UBPC	Basic Cooperative Production Units
U.N.	United Nations



The collapse of communism in Eastern Europe and the former Soviet Union has plunged Cuba into the worst economic crisis since Fidel Castro and his regime took power 35 years ago.<sup>1</sup> What is likely to be the fate of the regime in the months or years ahead? In *Cuba Adrift in a Postcommunist World*, which we completed in June 1992, we arrived at two conclusions:

- For the short term, despite the island's dire economic crisis, the regime was likely to survive during 1993 and even 1994 because it possessed a strong state and confronted a weak civil society.
- Over the longer run, if fundamental system change and economic improvement do not commence by 1995 or perhaps earlier, the regime could face a severe political crisis, possibly including antiregime military conspiracies and, more likely, mounting popular unrest.<sup>2</sup>

Our first prediction has held as of April 1994. But Cuba continues to be a moving target, and changes are taking place, owing to the enactment of some limited reforms. In fact, Cuba today is different from the Cuba of 1992. Further changes may be announced in early May, when an extraordinary session of the National Assembly of

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<sup>1</sup>We do not use the term *regime* pejoratively. It refers to Cuba's entire set of government, state, and party institutions, along with the economic system, ideology, laws, political processes, etc., that are currently in place. We use *government*, *state*, and *party* in lieu of *regime* when appropriate.

<sup>2</sup>Edward Gonzalez and David Ronfeldt, *Cuba Adrift in a Postcommunist World*, RAND, R-4231-USDP, 1992, pp. vii-ix, 44-59.

People's Power (ANPP) is to consider the adoption of additional reforms.

### **A REELING ECONOMY AND PIECEMEAL REFORMS**

The need for new reforms is due to the magnitude of the island's economic crisis and the regime's inability to turn the economy around by means of its initial policies. As seen in Table 1, the implosion of communism in Eastern Europe and the former Soviet Union quickly devastated the Cuban economy. Critical industrial, raw material, and food imports from Russia plummeted by over 70 percent between 1989 and 1992, and continued declining in 1993. Petroleum imports from Russia dropped by more than half—from the 13.3 million metric tons that the former Soviet Union had supplied to an estimated 6.3 million metric tons in 1992, dropping further still to an estimated 5.7 million metric tons in 1993. The consequences have included extreme austerity for the Cuban people, with estimated gross domestic product (GDP) falling in 1993 to nearly half of the GDP for 1989.

Beginning in 1990, the Cuban government tried to offset losses and revive the economy without adopting market-type reforms. It imposed extreme austerity measures under its so-called Special Period in a Time of Peace, which entailed large-scale layoffs, plant closures, severe fuel rationing, daily electric power blackouts lasting six or more hours, and the substitution of draft animals for transport and agricultural work. It mobilized sectors of the urban population for agricultural work under a new "Food Program" in an effort to compensate for the cut in food imports. It also bifurcated the economy by retaining socialist forms of ownership and state control in the domestic sector of the economy, yet opening the foreign-exchange-producing external sector to the West. Breaking with socialist tradition, it embarked on an aggressive open-door policy to attract foreign investments in offshore petroleum exploration, tourism, biotechnology, and nickel.

These initial responses by the regime were not enough to halt the economy's free fall during 1993. Heavy spring rains and the so-called storm of the century, together with critical shortages of imported fuel, fertilizers, transport, spare parts, and other inputs, led to severely lowered sugar, tobacco, and other agricultural production.

Table 1  
Cuban Economic Indicators, 1985-1993

Indicator	Year									
	1985	1986	1987	1988	1989	1990	1991	1992	1993	
Global Social Product (GSP; in million pesos) <sup>a</sup>	26,957	26,474	25,796	26,350	26,915	n/a	n/a	n/a	n/a	n/a
Global Social Product in 1981 prices (in million pesos) <sup>a</sup>	27,091.5	27,390.1	26,335	26,991	27,273	n/a	n/a	n/a	n/a	n/a
Estimated Gross Domestic Product (GDP; in million pesos) <sup>a</sup>	n/a	n/a	31,400	32,500	32,500	31,500	23,600	20,300	17,255	17,255
Budget Deficit (in million pesos) <sup>b</sup>	253	188	609	1,147	1,390	1,958	3,700	4,869	4,200	4,200
Total Exports (in million pesos) <sup>c</sup>	5,321	5,402	5,518	5,392	4,910	3,550	3,550	2,050	1,600	1,600
Sugar (in million pesos)	4,069	3,987	4,086	3,914	3,645	2,575	2,575	1,162	820	820
Minerals and Concentrate (in million pesos)	335	360	440	485	400	280	280	210	180	180
Tobacco (in million pesos)	78	91	98	84	110	95	95	95	85	85
Total Imports (in million pesos) <sup>c</sup>	8,035	7,596	7,584	7,579	8,124	6,745	3,690	2,236	1,720	1,720
Fuels (in million pesos)	2,634	2,511	2,600	2,580	2,678	1,950	1,240	860	650	650
Foods (in million pesos)	889	709	716	730	925	840	720	540	440	440
Sugar Production (in million tons) <sup>d</sup>	7,889	7,467	7,232	8,119	7,579	8,444	7,233	7,000	4,300	4,300
Oil Production (in million tons) <sup>e</sup>	0,868	0,926	0,895	0,717	0,7182	0,67	0,522	0,882	1,05	1,05
Electricity Generated (in gigawatt-hours) <sup>f</sup>	12,199	13,176	13,594	14,543	15,237	16,200	16,300	11,000	10,000	10,000
Nickel Production (in million tons) <sup>g</sup>	33.4	34.9	36.6	43.6	46.3	40.8	33.3	32.2	32	32
Debt in Convertible Currency (in million pesos) <sup>h</sup>	3,621	4,965	5,657	6,606	6,165	7,000	8,400	10,000	11,500	11,500
Fuel Imports (in million metric tons) <sup>i</sup>	13.5	13.2	13.5	13.4	13.3	11.6	9.2	6.2	5.7	5.7

Table 1—continued

- SOURCE: Data supplied by Dr. José Alonso, Office of Research-Economics, Radio Martí, Washington, D.C.
- <sup>a</sup>GSP data are from *Anuario Estadístico de Cuba*, 1989; GDP data are from Economist Intelligence Unit (EIU), *Country Profile, Cuba*, London, 1993/1994.
- <sup>b</sup>Radio Martí, Office of Research-Economics, *Cuba Annual Report: 1985-1989*, New Brunswick, N.J.: Transaction Publishers; ANPP-J. L. Rodríguez presentation, *FBIS-LAT-94-001*, January 3, 1994, pp. 6-10; and speeches by Carlos Lage and other government officials.
- <sup>c</sup>Exports (including oil reexports) and imports are from Radio Martí, *Cuba Annual Report: 1985-1989*; and *Cuba: Handbook of Trade Statistics*, Washington, D.C.: CIA, Directorate of Intelligence, July 1993. Data for 1993 are estimated from COMTRADE annualized, and Fidel Castro speech of July 26, 1993. EIU, *Country Profile, Cuba*, 1993/1994.
- <sup>d</sup>International Sugar Organization (ISO), *Sugar Yearbook*, various issues.
- <sup>e</sup>"Review Status of Oil Production," *Foreign Broadcast Information Service—Latin American Daily Report (FBIS-LAT-94-008-A)*, January 12, 1994.
- <sup>f</sup>Data for 1990-1991 are U.N. estimates; data for 1992-1993 were estimated from speeches of public officials. There is less oil available and less generation by the sugar industry.
- <sup>g</sup>International Nickel Studies Group, *World Nickel Statistics*, Amsterdam, Netherlands, 1994; see *Granma*, December 30, 1993.
- <sup>h</sup>EIU, *Country Profile, Cuba*, 1993/1994.
- <sup>i</sup>Fuel imports include crude petroleum and petroleum products. Data for 1983 to 1988, *Compendio Estadístico de Energía de Cuba*, Havana: Comité Estatal de Estadísticas, 1989. For 1989, Associated Press, October 5, 1993. For 1990, "Havana Seeks Bids on Oil Exploration," *Agence France Presse*, February 10, 1993. For 1990 and 1991, "Cuba: Oil Crisis Spells Trouble for Castro—Opportunity for Foreign Petroleum Investments," *Oil and Gas Journal*, July 6, 1992, p. 64. For 1992, Fidel Castro speech to the ANPP on February 23, 1992, and "La Crisis Energetica," *El País*, Edición Internacional, June 30, 1993, p. 9. For 1993, see interview of Susana Lee with Carlos Lage, *Granma*, October 30, 1993, p. 4.
- n/a = Not available.

As Table 1 shows, the sugar harvest, the island's principal hard-currency earner, fell about 30 percent from 1992, to 4.28 million metric tons in 1993—the lowest harvest in three decades. As a consequence, Fidel Castro reported that the island's sugar revenues were \$450 million less than had been projected for 1993.<sup>3</sup> This shortfall alone was equivalent to 85 percent of the \$530 million in gross earnings generated in 1993 by the island's rapidly growing tourist industry.<sup>4</sup> In the meantime, as Table 1 indicates, total exports dropped by 70 percent, from \$5.39 billion in 1989 to only \$1.60 billion in 1993. The decline in imports was even more severe, plummeting by 79 percent from \$8.12 billion in 1989 to \$1.72 billion in 1993.

These adverse developments finally compelled Cuba's leadership to enact some modest liberalizing reform measures for the domestic economy, which nevertheless fell short of moving Cuba toward a market economy.<sup>5</sup> In July 1993, Castro announced the so-called dollarization of the economy, a move that enables Cubans to legally hold foreign currency—and the government to capture hard-currency and reduce excessive liquidity. The following September, the government decreed self-employment for certain categories of individuals in over 100 trades, crafts, and services as a means of reducing unemployment and satisfying consumer demands. Later that month, it decreed the voluntary conversion of state farms into new types of more-autonomous cooperatives in an effort to raise sugar and agricultural production.

These measures were a sign not only of the island's worsening economic predicament, but also of the rising influence of liberalizing

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<sup>3</sup>*Foreign Broadcast Information Service—Latin American Daily Report* (hereinafter *FBIS-LAT*), *FBIS-LAT-93-142*, July 27, 1993, pp. 3–4.

<sup>4</sup>The \$530 million in gross earnings for tourism was reported by Havana Radio, January 2, 1994; reported in *FBIS-LAT-94-003*, January 6, 1994, p. 1.

<sup>5</sup>We regard a *market economy* as an economic system in which production and exchange activities are driven primarily by forces of supply and demand, and by profit considerations, with free prices serving as the principal mechanism for allocating resources. Generally, the major share of productive property is under private or autonomous ownership in a market economy. Such a system stands in contrast to Cuba's command economy, aspects of which still remain operative, where most sectors of the economy were subject to central planning and price-setting by the state, and where state ownership and control of the economy prevailed except in the illegal black market.

reformers within the regime—the first time such reform elements had gained ascendancy since 1959. Indeed, additional reforms—among them, the official devaluation of the Cuban *peso*, price restructuring, an income tax, and a thorough overhaul of the state's budget system—were discussed in the Cuban media and were expected to be adopted by the National Assembly of People's Power in December 1993. However, these and other reforms were put on hold by Fidel Castro and other conservative political leaders, with the result that the ANPP limited itself to ratifying the July and September 1993 decrees. By the start of 1994, the momentum for reforms appeared stalled.

### A TURNING POINT FOR CUBA

Cuba's fate may well depend on whether the reformist circles can regain the policy initiative within the regime, if not by May 1994 when the National Assembly reconvenes, then in the months ahead. Their influence, and the extent to which they are committed to a market economy and political pluralism, will largely determine whether fundamental system change takes place in Cuba over the next year or two. Despite some signs that the Catholic Church could assume a more outspoken opposition role, civil society remains too weak and incipient, and too dominated by a repressive state, to expect that peaceful change from below can occur in the short term in Cuba as was the case with Poland and some of the other East European states.<sup>6</sup> If a nonviolent transformation takes place, it most likely will be due to the Cuban state's success in implementing change from above. On the other hand, as our 1992 RAND study suggested, the failure of the state to foster fundamental change could increase the prospects of a popular explosion in the longer run.

Can the Cuban government succeed in doing what most other communist regimes failed to do: accomplish structural reforms of the economy and the polity that enable the government to recover popular legitimacy and support and ride out the crisis? As noted above, the strength of the Cuban state and the relative weakness of Cuban

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<sup>6</sup>On the existence and role of civil society in the East European revolutions, see Giuseppe DiPalma, "Legitimation from the Top to Civil Society," *World Politics*, Vol. 44, No. 1, October 1991, pp. 49–80.

society give the regime needed time and latitude in this regard. Indeed, Cuban officials appear confident that they can pull Cuba back from the brink by enacting further economic reforms, attracting additional foreign capital, promoting more tourism, creating new export items, and, although a remote possibility, discovering significant offshore petroleum fields. While acknowledging the severity of the crisis, Andrew Zimbalist, a U.S. academic economist who advises the Cuban government, offered an upbeat economic assessment that "[a] gradual turnaround commencing in mid-1994 is a real possibility."<sup>7</sup>

The piecemeal, timid nature of the reforms enacted so far indicates that the Cuban leadership remains divided over the extent of economic liberalization, with hardline or more conservative leaders—including Castro himself—opposed to the marketization and privatization of the economy. To succeed with economic as well as political liberalization, the regime must virtually *deconstruct* the Cuban state—a daunting task that goes against not only the regime's ideology and command-type structure, but also the privileges and power relationships long enjoyed by the regime's political and managerial classes. Indeed, faced with a severe economic crisis and growing signs of popular restiveness, the regime is less inclined than ever to open the Cuban polity and allow democratization.

Yet, if it is to remain in control, the regime must find ways to relegitimize itself through economic recovery and political revitalization. It is imperative that Cuba's ship of state continue to change its course heading—and it must do so more rapidly and decisively than it did in 1993—if it is to pass safely through uncharted, dangerous waters in the months and years ahead. But such course changes are likely to be fraught with peril, because they could lead to a loss of control over society.

### CRITICAL ISSUES FOR THE UNITED STATES

A Cuba that is both in crisis and changing will pose difficult policy questions and choices for the United States during 1994 and beyond:

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<sup>7</sup>Andrew Zimbalist, "Dateline Cuba: Hanging on in Havana," *Foreign Policy*, Fall 1993, p. 164.

- Should current U.S. policy, now augmented by the 1992 Cuban Democracy Act tightening up the 32-year-old embargo, be maintained with the aim of bringing about the regime's ultimate demise?

If so, is the United States prepared for the risk that the Castro regime may continue to survive U.S. pressures or, conversely, that the pressures may contribute to the island's being plunged into instability or civil war?

- Should the United States lift the embargo or selectively ease some of its provisions for humanitarian reasons?

If so, is the United States prepared for the risk of perhaps ensuring the permanence of a repressive authoritarian regime through a policy designed to ease the plight of the Cuban people?

- Given the rise of reformers within the regime, should the United States try to strengthen those elements by altering its policies and finding other ways to open up Cuba and nourish civil society?

If so, would the American people, and especially the Cuban-American community, accept a U.S. policy that may lead to somewhat greater liberalization of the Cuban polity and economy, but not to democracy, a market economy, and the end of the *fidelist* regime?

- In the twilight of his life, and with his regime struggling to survive, what is Castro's response likely to be toward the crisis and possible U.S. initiatives?

If the economy continues its decline and his government begins to unravel, will the *lider máximo* step down, increase levels of state repression, and/or lash out so that he can remain in power? Conversely, if the economic situation improves, or if the United States and other countries offer him a way out, will he be prepared to retire and relinquish power and authority to a new generation of Cuban leaders?



- In the final analysis, what can the United States do to help speed the transition from a Castro to a post-Castro regime while he is still in power?

Is the United States as decisive an influence in Cuba's present and future state of affairs as critics of U.S. policy maintain? Or is U.S. policy likely to be a marginal factor because what transpires in Cuba probably will occur on Cuban time as a result of the country's own internal dynamics?

### **A PREVIEW OF WHAT IS TO COME**

To assess where Cuba is headed, and what may be the implications for U.S. policy of a Cuba undergoing crisis and change, this study is divided into two parts. Part I analyzes the politics and economics of Cuba's current transition process. It starts by identifying key regime actors and their different views on the type and scope of policy reforms needed for Cuba to adapt to a postcommunist world (Chapter Two). It next examines the limits to the regime's attempt to implement change from above as a result of internal regime opposition to change, the political risks involved in liberalization, and the weakness of civil society (Chapter Three). It then assesses the problems and obstacles confronting Cuba's economic policies (Chapter Four). Part I concludes with Chapter Five, which analyzes why improved economic performance by the regime has now become essential to its legitimacy and future survival.

Part II moves to an analysis of the regime's alternative futures and their policy ramifications for the United States. It begins by projecting three different political-economic models currently available to the Castro regime (Chapter Six). It then shows how these models may lead to any of five possible endgames within the short term (1 year) and medium term (1-3 years) (Chapter Seven). It next assesses the implications for the United States of a Cuba undergoing both crisis and transition under these endgames (Chapter Eight). Finally, Part II reexamines U.S. objectives and priorities in the context of a Cuba in flux, and proposes a dual-track strategy for dealing with a Cuba that may undergo a prolonged but controlled crisis, and a Cuba that may be plunged into a sudden, uncontrolled crisis (Chapter Nine).

**PART I: TRANSITION POLITICS AND ECONOMICS**

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**KEY REGIME ACTORS AND POLICY DIVISIONS**

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Internal leadership divisions and power struggles are not new to the Castro regime. They have occasionally surfaced, as during the 1960s and again starting in the mid-1980s, when the rise of Gorbachev and his policy of *perestroika* appealed to some Cuban leadership circles that also wanted change to come to the island. But such change was not to be. Starting in 1985, several top civilian and military leaders, many with ties to the Soviet Union, were dismissed from their posts.<sup>1</sup>

The most extensive, far-reaching purge took place in 1989, when Division General Arnaldo Ochoa and three other officers were court-martialled and executed on charges of drug-trafficking and money-laundering, while two other ministers were convicted and imprisoned on charges of corruption.<sup>2</sup> Additionally, 13 other government ministers, vice ministers, and directors of state enterprises were removed from office. The Ochoa affair enabled Raúl Castro and his Ministry of the Revolutionary Armed Forces (MINFAR) to settle a long-standing institutional rivalry with the Ministry of Interior

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<sup>1</sup>Those dismissed in this period were Humberto Pérez, Minister-President of Cuba's Central Planning Board (JUCEPLAN), charged with the task of implementing a Soviet model of planning and management; Roberto Veiga, Secretary-General of the Cuban Confederation of Workers (CTC); and José Ramírez Cruz, Secretary-General of the National Association of Small Farmers (ANAP).

<sup>2</sup>In July 1989, following a show trial, General Ochoa was executed, along with three other army and Ministry of Interior officers on various charges of drug-trafficking, immoral conduct, abuse of authority, and money-laundering. Also arrested and imprisoned on charges of corruption were Division General José Abrantes, the Minister of Interior; and Diocles Torralba, a cabinet minister and Vice President, who, like economist Humberto Pérez and General Ochoa, had been trained in the Soviet Union.

(MININT) as a sweeping purge was made of MININT officers, with the MININT itself being placed under the control of FAR officers loyal to Raúl (*raulistas*).<sup>3</sup>

The economic crisis that has overtaken Cuba since 1989 has produced new leadership divisions that are less about a struggle over power than about the reforms needed to ensure the regime's survival in a postcommunist world. All factions are in agreement over the imperatives of the Communist Party of Cuba (PCC) retaining political power, preserving a social safety net for the popular masses, and retaining Cuba's independence from the United States. But they are in disagreement over the pace and extent to which market-type reforms must be introduced in the economy to find a way out of Cuba's *callejón sin salida* (cul-de-sac). At issue, also, is whether some form of political liberalization—not democratization—is required to rekindle popular support, or whether power can be retained by relying more on the regime's repressive apparatus and other institutional sources of support.<sup>4</sup>

Thus, even as Cuba is in transition, the leadership is divided over the extent and pace of economic liberalization needed to overcome the economic crisis without at the same time weakening the regime's hold on political power. These internal differences involve high stakes within the regime: Although the debate is over policy, its outcome is likely to affect the regime's looming succession crisis in a Cuba without Castro, whose very presence has been synonymous with the revolution for over 35 years—provided, of course, that the regime can overcome the present crisis.

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<sup>3</sup>Whereas all officers are *fidelistas* by virtue of Fidel Castro's authority and role as commander in chief, a major subgroup are *raulistas* because of their personal ties to Raúl. The *raulistas* followed Castro's younger brother in establishing the Second Front during the guerrilla campaign against Batista, and afterwards continued under his command as Minister of the Revolutionary Armed Forces (FAR).

<sup>4</sup>For an insightful analysis of some of the issues and actors involved in the reform process through early 1992, see Jorge I. Domínguez, "The Political Impact on Cuba of the Reform and Collapse of Communist Regimes," in Carmelo Mesa-Lago, ed., *Cuba After the Cold War*, Pittsburgh: University of Pittsburgh Press, 1993, pp. 99–132.

## CASTRO AND THE HARDLINERS

The regime at present appears to be divided into three policy tendencies. The basic cleavage is between Castro and the *duros* (hardliners), who represent by and large the *fidelista* veterans and the party and security apparatus, and the *reformistas* (liberalizing reformers), who generally represent the new generation of leaders who stand for liberalization of the polity and especially the economy. In between is a swing group of *centristas* (centrists), who appear more pragmatic than the *duros* but also less committed to liberalization than the *reformistas*. Castro and the hardliners, with occasional support from *centristas*, form a blocking coalition within the regime that limits the reform process.

### The Lider Máximo

As the founding figure of the Cuban Revolution, Fidel Castro remains the regime's towering, patriarchal leader. He continues to serve as its principal directive force, much as Mao Ze-dong did in his role as China's "Great Helmsman." A major policy initiative or strategic decision, whether in the domestic or international arena, is either of his making or must at least have his endorsement. As the regime's founder and aging socialist *caudillo* (a strong personalistic ruler), he is not likely to preside willingly over either his retirement or his country's democratization and return to capitalism.<sup>5</sup>

Enrique Baloyra and James Morris point out that Castro would prefer to "continue trying to re-equilibrate his regime through his customary blend of mobilization tactics, ad hoc policy-making, and intimidation."<sup>6</sup> Throughout his career, his predilection has been for political and ideological responses to economic problems, rather than acceptance of institutional and market solutions. Thus, he initiated

<sup>5</sup>Enrique A. Baloyra observes that "to date, while its founder or strong personalist leader remained in power, no Stalinist regime has undergone a peaceful transition to democracy." "Socialist Transitions and Prospects for Change in Cuba," in Enrique A. Baloyra and James A. Morris, eds., *Conflict and Change in Cuba*, Albuquerque: University of New Mexico Press, 1993, p. 38.

<sup>6</sup>"Introduction," in Baloyra and Morris, eds., *Conflict and Change in Cuba*, 1993, p. 7. On Castro's political mind-set and *modus operandi*, see Edward Gonzalez and David Ronfeldt, *Castro, Cuba, and the World*, RAND, R-3420, June 1986, pp. 3-62.

the so-called Rectification Process in 1986, which dismantled the Soviet-style planning system, replaced it with a more personalistic command system, and reintroduced aspects of the radical "moral economy" that he favored in the late 1960s, in which moral suasion and other nonmaterial incentives were used to stimulate the workforce.

Castro's antipathy to the market is almost visceral in its intensity. For him, as well as for many of the *duros* and *centristas* among his generation, the market system is identified with the "capitalism" of pre-1959 Cuba, and "socialism" is identified with a liberated Cuba. His commitment to socialism, moreover, is linked to his political personality—to his presence on the national and international stage. Equally important, a market economy's reemergence on the island would vitiate his regime's ability to control society, as well as deprive individual political and managerial leaders of their powers and privileges. He thus observed in 1987 that "if economic mechanisms were to solve everything, what would the party do?"<sup>7</sup>

Despite the subsequent failure or transformation of command economies elsewhere in the formerly communist world, Castro has remained consistent in vehemently opposing a market system for Cuba. In April 1991, he rejected the advice of market-oriented reformers in no uncertain terms:

There will be no market economy, or whatever one wants to call that mess which has nothing to do with socialism . . . we are not going to be crazy enough to believe that spontaneous mechanisms will succeed in developing our country. . . . We are not going to make any concessions to principle . . . because we run across many saviors, advisors, and others who argue in favor of making concessions to imperialism."<sup>8</sup>

Shortly afterwards, he warned that the reformers "not come to us with fairy tales about capitalism, about market economies and all such crazy notions because we experienced them and we remember

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<sup>7</sup>Quoted by Sergio G. Roca, "The *Comandante* in His Economic Labyrinth," in Baloyra and Morris, eds., *Conflict and Change in Cuba*, 1993, p. 96.

<sup>8</sup>*Granma*, April 20, 1991, p. 7, as quoted by Roca, "The *Comandante* in His Economic Labyrinth," 1993, p. 98.

them."<sup>9</sup> Even after his government had decreed the dollarization of the economy, limited self-employment in some economic activities, and the transformation of state farms into cooperatives, he continued to balk at accelerating the change toward a market economy.<sup>10</sup> Before the National Assembly of People's Power in December 1993, he thus flatly insisted that "the idea that capitalism can solve some of our problems is a crazy and absurd dream that some people in the world believe."<sup>11</sup> He went on to declare that

I believe in socialism and despise capitalism. What I feel is repugnance towards capitalists. . . . The better I know capitalism, the more I love socialism. I have such a concept of the garbage, unfairness, baseness, alienation, and immorality that capitalism is in all its forms, including its politicians.<sup>12</sup>

Despite his statements to the contrary, Cuba's deepening crisis forced Castro to permit some economic liberalization. Initially, it was confined to the external sector, where an open-door policy was enacted toward foreign investments. But three limited reform measures were finally decreed for the internal economy in 1993. Even so, the *lider máximo* made these limited concessions grudgingly. He clearly remains closer to the *duros* and *centristas* among the old-guard *fidelistas* than to the *reformistas*. How far the reformists can go in deepening the economic liberalization process will largely depend on future developments—and the continued tolerance of *el viejo* (the "old man"). As always, he remains the final arbiter and maker of policy.

### The Hardliners

The leading hardliners appear to be Political Bureau member José Ramón Machado Ventura; Division General Ulises Rosales del Toro, Chief of the General Staff for the Revolutionary Armed Forces; Army

<sup>9</sup>*Granma*, July 29, 1991, p. 3, as quoted by Roca, "The *Comandante* in His Economic Labyrinth, 1993, p. 99.

<sup>10</sup>The dollarization, self-employment, and agricultural reform measures are discussed in greater detail in Chapter Three.

<sup>11</sup>*FBIS-LAT-93-249*, December 30, 1993, p. 7.

<sup>12</sup>*Ibid.*, pp. 4–5.

Corps General Abelardo Colomé, Cuba's Minister of the Interior since 1989; Division General Sixto Batista Santana, Coordinator for the Committees for the Defense of the Revolution since 1990; and such Provincial Party Secretaries as Jorge Lezcano Pérez. Some hardline leaders may reflect institutional interests or concerns, as with Generals Colomé and Batista, who are responsible for internal security, and whose cadres in MININT and the Committees for the Defense of the Revolution have strong personal stakes in the survival of the regime. But the posture of others, like Machado Ventura, may be innate to their personality and a product of their revolutionary experience, ideology, and political calculations.

What the *duros* have in common, and what distinguishes them from the *reformistas* in particular, are four characteristics: Most are veteran *fidelistas*, whose personal loyalties to Castro (and his brother) in some instances go back some 40 or more years to the anti-Batista struggle. For the most part, they control the party and security apparatus. They all espouse a *hard line*—a tough stance toward internal political deviation and opposition. And they are ultra-nationalists, imbued with a visceral anti-Americanism, and inclined toward anti-market authoritarianism.

The *duros* are committed to retaining tight political control over society to ensure the regime's survival. They know full well that attempts to decompress the Cuban polity through political liberalization at a time of heightened economic austerity could work to the advantage of the regime's opponents and perhaps precipitate its unraveling, as occurred in Eastern Europe, the former Soviet Union, and Nicaragua. Those who serve in the security and counterintelligence apparatus, such as the Special Troop Battalion, State Security, and other MININT organs responsible for state repression, must fear such an outcome because of the likelihood of societal retribution.

For this and other reasons, the *duros*—together with Castro—appear prepared to utilize whatever levels of raw coercion are necessary to stay in power. Thus, even as some limited liberalization of the economy was being initiated, the regime created still another organ of social control: the newly unveiled Association of Combatants of the Cuban Revolution, which is dedicated to waging an "unconditional



defense" of the regime by means of "the active participation in the ideological struggle" by its 500,000 members.<sup>13</sup>

Like Castro, the hardliners would prefer to keep Cuba socialist. They have a personal stake in retaining Cuba's vanguard party, and the state institutions and enterprises that have proliferated under Cuba's totalitarian-type system and command economy. Like Castro, they are wedded to socialism for ideological and psychological reasons: Socialism has become an intrinsic part of their revolutionary nationalism, helping to distinguish post-1959 Cuba from its U.S.-penetrated predecessor. Hence, they, too, resist the market system because of its identification with Cuba's capitalist past and with Cuba's historical, strategic enemy, the "Colossus of the North."

Because of the collapse and discrediting of communism worldwide, however, the hardliners are intellectually bankrupt in that they cannot offer an alternative solution to Cuba's grave economic crisis. Indeed, one Cuban intellectual believes that the regime's predicament is so serious that Castro and the rest of the Cuban leadership understand that they have no alternative but to embrace change.<sup>14</sup>

However, *change* can have different meanings. As will be shown, Castro, the *duros*, and some of the *centristas* have either opposed or gutted the more important liberalizing political reforms that were proposed while permitting only limited, piecemeal liberalization of the economy. Instead of market forces, they espouse political and organizational solutions to economic problems. For their part, the reformers have learned to eschew any talk of *markets*, and especially *capitalism*, lest they provoke a negative reaction from the Cuban leader and the *duros*.

#### CENTRISTS AND LIBERALIZING REFORMERS

Castro cannot govern alone. He presides over a coalition of civilian and military elites that includes not only *duros*, but also *centristas* and, in recent years, *reformistas* who have now assumed greater in-

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<sup>13</sup>*El Nuevo Herald* (Miami), June 16, 1993, p. 26A.

<sup>14</sup>Discussion with Rafael Hernández, Head, International Department, Center of the Study of the Americas (Havana), in Washington, D.C., December 8, 1992.

fluence with Cuba's crisis. While all are strong nationalists, the *centristas* and especially the *reformistas* advocate varying degrees of liberalization to achieve controlled change from above, from within the regime itself. However, their potential as "reformers" is circumscribed by a political reality in which Castro remains the dominant figure, factionalism is proscribed, and marketization, privatization, and, especially, liberal democracy are devalued concepts. Indeed, the *reformistas* must take care that they not be perceived as liberalizers or, worse yet, as *blandos* (softliners).

Whereas both stand for some form of change, the *centristas* and *reformistas* represent two quite different liberalizing tendencies. The *centristas* advocate *organizational and technical fixes* within the existing economic and political systems. In contrast, the *reformistas* are prepared to go further—toward *fundamental system change* in the form of marketization and even privatization of the economy, and the opening of the polity. However, the *reformistas* will sacrifice the latter to obtain consensus on the priority of economic reforms, as occurred at the Fourth Party Congress in October 1991.

### Centrists

The *centristas* are neither free-marketeers nor democrats. They represent pragmatic leaders intent on heading off the chaotic, if not violent, prospect of uncontrolled change from below, i.e., as a result of direct action by the populace at large, by tinkering with or modifying the present system. They want to make the economy more efficient through organizational reforms, administrative decentralization, joint state-foreign enterprises, and limited marketization and privatization of the economy where necessary. To create a more resilient, viable polity, they may support some political liberalization. But their support for liberalization is neither ideologically nor analytically driven; it rests on pragmatic political and technical calculations.

Before his fall from power in October 1992, Carlos Aldana appeared to be the kind of *apparatchik* who typifies the centrist leader. As Secretary of Ideology, he had been responsible for crafting the regime's new, more tolerant line on religious beliefs after the mid-1980s; he also served as Castro's chief negotiator in the Angola-Namibia accords of 1988. In both capacities he impressed foreign observers and gained a reputation as a tough but pragmatic leader

and as a relative moderate within the regime. However, Aldana also knew that he could not go against the prevailing winds on policy. In what clearly was a *mea culpa*, and a calculated attempt to distance himself from the *reformistas*, he confessed in a December 27, 1991, address that he had been a supporter of *perestroika* until Fidel brought him to his senses by pointing out the folly of Gorbachev's policies.<sup>15</sup> In October 1992, the Central Committee plenum expelled Aldana from the Political Bureau *and* the Communist Party on grounds of alleged laxness in permitting a foreign middleman to defraud the Cuban government of some \$17 million in a scheme involving the purchase of Japanese electronic equipment. The severity of his punishment suggests that not only did his enemies want revenge, but also that he had antagonized Castro and the hardliners by pushing his modest reformist agenda too much.<sup>16</sup>

Unlike Aldana, Juan Escalona is a centrist who remains in the upper echelons of the regime. Before being appointed Attorney General in July 1993, Escalona had been President of the National Assembly of People's Power until March of that year. Earlier, as Justice Minister, he had tried and convicted Division General Arnaldo Ochoa, MININT Colonel Tony de la Guardia, and two of their subordinates, on money-laundering and drug charges in the 1989 show trial that led to the execution of the four men. Despite his role in the Ochoa case, Escalona emerged as a centrist who pushed for organizational reform following his appointment to the ANPP presidency. He and other informants told *Miami Herald* correspondent Andres Oppenheimer that he had been asked by Castro to assess a plan proposed by reformers to establish the post of Prime Minister, which would mean

<sup>15</sup>Aldana declared that he had not been alone in embracing Gorbachev's reforms. Thus, "more than a few comrades of ours became perestroika fans and Gorbachev fans" in the 1987-1989 period, but that the revolution had been saved "because we escaped that confusion. . . . [And] if we escaped that confusion, we owe it to you, Comrade Fidel." He went on to castigate those in the regime who lacked "the intellectual honesty and moral courage" to admit they had been mistaken over *perestroika*. See *FBIS-LAT-92-03*, January 6, 1992, pp. 1-9.

<sup>16</sup>In March 1992, Aldana appeared of two minds: First, he indicated that dissidents might be able to run for political office (*FBIS-LAT-92-048*, March 11, 1992, pp. 5-6). Then, on March 14, he told Cuban journalists that there is "no space" for "an alternative which is not ours, which is not socialism. . . . There is no space whatsoever to frolic with the regime's alternatives." Short Version (Excerpt) Aldana speech, as posted in electronic form in the Peacenet Conference "reg.cuba", Institute for Global Communications (IGC), San Francisco, Calif., March 28, 1992.

transferring some of the *lider máximo's* powers to Carlos Lage, who already was taking charge of the economy.<sup>17</sup> According to Oppenheimer, "Escalona was one of the most fervent believers in the prime-minister plan," but he was unable to secure its adoption by the organizing committee of the Fourth Party Congress.<sup>18</sup>

One centrist whose star has risen is Ricardo Alarcón. Formerly Foreign Minister, Alarcón was selected by Castro to replace Escalona as ANPP President following the February 1993 elections of ANPP delegates. He had proven himself to be an effective, seemingly moderate, but unoriginal spokesman for the regime in his roles as Deputy Foreign Minister and Foreign Minister. In public forums, including in closed academic conferences, he appears a committed communist who favors organizational and political solutions over the use of the market.

Despite his image to the contrary, the most important *centrista* is Raúl Castro, who has been part of his brother's inner circle since the revolution's inception. As Cuba's highest-ranking general, and as Minister of the Revolutionary Armed Forces (FAR), Raúl is clearly a *duro* when it comes to the United States, as well as a committed communist. But on economic matters, he is pragmatic. Thus, he reportedly differed with his brother on shutting down the Peasant Free Markets in 1986; he instead wished to retain them for satisfying consumer needs, but with price ceilings and taxes to limit profits.

The collapse of world communism has evidently made Raúl aware of the need to make changes to avoid the fate of other communist regimes. At the Fourth Party Congress organizing committee, according to Andres Oppenheimer's informants, Raúl played the role of reformer—perhaps because, as Oppenheimer notes, he was "more fully aware than Fidel of the growing popular discontent, and of the need to do something about it." Indeed, Oppenheimer quotes one

<sup>17</sup>As Prime Minister, Lage would have run the government's day-to-day affairs, making it more efficient and eventually ensuring a smoother leadership transition following Castro's departure.

<sup>18</sup>Because of his role in the Ochoa affair, Oppenheimer believes that Escalona was "eager to project a moderate image" and found him to be one of "the most friendly—and outspoken—members of Castro's inner-circle." Andres Oppenheimer, *Castro's Final Hour—The Secret Story Behind the Coming Downfall of Communist Cuba*, New York: Simon & Schuster, 1992, pp. 384–385.

eyewitness who heard the younger Castro brother reject the argument that the reformist path had caused the fall of the Soviet Union: "What worries me more," Raúl reportedly said, "is what will happen if we don't make much-needed changes now, and if we don't make them under Fidel."<sup>19</sup> In fact, he had already displayed the pragmatic reformist tendencies of a centrist in his capacity as head of the Ministry of the Revolutionary Armed Forces.

According to a recent study of the FAR by a Defense Intelligence Agency analyst, Raúl severely criticized the performance of military factories in March 1986. This criticism led to the subsequent introduction by the MINFAR of reforms that emphasized greater worker and managerial discipline, decentralization, and Japanese-style management techniques, which resulted in improved production and efficiency by the 11 FAR enterprises adopting the reforms. In 1988, military officers were teaching the new managerial techniques to civilian managers; by 1991, MINFAR had extended the reforms to 100 civilian industries.<sup>20</sup>

In the meantime, the FAR's construction company, *Unión de Empresas Constructoras*, has been building joint-venture hotels and other tourist facilities. Another important FAR company is the *Gaviota* tourist enterprise. Established by the FAR in 1988 to employ officers returning from active duty in Angola, *Gaviota* operates vehicles, boats, and aircraft; arranges tours; and operates restaurants and residences for exclusive use by foreign tourists.<sup>21</sup> Additionally, FAR officers have been put in charge of several of the quasi-private corporations (*Sociedades Anónimas*) that the state has chartered. All this activity suggests that the military under Raúl could emerge as an institutional force favoring economic reforms, even while adhering to a hardline position on questions involving internal order, nationalism, and the United States.

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<sup>19</sup>Oppenheimer, *Castro's Final Hour*, 1992, pp. 385-386.

<sup>20</sup>A. B. Montes, *The Military Response to Cuba's Economic Crisis*, Washington, D.C.: Defense Intelligence Agency, August 1993, pp. 14-15.

<sup>21</sup>*Ibid.*, p. 16; and Richard L. Millett, *Cuba's Armed Forces: From Triumph to Survival*, Washington, D.C.: Georgetown University, Cuba Briefing Paper Series, No. 4, September 1993, p. 6.

### Reformists

The *reformistas* are the genuine liberalizers who would like to implement more fundamental reforms. Some appear prepared to go as far as marketizing and privatizing much of the domestic economy while having the state continue to meet the "basic needs" of the populace in public health, education, housing, etc. Some also appear inclined to grant political space and tolerance for political dissent, and perhaps even allow a limited "loyal opposition" to organize. Their commitment to liberalization may be analytically driven, as for those who are professional economists, but, in any event, their positions are constrained by the realities of regime politics.

Among the more visible *reformistas* is Roberto Robaina, former First Secretary of the Union of Young Communists and member of the Political Bureau since the Fourth Party Congress. Among the backers of the ill-fated Prime Minister plan, the 42-year-old Robaina is one of the party's youngest, leading liberal reformers. In late March 1993, he was appointed to replace Ricardo Alarcón as Foreign Minister—a post that may serve to dilute his influence on domestic issues.

Carlos Lage, also 42, is the most prominent and important leader among the young generation of reformers in the Political Bureau. He remains strategically placed to push liberalization because he was given the authority to reshape and revitalize the economy. Lage's star continued to ascend after he was appointed as one of five Vice Presidents in the new Council of State.<sup>22</sup> However, the August 1993 appointment of José Luis Rodríguez, a centrist economist, as Finance Minister may serve as a check on Lage's influence, because Rodríguez is responsible for overseeing many of the economy's details and day-to-day operations.

Lage, Robaina, and other liberalizing leaders who occupy highest positions in the party, state, and government face many political ob-

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<sup>22</sup>Castro may have decided to entrust Lage with overall responsibility for the economy because he recognizes the need for some economic liberalization, while Lage's unassuming manner and consensus-decisionmaking style poses no threat to him. A more Machiavellian explanation, one that is entirely consistent with Castro's *modus operandi*, is that Lage can be blamed if the economy does not rebound under his direction, whereas the Cuban leader could take much of the credit if the economic situation does improve.

stacles in that they must contend with Castro, the *duros*, and their allies among the *centristas* in trying to hammer out a policy consensus. An even stronger liberalizing tendency thus exists among the younger generation of technocrats, economists, and policy analysts who staff government ministries and agencies, and such outside research organizations as the Center for the Study of the Americas (CEA).<sup>23</sup> Although they do not exercise power, they provide intellectual support and ammunition for reformist leadership circles in the regime itself.

### THE POLITICS OF REFORM

In some ways, Cuba today resembles those East European communist states that struggled unsuccessfully to find a formula by which to revive their stagnant economies and regain a measure of popular legitimacy. The drag of ideology and the entrenched power of hard-line, more orthodox Communists in the former Czechoslovakia, Poland, and even Hungary, repeatedly blocked, diluted, or gutted meaningful attempts at reforming the system from the top. Castro and the *duros* appear to represent similar obstacles to fundamental system change in Cuba.

The power of this conservative blocking coalition was very much in evidence during ANPP's session in late December 1993. Castro repeatedly interrupted delegates and his own ministers to prevent discussion of those issues not to his liking, all the while steering the National Assembly's debates and quashing or postponing consideration of new, liberalizing measures that did not accord with either his own economic ideas or his political agenda.<sup>24</sup> In the end, the

<sup>23</sup>For example, see Julio Carranza Valdés, "Cuba: los retos de la economía," *Cuadernos de Nuestra América* (Havana), No. 19, 1993, pp. 131-159, for an analysis of the grim state of the Cuban economy by the Assistant Director of CEA. See also the brief but illuminating article by another CEA economist, Pedro Monreal, "To Market, to Market . . ." *Hemisfile*, May/June 1993, pp. 10-11.

<sup>24</sup>One of the more revealing exchanges occurred when Deputy Agustín Delgado, in proposing that bank interest rates be raised to capture the excess money on the streets, expressed his trust in the government's trained economists. Castro interrupted by declaring, "You do, but I do not. Economists frighten me. . . . The ideas presented by specialists must be presented from a political viewpoint. . . . If they are going to propose something that technically may be good, but politically catastrophic, our mission and duty is to stop them and reject what they are proposing." When

National Assembly not only confined itself to approving the July and September decrees, but also further restricted the self-employment decree and set limitations on the clandestine private restaurants that were springing up in people's residences throughout Havana.

Yet, Castro knows that unless the economy improves, his regime is in peril. This realization has obliged him to sacrifice some of his socialist vision over the past three years. First, he permitted joint-venture agreements that are exceedingly favorable to foreign investors, the proliferation of semiautonomous enterprises (*Sociedades Anónimas*) run by trusted officials, and the flourishing of an illegal underground economy upon which Cubans rely for half or more of their goods and services. Then, in 1993, he allowed his government to issue decrees on dollarization, self-employment, and agricultural cooperatives. At the December meeting of the National Assembly, he thus acknowledged that "Cuba has had to make concessions and take steps backward from the construction of a socialist society."<sup>25</sup> For the moment, therefore, he has had to retreat from his revolutionary "maximalism" of earlier years by becoming more pragmatic so that his power and his regime's survival are ensured in a postcommunist world.

Many reformers appear to have been heartened by the Cuban leader's new realism. Some, like Rafael Hernández of the Center for the Study of the Americas, believed that Castro was essential to the success of the reform process. At the outset of 1993, for instance, Hernández argued that the Cuban leader's moral authority was required to ensure the preservation of political stability during the implementation of reform policies.<sup>26</sup> In point of fact, Castro has on occasion explained to Cuban audiences why reform policies that violate cherished "socialist principles" must be implemented—as in his July 26, 1993, speech when he justified the need to obtain foreign investments and decriminalize the holding of foreign currency.<sup>27</sup>

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Delgado literally sought to get a word in, Castro cut him off an additional four times before ANPP President Ricardo Alarcón finally called upon another delegate, thereby depriving Delgado of any further say. *FBIS-LAT-94-01*, January 3, 1994, p. 13.

<sup>25</sup>*Chronicle of Latin American Economic Affairs*, Albuquerque: University of New Mexico, January 6, 1994, p. 3.

<sup>26</sup>Address by Rafael Hernández, "Cuba Today: Economic and Political Challenges," Latin American Center, UCLA, January 11, 1993.

<sup>27</sup>See *FBIS-LAT-92-142*, July 27, 1993, pp. 3-12.



Yet, it is clear that Castro wants to limit the extent of economic liberalization. As revealed by his July 26, 1993, speech, he grudgingly accepted the dollarization of the economy only out of necessity while insisting that socialism should be "perfected—not destroyed" as it had been in the former USSR.<sup>28</sup> In an interview with an Argentine journalist at the end of 1993, he reaffirmed his conviction concerning the feasibility of Cuban socialism by insisting that communism had "destroyed itself" in the USSR by "committing suicide," and that, in the end, Gorbachev and other Soviet leaders "managed to accomplish what Hitler could not do."<sup>29</sup>

Thus, the liberalizing agenda of the *reformistas* must contend with the inertia and outright opposition of the Cuban leader, the *duros*, and even many *centristas*. *Reformistas* have gained an influence in policymaking circles because of the critical state of the Cuban economy. But their position remains weak within the regime because the government thus far has been faced with a compliant population, rather than with popular unrest or strong demands for change articulated from within the organized ranks of Cuban society.<sup>30</sup> If the reform process is to deepen, Lage and the other *reformistas* must somehow convince Castro and the *duros* that the current strategy of limited, piecemeal reforms is not enough, and that more fundamental changes will be required if the economy is to be turned around and the regime is to survive.

One problem that the reformers face, of course, is that they remain at the mercy of *el viejo*, who is capable of ousting them or gutting their policies if he believes his power to be threatened or his revolutionary legacy compromised. Another problem is the language of reform: The liberalizers must contend with the older generation of leaders (including Castro), whose strident, anti-American nationalism makes it difficult for them to differentiate between the market on the one

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<sup>28</sup>FBIS-LAT-92-142, July 27, 1993, p. 8.

<sup>29</sup>FBIS-LAT-94-003-A, January 5, 1994, pp. 10-11.

<sup>30</sup>The enactment of the Cuban Democracy Act in 1992 reportedly strengthened the hand of the *reformistas* in this respect. Passage of the Torricelli Bill coalesced divergent tendencies within the regime because they all shared a heightened threat perception. In turn, the *reformistas* seized the opportunity to reframe the question of reforming the economy in terms of a *national security* issue—a concern that resonated with the values and priorities of the *duros*, including those within the military.

hand and the supposed evils of capitalism and the United States on the other hand. Indeed, the very fact that the market system either is not mentioned or is referred to pejoratively by Castro, Ramón Machado, and other party leaders, and that Cuban officials like Ricardo Alarcón and José Luis Rodríguez speak only of moving toward a "mixed economy," in itself points out how difficult it will be to convince the top political leadership to adopt real market reforms.

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**THE LIMITS OF REFORM FROM ABOVE**

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Starting with the Fourth Party Congress, Cuba's ship of state has been on an erratic, stop-and-start course. The *reformistas*, sometimes with the aid of *centristas*, attempt to steer the regime in a more liberal, reformist direction to ensure ordered change from above. But Castro, the *duros*, and frequently the *centristas* as well, constitute a heavy anchor that repeatedly has slowed the speed of change or confined change to selective areas of the economy while forcing course reversals with respect to the liberalization of the polity.

In the meantime, the position of the *reformistas* is weakened by the acquiescence or paralysis of much of the Cuban populace. As a consequence, the first tentative reforms for the domestic economy were not enacted until summer 1993, but by the end of the year the momentum had shifted against further market-type reforms. The National Assembly is to meet on May 1, 1994. Whether the extraordinary session of the ANPP will deepen the process of economic liberalization in favor of the market or only continue to support limited nonmarket reforms remains to be seen.

**TWO STEPS FORWARD, ONE STEP BACK**

The Fourth Party Congress in October 1991 saw the retirement from the Political Bureau of several veteran revolutionaries—*los históricos*—who had taken part in the anti-Batista struggle. They were replaced for the most part by a younger generation of leaders, the most

prominent being Lage and Robaina.<sup>1</sup> But the congress was not a victory for the reformers. It not only shelved consideration of the proposal for creating a prime ministership, but it also intensified the cult of personality surrounding Castro's rule while further strengthening his presidential powers.<sup>2</sup> It reaffirmed the existence of a one-party state and rejected market-oriented reforms for the domestic economy, with Castro vehemently opposing the idea of reintroducing the Peasant Free Market that had been allowed to operate between 1980 and 1986. When push came to shove, therefore, the reformist currents were too weak to challenge Castro and the *duros* to clear the way for fundamental changes at the party congress.<sup>3</sup>

Nevertheless, in its July 1992 session, the National Assembly of People's Power proposed several draft amendments to the 1976 Constitution that offered the possibility of a more liberalized polity and economy. The proposed amendments provided for direct election of deputies to the National Assembly of People's Power, lessened the state's role in the economy, diluted the role of Marxism-Leninism, permitted some private entrepreneurial activity, and opened the island to foreign investments in selected areas of the economy. As a consequence, one outside observer concluded that Cubans now had "the constitutional tools and the opportunity to

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<sup>1</sup>Carlos Aldana also was made a member of the Political Bureau—only to be expelled a year later from that post and the party as well.

<sup>2</sup>As drafted by the party and later approved by the National Assembly of People's Power in its July and October 1992 sessions, Castro's constitutional prerogatives as President now include the power to declare a state of emergency in case of or before the imminence of attack, national disasters, or catastrophes that threaten internal order or the stability of the state. He was also granted greater control over the military; and a new National Defense Council was created under his chairmanship, the mission of which is to direct the nation in the event of war, general mobilization, or national emergency.

<sup>3</sup>Based on his observations and interviews in Cuba, Oppenheimer concluded that "the newly appointed Yummies (young, upwardly mobile commies) in the Politburo Lage, Robaina and Prieto were even less likely to confront the Comandante than the outgoing *h-storicos*. It was a general assumption in Havana that the disillusioned old-timers would always be more willing to put their jobs on the line than ambitious newcomers." Oppenheimer, *Castro's Final Hour*, 1992, p. 410. We also made essentially the same point in our 1992 study, *Cuba Adrift in a Postcommunist World*, p. 7.

forge even more radical social and political reforms."<sup>4</sup> Reality proved to be quite different.

### Renewed State Repression and Domination

Rather than liberalization, Cuba experienced a new wave of repression. Within a month after the Fourth Party Congress, Maria Elena Cruz-Varela, a dissident poet, was physically attacked by one of the regime's rapid-reaction brigades and then sentenced to two years' imprisonment.<sup>5</sup> On December 27, 1991, Carlos Aldana, the regime's leading centrist at the time, aligned himself with Division General Colomé and MININT: He justified the attack on Cruz-Varela and warned that dissidence would not be tolerated.

Over the course of 1992, other critics and human-rights activists came under attack. Among them was Elizardo Sánchez Cruz, President of the Cuban Commission for Human Rights and National Reconciliation, who was detained by state security agents, severely beaten, then held for interrogation on December 10, 1992. Other members of unofficial dissident and human-rights groups came under siege in their homes by large pro-government mobs in a clear attempt to discourage popular opposition to the regime.<sup>6</sup> According to the United Nations' Special Rapporteur on human rights in Cuba, the regime continued, throughout 1993 and into 1994, to harass, in-

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<sup>4</sup>J. Richard Planas, "Political Changes and Social Attitudes in Cuba During the Special Period: Implications," Washington, D.C.: Radio Martí Program Office of Research Backgrounder, Voice of America, n.d., p. 3.

<sup>5</sup>Maria Elena Cruz-Varela was released in May 1993, after serving 18 months of her two-year prison sentence. After her release, and within earshot of Cuban security officials, she informed a Spanish news agency that "I hang up my robes as regards the opposition," and that "in spite of me, without me, [Castro] is the people's paramount leader. I will not contest his legitimacy." *CubaINFO*, Vol. 5, No. 8, June 18, 1993, p. 9.

<sup>6</sup>Those caught in their homes risked either physical injury if they tried to leave or remaining trapped inside without substantial food supplies, owing to the serious food shortage on the island. On regime repression and control of dissidents, see Juan M. del Aguila, "The Politics of Dissidence: A Challenge to the Monolith," in Baloyra and Morris, eds., *Conflict and Change in Cuba*, 1993, pp. 164-188. See also Damián J. Fernández, "Civil Society in Transition," and Roberto Cuellar, "Human Rights: The Dilemmas and Challenges Facing the Non-Governmental Organization Movement During a Transition in Cuba," in *Cuba in Transition: New Challenges for U.S. Policy*, Miami: Florida International University, Latin and Caribbean Center, a project of the Cuban Research Institute, 1993, pp. 191-334.

timidate, and imprison scores of individuals representing numerous groups—most of which the government refused to recognize—that defend human rights and labor-union rights, or that are in political opposition to the government.<sup>7</sup>

In the meantime, the constitution as it was finally amended by the party and ANPP in fall 1992 preserved the vastly uneven relationship between state and society. As in its original 1976 version, the constitution grants citizens a number of freedoms and civil rights, but on a conditional basis because, according to Article 62, none may be exercised “contrary to the stipulation in the Constitution and the laws, or contrary to the existence and goals of the socialist State, or contrary to the Cuban people’s decision to construct socialism and communism. The infraction of this principle is punishable.”<sup>8</sup> The state security apparatus in the Ministry of Interior, the party-directed Committees for the Defense of the Revolution (CDRs), and the rapid-reaction brigades that are under the direction of MININT thus have license to repress nongovernmental organizations (NGOs), dissident circles, and opposition groups.

In keeping with the realities of a postcommunist world, the amended constitution put the ideas of José Martí on a par with Marxism-Leninism, while the Communist Party of Cuba no longer is to represent the proletariat exclusively. However, the PCC still remains “the organized vanguard of the Cuban nation” and “the superior leading force of the society and state.” Hence, the PCC retains its elevated, unchallenged status for the purpose of “organizing and guiding the common efforts aimed at the lofty goals of the construction of socialism and the advancement toward the communist society.”<sup>9</sup>

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<sup>7</sup>See United Nations, Commission on Human Rights, Economic and Social Council, *Report on the Situation of Human Rights in Cuba, Prepared by the Special Rapporteur, Mr. Carl-Johan Groth, in Accordance with the Commission Resolution 1993/63*, New York, January 24, 1994, especially pp. 9–16.

<sup>8</sup>*FBIS-LAT-92-226-S*, November 23, 1992, p. 7.

<sup>9</sup>Chapter 1, Article 5, of the Constitution; in *FBIS-LAT-92-226-S*, November 23, 1992, p. 1.

### Precluding Electoral Surprises

In October 1992, the PCC Central Committee plenum modified the amendment proposed earlier by the National Assembly of People's Power for the direct, competitive election of ANPP delegates, a modification that was approved by the National Assembly when it convened again in November 1992. The approved amendment ensured the nomination of politically correct ANPP candidates by means of a new National Candidacy Commission and its local counterparts, which are headed by the government and composed of representatives of various mass and student organizations. According to the Cuban press, these filtering mechanisms were created to "avoid unnecessary improvisations" in the nomination of ANPP candidates at the local and national levels.<sup>10</sup> As a consequence, they prevent individual dissidents or opponents—not to speak of (nonexistent) opposition parties—from even appearing on the ballot at any level:

Electoral commissions sanctioned the candidates to the Municipal Assemblies, and the municipal delegates in turn selected fifty percent of the provincial and national candidates among their ranks. The trade unions and other mass organizations [in the National Commission] nominated the other half. Thus, the Communist Party could not tolerate the prospect of even a small number of opposition delegates in the assemblies . . . [T]he new electoral law suggested a political weakness that contradicted the self-assuredness of the official rhetoric.<sup>11</sup>

Despite these efforts, the regime was embarrassed by a high ballot-annulment rate—reportedly ranging between 20 and 38 percent—in the December 1992 municipal elections for local deputies and candidates for the ANPP.<sup>12</sup> Hence, the regime further tilted the playing field for the February 24, 1993, elections for the ANPP:<sup>13</sup>

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<sup>10</sup>*Trabajadores*, October 26, 1992; reprinted in *FBIS-LAT-92-208-A*, October 27, 1992, p. 1.

<sup>11</sup>Marifeli Pérez-Stable, "Vanguard Party Politics in Cuba," in Baloyra and Morris, eds., *Conflict and Change in Cuba*, 1993, p. 93.

<sup>12</sup>*CubaINFO*, Vol. 5, No. 4, March 19, 1993, p. 7.

<sup>13</sup>The foregoing is based on *CubaINFO*, Vol. 5, No. 3, February 26, 1993, p. 5.

- According to one analysis, 315 out of the 589 ANPP candidates were chosen by the ANPP itself, whereas only 274 were selected at the precinct level.
- Voters were presented with a list of 589 candidates, the same as the number of seats in the ANPP, with Castro justifying the lack of choice on grounds of preventing unfair competition between famous and unknown candidates.
- Voters could vote for all or some of the candidates, or annul the ballot, but unlike in the December municipal elections, a "No" vote would not be counted as an annulled ballot. This practice ensured that handpicked candidates would receive the necessary majority of the vote plus one to be elected.
- With Castro in the lead, the regime mounted a campaign to convince voters to vote for the entire list, while indicating that spoiling the ballot or not voting for the entire list was tantamount to treason.

In the end, 88.48 percent of the voters cast their ballot for the entire list of candidates, while four candidates received less than 90 percent of the vote. The annulment rate was reported as no higher than 20 percent according to the Mexican media, and 15 percent in Havana and 7 percent outside the capital according to the Agence France Presse.<sup>14</sup>

### **Reaffirming Socialist Principles**

Articles 14 and 15 of the amended constitution reaffirm that the economy rests on the "socialist ownership of the means of production." The only economic sector excluded is private land belonging to some 100,000 small farmers and 41,000 cooperative farmers, who together hold 20 percent of the island's arable land. But the rest of the domestic economy—sugar mills, factories, transport, business firms, banks, and other installations that were nationalized after 1959, together with factories, firms, and scientific, cultural, sports, and other

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<sup>14</sup>*CubaINFO*, Vol. 5, No. 4, March 19, 1993, p. 7.



installations built since then—is designated as “socialist state property.”<sup>15</sup>

Article 16 also stipulates that the state “organizes, directs, and controls the national economic activity according to a plan that guarantees the country’s programmed development, with the aim of reinforcing the socialist system . . . .”<sup>16</sup> In reality, however, economic planning is no longer used because of the uncertainty of Cuba’s trade ties and the island’s increasing insertion into a global, market economy.

### **Limiting the Marketization of the Economy**

The economy remained largely bifurcated. The 1991 party congress began by limiting market principles and privatization to the external sector of the economy, involving tourism, oil exploration, and other export and import sectors. As finalized a year later by the ANPP, Article 15 of the amended constitution permits the transfer of state property in the external economy to individuals and businesses when it “is intended for purposes of the country’s development.” Article 16 allows the state to charter self-financed, autonomous state or private enterprises, while Article 18 empowers the state to permit private individuals and corporations to engage in import and export activities.<sup>17</sup>

In contrast, the market either is not present or is severely restrained in the domestic economy. Under the amended constitution, only plumbers, craftsmen, and carpenters are legally allowed to engage in private entrepreneurial activity, a concession to a reality in which the state-run economy simply cannot satisfy consumer demands for repairs and other services. However, the government would drag its feet: Not until September 1993 would Castro sign a decree authorizing self-employment in over 100 trades, crafts, and services.<sup>18</sup> Yet, as

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<sup>15</sup>FBIS-LAT-92-226, November 23, 1992, p. 3.

<sup>16</sup>FBIS-LAT-92-226-S, November 23, 1992, p. 3.

<sup>17</sup>Ibid.

<sup>18</sup>Pascal Fletcher, “Communist-Ruled Cuba Moves Closer to Mixed Economy,” Reuters, September 9, 1993. The number of self-employed categories was later increased to include an additional 40 or so trades, crafts, and services.

is discussed in Chapter Four, even this modest decree was laden with so many restrictions—for instance, excluding certain sectors of the population from engaging in activities for private gain, and restricting such activities to self-employment by individuals rather than allowing for larger-scale private enterprises—that it scarcely constituted a step toward a market economy. The creation that same month of more-autonomous agricultural cooperatives also was a move that avoided the market and private enterprise because the state retained ownership of the land and controlled the prices of the farm products required and produced by the cooperatives.

The Cuban economy was thus opening up during 1993, but not by very much in its domestic sector. Indeed, contrary to what had been widely anticipated, the National Assembly of People's Power did not adopt additional liberalizing measures in its session in December 1993. By the start of the new year, it was unclear whether the reform process was temporarily stalled or would be deepened during the course of 1994.

#### **REFORM PROSPECTS IN THE ABSENCE OF CIVIL SOCIETY**

The weakness of Cuba's civil society vis-à-vis a strong, repressive state suggests that system change, if it is to occur in the short to medium term, will not come from below. Rather, it more likely will have to be initiated from above, as has been the case thus far with the government's modest economic reforms. However, the very weakness of civil society also weakens the position of the *reformistas* in their efforts to convince Castro, the *duros*, and the *centristas* of the need to deepen the process of liberalization.

Cuban society rests on nuclear and extended families, religious and other primary groupings, and localities or communities. But a "civil society" that "lies beyond the boundaries of the family and the clan and beyond the locality," and that also "lies short of the state,"<sup>19</sup> has been absent from Cuba for decades.

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<sup>19</sup>Edward Shils, "The Virtue of Civil Society," *Government and Opposition*, Winter 1991, p. 3.

After 1959, Cuba's incipient civil society began to be decimated by the Castro regime's totalitarian-type policies and control apparatus, and by the incivility practiced by *fidelistas* supporters in and outside the government against suspected "counterrevolutionaries" and "*gusanos*" (worms). The exodus of hundreds of thousands of Cubans to exile abroad further weakened the basis for a civil society. The consequence is that, after more than three decades of revolutionary rule, the island's citizenry is socially atomized, politically passive, and too mistrustful of each other to organize themselves. To a very real extent, they stand virtually naked in their relationship to the state.<sup>20</sup>

The Catholic Church has suddenly emerged as the only institution around which Cubans might rally against the government. In their Pastoral Letter of September 8, 1993, the Cuban bishops criticized the Castro leadership for clinging to its monopoly of power and called upon the regime to enter into a dialogue with all Cubans, including its opponents, to avoid a political explosion on the island.<sup>21</sup> The Pastoral Letter is significant because it breaks with the church's long-standing caution and submissiveness toward the Castro regime. Still, the resistance by the church is not openly confrontational, and it must take care not to expose itself to retaliation by the government and its supporters.

Meanwhile, Cubans must occupy themselves with their daily struggle for basic necessities, with the result that most acquiesce to the regime or are too intimidated to organize and take collective action against the state. Those who do have the courage to openly challenge the government are physically harassed, as occurred in recent years. Or some dissidents and human-rights activists may be given permission to leave the country permanently or with the understanding that their return is conditional upon their not taking a

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<sup>20</sup>Juan del Aguila observes that "institutions and organizations serve to nourish the [totalitarian] state, not to disperse its strength . . . . No independent source of legitimacy exists, nor are there groups active in the social milieu that could claim recognition. Without organizational pluralism, society is unable to fully express itself. . . ." "Why Communism Hangs on in Cuba," *Global Affairs*, Winter 1991, pp. 90-91.

<sup>21</sup>"El Amor Todo Lo Espera," Carta Pastoral de los Obispos Cubanos, September 8, 1993; reproduced by *Of Human Rights*, Washington, D.C.: Georgetown University, n.d.

strong public stance against the regime while they are abroad. All such conditions contribute to *la doble moral* (duplicity) among Cubans, which further weakens the fabric of civil society because, "to varying degrees, growing numbers of citizens were living in a second society: acquiescing in public and dissenting in private."<sup>22</sup>

Thus, the reformers cannot count on their positions' being bolstered by an aroused citizenry, much less by independent, organized groups making demands for fundamental political and economic change.<sup>23</sup> This status stands in contrast to Mexico, for example, where the liberalizing policies of the De la Madrid and Salinas administrations found an echo among the private sector and some other elements of the country's emerging civil society. In Cuba, Lage, Robaina, and other reformers have to maneuver within the upper reaches of the regime, forming fragile coalitions so that they can carefully push their liberalizing agenda. Even were they to succeed in enacting more comprehensive reforms, the island would still have to overcome major obstacles to its economic recovery.

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<sup>22</sup>Marifeli Pérez-Stable, *The Cuban Revolution: Origins, Course, and Legacy*, New York: Oxford University Press, 1993, pp. 180-181.

<sup>23</sup>A telling example of this was the March 1990 *llamamiento* by Raúl Castro—a call for the populace to "deepen" Cuban democracy by discussing the country's problems and offering solutions in preparation for the Fourth Party Congress. But his *llamamiento* initially evoked only a limited, politically correct response by the populace. As a result, the regime was obliged to halt the consultative process; after the regime assured Cubans that they could talk freely, the *llamamiento* was resumed by means of nearly 80,000 meetings, with some 800,000 proposals being received. Still, the discussions were conducted within the strictly defined parameters of "perfecting socialism" and preserving the regime.

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**OBSTACLES TO RECOVERY**

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Cuba is in transition from a command economy to what Cuban officials call a "mixed economy," to be composed of state, private, and cooperative enterprises. In structure, it resembles the post-Mao Chinese economy. But unlike Deng Xiaoping and other Chinese reformers in the 1980s, Castro, *the duros*, and others in the Cuban leadership are resisting the adoption of the market—or what they derisively refer to as "capitalism." Such resistance creates a major dilemma for Cuba's economic transition:

- Opposition to the market is certain to limit the extent to which a private sector emerges and functions effectively, thereby slowing, if not preventing, the rate of economic recovery.
- On the other hand, acceptance of the market to speed economic recovery could divest the regime of much of its control over the economy and society, while also alienating its key political constituencies.

Besides the impediments presented by its policies, the regime's efforts to develop new foreign-exchange-producing industries and attract foreign investments may be hindered by obstacles of a more objective nature, such as lack of infrastructure and market size.<sup>1</sup>

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<sup>1</sup>On the obstacles and tasks facing the regime, see Carmelo Mesa-Lago, "Cuba's Economic Policies and Strategies for Confronting the Crises," in Carmelo Mesa-Lago, ed., *Cuba After the Cold War*, Pittsburgh: University of Pittsburgh Press, 1993, pp. 197-257. See also the series of studies—Jorge F. Pérez-López, "Learning from Others: Economic Reform Experiences in Eastern Europe, Latin America, and China"; Rolando H. Castañeda, "Central Elements of a Stabilization Program and the Initiation of

## POLICY AS AN OBSTACLE TO ECONOMIC RECOVERY

Like the word *change*, the concept of "mixed economy" can mean many things in Cuba. The commanding role of the state, the leadership's preference for political and organizational solutions to economic problems, and its aversion to the market, all suggest that the role of private enterprise will be very much constrained in Cuba's current evolution toward a mixed economy.

### A Preference for Statist, Political, and Organizational Solutions

Since the triumph of the revolution in 1959, the Castro regime has relied on the state to direct the economy. The scope of the state-run economy greatly expanded in 1968 when Castro launched his "Revolutionary Offensive," which led to the nationalization of over 58,000 small, privately owned retail, service, and manufacturing firms. That measure rounded out the virtual socialization of the entire economy. The major exception was the small farmers who were allowed to retain their private farms of 66 acres or less, but who later were encouraged by the government to join farming cooperatives.

This preference for a state-dominated economy, and for political and organizational solutions to economic problems, would continue to characterize the Castro regime's economic policies in later years. Thus, at a time when the Soviet Union was decentralizing the economy under *perestroika*, Castro launched a Rectification Process in 1986, in which political zeal and administrative recentralization were to rectify the economy's problems. In the 1990s, the regime again turned to the state because, according to one of Cuba's leading economic reformers, "the choice seems clear: to pursue long-term goals of economic reform under state control."<sup>2</sup>

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Economy-wide Structural Reforms"; Jorge A. Sanguinety, "Transition Towards a Market Economy in Cuba: Its Legal Implications and Managerial Dimensions"; Archibald Ritter, "Financial Aspects of Normalizing Cuba's International Relations"; and Sergio Roca, "Cuban Privatization: Potential Path and Implementation," in *Cuba in Transition*, 1993. For a divergent, more optimistic point of view, see Zimbalist, "Dateline Cuba: Hanging on in Havana," 1993, pp. 151-167.

<sup>2</sup>Monreal, "To Market, to Market . . .," 1993, p. 11.

The state would thus play a heightened role in responding to the island's economic crisis, starting with the "Special Period in a Time of Peace" that went into effect in 1990. As with the mass mobilizations for the sugar harvest and agricultural work in previous decades, the state mobilized hundreds of thousands of urban dwellers for agricultural work under the "Food Program" to offset the losses in food imports. The regime turned to other organizational and political measures to try to cope with the crisis. It charged nearly 1,200 *consejos populares* (popular councils) on the island, composed of local government and mass organization representatives, with the tasks of supervising all local state enterprises, establishing collective vegetable gardens, overseeing the distribution of goods and services in the locality, and recommending the dismissal of incompetent enterprise managers. However, the popular councils could do little to resolve the shortages, bottlenecks, and other problems that Cuba's inefficient, bureaucratic command economy invariably produced.<sup>3</sup>

In addition, according to a Cuban economist, the state formed more than 100 joint enterprises with investors by the beginning of 1993 while establishing some 200 other "associations" with foreign investors in the export and foreign-exchange-producing sectors of the economy. To facilitate this process, the state also began creating new "market-friendly institutions," particularly the so-called *Sociedades Anónimas* (S.A.s) similar to the autonomous enterprises found elsewhere in Latin America.<sup>4</sup>

Even this strategy has not inserted Cuba fully into the market. In the words of the same Cuban economist, it has instead produced a "dual model economy: a new market-oriented export sector that coexists with a less market-oriented domestic sector." Yet, only if a market economy is introduced domestically, and a legalized private sector is allowed to flourish, are most Cubans likely to find relief from a life of

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<sup>3</sup>Commenting on the popular councils, Marifeli Pérez-Stable points out that "like state socialism elsewhere, Cuban socialism has failed to 'control, inspect, check, investigate' the bureaucracy at all levels, even when the Cuban government has taken the task of mass involvement more seriously than most of the old socialist countries did. The problem lies in the powerlessness of the popular councils, in the fact that involvement is not tantamount to participation, and in the concentration of uncontested power in the Communist party." "Legislative and Electoral Dynamics: Reforms and Options," in *Cuba in Transition*, 1993, p. 51.

<sup>4</sup>Monreal, "To Market, to Market . . .," 1993, p. 11.

extreme austerity and hardships that the *consejos populares*, mass mobilizations, rationing, and political and organizational solutions are unable to resolve. As one Cuban professor told a *Los Angeles Times* correspondent in Havana,

We have a price-setting committee with a large bureaucracy to decide how much rice, beans and everything else should cost. But I have noted that on the black market, with no committee setting prices, a vegetable that costs 5 pesos down by the seawall also costs 5 pesos across town. So why do we need this bureaucracy?<sup>5</sup>

### **The Adverse Consequences of Isolating the Market**

Until summer 1993, the market operated legally solely in the external sector of Cuba's bifurcated economy, but, even then, only under state sponsorship and with the state controlling banking, prices, labor, and other resource allocations. Except for the illegal, informal economy, the internal sector of the economy continued to remain socialist in its ownership and state direction. This bifurcation both limited Cuba's recovery and exacerbated social tensions—with recent reforms creating new inequalities.

One type of social tension occurs among Cubans, the other between Cubans and foreigners. Until summer 1993, most Cubans could not legally enjoy the advantages of the market, including access to hard currency, because they were not employed in tourism, biotechnology, and other industries in the external sector. In contrast, a minority of Cubans who worked the market, whether legally or illegally, were fast becoming a relatively privileged class. In the meantime, the prohibition against possessing dollars contributed to another, much-resented phenomenon known as "apartheid tourism": Unless accompanied by foreigners, Cubans were barred from the special stores, as well as from the resorts, hotels, nightclubs, and restaurants, reserved for foreigners and tourists with hard currency.

The July 1993 decision to decriminalize the possession of hard currency and to open the dollar stores to Cubans with foreign currency

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<sup>5</sup>Juanita Darling, "4 Years Later: A Cuba of Peddlers and Pedalers," *Los Angeles Times*, August 10, 1993, p. H2.



somewhat reduced the apartheid character of Cuba's bifurcated economy. But this decree introduced a new set of socioeconomic inequities, because some Cubans are more likely than others to gain access to dollars—including those who appear to be less politically deserving or meritorious from the point of view of party militants and government supporters. Among the gainers, for example, are black marketeers and those working in tourism, such as hotel workers, taxi and private drivers, and the *jineteras* and *jineteros*—literally, horsewomen and horsemen—who serve as female escorts or prostitutes, and as pimps and middlemen, to visiting foreigners. Still others who gain from the decree are those who have exiled relatives with dollars to send or bring into Cuba.

On the other hand, because only some 3 percent of the exiled population is of Afro-Cuban descent, a disproportionate number of losers from the dollarization decree are almost certain to be found among blacks and mulattos, who may constitute upwards of 50 percent of the island's population and who, as a group, were among the social beneficiaries of the revolution. Party militants, military and police officers, and other members of the regime also find themselves disadvantaged by the decree, because, as a rule, they may have fewer relatives in exile willing to send dollars, and because they are not likely to become self-employed entrepreneurs.

To absorb dollars and reduce the socioeconomic inequalities inherent in its July decision, the government imposed price increases of 50 percent in the special stores in August.<sup>6</sup> The problem is that this corrective measure did little to provide the vast majority of less-advantaged Cubans with essential goods and services, not to speak of so-called luxury items.

### A Timid Step "Back to the Future"

On the heels of the dollarization of the economy, the government announced two other reforms in September 1993. Once again, however, these reforms reveal the timidity and inadequacy of Cuba's lib-

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<sup>6</sup>Cubans holding dollars (or other hard currency) benefit in two ways: They can purchase articles in the dollar stores or on the black market for their own consumption, or use the much-prized articles as barter in obtaining food from farmers in the countryside.

eralization process, and the extent to which the regime sought to contain potential political consequences of the process.

On September 9, Castro signed government Decree 141, which finally enacted the 1992 constitutional amendment permitting individuals to engage in over 100 trades, crafts, and services for private gain.<sup>7</sup> Individuals may work as taxi drivers, mechanics, plumbers, painters, hairdressers, shoe repairmen, cooks, domestics, computer programmers, farm-product salesmen, etc.<sup>8</sup> In effect, Decree 141 legalized many of the private entrepreneurial activities already being carried out in the informal or black-market economy.

Decree 141 serves many purposes: It enables the government to capture revenue through a 49.9 percent tax on the self-employed; it helps contain the black market; it alleviates consumer demand for goods and services that the state cannot supply; and it gives employment to those without work or who have been laid off under the government's austerity measures of reducing state employment or closing down state enterprises altogether. By the start of 1994, the number of permitted self-employment activities had been increased to 140 categories; by March, according to Finance Minister José Luis Rodríguez, nearly 145,000 people had been granted licenses to engage in self-employment under Decree 141.<sup>9</sup>

Decree 141 thus restores some of the conditions that prevailed in the 1960s, prior to the sweeping nationalization of small manufacturing firms, shops, restaurants, food stands, beauty parlors, barber shops, and other service establishments under Castro's "Revolutionary Offensive" of 1968. Yet, this long-awaited self-employment decree is not a full step "back to the future," certainly not in a qualitative sense, because until the late 1960s a number of small, privately held industrial firms still employed, in some instances, scores of work-

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<sup>7</sup>According to Francisco Linares, Minister President of the State Committee for Labor and Social Security, Decree 141 did not establish self-employment because that right had been established in 1978. What Decree 141 did was to extend the number of approved activities and the requisites for those activities. *FBIS-LAT-94-001*, January 3, 1994, p. 2.

<sup>8</sup>Fletcher, "Communist-Ruled Cuba Moves Closer to Mixed Economy," 1993.

<sup>9</sup>*Prensa Latina*, Havana, March 3, 1994; in *BBC Summary of World Broadcasts*, March 7, 1994.

ers.<sup>10</sup> Decree 141 does not allow market conditions that would be conducive to the reemergence of such modest-sized private enterprises, and instead is a move reminiscent of the guilds of medieval, pre-capitalist times.

Under Decree 141, individuals or families can engage in activities for personal gain, provided they do not employ nonrelatives. Self-employment is restricted to laid-off workers, housewives, or retired people, whereas university graduates, especially doctors, and company directors and management personnel are barred from engaging in activities for private economic gain. Local authorities are also to monitor the activities of the new private sector to make sure that "intermediaries and parasites" do not take advantage of the decree.<sup>11</sup>

Accordingly, when the sale of "light foods (drinks, sandwiches, candies, et cetera)" under Decree 141 led to the proliferation of *paladares*, or private restaurants in private homes, the government clamped down on enterprising individuals who seized on the "et cetera" reference to broaden both the category and scale of operations under its 140 permissible activities. After calculating that the owner of Havana's largest *paladare* was making 1,000 *pesos* a day, Castro put his foot down at the December 1993 session of the National Assembly:

I really do not think that one or two tables [in someone's home] will affect socialism. However, the man with 25 tables and 100 chairs is something else. Imagine what it would be like if we [were] to give him some space to fly.<sup>12</sup>

As a result, the number of *paladares* permitted to operate was reduced from as many as 2,000 in Havana, to only a few hundred by March 1994.<sup>13</sup>

<sup>10</sup>In 1967, for example, a private manufacturing firm that employed 89 workers sold 628,000 *pesos'* worth of agricultural tools to the state. Marifeli Pérez-Stable, *The Cuban Revolution*, 1993, p. 118.

<sup>11</sup>Fletcher, "Communist-Ruled Cuba Moves Closer to Mixed Economy," 1993.

<sup>12</sup>FBIS-LAT-93-249, December 30, 1993, pp. 5, 6.

<sup>13</sup>Kenneth Fried, "Cubans Tasting Capitalism—But It's Just an Appetizer," *Los Angeles Times*, March 29, 1994, p. H3.

The point is that Decree 141 is even more restrictive of private economic activity than were the Castro government's policies in the pre-1968 period. It does not allow private companies or corporations in the domestic sector; it permits only self-employed *individuals* to engage in profit-making activities. In being so restrictive, the government thus seeks to prevent the return of a potentially influential private sector and *bourgeoisie*.

On September 10, the Political Bureau approved a second measure aimed at raising sugar cane, tobacco, and food production, while also reducing the waste and inefficiencies—especially in fuel consumption—associated with Cuba's state farms. Henceforth, state farms could be voluntarily converted by their members into Basic Cooperative Production Units (UBPCs); along with existing agricultural cooperatives, the new UBPCs were to be given greater managerial and financial autonomy from the state. Additionally, small parcels of land that are not part of cooperatives or state farms, and idled tobacco lands, could now be farmed for purposes of self-consumption by retired or unemployed persons and their families.<sup>14</sup> By early 1994, there were some 1,200 UBPCs, with some 1.3 million members, according to Western news accounts.<sup>15</sup>

Again, however, the market is constrained from working in the new cooperative sector of the economy. Workers in the UBPCs are to share in the net profits of the cooperatives—a major recognition of the need for material incentives—and they are to be given indefinite usage of the land. However, the UBPCs do not have legal ownership of the land. More importantly, the UBPCs will have to continue selling their crops to the state purchasing agencies at prices determined not by the market but by the state. As a consequence, increased agricultural production is likely to continue eluding the government.

It is possible that the dollarization, self-employment, and cooperative reforms could unleash a chain reaction leading to an uncontrollable burgeoning of private entrepreneurial activity. As one observer

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<sup>14</sup>See Acuerdo del Buro Político, "Para llevar a cabo importantes innovaciones en la agricultura estatal," *Granma*, September 15, 1993, p. 1.

<sup>15</sup>Douglas Farah, "Slowly, Cuba Reaps Profit with Cooperatives: Once Anathema, Material Incentives Dampen Farm Workers' Revolutionary Zeal," *Washington Post*, January 18, 1994.

noted with respect to the self-employment decree, "Now that they have legalized this, people will go one step further, get money from U.S. relatives and set up cottage industries. Then the government will have to allow the cottage industries."<sup>16</sup> Such a reactive process, however, scarcely constitutes a regime-led process of liberalization toward the market.

The new private and cooperative sectors of the economy will also do little to alter the distribution of political power in Cuba. A sympathetic observer of the Cuban revolution makes this clear in explaining the care with which the regime has crafted its limited reforms:

It is important to keep in mind that so far, no measures have been implemented which would permit the emergence of an independent, economically-powerful bloc in Cuba. These measures will not foment a social base for future political movements capable of challenging the class character of the revolution.<sup>17</sup>

Yet, without a true entrepreneurial class's forming and being allowed to function in a market- rather than state-driven economy, the island's economic recovery may be short-lived at best.

### **The Political Costs of Going to Market**

Rather than halfway measures that try to control the underground economy, or that do not go much beyond the rules that once governed Soviet collective farms, the Cuban leaders could take their cue from the post-1978 Chinese experience. Agricultural and industrial production, along with services, all took off in the 1980s following the abolition of collective farms, the relocation of work and accountability to the individual peasant, the shift from central planning to the legalized free market, and the emergence of private service, commercial, and manufacturing firms. Although the state sector remained part of the post-Mao economy, it was the private sector that

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<sup>16</sup>Arturo Villar, publisher of *Latin American Business Reports*, quoted by José de Cordoba, "Cuba Will Allow People in 100 Trades to Go into Business for Themselves," *Wall Street Journal*, September 10, 1993, p. A16.

<sup>17</sup>"Cuba: 'Revolution Within the Revolution,' an Interview with Dr. Nelson Valdés (Part I)," *Chronicle of Latin American Affairs*, November 4, 1994, as disseminated by electronic mail.

experienced the most dynamic growth, followed by the collective sector.<sup>18</sup>

To emulate the Chinese experience, however, the Cuban state would have to cede control over economic life to the market—a power that Castro and the Cuban leadership have not been prepared to relinquish.<sup>19</sup> The market would be certain to alter the structure of society and the way economic resources are allocated. As prices for agricultural goods are freed, not only would farmers get richer, but also more consumer durables would have to be imported or made domestically, more housing would have to be built and credits given, etc., to maintain incentives for farmers to increase food and export-crop production. An emergent private sector in small manufacturing, commerce, and services would also need to be free of bureaucratic controls, and allowed to produce and sell as dictated by the market, if it were to function effectively.

As noted earlier in this chapter, a market economy would have major political implications for the regime, because it could undermine the regime's social basis of support. Farmers and entrepreneurs in the new, dynamic private sector would obtain the highest and most immediate payoffs from the market, but neither is likely to rank among the regime's supporters. Less well off would be the regime's traditional constituencies—among them, party cadres, government workers, military personnel, and most laborers—because they live on fixed wages and salaries from the state, do not engage in entrepreneurial activities, and could suffer from the kinds of inflationary pressures that overtook China in the 1980s.<sup>20</sup> In this respect,

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<sup>18</sup>Lowell Dittmer, "Socialist Reform and Sino-Soviet Convergence," in Richard Baum, ed., *Reform and Reaction in Post-Mao China: The Road to Tiananmen*, New York: Routledge, 1991, pp. 20–23.

<sup>19</sup>As Sergio Roca observes, the regime is trying to insert Cuba's planned economy into the global economy, but "what is necessary for the island to receive the full, long-range benefits of joining the world market is the opposite move, that is, to insert the global economy into Cuba's planned economy." "The *Comandante* in His Economic Labyrinth," 1993, p. 105. Emphasis in the original.

<sup>20</sup>By virtue of their position and influence, however, some party and government personnel, professionals, and other mid-level elites may enjoy alternative means by which to secure scarce goods and services. Such avenues range from legal travel abroad to attend conferences or otherwise represent the Cuban government, to illicit activities such as official favors, embezzlement, pilfering, and kickbacks.

Finance Minister José Luis Rodríguez revealed that 65 percent of Cuban families had a monthly per capita income of only 100 *pesos* in 1992.<sup>21</sup> Hence, the perceived inequities in Cuba's hesitant steps toward the market, particularly the issue of ill-gotten gains or profiteering (*meroliquismo*) by the self-employed and others engaged in the informal economy, were a major topic of discussion during the National Assembly session in December 1993.

By opposing the market on grounds of preserving social equity, however, the regime masks its own responsibility for producing the very shortages that require the rationing of basic necessities. Despite its success in making more food available to consumers, for example, Castro justified his 1986 closure of the Peasant Free Market on grounds of alleged profiteering and the emergence of a new class of rich peasants and middlemen. In his July 26 speech seven years later, he justified rationing on the basis of social justice: "When will we have enough products, enough everything, so . . . [that their distribution] may be regulated by a free market? The country must achieve a tremendous economic development or renounce social justice."<sup>22</sup> Before the National Assembly in December 1993, he insisted that "there can be no social achievements with capitalism. The two are simply incompatible."<sup>23</sup>

### Finding Alternatives to the Market

Ideological and political constraints thus severely limit the extent to which Castro, the *duros*, and even *centristas* are willing to accept the logic of the market. Some reforms have been grudgingly enacted, or may be introduced later in 1994, because the leadership has no other alternative to ensure the solvency of the state-run economy. The future reforms hinted at include the adoption of additional fiscal and monetary measures. Their objectives, however, are to introduce

<sup>21</sup>According to Rodríguez, 3.5 people constituted a family nucleus. *FBIS-LAT-94-001*, January 3, 1994, p. 9. The black-market value of the Cuban *peso* in 1993 declined to 70 or more *pesos* to the dollar in 1993. According to the November 26, 1993, issue of the Cuban magazine *Bohemia*, prices of goods in the underground economy almost doubled during the year. By spring 1994, the *peso* had dropped to around 100 to the dollar.

<sup>22</sup>*FBIS-LAT-93-141*, July 27, 1993, p. 8.

<sup>23</sup>*FBIS-LAT-93-249*, December 30, 1993, p. 7.

needed discipline in state budgeting and state enterprises, and to generate new sources of state revenues, without having to embrace the market.

Because the state deficit reached an estimated 13 billion *pesos* in 1993, the leadership must consider whether and how the state can eliminate or reduce its subsidies to state enterprises, 69 percent of which are not making a profit and must be subsidized by the state if they are to remain in operation.<sup>24</sup> Similarly, worker assemblies began to be convened following the December 1993 session of the National Assembly. These orchestrated "workers' parliaments" were used to prepare rank-and-file workers for a new system of wage-and-salary differentials that would be tied to worker productivity and levels of responsibility, and for price increases and other fiscal measures that may be adopted by the extraordinary session of the National Assembly that will meet in May 1994. According to Finance Minister Rodríguez, an income-and-business tax might also be in the offing that would complement the 49.9-percent tax already leveled on the self-employed.<sup>25</sup> But such reforms are not marketizing measures. In typical *centrista* fashion, they aim at removing the inefficiencies of Cuba's socialist economy.

In the meantime, the regime began backtracking after it enacted Decree 141. The self-employment decree is confined to laid-off workers, housewives, and the unemployed; it excludes several categories of people; and it prohibits the hiring of other workers. Its scope of permissible activities was further restricted at the December 1993 session of the National Assembly. There, Castro maintained that only certain occupations—such as plumbers, carpenters, shoeshine boys, bicycle messengers, etc.—were "one-man jobs" that fell under Decree 141. Most services, he insisted, could be organized

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<sup>24</sup>The 69-percent figure was revealed by Finance Minister José Luis Rodríguez when questioned by Castro during the National Assembly debates. According to Rodríguez, subsidies to the sugar industry and agriculture alone accounted for 7,233 billion *pesos* of the deficit accumulated over the 1991 and 1993 period. Rodríguez claimed that this figure represents 54 percent of the deficit, which works out to more than a 13-billion-*peso* deficit. *FBIS-LAT-94-001*, January 3, 1994, p. 12.

<sup>25</sup>*FBIS-LAT-94-001*, January 3, 1994, p. 9. However, Castro vehemently criticized taxation because he identified it with capitalism, and because it would never be able to fund the social achievements of the revolution. *FBIS-LAT-93-249*, December 30, 1993, p. 7.



under cooperatives, whereas trade would remain "a monopoly of the state."<sup>26</sup>

The aversion to the market and private property also characterizes the decree transforming state farms into agrarian cooperatives. Maintaining the former's large size appears to have been dictated by Castro's belief that large-scale enterprises are synonymous with modernization.<sup>27</sup> In any event, title to the cooperatives' lands remains vested in the state, and the cooperatives are required to sell their sugar cane, tobacco, and food crops at fixed prices to state purchasing agencies. The Cuban economy thus remains far from the market as of spring 1994.

#### LIMITS TO INTEGRATION INTO THE GLOBAL ECONOMY

The success of the regime's economic strategy will hinge on its efforts to reintegrate Cuba into the global economy. The government is trying to attract foreign capital, technology, and tourism to promote the rapid growth of the foreign-exchange-producing areas of the economy apart from the island's traditional export sector (sugar, tobacco, nickel, citrus fruits, and fish). This new external sector of the economy, it is hoped, will produce 30 percent of total exports by 1995.<sup>28</sup> However, the expected returns from the new items in the external economy appear to be less than envisaged by the regime, whereas major obstacles remain to large-scale foreign investments for the longer term.

#### High Expectations, Meagre Returns

As pointed out in our 1992 study, the open-door policy toward foreign capital in tourism, oil exploration, biotechnology, microelectronics, and other select areas in the external economy is not likely to yield significant payoffs for Cuba in the short term. Unless commer-

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<sup>26</sup>FBIS-LAT-93-249, December 30, 1993, pp. 4, 7.

<sup>27</sup>"I truly believe that large-scale, mechanized production is the trend in the world . . . You cannot solve any type of problem with minifarms." FBIS-LAT-93-001, December 30, 1993, p. 3.

<sup>28</sup>Julio Carranza Valdés, "Cuba: los retos de la economía," *Cuadernos de Nuestra América*, No. 19, 1993, p. 148.

cially profitable offshore petroleum fields are discovered, these new items will not be enough to offset Cuba's loss of the subsidized Soviet sugar market.<sup>29</sup> Even in 1994, as with Castro's earlier predictions of future economic abundance and a stupendous 10-million-ton sugar harvest, the regime may remain wildly optimistic about the prospects for its economic plans.

At first glance, the tourist industry would appear to be the government's success story. The industry reportedly grew from some 400,000 foreign tourists in 1991, to 488,000 foreign visitors in 1992.<sup>30</sup> According to Havana Radio in early 1994, an additional 112,000 tourists visited the island in 1993, for a total of 600,000, mostly from Canada, Germany, Spain, Mexico, and Italy, with gross revenues reaching \$530 million for the year.<sup>31</sup> As with previous years, however, no figures for 1993 *net* profits were reported. Net earnings could easily be pruned to one-third of gross earnings as a result of joint-venture agreements with foreign investors, payments to foreign airlines, commissions and discounts paid to travel agencies, and the cost of imported foodstuffs, fuel, raw materials, consumer goods, foods and beverages, and equipment needed to service tourism. If net earnings are set at 35 percent, or \$186 million, the tourist industry would not compensate for even half of the \$450-million loss in sugar sales that was expected in 1993. Moreover, unless the U.S. market is tapped, tourism may begin to level off because of worsening conditions on the island and competition from other Caribbean islands. In the meantime, Cuba reportedly is primarily attracting the frugal, rather than the big-spending, tourist.

Net profits from Cuba's much-touted biotechnology and pharmaceutical industry are also likely to be constrained by the fact that this industry, too, must import intermediate products while lacking the capital and technology needed to compete effectively with multinational pharmaceutical firms. The industry thus far has been limited primarily to niche markets in the Third World and former Soviet Union. Even there, however, it is handicapped by problems with

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<sup>29</sup>See Gonzalez and Ronfeldt, *Cuba Adrift*, 1992, pp. 26-32.

<sup>30</sup>Havana Radio, June 8, 1993, in *FBIS-LAT-93-10*, June 10, 1993, p. 5. The 1991 figure was an estimated 400,000 tourists.

<sup>31</sup>Havana Radio, January 2, 1994; in *FBIS-LAT-94-003*, January 6, 1994, p. 1.

quality control, patents, and marketing networks. In fact, the poor quality of a meningitis vaccine shipment to Brazil in 1993 was a major setback for the industry. No figures were released for biotechnology exports in 1993.

### Obstacles to Foreign Investments

By March 1994, Cuban authorities claimed that there were 129 associations operating with foreign capital in Cuba, many of which appear to be involved directly or indirectly with tourism.<sup>32</sup> It remains unclear, however, how many of these firms were actually operating and in what areas other than tourism and oil exploration.

In any event, the regime must overcome daunting deficiencies if it is to attract additional foreign investments in manufacturing, mining, and other activities that require large-scale capital expenditures and that, unlike tourism, may not pay off except over the long term. All these deficiencies relate to Cuba's ability to compete with other countries in an increasingly globalized economy:

- Unlike China, Brazil, Mexico, and other large or medium-sized underdeveloped countries, Cuba does not have a large internal market with which to lure manufacturing enterprises.
- Cuba's run-down, obsolete, and inefficient Soviet-bloc plants, equipment, and infrastructure are certain to make foreign companies think twice about establishing assembly or manufacturing plants on the island to produce finished or semi-finished goods for reexport abroad.<sup>33</sup>
- Cuba has a healthy, educated workforce, but it has lost much of its work ethic because of the absence of worker discipline and material incentives, and the provision of minimal basic needs that is not tied to worker performance.

<sup>32</sup>Statement by Finance Minister José Luis Rodríguez as reported by the *BBC Summary of World Broadcasts*, March 7, 1994.

<sup>33</sup>A. R. M. Ritter points out that much of the Soviet and East European capital stock would need to be replaced not only because it is worn out and obsolete, but also because it is "highly energy- and especially petroleum-intensive." "Financial Aspects of Normalizing Cuba's International Relations," 1993, p. 556.

- Cuba's centralized system presents institutional and legal problems for foreign investors similar to those encountered in the former communist states, including a nonconvertible currency, government price and wage regulation, state control over the allocation of human and material resources, and bureaucratic inefficiencies, among other things.<sup>34</sup>
- Cuba has a high convertible currency debt, totaling \$7.8 billion as of March 1993, which has been in a moratorium since 1986, and which will continue to prevent Cuba from obtaining renewed borrowing rights unless the Paris Club agrees to reduce and restructure the debt.<sup>35</sup>

In addition, foreign investors must factor in political uncertainties that they do not face in many countries: the possibility of the regime's reversing its open-door policy, the problems posed by the U.S. embargo, and the likely retribution against current foreign investors if an anti-Castro government eventually comes to power in Cuba.

In fact, following their initial surge into tourism and other projects promising quick, high returns, large-scale West European investments on the island reportedly slowed in 1993. According to Gareth Jenkins, publisher of *Cuba Business*, West European investors found it increasingly difficult to obtain credit and other financing from Western Europe's central and commercial banks, in part because of the banks' large debt exposure in Cuba. He also disclosed that business firms had experienced equal difficulty in finding investment insurance for their proposed projects. Normally upbeat about Cuba's potential, he had become more cautious about the role that West

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<sup>34</sup>See the illuminating chapters on the present and future problems of the Cuban economy by Jorge F. Pérez-López, Rolando H. Castañeda, Jorge A. Sanguinety, Archibald Ritter, Sergio Roca, and Carmelo Mesa-Lago in *Cuba in Transition*, 1993, pp. 367-670. For a parsimonious, theoretical discussion of the package of elements required for the transition from command to market economies, see Charles Wolf, Jr., *Getting to Market*, RAND, N-3332-RC, 1991, pp. 1-8; reprinted from *The National Interest*, Spring 1991.

<sup>35</sup>A. R. M. Ritter, "Financial Aspects of Normalizing Cuba's International Relations," 1993, pp. 504-511. Ritter's calculation of a \$7.8-billion debt includes the capitalization of interest not paid since 1986 and adjustments in exchange rates. He notes that Cuba's hard-currency debt was about 335 percent of foreign-exchange earnings in 1992, which was exceeded only by five countries in Latin America (p. 507).

European investments were playing and their potential role in Cuba's immediate future.<sup>36</sup>

The success or failure of economic liberalization rests heavily on what transpires in the external, hard-currency-generating sector of the economy. If foreign investments taper off, and the economy deteriorates further, leadership divisions within the regime could intensify over Cuba's future economic and political strategy. In the meantime, additional economic deterioration is likely to strain the relationship between state and society, further eroding the legitimacy of the regime and possibly hastening its ultimate collapse.

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<sup>36</sup>Remarks by Gareth Jenkins in his capacity as Discussant at the Carleton University international symposium on "Cuba in the International System: Normalization and Reintegration," Ottawa, Canada, September 23-25, 1993.

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**THE CHALLENGE OF LEGITIMACY**

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As of spring 1994, the regime's lock on power looks secure. The strength of the state, together with the weakness of civil society, has enabled it to control the streets as well as the embryonic opposition. Also, it is possible that the precipitous economic decline of the previous two years could be slowing a bit. The regime thus seems to have some breathing room for 1994, with the result that Cuban leaders are sounding more confident about the regime's future.

Yet there is no evidence that the economy has begun to rebound. In the meantime, Cuba's economic crisis has severely eroded the regime's traditional sources of legitimacy. If the regime is to survive beyond the next year or two, it will need to build regime legitimacy on the basis of its economic performance. Ultimately, this means that the regime will need to deliver more food, better consumer goods and services, and more economic opportunities to Cuba's exhausted population—a feat that repeatedly eluded the regime in the past, even when it was shored up by the Soviet bloc.

**ERODING BASES OF TRADITIONAL LEGITIMATION**

Regime legitimacy traditionally has rested on political factors—Castro's charismatic presence, Cuban nationalism, and the universality of socialism—and on the government's social compact to satisfy the basic needs of the populace. Since 1989, however, the severity of Cuba's economic crisis has undermined these traditional bases of legitimacy.

### Castro's Waning Charismatic Presence and Relevance

Castro remains Cuba's socialist *caudillo* and patriarchal figure, providing the glue that holds the regime together and binds the masses to it. For many Cubans in and outside the regime, he retains his moral authority as a genuine national hero, the founder and architect of the Cuban Revolution.

But "Fidel" long ago ceased to be the type of charismatic leader who inspires uncritical devotion and loyalty among his followers. The shift began with his insistence on trying to produce a gigantic sugar harvest of 10 million tons in 1970, which bankrupted the Cuban economy.<sup>1</sup> Since then, the *lider máximo* has made numerous mistakes that have cost the Cuban people dearly—by abruptly terminating the Peasant Free Market in 1986, by replacing the system of economic management with the Rectification Process, by insisting on "Socialism or Death!" for Cubans in 1989, and recently by continuing to block or dilute the application of market principles to Cuba's internal economy. Among the younger generation of Cubans, he is increasingly perceived as the cause of unnecessary hardship, the principal obstacle to fundamental change, and a leader who has lost touch with the needs and aspirations of Cuban youth.<sup>2</sup> Hence, instead of the youthful charismatic "Fidel" who once inspired the Cuban population, he has become "Castro," the aging *caudillo* who refuses to relinquish power.<sup>3</sup> As such, he has ceased to be immune to criticism from within or outside his regime, something that would have been unheard of a few years ago.

<sup>1</sup>On the harvest's effect in eroding Castro's charismatic authority, see Edward Gonzalez, *Cuba Under Castro: The Limits of Charisma*, Boston: Houghton-Mifflin Company, 1974.

<sup>2</sup>One manifestation of anti-Castro sentiment among youth has been the latter's enthusiastic response to "William Tell," a ballad composed and sung by Cuba's young protest singer, Carlos Varela. The son of William Tell (Fidel) asks his father to switch roles because he wants to shoot the apple off his father's head, but the latter "did not understand his son/who one day got tired of the apple on his head." See the account of one of Varela's concerts, and other observations on Cuban youth, by Andres Oppenheimer, *Castro's Final Hour*, 1992, pp. 256-266.

<sup>3</sup>Marifeli Pérez-Stable makes this point in concluding that "Fidel the revolutionary had consolidated a Cuba of greater equality and sovereignty. Castro the *caudillo*, however, was undermining the legacy of the revolution." *The Cuban Revolution*, 1993, p. 181.

### **The Erosion of Cuban Nationalism**

Nationalism resonates deeply within the Cuban people. Defense of the *patria* (fatherland) against the "imperialist" and "arrogant" Yankees, has time and again enabled Castro to rally Cubans around his regime.<sup>4</sup> During times of internal stress and increasing hardship, the nationalist card has repeatedly served to reequilibrate the Cuban polity by focusing public attention on the external enemy. The tightening of the U.S. economic embargo under the Cuban Democracy Act notwithstanding, the threat of U.S. armed aggression has receded in recent years under the Bush and Clinton Administrations.

The regime's new policies toward foreign investments, Cuba's reintegration in the world economy, and the rise of apartheid tourism are themselves a refutation of Marxism-Leninism and, worse still, contrary to Cuba's ultra-nationalist creed. Indeed, the current open-door policies toward foreign investments, the catering to foreign tourists, and the degrading spectacle of rising prostitution among Cuban girls and women that has accompanied tourism, are reminiscent of some of the excesses of the Batista regime in the 1950s.<sup>5</sup> At the very least, the Castro regime is less able to take the high ground as the moral champion of Cuban sovereignty, independence, and dignity.

### **The Loss of Socialism's Universality**

After 1959, the Cuban Revolution spilled onto the Latin American and world stage. Cuba became the leading player among radical Marxist movements in Latin America, Africa, and the rest of the Third World. By proclaiming his revolution as "socialist" in April 1961, and by publicly acknowledging that he was a "Marxist-Leninist" eight months later, Castro linked Cuba irrevocably to the Soviet bloc. By the 1970s, Cuba had become an important actor in the socialist

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<sup>4</sup>On the importance of nationalism, or *patria*, as a source of regime legitimacy, the other two being Fidel and the revolution, see Pérez-Stable, *The Cuban Revolution*, 1993.

<sup>5</sup>On the larger issue of the effects of foreign investments on Cuban attitudes, see Gillian Gunn, *The Sociological Impact of Rising Foreign Investment*, Washington, D.C.: Georgetown University, Cuba Briefing Paper Series, No. 1, January 1993.



commonwealth, serving as the Soviet Union's most privileged and useful client-state in the Third World.

These international ties were especially important to the regime's elites. They served to locate Cuba within a larger universe of like-minded states, political parties, and radical movements. They helped to overcome the island's diplomatic isolation within the Western Hemisphere by joining Cuba to a larger, worldwide struggle against "imperialism" and for "socialism." Above all, they gave the Cuban leadership its ideological moorings and legitimacy.

Since 1989, the collapse of communism in Eastern Europe and the former Soviet Union has left Cuba adrift in a postcommunist world. Today, the universal trend is toward market-oriented economies and liberal democracy. Thus, the discrediting of Marxism-Leninism worldwide, along with its compromising of Cuban nationalism, has caused the regime to lose its ideological lodestar. Increasingly, the regime's elites appear to be held together more by common considerations of power and mutual survival than by a shared sense of historical destiny and invincibility.

### **The Unfulfillment of the Social Compact**

The government's popular legitimacy has also rested on its social obligations in satisfying the basic needs of the populace. These needs were met by providing essential food and clothing allotments in the ration book at low cost, together with policies guaranteeing full employment, public health, public education, cheap transportation, minimal housing, free child-care facilities for working women, and low-cost workers' cafeterias. This was a logical legitimizing strategy for a Cuba that underwent deep social and demographic changes following the loss of its business and professional classes after 1959.

Yet, whereas basic needs were to be met through the allocation of public goods, the Cuban leadership was always careful not to commit itself to providing rank-and-file Cubans with the variety, quality, and quantity of *private* goods and services found in Western consumer societies. Save for the *nomenklatura* and other privileged elites, the vast majority of Cubans have for decades been unable to obtain numerous foodstuffs and clothing items, modern appliances and electronics, better homes and apartments, imported automo-

biles, pleasure boats, etc. Now the government must find ways to begin to make available more of these private goods—as well as comply with its social compact for meeting basic needs—if it is to refurbish its popular legitimacy.

The problem is that the government cannot fulfill even its minimal commitments under the social compact because of the virtual cessation of trade with Eastern Europe, the drastic reduction of subsidized imports from Russia, and the lack of hard currency for trade with Western countries. The government's "Food Program," which aims at increasing food production through wartimelike mobilization measures, falls far short of making up for foodstuffs that cannot be imported from the former socialist bloc countries or the West.<sup>6</sup> During 1993, Cubans were unable to live on the allocated monthly amounts of food and other essentials in their ration books, because even these meager amounts had become unavailable or provided for only two weeks of bare subsistence.<sup>7</sup> In early 1994, they were still forced to search the informal, or black-market, economy—at highly inflated prices and often in vain—for everyday basic necessities. In the meantime, they are compelled to ride bicycles—an estimated 700,000 have been imported in recent years—in lieu of using automobiles or public transportation.

Cuba's vaunted health-care system—considered by some to be the "moral emblem of Castro-style communism"—is also "disintegrating," as Kathleen Barrett discovered during a month-long research trip to Havana in fall 1992. Save for facilities that treat foreign tourists, she found that hundreds of clinics and hospitals were "barely functioning," owing to a lack of previously imported medicines, primary materials, medical equipment, and other supplies, and to daily power outages. Spare-parts and fuel shortages have reduced ambulance service, and have disrupted water service

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<sup>6</sup>Gillian Gunn reported that the "Food Program" in 1992 was expected to produce only 30 to 40 percent of the foods previously imported. "Cuba's Search for Alternatives," *Current History*, February 1992, p. 61.

<sup>7</sup>At the end of 1991, the monthly rationing quotas per person allowed *but did not guarantee* 0.75 pound of beef; 2 pounds of chicken; 1.5 pounds of cooking oil and lard; 0.67 pound of beans; 4 pounds each of potatoes, tomatoes, and sugar; 0.25 pound of coffee; and 20 eggs. Carmelo Mesa-Lago, "Is There Life After the USSR?" *Hemisfile*, January 1992, p. 10.

and rendered tap water unsafe to drink. Public-health problems are compounded when garbage remains uncollected for lack of gasoline for trash-collection trucks, while fumigation efforts have had to be curtailed because of the shortage of pesticides. The worsening state of personal hygiene, Barrett also found, is further lowering health standards:

During September 1992, the amount of soap rationed to each person—the equivalent of a small bar such as one finds in a hotel—was halved. Shampoo is rarely available. Detergent is scarce. . . . Toilet paper, never abundant in Cuba, is largely unavailable; women lack sanitary napkins, or are forced to reuse them. Personal hygiene is markedly deteriorating in Havana. People interviewed said that they felt filthy, and many were.<sup>8</sup>

During 1992 and 1993, Cubans could see that they had become second-class citizens in their own fatherland:

- Hospitals for foreign tourists were functioning adequately, whereas health-care facilities for Cubans were rapidly deteriorating.
- Although the government was unable to supply Cubans with even the minimum amounts of foodstuffs listed in their rationing books, it fed the hundreds of thousands of Canadian, European, and Latin American tourists who began flocking to the island each year.
- Until July 1993, Cubans were prohibited from possessing hard currency and purchasing goods in the *diplotiendas* (hard-currency stores), and from visiting the luxury resorts, nightclubs, and restaurants that were reserved for tourists and other foreigners.
- In contrast to foreign investors who received the red-carpet treatment from the Cuban government for being good capitalists, Cubans had to wait until September 1993 before they could

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<sup>8</sup>Kathleen Barrett, *The Collapse of the Soviet Union and the Eastern Bloc: Effects on Cuban Health Care*, Washington, D.C.: Georgetown University, Cuba Briefing Paper Series, No. 2, May 1993, pp. 1-2.

become legally self-employed, and then under many restrictions and exclusions.

Indeed, the rising sense of inequities caused by the government's policies on tourism and foreign investments may well have forced the regime's hand in finally decreeing the modest reforms of summer 1993.

### IS TIME RUNNING OUT?

For now, Cubans may absolve the regime of responsibility for the sharp deterioration in their standard of living. They are repeatedly told that the island's current crisis was created by the collapse of communism in Eastern Europe and the former USSR, a cataclysmic event beyond Havana's control. As a consequence, they are told, Cuba faces an externally imposed "double embargo"—the first stemming from the 32-year-old U.S. embargo, and the other from the dissolution of the USSR in 1991.

Furthermore, Cubans see that their government has moved to address the island's crisis through the "Special Period in a Time of Peace" and a new foreign-investment policy. They further see a government that behaves as if it cares for its people: The government took quick, bold action to control the outbreak of an optic-peripheral neuropathic disease in 1993, which affected some 50,000 inhabitants. It not only sought assistance from the Pan American Health Organization but also from U.S. specialists in the National Centers for Disease Control, the National Institutes of Health, and U.S. medical schools and hospitals. Still later, the September 1993 decrees on dollarization, self-employment, and agricultural cooperatives, although modest, were further indications that the leadership was aware that it needed to stem the worsening economic crisis and mitigate its effects on increasingly desperate Cubans.

At the start of 1994, although record-breaking numbers of rafters (*balseros*) were still leaving the island, there were some signs that the harsh austerity that Cubans had been experiencing was beginning to ease somewhat. There were shorter and fewer nightly blackouts in Havana than in 1993, while some commodities reportedly were a bit less scarce than before. These were but modest improvements in conditions relative to those of the previous two years, with the stan-

dard of living for Cubans still being far worse than in 1989. The improvements offered Cubans a glimmer of hope that, with further reforms and other favorable developments, conditions might further improve, albeit slowly. For the moment, at least, the regime appears to have weathered the worst of the initial economic crisis; it was not being threatened from below by a restive populace.

Nevertheless, the regime's present staying power stems less from any improvement in the economic situation—which might well be only temporary—than from Cuba's strong state. It is the strength of the state, together with the relative weakness of Cuba's civil society, that has enabled the regime to buy time and avoid the fate of Eastern Europe. As was pointed out earlier in this chapter, the state's strength does not reside solely in its repressive capacity, but also in its legitimacy, which means that ultimately the government must do more than slow the island's further precipitous economic decline, as may be occurring in 1994. It must ultimately promote sustained economic growth and development over the longer run, and satisfy the pent-up material wants of the Cuban population. Here, the regime's window of opportunity may be relatively short-lived, because economic prospects are not terribly promising for the remainder of 1994.

### **The Short-Term Economic Outlook**

As evidenced by the National Assembly's inconclusive session in December 1993, the brakes are beginning to be applied to economic liberalization, which does not bode a deepening of the reform process along market lines. The test could come as early as May 1994, when the extraordinary session of the National Assembly convenes to consider the type of additional reforms that are to be adopted. Meanwhile, the low 1993 sugar harvest of 4.28 million metric tons is certain to severely weaken Cuba's recovery effort in 1994, including contributing to another low sugar harvest. While Cuban officials remain hopeful that the 1994 harvest will be better than the last, most Western estimates do not range much beyond a high of 4.5 million metric tons for 1994, and it could be substantially lower if bad weather sets in.

If Cuba experiences another poor harvest, its ability to purchase petroleum from Russia and other states will continue to be severely

hampered, even if sugar prices remain in the range of 12 cents per pound and petroleum prices remain low during all of 1994.<sup>9</sup> Or, if the 1994 harvest is better than expected, Cuba may still be unable to secure all the oil it needs because of political troubles and economic constraints in Russia. These and other considerations led most economic specialists watching Cuba to offer pessimistic assessments in 1993 of the prospects for a sustained economic recovery over the next year or two.<sup>10</sup>

A more upbeat view was offered by Andrew Zimbalist in fall 1993. An adviser to Havana's economic reformers, he maintained that an economic turnaround is possible by mid-1994. But his assessment rests on a best-case scenario in which, among other things, Cuban sugar, nickel, and biotechnology sales are up, oil imports increase, and offshore petroleum fields are discovered.<sup>11</sup> In contrast, Gareth Jenkins read Cuba's prospects quite differently in September 1993. Jenkins, whose business it is to promote European investments in Cuba, reported that the Cuban government had not had much success in attracting new foreign capital during 1993. Unlike Zimbalist, he predicted that the Cuban economy's short-term future was grim, that 1994 was too early for an economic turnaround, and that the island's recovery would hinge on the realization of highly improbable breakthroughs.<sup>12</sup>

As of spring 1994, the economy's free fall appeared to be slowing compared with the steep decline in the preceding three years. But it is an open question whether the economy is starting a rebound that

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<sup>9</sup>On April 1, 1994, Tass reported that Russia will supply Cuba with 2.5 million tons of oil in 1994 in return for one million tons of raw sugar, in accordance with the Russo-Cuban intergovernmental trade protocol.

<sup>10</sup>For example, see the series of in-depth economic analyses presented in *Cuba in Transition*, 1993, pp. 337-700.

<sup>11</sup>Andrew Zimbalist, "Dateline Cuba," 1993, pp. 162-164. For an equally upbeat assessment of the present and future state of the Cuban economy from a business perspective, see James D. Whisenand, "The Other Side of Cuba," *Florida Trend*, October 1993, pp. 44-51.

<sup>12</sup>Jenkins made Cuba's economic turnaround contingent on (1) large-scale credit becoming available to West European investors, (2) discovery of commercially profitable offshore petroleum fields, (3) lifting of the U.S. embargo, and (4) European economic support for and ties to the island. Carleton University international symposium, "Cuba in the International System," Ottawa, Canada, September 23-25, 1993.

may lead to sustained recovery, is experiencing a temporary pause before sinking still further, or is leveling off only to remain in a steady-state mode of stagnation. The answer to this question could be crucial to determining the survival of the regime beyond the next year or two.

### The Regime at a Crossroads

In the final analysis, failure to turn the economy around, and to begin bettering the lot of the Cuban people could leave the state virtually stripped of its moral authority and legitimacy in the eyes of most of the populace. The worsening economic crisis during 1993 led to the weakening of the state's grip over society. Most of the populace was forced to engage in lawless behavior, resorting to the informal economy to survive. Some government employees went further by engaging in corrupt practices, and pilfering supplies from state enterprises for barter or resale on the black market. Worse still, the shortage of oil created prolonged nightly blackouts in Havana and other cities and towns during the summer, which led to a rise not only in street crime, but also to violent antigovernment activities in July and August. As a consequence, the government had to draw down its dwindling oil reserves to keep Havana illuminated as a means of ensuring its control of the streets.

In the end, the regime was able to ride out the crisis in 1993. As of spring 1994, it appears to be secure and probably will remain so for the remainder of the year. As a consequence, the National Assembly session that will convene in May probably will not open the way for fundamental system change by adopting market-type reforms. If so, time may be running out as old formulas and methods, which relied so heavily on political solutions, no longer serve to meet the needs of the majority of the Cuban people.<sup>13</sup> To instill dynamism in the economy, regain legitimacy, and retain power, the regime not only will have to overcome the many obstacles and deficiencies that cur-

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<sup>13</sup>Commenting on the utility of the *consejos populares* for example, Marifeli Pérez-Stable concludes that "the idea of popular democracy behind the councils assumes that ordinary citizens want to be involved in the conduct of local affairs. Most probably do not and would, instead, prefer some normalcy in the supply of goods and services so that they could go about their lives without so much [political] intrusion and so many inconveniences." "Legislative and Electoral Dynamics," 1993, p. 119.

rently plague the island's economy, it will also have to move beyond its present transitional political and economic model, and settle on a new model for Cuba.



**PART II: MODELS, ENDGAMES, AND  
THE UNITED STATES**

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**CUBA IN A CONTROLLED CRISIS**

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This chapter presents two alternative endgames for the Cuban regime over the short term (1 year) and medium term (1-3 years) that may result from the economic and political models currently in place or that look available to Cuba. The two endgames involve attempts by the regime to implement change from above under the type of controlled crisis situation that Cuba has been experiencing since 1989:

- In Endgame I, the regime persists with the current transitional model of a dual economy and tight authoritarian rule, producing a lingering crisis that ultimately obliges it to move toward a new model.
- In Endgame II, the regime hangs on by adopting a new political-economic model that remains authoritarian but allows varying degrees of liberalization for both the internal and external sectors of the economy.

Chapter Seven presents three additional endgames in which the failure of either of the above two models results in heightened tensions, leading to peaceful or violent system change in an uncontrolled crisis situation.<sup>1</sup>

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<sup>1</sup>For a similar exercise, but with somewhat different models and endgames, see Carmelo Mesa-Lago and Horst Fabian, "Analogies Between East European Socialist Regimes and Cuba: Scenarios for the Future," in Carmelo Mesa-Lago, ed., *Cuba After the Cold War*, Pittsburgh: University of Pittsburgh Press, 1993, pp. 353-380. See also Jorge I. Domínguez, "The Transition to Somewhere: Cuba in the 1990s," in *Cuba in Transition*, 1993, pp. 5-38, for a wider, more varied set of possible scenarios for the

## ENDGAME I: CRISIS PERSISTS UNDER CURRENT MODEL

In this endgame, the regime attempts to implement change from above by means of the current transitional model. In this model, the state's institutions and policies remain heavily authoritarian, but the regime pursues a "dual model economy" in an effort to cope with the island's crisis while also moving cautiously toward a so-called mixed economy in the domestic sector.

In essence, the current transitional model represents a minimalist approach to change that, because of its inherent limitations, as well as the external obstacles facing Cuba's economy, probably cannot endure. The current model thus serves as a way station to another model (which may already be emerging).

### Elements of the Current Model

As with the *fidelista* system of the past, the transitional model rests on a strong state and retains a totalitarian-type apparatus for organizing society. The Communist Party of Cuba monopolizes power and remains a closed, vanguard party composed of select cadres. The party-controlled media, mass organizations, and security organs permit little political space because they penetrate and control society to a far greater degree than is found in most authoritarian states. As a consequence, civil society in the form of an organized private sector, associations, institutions, and nongovernmental organizations that are independent of the state, and that have a life of their own, remains virtually nonexistent or weak and under pressure from the state.

The principal difference between the current model and the *fidelista* system of the past lies in the regime's economic policies. According to Pedro Monreal, the government's "dual model economy" rests on a new, market-oriented export sector that coexists with a less-market-oriented domestic sector. Eventually, government policy may employ the more modern, developed export sector "to restructure the domestic economy through the creation of 'backward linkages.'" But in the meantime, "to effectively reinsert Cuba into today's

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outcome of the current Cuban situation; several of the scenarios are similar to the models and endgames discussed in this and the next chapter.

changed world," Monreal says that the regime has undertaken three key reforms:

- A policy to attract foreign investments through the formation of joint ventures and [wholly owned] foreign enterprises
- A managerial revolution to introduce Cuban enterprises to market-oriented management techniques
- Institutional restructuring to create "market-friendly" institutions, particularly the *Sociedades Anónimas*, backed by newly adopted constitutional amendments regarding private-property rights.<sup>2</sup>

In summer 1993, Cuba began to move toward a mixed economy in the internal sector by means of the agrarian cooperative and self-employment decrees, which opened the way for cooperative and private sectors in the domestic economy.

The current model is an amalgam of contradictory policies and practices. Drawing from the past, the regime upholds socialist principles and state ownership and control for the domestic economy. It still employs *fidelista*-type mass mobilizations for agricultural production under the "Special Period in a Time of Peace." And for both the domestic and external economy, the state remains the dominant, controlling actor, with a preference for political and institutional solutions to economic problems.

On the other hand, the current model differs from the past in important ways. The regime has bifurcated the economy and is enticing foreign investors into the external, or foreign-exchange-producing, sector of the economy. It has created state-chartered S.A.s that enjoy considerable autonomy from government control in the areas of foreign trade and tourism. In the domestic sector, it has been obliged to tolerate a flourishing, albeit illegal, informal and black-market economy out of necessity while also allowing for some self-employment and new types of cooperatives. Additionally, to expedite the distribution of public goods and social services, somewhat

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<sup>2</sup>Monreal, "To Market, to Market . . .," 1993, pp. 10-11.

greater administrative decentralization has been permitted at the local level.

Nonetheless, this model remains overwhelmingly state-centric: The Cuban state continues to dominate most facets of life, and expects to take the lead in the reform process and enact change from above. Thus, Monreal acknowledges that "in the realm of strategic problems, basically, structural change and institution building . . . the decision has been to retain *tight state control* over the process of economic reform."<sup>3</sup>

### **A Lingering Crisis Accelerates the Transition to a New Model**

By early 1994, there were signs that Cuban leaders were convinced that the worst was behind them. Foreign Minister Roberto Robaina declared that "we've got through the worst moment. The crisis has hit its bottom and we are entering a phase of recovery during which we see light at the end of the tunnel."<sup>4</sup> Finance Minister José Luis Rodríguez was similarly optimistic in his statements.

However, the Cuban leadership's optimism may be premature. As discussed in Chapter Five, the low 1993 sugar harvest of 4.28 million metric tons and the likelihood of another low harvest in 1994 are certain to contain the economic turnaround by limiting Cuba's access to foreign-exchange earnings and credits. Net receipts from tourism could be less than anticipated, and adverse weather conditions, as in 1993, might well affect agricultural production. Because of these or other factors, oil, spare parts, fertilizer, and other critical imports in 1994 and/or 1995 might not show much improvement over their 1993 levels. There may be a repetition of 1993, when West European investments did not materialize in any significant degree, while Cuba's large hard-currency debt may continue to prevent it from obtaining new loans and credit from the West.

Additionally, the very fact that the political leadership believes that the economy is improving in itself becomes a disincentive to enacting additional liberalizing reforms. Thus, Castro, the *duros*, and the

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<sup>3</sup>Ibid., p. 11. Emphasis added.

<sup>4</sup>"Havana," Reuters, March 24, 1994, as disseminated by electronic mail.

more conservative *centristas* broke the reformist momentum at the National Assembly session in late December 1993, as was later confirmed by the Spanish government's assessment of its attempts to advise Cuba on how to move from a command economy to a market economy. In their meeting with Finance Minister Rodríguez and Vice President Lage in Madrid in March 1994, the Spanish officials reportedly were skeptical "about Cuba's will or ability to carry out reforms proposed by Madrid," and one government source "characterized as 'abysmal' the distance between what the Cubans say and what they do."<sup>5</sup>

Because of policy inertia and any number of possible adverse internal and external developments, Cuba's lingering economic crisis remains unresolved. Under such circumstances, the present model cannot endure. If it is to continue in control, the regime may be obliged sooner or later to deepen and extend the reform process, particularly in the economy, by adopting an alternative model.

### **Between Scylla and Charybdis**

If it were starting with a clean slate, a Cuban government could theoretically survey various possible political and economic combinations for Cuba.<sup>6</sup> As illustrated by the simple matrix in Figure 1, the political axis would run from totalitarian and authoritarian systems at one extreme, to pluralist and liberal democratic systems at the other. The economic axis would run from a command economy through a state-centric mixed economy to a market-oriented and privatized one.

The problem is that the more liberal extremes of each axis are contrary to the values and priorities held by the dominant leadership elites, for most of whom the adoption of the market and liberal

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<sup>5</sup>Associated Press, March 24, 1994, as disseminated by electronic mail.

<sup>6</sup>Archibald Ritter posits five alternative political-economic scenarios for Cuba, ranging from the current system to a democratic polity and market economy, and for each assesses their probability for adoption. See A. R. M. Ritter, *Exploring Cuba's Alternate Economic Futures*, Ottawa, Canada: Carleton University, The Norman Paterson School of International Affairs, Development Studies Working Paper, No. 4, 1992, Table 1.

RAND MR462-7

Economic systems	Market economy			
	State-centric mixed economy			
	Command economy			
		Totalitarian	Authoritarian	Democratic
		Political systems		

Figure 1—Possible Political and Economic Combinations

democracy would be tantamount to destroying the essence of the Cuban Revolution. The liberal options also do not conform to the present political reality: Cuba today lacks autonomous associations and interest groups that could be supportive of liberal institutions and a market-oriented economy.

The resurrection of a totalitarian polity in combination with a command economy may not be feasible either. Cuba's authoritarian system has already softened somewhat in an attempt to revive the regime's popular legitimacy, reengage the citizenry, and disarm international critics. If the crisis on the island worsens in the future, the regime is certain to reactivate its totalitarian apparatus and increase state repression to stay in power, but doing so will be an act of desperation. On the economic side, the old centrally planned command system never worked well, not even when it was heavily subsidized by the former Soviet Union. Now, when Cuba must insert itself into the market economy of a postcommunist world, the retention of a command economy would be both dysfunctional and anachronistic.

Thus, if the Castro regime finds that it must embark upon more radical changes, its alternatives may be narrowed to those communist and noncommunist examples in the less-developed world that have successfully combined authoritarianism with economic growth. Not all such models are likely candidates for Cuba. For example, the Taiwanese model would probably be rejected because of the predominantly marketized and privatized character of its economy, even though Taiwan has succeeded in attaining social equity with economic growth.<sup>7</sup> If the regime settles on a change model, the model could resemble aspects of the post-Mao Chinese (and the similar Vietnamese) model, the pre-1982 Mexican model, or, most likely, a hybrid that blends elements of the Cuban model with the foreign ones.

#### ALTERNATIVE CHINESE AND MEXICAN MODELS

The post-Mao Chinese model represents continuity in communist rule under an authoritarian, repressive state. However, the economy in the Chinese model is now largely marketized and privatized, with strong foreign participation. Pre-1982 Mexico's corporatist-type authoritarianism represents more political liberalization than does the Chinese system, but it too was quite authoritarian, based on one-party rule. The pre-1982 Mexican economy was state-driven and had a large public sector and a dependent, protected private sector; the role and magnitude of foreign investments were also more restricted than in the current Chinese economy.

The Chinese and Mexican models described below represent generic alternatives that the Cuban regime may consider emulating. However, the distinctive conditions associated with the Chinese and Mexican models make it likely that the regime cannot fully adopt either. It may opt instead for a hybrid model that combines elements from the current Cuban, Chinese, and/or Mexican models (see Table 2).

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<sup>7</sup>See Thomas B. Gold, *State and Society in the Taiwan Miracle*, Armonk, N.Y.: East Gate Books, 1986; and, for an interesting study comparing Taiwanese and Cuban indicators of social equity, by a Swedish economist who previously extolled Cuba's accomplishments, see Claes Brundenius, "Some Reflections on the Cuban Economic Model," in Sandor Halebsky and John M. Kirk, eds., *Transformation and Struggle: Cuba Faces the 1990s*, New York: Praeger, 1990, pp. 143-156.



**Table 2**  
**Cuban Models and Endgames**

Model Type	Dimensions of Model	
	Political System	Economic System
Model I (current transitional)	<i>Communist Totalitarian</i>  Vanguard party (selective) Pluralism repressed Mass mobilization State repression high No civil society	<i>Socialist/Mixed (Domestic)</i>  Centralized direction State, cooperative, and "private" sectors Informal economy <i>Market (External)</i> Joint enterprises Foreign investments
Model II (post-Mao China)	<i>Communist Post-Totalitarian</i>  Vanguard party (selective) Pluralism repressed State repression high No civil society	<i>Market Socialism</i>  Joint enterprises State enterprises Growing marketization and privatization Foreign participation and investments
Model III (pre-1982 Mexico)	<i>Corporatist Authoritarian</i>  Hegemonic party (open) Sectoral representation Satellite parties Limited pluralism State co-optation Selective repression Weak civil society	<i>Mixed Economy</i>  State-centric —Parastatal enterprises —Dependent private sector Private sector (agri., mfg., commerce, finance) Limited foreign participation
<b>Endgames</b>		
<ol style="list-style-type: none"> <li>1. Crises and transition to another model</li> <li>2. Regime muddles through</li> <li>3. <i>Stasis</i>: Reforms cease; repression heightened</li> <li>4. <i>Nonviolent change through pressures from below and power-sharing from above</i></li> <li>5. <i>Violent change through internal regime upheaval and/or mass uprising</i></li> </ol>		

### The Chinese Model: Continuity Under Market-Leninism

The Chinese model appears to hold the broadest appeal among Cuba's varied leadership factions because it retains the vanguard party and meets other priorities. For the *duros*, it meets the security needs of the regime by emphasizing tight controls over society and the repression of political dissent. For the *centristas*, it promises regime survival through controlled change. And for the *reformistas*, it offers a vehicle by which to achieve rapid growth by means of the market operating within a mixed economy, but without sacrificing the social needs of the Cuban people. In short, the experience of China in the post-Mao period constitutes a "market-Leninist" formula for political repression, prosperity, and welfare.<sup>8</sup>

**Basic Elements of the Model.** Following Mao Ze-dong's death in 1976, the regime of Deng Xiaoping introduced economic and, more haltingly and incompletely, political-legal reforms. For the domestic economy, such reforms initially consisted of the creation of market-oriented "production responsibility systems" for domestic agriculture, and the creation of a mixed economy in which the state sector remained large, but the nonstate sector (autonomous cooperatives and small, private firms) rapidly became the most dynamic. For the external economy, the reforms led to the establishment of "special economic zones" and open-door policies to attract foreign investment, commerce, technology, and tourism. Price deregulation and increased managerial autonomy for state-owned factories and commercial establishments followed in the mid-1980s. But inflation and other economic distortions caused a conservative backlash in the late 1980s that left China's partially restructured economy in a "frozen, hybrid state."<sup>9</sup>

<sup>8</sup>In his two-part series on China, Nicholas D. Kristof writes how repression, prosperity, and improved public welfare coexist under Communist Party rule: "The party torments many of the nation's bravest and boldest thinkers, sometimes locking them up in insane asylums or imprisoning them with criminals suffering from infectious diseases. Yet at the same time, the party is presiding over one of the greatest increases in living standards in the history of the world. The Government fights leprosy as aggressively as it attacks dissent. It inoculates infants with the same fervor with which it arrests its critics." "China Riddle: Life Improves Though Repression Persists," *The New York Times*, September 7, 1993, p. 1.

<sup>9</sup>Richard Baum, "Introduction," in Richard Baum, ed., *Reform and Reaction in Post-Mao China: The Road to Tiananmen*, New York: Routledge, 1991, pp. 2-3.

Meanwhile, political reforms proceeded more slowly, beginning with the expansion of citizens' basic constitutional and legal rights, the revamping of local electoral mechanisms, and the strengthening of popular representation. Expectations in 1986 that Deng would promote greater liberalization were not realized, and the reform movement was taken over by university students and political activists demonstrating for democratization and human rights. In the end, rising socioeconomic tensions among students and workers, together with the students' political demands for change, led to the Tiananmen demonstrations and the Deng regime's brutal repression of the student movement in spring 1989.<sup>10</sup>

In its political dimension, the Chinese model represents an exercise in controlled change from above under communist-style authoritarianism. The Communist Party remains the supreme, vanguard institution in politics; a security apparatus remains pervasive; the army remains the party's exclusive instrument;<sup>11</sup> and when societal controls fail, heavy-handed repression is employed to crush any political challenge from below.

Many of the Castro regime's recent policies are similar to those under the Chinese model. Cuba's crackdown on dissidents and human-rights activists is aimed precisely at heading off a Tiananmen-like situation. Several of Cuba's 1992 constitutional amendments resemble the early, limited institutional and political reforms introduced by the Chinese leadership. Cuba has also begun experimenting with new organizational techniques to improve the efficiency of state enterprises. And Cuba has given constitutional recognition and guarantees to the role of private enterprise in the external economy, is pursuing its own open-door policy toward foreign investments, and is moving slowly toward a mixed economy composed of state, cooperative, and private sectors.

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<sup>10</sup>*Ibid.*, pp. 3-5.

<sup>11</sup>On the militarized character of political power in China, and the pivotal role of the People's Liberation Army before and since 1949, see Michael D. Swaine, *The Military and Political Succession in China: Leadership, Institutions, Beliefs*, RAND, R-4254-AF, 1992.

At the same time, the Chinese model is quite different from Cuba's current model. The Chinese model

- does not limit itself to decentralization and organizational or managerial innovation to make state enterprises more efficient
- does not employ mass-mobilization techniques in agriculture or other sectors of the economy
- relies on market principles, *de facto* privatization of agriculture and other sectors, and foreign capital as the principal means by which to modernize China.

Indeed, beginning in 1991, Beijing began experimenting with stock markets that now have grown to over 2 million shareholders, with numbers increasing by over 50,000 a week. Shareholders own stocks in only 70 Chinese companies, most of which are from the state-owned sector, out of about 300,000 incorporated companies; however, the expectation is that many more companies will soon be listed on the Shanghai and other exchanges.<sup>12</sup>

**Obstacles to the Model.** Certain conditions that facilitated the development of the Chinese model are not present in Cuba today. The following differences between the two countries are likely to make full adoption of the Chinese model difficult for the Cuban regime:

- Mao's death was required before Deng and his supporters could begin implementing reforms, whereas Castro's presence stands as an obstacle to fundamental reforms.
- With a population of over 1.1 billion (mid-1990), China represents an enormous, lucrative market for foreign trade and investments. With a current population of less than 11 million, a sugar-dependent economy, and an uncertain political future, Cuba's foreign trade and investment opportunities are far more restricted and potentially risky.
- The offshore Chinese in Hong Kong and elsewhere serve as a bridge between the mainland and international investors and financial institutions. Most of the Cuban-American community

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<sup>12</sup>The New York Times, May 9, 1993, Sec. 3, pp. 1, 6.

would reject playing such a role in a Cuba still under the rule of the Castro brothers, while the regime itself would be loath to open most sectors of the island's economy to the exiles.<sup>13</sup>

- Since 75 percent of the Chinese population was rural in 1980, concessions had to be made to the peasantry in the form of restoring markets and quasi-private agricultural lands to increase food production. But only 30 percent of Cuba's current population is rural, with farmers constituting a small, diminishing sector.<sup>14</sup> They have little influence, as was evidenced first by Castro's refusal to reinstitute the Peasant Free Market, and now by the September 1993 decree on cooperatives that denies title to the farmers and obliges them to sell their produce to state purchasing agencies at fixed prices.

In addition, the Chinese model entails potential political risks for the Castro government. As the Chinese experience demonstrates, the shift to a market economy invariably leads to social dislocations (e.g., rising inflation, widening income differentials among sectors of the population, plant closures, and worker layoffs), increased graft and corruption by administrative and party personnel, and some loss of political control. These conditions contributed to Tiananmen Square in 1989. Now, nearly five years later, the Chinese leadership is again facing rising popular discontent and labor strife resulting from spiraling inflation, forced layoffs, unpaid wages, and government corruption.<sup>15</sup>

Thus, the Castro regime has selectively adopted some Chinese-type policies that appear appropriate to Cuba's conditions while trying to

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<sup>13</sup>Mexicans and other Latin Americans might serve as a partial substitute, but their stake and role in the Cuban economy are likely to be less than those of the exile community in a post-Castro Cuba.

<sup>14</sup>According to official statistics for 1988, there were only 102,000 private farmers and another 41,400 nonfarm entrepreneurs and employees belonging to production cooperatives. Comité Estatal del Estadísticas, *Anuario Estadístico de Cuba 1988*, Havana, 1988, cited by Ritter, *Exploring Cuba's Alternate Economic Futures*, 1992, p. 10.

<sup>15</sup>According to a secret Chinese government report leaked to a Hong Kong newspaper, there were more than 6,000 illegal strikes and more than 200 riots in China in 1993. As a consequence, the report called upon the Communist Party to remain "on the alert against the flames lest they should spread far and wide." Patrick E. Tyler, "Discontent Mounts in China, Shaking the Leaders," *The New York Times*, April 10, 1994, p. 3.

avoid the pitfalls associated with the Chinese experience. The regime has maintained tight political control over society while enacting an open-door policy toward foreign investments, joint-venture arrangements with foreign capital, and, most recently, some limited opening up of the domestic economy. But continued pursuit of such a partial formula is likely to deny the Cuban economy the type of internal market dynamism that has been operating in the cooperative and private sectors of the Chinese economy, however imperfectly. It is the *market* that has constituted a major driving force in the Chinese economy for more than a decade. If Cuba continues to rely more on Leninism than on the market, it will have the worst of both worlds—economic stagnation combined with stultifying political authoritarianism.

### The Mexican Model: A Shift to an Alternative Paradigm

The Castro regime could revamp Cuba's polity and economy along the lines of the pre-1982 corporatist model in Mexico, where the Institutional Revolutionary Party (PRI) ruled as a hegemonic party.<sup>16</sup> The Mexican model could prove attractive to *reformistas* and *centristas*, and perhaps even to some *duros*. However, its adoption would require a virtual paradigm shift on the part of the Cuban leadership, as well as acceptance of greater political liberalization than under the Chinese model. At a minimum, communism, with its Marxist-Leninist ideology and select vanguard party, would have to give way to corporatist concepts, practices, and institutions.

Devised by President Lazaro Cardenas in the late 1930s, the Mexican model rested on a corporatist political structure that was Latin in origins and blended revolutionary authoritarianism with populism. In the decades that followed, the Mexican model led to the creation of a strong, nationalistic state that preserved the sovereignty and independence of Mexico in its relations with the United States. It managed to sustain high economic growth rates and maintain politi-

<sup>16</sup>Some aspects of the Mexican model—such as the strong role of the Mexican President, the PRI's continued dominance of national and most state politics, and the PRI's corporatist structure—continue in structure and process under the presidency of Carlos Salinas. Nevertheless, the break with the traditional model began with the *sexenio* (six-year term) of President Miguel de la Madrid at the end of 1982; subsequent years have seen a major redirection of Mexico's economy and polity.

cal stability for some four decades. It might well have continued to serve as the framework for Mexico's political economy today, except that Mexico's strategy of import-substitution industrialization ran its course and oil prices plummeted on the world market, leading to a prolonged financial and economic crisis in the country starting in 1982. Since then, the De la Madrid (1982-1988) and especially the Salinas (1988-1994) administrations have fundamentally altered the Mexican system.<sup>17</sup> Even so, Mexico's original corporatist model set it apart not only from other Latin American authoritarian systems, but also from Cuba's totalitarian-like order.

**A State-Centric Mixed Economy.** In Mexico's mixed economy, the state became the dominant actor, owning such key sectors of the economy as railroads, airlines, utilities, and even subsidized retail outlets for Mexico's poor. The private sector and foreign capital played subordinate roles; they were regulated by the state, and in the case of Mexican industry and commerce, were heavily dependent on state subsidies, tariffs, and other protective measures to shield them from foreign competition. Domestic private enterprises were strongest in northern Mexico, where they established iron- and steelworks, along with other manufacturing industries and agribusinesses.

**An Inclusive Hegemonic Party.** As a hegemonic political party, the PRI controlled government and politics, denying opposition parties the presidency, governorships, most seats in congress, and other key positions of power in the federal and state governments. Yet, unlike the Communist Party of Cuba, the PRI was neither a select organization that carefully screened its members nor a vanguard party driven by a single ideology. The PRI became an inclusive party that at one time spanned the ideological spectrum from leftist *Cardenistas* and neo-Marxists to conservative *Alemánistas*. So construed, the PRI

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<sup>17</sup>Starting in the mid-1980s, the economy began to be marketized, privatized, and linked to the global economy; political space began to open up; the left wing of the PRI split off and formed its own opposition movement; the PRI's hegemonic hold on political power declined markedly; and the centralized authority of the federal government weakened in relation to the authority of states, particularly in northern Mexico. See Wayne A. Cornelius and Ann L. Craig, *The Mexican Political System in Transition*, San Diego: University of California, Center for U.S.-Mexican Studies, Monograph Series, No. 35, 1991; and Roderic A. Camp, *Politics in Mexico*, New York: Oxford University Press, 1993.

contained the struggle for power within the party while providing competing elites within the "Revolutionary Family" with opportunities for upward mobility with the election of a new administration every six years. Small satellite parties were allowed to win some token elective offices, as was a major opposition party, but only as long as they played by the PRI's rules and did not seriously challenge the PRI's dominance.

**A Corporatist Relationship Between State and Society.** The PRI, the government, and key sectors of society were organized along corporatist lines. The PRI was composed of Agrarian, Labor, and Popular Sectors, each of which was formally linked to major peasant, labor, and civil-servant confederations or mass organizations throughout the country. Still other societal interests were formally chartered by the state, such as the organizations for industry, commerce, and banking. Thus, society was sectorally segmented according to economic or social functions and interests; the sectors negotiated with the government, not with each other, for concessions. Because it exercised control over most peasant and labor mass organizations, the PRI could mobilize these groups to win elections or support government policy. In turn, the military's influence was gradually marginalized.

**Loose Populist Authoritarianism.** Despite single-party rule, Mexico was not a totalitarian state because, unlike in Cuba, neither the party, the state security organs, nor the mass organizations penetrated the far reaches of society. Limited political space was given to the Catholic Church, the private sector, the press, and the opposition parties, as long as they did not challenge the political hegemony of the Revolutionary Family. Mexican authoritarianism was populist because successive PRI governments claimed to represent the country's revolutionary traditions, and because the regime's corporatist structure encompassed labor, peasant, and middle-class sectors.

Some observers described the Mexican system as a *democradura*—the Spanish contraction of democracy and dictatorship. In this respect, the Mexican political scientist, Jorge Castañeda, noted that the Mexican system possessed

a combination of just enough democracy: elections, at least in name; a certain freedom of the press; a degree of tolerance for most forms of opposition; and just enough authoritarianism: electoral



fraud; silencing excessive criticism of the government and the president; cooptation, corruption and repression, in that order, of the insufficiently loyal opposition.<sup>18</sup>

### The Attraction and Difficulty of the Mexican Model

There are several reasons why a Mexican-like corporatist system might appeal to *reformistas*, *centristas*, and, perhaps, *duros*. Corporatism is Iberian in its roots and is not foreign to Latin America. As developed by Mexico, it is strongly identified with nationalism and thus could be appropriated by a Cuban regime as a scheme to continue to preserve Cuba's nationalist identity and sovereignty in today's unipolar world.

A corporatist-type system could enable the regime to deny power to the opposition, yet permit greater turnover of elites within Cuba's own "revolutionary family." The PCC could be reorganized along corporatist lines by incorporating Cuba's present mass organizations, particularly labor, women, student, and peasant organizations, into the party, which would enable the latter to mobilize organized mass support. So buttressed, the regime could open up some political space, allowing loyal but minor opposition parties and non-governmental organizations to emerge. Such a form of relative political liberalization could, in turn, ease international criticisms regarding Cuba's human-rights abuses and lack of democratization.

Corporatism would preserve the centrality of the state in the Cuban economy. State factories, stores, and farms could be transformed into autonomous parastatal enterprises, or could be transferred to "private" ownership under the auspices of individuals or organizations that are identified with and loyal to the regime. Such a policy could enable the government to co-opt and thereby retain the political support of key individual and institutional players associated with the regime.

Indeed, corporatist-like arrangements may well be the reason for Cuba's new constitutional amendment regarding private property, under which the Cuban-owned and operated *Sociedades Anónimas*

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<sup>18</sup>Jorge Castañeda, "Mexico at the Brink," *Foreign Affairs*, Winter 1985/86, p. 288.

have been created in the import and export sectors of the Cuban economy. Several of the S.A.s evidently are headed by recently retired military officers and party officials who lost their positions when the Central Committee Departments were dissolved during the regime's economizing drive. Cuba may thus be already incorporating some aspects of the pre-1982 Mexican economic model.

Additionally, the 1992 constitutional amendments could be extended to create a new private sector in agriculture, services, commerce, and manufacturing similar to the one that existed in corporatist Mexico. The political payoff for the regime would come if the new private sector were to help stimulate economic growth, relieve austerity, and satisfy pent-up internal consumer demands. However, Cuba would have to depart significantly from the Mexican model in its private-sector policies: The island's internal market is too small, and its resources and capitalization too meagre, to engage in a strategy of import substitution by Cuban industry. Thus, unlike in pre-1982 Mexico, Cuba would need to pursue its current open-door policy toward foreign investments, remain an export-led economy, and accelerate its insertion into the world economy.

However, Cuba's conversion to something like the pre-1982 Mexican model would not be easy for the Castro regime. Several obstacles and problems would have to be overcome.

**The Castro Factor.** Could Castro play the role of Cardenas? Would the Cuban leader step down as Cardenas did at the end of his *sexenio* or would he insist on retaining power, formally or informally, as Cuba's *caudillo*?<sup>19</sup> Could he make the switch to corporatism? Even if the issue could be finessed, for Castro to change ideology and institutions after 35 years of rule would constitute a tacit admission of his historical error in embracing communism. The pre-1982 Mexican model thus would seem more appropriate for a Cuba without Castro.

**The Regime Factor.** With or without Castro, could the regime fundamentally alter its political institutions and practices? The move

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<sup>19</sup>It could be argued that Cardenas did not step down as *de facto* head of Mexico's Revolutionary Family when he was succeeded as President by General Avila Camacho. As Camacho's Minister of Defense during World War II, he retained an additional institutional base of power in the army.

from Marxist-Leninist totalitarianism to corporatist-type authoritarianism would be equivalent to a quantum leap in physics, because it would entail crossing over into a different political-economic order. The state's power over society would be greatly diminished. The party would have to shed its select, vanguard status and become an inclusive political organization. The role and influence of the Revolutionary Armed Forces would have to be reduced. Cuban leaders would have to abandon the practice of "democratic centralism" and rely less on a top-down command system. Instead, they would need to become versed in the political skills of Mexican-type cooptation and brokering if they are to placate rival elites and manage competing social interests and economic sectors. Hence, there is likely to be elite and institutional recalcitrance among those who fear change and the possible loss of their political power and bureaucratic authority.

**The Private-Sector Issue.** Would Castro, along with *duros* and perhaps some *centristas*, accept the reemergence of a private sector in Cuba's domestic economy? These elites are certain to oppose such a move because it would weaken the regime's power and control over society, lead to a major redirection of resources, and signal an end to Cuban socialism. Yet their opposition to a private sector in both the agricultural and nonagricultural sectors is virtually certain to doom chances for the island's economic recovery.

**The Issue of Civil Society.** Could Cuba's strong, repressive state coexist with civil society? Pre-1982 Mexico permitted some degree of well-defined political space for institutions, social sectors, and political actors that were independent of the state—among them, the Catholic Church, private-sector, media, and political or dissident groups. The reemergence of these elements of a civil society in Cuba is certain to be viewed as undesirable and threatening, not only by *duros* but also by *centristas*. Even if a consensus were reached on moving toward a Mexican-like system, security personnel and other hardline elements within the regime would probably persist in trying to weaken, if not crush, civil society.

## **ENDGAME II: SURVIVAL THROUGH A HYBRID MODEL**

The Chinese and Mexican systems described above represent generic models. The regime is not likely to embrace either model in its en-

tirety. Instead, if Cuba does embark upon more fundamental system change under a controlled crisis situation, the regime probably would settle on some form of hybrid. It could do so either by blending elements of Cuba's current model with those of the Chinese model, or by combining elements of all three.

Each combination would represent a different type and degree of liberalization. A Cuban-Chinese hybrid would be weighted toward greater authoritarianism, yet it would represent greater economic liberalization under market-Leninism. A Cuban-Chinese-Mexican hybrid would imply less market economy than the Cuban-Chinese variant, but it would represent a step toward greater political liberalization.

Which hybrid combination the regime may choose depends on developments within and outside Cuba, as well as on the outcome of the pulling and hauling that is taking place among reformers, centrists, and hardliners. The following two hypotheses can be formulated:

1. The more the crisis is perceived as remaining under control, the less inclined Castro, the *duros*, and the *centristas* will be to accept deeper, more liberalizing reforms, particularly in the political realm.
2. The more the economic situation deteriorates, and the greater the fear is that the regime may be approaching a terminal crisis, the more inclined conservative elements of the regime will be to accept the liberalizing agenda of the *reformistas*.

The first hypothesis would incline the regime toward a Cuban-Chinese hybrid of market-Leninism. The second would incline the regime toward acceptance of a Cuban-Chinese-Mexican hybrid.

### **A Controlled Crisis Leads to a Cuban-Chinese Hybrid**

In a Cuban-Chinese model of market-Leninism, *duros* and *centristas* would insist on retaining the present political features of Cuba's current model, many of which are also found in the Chinese model. These features would include the central, unencumbered roles played by the party and state—and both would remain Leninist in

continuing to hoard power and limit any tendency toward pluralism. The repression of independent organizations and opposition circles would thus continue, forestalling the emergence of civil society.

In the Cuban-Chinese hybrid, the market would be allowed to play a more important domestic role in the mixed economy, with perhaps a private sector composed of small enterprises emerging to complement the state and cooperative sectors. The present "dual model economy" would remain in place, along with its favorable bias toward foreign investments. But there would be more experimentation with the Chinese model's policies in a further effort to promote the expansion of the external economy and its foreign-exchange-producing activities. Besides aggressively wooing foreign investors and pushing for trade expansion with the West, for example, Havana could open a Chinese-type stock market for state-owned industries and state-chartered *Sociedades Anónimas*, as well as for the joint enterprises formed so far by the state and foreign partners.<sup>20</sup> The stock exchange might later be opened to native stockholders as the Chinese have done, a move that would have the additional advantage of soaking up some of the excess currency in circulation.

### **A Worsening Crisis Leads to a Cuban-Chinese-Mexican Hybrid**

If the crisis appeared on the verge of becoming acute, the regime might move toward a Cuban-Chinese-Mexican hybrid in an effort to revive the economy and defuse the political situation. Although it would omit much of Mexico's relative political openness, the corporatist aspect of the model could be employed to co-opt the regime's internal critics and opponents. This hybrid model could thus soften Cuba's image as a repressive, authoritarian state and, in so doing, help blunt international criticism and attract Western investments to the island.

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<sup>20</sup>This is not as fanciful an idea as it might seem. According to Octavio Castilla, Vice President of Cuba's State Economic Collaboration Committee, Havana may soon consider establishing a stock exchange to attract foreign investors. See "Cuba: Government May Consider a Stock Exchange and Future Debt Equity Swaps," *Chronicle of Latin American Economic Affairs*, Albuquerque: University of New Mexico, Latin American Institute, Latin American Data Base, April 29, 1993, as disseminated through electronic mail.

As in both Cuba and China today, the PCC would retain its vanguard role under this hybrid model, and strong political controls would be maintained over society. But, with the economy deteriorating, and using the Chinese model as their example, the *reformistas* might now persuade the regime to abandon most residues of Cuba's command economy, including mass-mobilization drives in agriculture. Citing the Chinese and Mexican experiences, they would push for much greater marketization and privatization of key sectors of the domestic economy than exist in today's Cuba. A stock exchange for both domestic and foreign investors would be the logical outcome of this hybrid model.

To offset the political consequences of opening the economy, the *reformistas* could urge the creation of new corporatist-type mechanisms of social control as found in Mexico. Such mechanisms could include not only the chartering of additional *Sociedades Anónimas* by the state, but also the incorporation of "autonomous" labor, peasant, cooperativist, small-business, and other associations into the party. The government could go a step further, facilitating or even funding the creation of NGOs and recognizing some dissident organizations. The government's regulation of and, in some instances, its financial support for these groups would enable the regime to keep them on a leash while presenting a veneer of greater pluralism to the international community.

### Factors Favoring the Regime's Muddling Through

Clearly, neither of these hybrid models represents a transition to a full market economy, much less a liberal democratic polity. To varying degrees, they represent efforts by communist leaders—including *reformistas*—to redesign Cuba's political and economic architecture without losing or diminishing their power.

What is the likelihood that the regime can muddle through if it adopts one of the hybrid models over the next year or two? The chances of the regime's enduring are helped, most of all, by its political assets:

- Although some erosion has taken place, the state remains strong, retains considerable nationalist legitimacy, and possesses a formidable apparatus for intimidation and repression.

- Unlike in most other Latin American countries, the FAR is a highly professional military establishment with roots in the regime, and with officers loyal to civilian authority as represented by Castro and the Communist Party.
- Leaders and cadres in the party, government, security apparatus, and mass organizations have strong personal stakes in the survival of the regime, as do the reformers, who see themselves as the rightful heirs to the *fidelist*a leadership.
- Civil society and opposition groups are weak and repressed, and individuals are too preoccupied with their daily lives to engage in collective action.
- Key social beneficiaries of the revolution, especially the large Afro-Cuban sector of the population, fear that the collapse of the present system would bring the return of the old pre-1959 order—a fear that is heightened all the more by the predominantly white, wealthy image of much of the exile leadership in Miami.
- While fearing upheaval and a return to the past, the majority of Cubans would welcome further regime-led reforms that improve their economic situations and allow them greater political space.<sup>21</sup>

These and other political strengths explain the regime's survival thus far and its *potential* for enduring, despite the island's economic adversity.

Even if economic conditions do not improve markedly, the regime may still not be threatened by a popular explosion. According to one Cuban dissident:

The economic crisis is acute but the country can survive at a subsistence level for a very long time. Meanwhile, the repressive apparatus is strong enough to curb rising discontent. And although

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<sup>21</sup>For further elaboration, see Gonzalez and Ronfeldt, *Cuba Adrift*, 1992, pp. 2-38. See also Jorge I. Domínguez, "The Secrets of Castro's Staying Power," *Foreign Affairs*, Spring 1993, pp. 97-107, for an additional perspective that emphasizes the Cuban government's reform efforts as an important factor behind the government's staying power. Donald E. Schulz, "Can Castro Survive?" *Journal of Interamerican Studies and World Affairs*, Vol. 35, No. 1, 1993, pp. 89-115, also highlights Castro's strengths despite Cuba's crises.

Cubans want change, they want a peaceful transition, not blood shed.<sup>22</sup>

Thus, for the present, the regime does not appear to be in any danger of being overthrown from below as occurred with some of the erst-while communist regimes in Eastern Europe.

In the end, what might well enable the regime to muddle through and survive beyond the short term (1 year), and possibly beyond the medium term (1-3 years), is if Cuba benefits from even a few favorable economic developments. For the most part, such developments would not ensure the island's economic recovery as Zimbalist and Cuban government spokesmen have maintained. But a few favorable economic developments could have important political repercussions: They could ease the severity of the present crisis, defuse popular discontent, and, in combination with the regime's political assets, help ensure the permanency of the regime over the foreseeable future.

Apart from the embargo, which is unlikely to be lifted in the years immediately ahead, there remain other, more modest economic gains that could help the regime's prospects for survival. Among these are

- A continuation of foreign investments from the West, new Western loans and credits, and continued growth in tourism
- Better-than-expected sugar harvests for 1994 and beyond, together with a continuation of relatively high sugar prices of 12 cents per pound on the world market
- Increased nickel production, which would permit Cuba to take advantage of rising prices on the world market
- Fulfillment of trade agreements by Russia for 1994 and beyond, which would assure Cuba of at least a minimal supply of petroleum products (3.3 million metric tons in 1993) under a favorable barter-type arrangement, and would open the Russian

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<sup>22</sup>Rolando Prats Paez, "Hard Line, Hard Luck, for Cuba," *The New York Times*, May 10, 1993, p. 15. Prats Paez is a leader of the Social Democratic Movement in Cuba.



market to Cuban biotechnology and pharmaceutical exports, as well as more traditional Cuban exports to Russia

- With Canadian assistance, continued increases in onshore petroleum production, which more than doubled from 550,000 metric tons in 1991 to 1.2 million metric tons in 1993
- Increased dollar remittances from Cuban exiles, which, according to one estimate, could grow from their \$200-\$300-million level in 1993, to between \$600 million and \$1.2 billion, with the exiles' visits adding another \$70-\$140 million (up from the current \$7-\$8 million).<sup>23</sup>

For the most part, of course, it is impossible to predict whether and to what extent these gains will materialize in future months and years.

Were the regime to enact additional liberalizing measures along the lines of the alternative models, then austerity would probably ease and living conditions would become more bearable for much of the population. In any event, with or without a marked improvement in the economy, Cuba's strong state and control apparatus, combined with a weak civil society and passive population, could enable the regime to hold on and survive under Endgame II.

The possibility of regime continuity over the short and perhaps medium terms is stronger for Cuba than it was for other communist states that enjoyed less legitimacy than does the Castro government. Although their end came suddenly and swiftly in 1989, it took decades of rot to critically weaken the East European regimes, and even then Soviet disengagement was required to hasten their collapse. In Poland, where civil society was strongest, and where Solidarity was born in 1980 as the first free trade union in communist history, a military-led government took over and remained in power until the end of the decade. Perhaps most relevant to the Cuban situation, the Chinese regime obtained a new lease on life following Mao's death in 1976, initially by means of Deng's reforms and then ultimately through repression of the students in Tiananmen Square in 1989.

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<sup>23</sup>Carmelo Mesa-Lago, "Sink or Swim," *Hemisfile*, September/October 1993, p. 6.

In Latin America, many noncommunist authoritarian regimes held out for decades despite external pressures and internal weaknesses—among them, Augusto Pinochet's in Chile and the PRI's in Mexico. The latter case is particularly instructive. Despite the severity of the financial and economic crisis that befell Mexico in the 1980s, and the erosion of popular support for the official party, the PRI-based regime has remained sufficiently strong to stay in power and, under President Salinas, has radically altered Mexico's course. Because the Castro regime seeks a way to remain in power by means of controlled change from above, it is bound to draw lessons from the negative experiences of Eastern Europe, and to incorporate the more positive lessons offered by the Chinese and Mexican cases.

Nevertheless, whether under the current model or under an alternative model, the regime's attempts at controlled change from above may be too little, too late, and the economy may resume its downward spiral. If it does, Cuba's ship of state would begin to founder because the regime would find itself confronting an uncontrolled crisis.

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**CUBA IN AN UNCONTROLLED CRISIS**

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This chapter deals with a Cuba that is overtaken by an uncontrolled crisis in which the economy verges on collapse, the regime loses much of its legitimacy, and the state's security organs begin to lose control over the populace. This increasingly acute crisis leads to three different endgames in the short or medium term. They may materialize as alternatives to one another, they may unfold sequentially, or they may develop in some sort of mixed fashion:

- In Endgame III, the government confronts growing popular unrest, hardline circles halt the reform process, and political repression increases. As occurred in China in 1989, Cuba regresses to a state of heightened authoritarianism and stasis sets in.
- In Endgame IV, the government confronts growing popular unrest, and reformers are able to gain the upper hand. Cuba experiences nonviolent change from above and below through the installation of a market-type economy and a coalition government that includes elements of the opposition.
- In Endgame V, the government loses control and violent system change occurs, triggered within the regime itself, in the streets of Havana and other cities, and/or through a combination of both. Cuba goes through a period of radical system change.

In brief, these endgames represent different regime responses and situational outcomes in a Cuba that is spinning out of control.

## **PRECIPITATING FACTORS**

In these three endgames, Cuba's increasingly acute crisis is characterized by four key developments in the economy, polity, and society: The economy fails, the regime loses authority, perceptions of the general populace toward the regime alter and its support wanes, and civil resistance grows. Each of these developments may be further aggravated by Cuba's heightened vulnerability to bad weather and other natural disasters. These developments, either singly or in combination, may begin to threaten the Castro regime possibly as early as late 1994, or sometime early into the new year.

### **The Failing Economy**

The government's attempt at implementing controlled change from above, whether through the transitional model or one of the hybrid models, is inadequate and too late. Foreign investments dry up, and foreign-exchange earnings from nickel, biotechnology exports, tourism, and, especially, sugar, drop off, owing to adverse developments affecting these industries, including weather (see "The Heightened-Vulnerability Factor" subsection at the end of this section). The infusion of dollars by visiting Cuban-Americans is not sufficient to make up for the loss in export earnings. International creditors refuse to reduce and restructure Cuba's debt, thereby closing off any chance of renewed borrowing. Unable to purchase essential imports, Cuba will find its economy verging on collapse as shortages of fuel, spare parts, basic foodstuffs, and consumer necessities become even more acute. As occurred throughout much of 1993, power outages increase and most transport comes to a virtual standstill.

### **Loss of Regime Authority and a Weakened State**

Cubans increasingly question the leadership's competence and moral authority. As occurred during his July 26, 1993, speech, Castro appears unsure of himself—and of the path that the revolution

should take.<sup>1</sup> He no longer inspires confidence as Cuba's "great helmsman." On the contrary, along with most of his closest associates, he is perceived as an anachronism, hopelessly out of touch with the island's predicaments, and as the key obstacle to the more radical, liberalizing reforms needed to turn around the economy and open up the polity.

The regime itself loses its sense of legitimacy while both civilian and military elites become increasingly divided. Having lost their sense of rightful authority, *duros* and *centristas* go on the defensive. The younger elites among the *reformistas* find themselves identifying more with the populace and opposition elements than with the top leadership. Already demoralized by the severe cuts in the defense budget that were announced in March 1994, junior and middle-ranking officers fear the prospect that the army will be called upon to quell public disturbances. If so, they face the prospect of firing on unarmed men, women, and children if the security forces lose control of the streets.

These cleavages emerging within the regime mirror the deepening chasm between state and society. Increasingly, the state can control society only by employing its organs of repression. Otherwise, citizens ignore the government and the law by buying and selling in the informal economy, stealing from state enterprises, and engaging in still other illicit activities. Renewed nightly blackouts, in the meantime, lead to a further loss of state control over the streets and neighborhoods of Havana and other cities, to an extent far worse than in summer 1993.

### Altered Perceptions and Growing Political Disaffection

The increasingly desperate economic situation finally takes its toll on even the regime's most stalwart supporters—Cubans of African ancestry who have benefited most from the revolution's social poli-

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<sup>1</sup>Castro sounded unlike his customary self during his July 26 speech. He was unable to offer guidance concerning his government's strategy for overcoming the Cuban crisis. Warning that there are "no miracles," he instead offered the prospect of more hardships for the Cuban people. This meant that loyal revolutionaries had to accept the decriminalization of the dollar despite the inequities it produced, because of Cuba's vital need for hard currency. *FBIS-LAT-90-142*, July 27, 1993, pp. 3-12.

cies, and rank-and-file party cadres and other committed revolutionaries who make up a relatively privileged elite by Cuban standards. Like the general populace, they now find daily life intolerable. But unlike that populace, they increasingly experience a sense of relative deprivation: The committed revolutionaries see Cubans less politically meritorious gaining economically because, among other things, those Cubans ply the tourist trade, engage in legal as well as illegal entrepreneurial activities, and/or obtain dollar remittances from exiled relatives and friends.<sup>2</sup>

Additionally, the growing presence on the island of relatively well-off, politically outspoken exiles from Florida and elsewhere produces the same kind of social ferment that served as the catalyst for the 1980 Mariel exodus of 125,000 Cubans to Florida following the visits of 100,000 exiles in 1979–1980. The exiles help alter the islanders' belief that they must accept the existing state of affairs as both adequate and permanent for lack of alternatives. Now, as in the French Revolution, "patiently endured so long as it seemed beyond redress, a grievance comes to appear intolerable once the possibility of removing it crosses men's minds."<sup>3</sup> Increasingly, the private preferences of Cubans concerning the better life that they have always desired for themselves and their children, but which they have had to conceal behind their stated public preferences, or *cara doble* (double face), are turned against the regime.<sup>4</sup>

### **From Atomized Individuals to Civil Resistance**

The weakening of the Cuban state's repressive apparatus provides greater political space for dissidence and active opposition to the

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<sup>2</sup>On the role of relative deprivations in revolution, see Ted Gurr, *Why Men Rebel*, Princeton, N.J.: Princeton University Press, 1970.

<sup>3</sup>Alexis de Tocqueville, *The Old Regime and the French Revolution*, New York: Doubleday, 1955, p. 177.

<sup>4</sup>On how such cognitive changes undermined the communist systems of Eastern Europe, see Timur Kuran, "Now out of Never—The Element of Surprise in the East European Revolution of 1989," *World Politics*, Vol. 44, No. 1, October 1991, pp. 7–48. Kuran hypothesizes that the public preferences expressed by East Europeans constituted "falsified preferences" that masked and repressed the private preferences that ultimately were unleashed against communist regimes at the end of the 1980s.

regime. Until recently, the majority of Cubans had two choices: either remain on the island and suffer without prospect of relief or abandon the fatherland by risking the Florida Straits on a raft or defecting abroad if they were traveling. Now, as political perceptions change and the state weakens, the pervasive personal fear and societal mistrust that kept Cubans atomized and powerless begin to break down. Freed of their internal and external constraints, some engage in unorganized, spontaneous acts of defiance against the regime—as occurred in July 1993, in the fishing town of Cojimar,<sup>5</sup> when residents reportedly attacked the police for firing on Cubans trying to escape the island, and again the next month when street clashes and rock-throwing incidents were reported in Havana.

Others begin to move beyond anomic behavior. Discovering that many Cubans share their antipathy for the regime, they engage in more organized forms of collective action to challenge the intolerable status quo. Slowly but increasingly, more and more Cubans look to the Catholic Church as the leading opposition institution. Still others express solidarity with dissident groups and actively oppose the regime. Although organized resistance remains difficult, dissident intellectuals, students, workers, and religious believers, together with liberal reformers from within the ranks of the regime, build clandestine networks that issue public demands for dramatic economic and political change, including Castro's resignation. These demands, in turn, resonate with the sentiments of a desperate populace. Elements of a civil society emerge that begin to challenge the hegemony of the Cuban state.

### **The Heightened-Vulnerability Factor**

Cuba's developing crisis could be accelerated by adverse weather conditions, given the extreme vulnerability of the economy in the 1990s. Even if the economy were starting to rebound, it lacks an international support system, has few foreign-exchange reserves, and is thin on material resources. Given its present fragile state, the economy might not be able to recover were Cuba to experience a prolonged drought or heavy spring rains similar to "the storm of the

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<sup>5</sup>On the Cojimar incident, see *CubaINFO*, Vol. 5, No. 9, July 16, 1993, pp. 1-2.

century" in 1993, which devastated the island's crops, including sugar cane. Worse yet would be a direct hit on Cuba by a major hurricane during the fall season that destroyed farmlands, damaged buildings and infrastructure, and left sectors of the population homeless. Were Cuba to experience such natural disasters, the economy could again be thrown into a downward spiral, and government resources could be strained beyond their limits.

Of course, weather conditions cannot be predicted and Cuba may have the good fortune of escaping future natural calamities. But even so, Cuba would reach a critical juncture were the four factors outlined above to begin to unfold over the next year or two. The island's possible alternative futures are depicted in the three endgames that follow.

### **ENDGAME III: STASIS AND HEIGHTENED REPRESSION**

Popular unrest begins to manifest itself more widely in Havana and other urban centers as worker absenteeism increases, antigovernment graffiti spreads, an underground press circulates antiregime literature, and food riots and other spontaneous, unorganized acts of mass protest erupt. Although largely anomic in their behavior, youths and workers are increasingly involved in open confrontations with the government. Castro and hardline elements stop the reform process, the consequences of which they have always feared. To prevent the opposition from becoming organized, they swiftly crush any signs of political deviation and active resistance. They are determined to stay in power—as evidenced by Jorge Lezcano Pérez, Party Secretary for Havana, who, in August 1993, urged the rapid-reaction brigades, or citizens' vigilante groups, to deal firmly with those engaged in rock throwing or other criminal activities during Havana's nightly blackouts.<sup>6</sup>

#### **A Cuban Tiananmen-Like Crackdown**

In this scenario, the regime can no longer rely solely on its popularly based control apparatus—the Committees for the Defense of the

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<sup>6</sup>*Los Angeles Times*, August 30, 1993, p. A4.



Revolution (CDRs), the rapid-reaction brigades, and the recently created Association of Combatants of the Cuban Revolution (ACRC)—to control the streets. The CDR and ACRC members are themselves too demoralized and disaffected to serve as instruments of mass coercion. The brigades had been effective in targeting individual dissidents, critics, and human-rights activists, and, by harassing and physically beating them, intimidating the rest of the population. But now the unrest is assuming a critical mass and, although still largely unorganized, spreads beyond the brigades' ability to contain it. Increasingly, Ministry of Interior shock troops, as well as the National Revolutionary Police, must be deployed to break up demonstrations, put down riots, and arrest and jail more and more participants. Army units are placed on alert.

As occurred with the Chinese government following Tiananmen Square, the regime pays a price in international circles as a result of growing mass unrest and its heavy-handed repression. The U.S., European, and Latin American governments, and human-rights groups, sharply condemn the regime for its action. Signs of open civil disorder and government oppression also discourage foreign investments. Cuba is viewed as a repressive police state whose faltering economy is going nowhere.

In this scenario, the regime does not buckle because of popular unrest or international pressure, nor does it implode because of internal elite divisions. This situation stands in marked contrast to most of the East European communist governments that peacefully conceded power to their opponents in 1989.<sup>7</sup> For the moment, at least, the regime remains in control. The key variable here is the role of the Cuban military.

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<sup>7</sup>As S. N. Eisenstadt notes, "The ruling elites of these regimes (again with the exception of Romania) did not generally fight; they gave up, abdicating relatively easily . . . . The relative ease with which the rulers, and not only those at the top, but in the middle echelons of the party and the bureaucracy, gave up, or were prepared, as in Hungary or Bulgaria, to try their fortunes in new open parliamentary elections, is somewhat surprising. Of special interest . . . is the fact that the middle echelons of the security forces of the armies no longer protected the rulers or the regimes." "The Breakdown of Communist Regimes," *Daedalus*, Spring 1992, p. 24.

### Turning to the FAR

If the Revolutionary Armed Forces remain united behind the Castro brothers, the threat to internal regime cohesion and stability probably will remain minimal, even though schisms or anti-Castro sentiment may already exist within the military.<sup>8</sup> The FAR has been the regime's most important pillar of institutional support. Led by an officer corps that has become highly professionalized, the military has remained loyal during the economic crisis, despite the severe austerity measures adversely affecting the training and operational readiness of FAR units. Minister of the Revolutionary Armed Forces Raúl Castro and his staff have helped defuse the consequences of the crisis by involving the FAR in a variety of economic activities.<sup>9</sup> However, the institutional loyalty and cohesion of the armed forces have yet to be tested in an *uncontrolled* crisis situation of the type discussed here.

As unrest increases, the Castro brothers may be able to keep the FAR on their side by several means: They may avoid using the FAR by relying on the Special Troops and riot-control units from the Ministry of Interior to maintain internal order. If the army is used, military police rather than regular army units may be deployed against the populace. Also, even if the FAR must be used internally, Castro may still be able to retain the loyalty and support of military officers by enlarging the institutional role and influence of the FAR within his regime.

The Cuban leader has frequently drawn upon the ranks of senior officers to staff high civilian positions in time of need. In 1989, he appointed Division General Abelardo Colomé as his new Minister of

<sup>8</sup>The 1989 arrest, trial, and execution of Division General Arnaldo Ochoa, Cuba's most highly decorated and respected field general, may have stemmed, in part, from emerging antiregime sentiment within the FAR or in itself precipitated such sentiment. On political controls and schisms in the FAR, see Phyllis Greene Walker, "Political-Military Relations Since 1959," in Baloyra and Morris, eds., *Conflict and Change in Cuba*, 1993, pp. 110-133. On the role of the FAR and the effect of the crisis on its mission, see Richard L. Millett, *Cuba's Armed Forces*, 1993.

<sup>9</sup>Starting in the late 1980s, FAR officers have been put in charge of running both military and civilian enterprises; military personnel have also cultivated crops to ensure sufficient food supplies for FAR units during the island's period of acute food shortages. See A. B. Montes, *The Military Response to Cuba's Economic Crisis*, 1993, especially p. 17 ff.

Interior, with the charge of purging and overhauling MININT in the wake of the Ochoa and de la Guardia trials. He also turned to the FAR as an institution in other critical moments, as when the island's economy and sugar-harvest effort were militarized in a desperate, ill-fated bid to achieve a 10-million-ton harvest in 1970.

Thus, whether on an individual or institutional basis, Endgame III would probably lead to an enhanced role for the Cuban military. As it has done in the past, the regime may strive to maintain political control through the militarization of society and the manipulation of external threats.

### **Exploiting Tensions with the United States**

Castro could try to ensure the continued loyalty and support of the FAR, as well as rally the Cuban people, by creating or exploiting an incident with the United States. Even in the controlled crisis that was present during 1993, the regime sharply condemned the United States. The Foreign Affairs Committee of the ANPP, for example, circulated a lengthy document to delegates attending the National Assembly in late December 1993, charging the United States with waging virtual war against Cuba by means of "Military Threats," "Radio and Television Aggression," "Immigration Aggression," "Support for So-Called Dissident Groups," and so forth.<sup>10</sup> The potential for friction with the United States would be certain to increase in an uncontrolled crisis. For example, as the internal situation worsens, the following events could occur:

- Desperate Cubans try to swim across to Guantánamo naval base, while others try to escape the island in boats or planes, including by hijacking them.<sup>11</sup>

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<sup>10</sup>Comisión de Relaciones Internacionales, Asamblea Nacional del Poder Popular, *Datos, Reflexiones y Argumentos Sobre la Actual Situación de Cuba*, n.p., December 27, 1993.

<sup>11</sup>Over 190 Cubans reached the safety of the Guantánamo naval base during the first half of 1993, compared to some 150 for the entire 12-month period in 1992. In late June 1993, U.S. military personnel reportedly witnessed a barbaric scene as Cuban border guards machine-gunned and threw grenades at defenseless Cubans attempting to swim to the base, which prompted a strong protest from the Department of State. *The Miami Herald*, July 7, 1993, p. 1. The Cuban government and press, however,

- Cuban-American individuals and organizations try to use speed boats to smuggle their family and friends off the island.<sup>12</sup>
- More extreme exile groups carry out armed sea and air attacks on Cuban government facilities from bases in Florida and elsewhere in the Caribbean, and infiltrate the island with commando teams that attack military or other facilities.

Castro is certain to exploit these types of incidents to place the FAR on a war footing. He might engineer a military confrontation with the United States over Guantánamo or the Florida Straits.

By means of heightened repression and the manipulation of external threats, therefore, the regime hangs on to power—but perhaps only temporarily. The situation remains inherently unstable because the naked coercion of the populace accelerates the regime's delegitimation from within and without. In effect, Endgame III is not the final endgame.

#### **ENDGAME IV: NONVIOLENT CHANGE AND POWER-SHARING**

Endgame IV involves a power-sharing arrangement between the reformist circles in the regime and the more moderate elements of the internal and external opposition. It would most likely require a longer time frame to develop than would Endgame III. In both, the Cuban situation is characterized by a sharp economic deterioration and regime decomposition, but Endgame IV differs from Endgame III in three critical respects:

1. Popular resistance to the regime is no longer spontaneous, anomic, or confined to informal networks: It becomes increasingly organized and sustained. Antiregime circles rally around the Catholic Church, and numerous underground opposition groups form and attract growing public support.

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vehemently denied that the Guantánamo incidents took place, and presented Cuban detainees as witnesses. See *CubaINFO*, Vol. 5, No. 9, July 16, 1993, pp. 1-3.

<sup>12</sup>U.S. officials reported five such smuggling incidents during the first half of 1993, whereas Cuban authorities claimed 17 cases. *Los Angeles Times*, July 7, 1993, p. A10.

2. Internal divisions within the regime intensify, with the *reformistas* increasingly distancing themselves from the *duros* and *centristas*. A generational, antiregime tendency also spreads within the FAR as junior and middle-level military officers begin to conspire against their *fidelista* and *raulista* senior officers.
3. At some point, whether through natural causes, accident, forced resignation, or assassination, Fidel Castro is no longer on the scene.

Indeed, Castro's departure is *the* requisite condition for Endgame IV, because he would prefer "Socialism or Death!" to sharing power with his opponents. As long as the Cuban *caudillo* is present, this endgame remains unlikely, whereas his absence would immediately increase its chances.

### Castro: A Question of His Place in History

Of course, Castro's departure seems unlikely at this time. He will turn 68 in August 1994, and although he looks more tired and drawn, he still appears robust and in good health. After 41 years of leading the anti-Batista struggle and then assuming power and ruling Cuba, the odds are terribly slim that an accident will now take his life or leave him incapacitated. Accepting a forced resignation would be out of character for Cuba's *lider máximo*, because it would deprive him of eternal glory and tarnish his place in history as Latin America's most influential leader of the twentieth century. He has also survived numerous assassination attempts in the past—not only because fortune was on his side, but also because Cuban counterintelligence and security precautions have been highly effective, and his own security personnel have remained personally loyal and very professional.

Cuba's current crisis works against Castro's voluntary departure. Since childhood, his mind-set and behavior have exhibited recurrent patterns in which struggle, intransigence, and defiance are valued and practiced. Moreover, the political culture of the Cuban leadership is such that submitting or surrendering is not part of the lexicon. Given Cuba's worsening crisis, the mounting criticism of Castro's rule, and the growing delegitimation of his regime, his resignation would be seen by himself and others as a momentous political de-

feat, an admission of failure of immense proportions that would forever dim his place in history. Thus, Castro is not likely to follow the example of the Shah of Iran, who resigned abruptly as the Iranian Revolution gained momentum; Cuba's *líder máximo* is of a different mettle and mind-set.<sup>13</sup> And he certainly would not want to see himself placed on the same level with lesser, disreputable Latin American presidents and dictators who were forced to go into exile.

There is a remote possibility that Castro might make a bona fide offer to relinquish the reins of power if he could portray his offer not as a defeat but as a grand "historic" gesture to "save" the revolution and spare the Cuban people further suffering and possible civil war.<sup>14</sup> This kind of withdrawal might conceivably appeal to the Cuban *caudillo* if it enabled him to stage his own departure and, by so doing, launch his country on a new course.

Nevertheless, Castro's voluntary retirement is not likely to occur unless possibly in the context of special circumstances whereby his *salida* (exit) rebounds to Cuba's advantage *and* his greater glory. For Endgame IV to start unfolding without violence, he would need a face-saving out whereby he gains a far greater measure of public prestige and stature by departing than by staying in power.

### Opposition from Above and Below

If Castro does not withdraw, then his forced resignation or assassination cannot be entirely discounted in a regime that is unraveling. Both outcomes assume a higher level of possibility if Cuba's economic situation has become intolerable, causing Castro to be widely perceived as having lost his right to rule. In this scenario, active and passive mass resistance would be weakening regime cohesion.

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<sup>13</sup>For an analysis of Castro's mind-set—he exhibits a "hubris-nemesis complex"—and his modes of political behavior, see Gonzalez and Ronfeldt, *Castro, Cuba, and the World*, 1986. For a psychoanalytic portrait of the Shah, see Marvin Zonis, *Majestic Failure: The Fall of the Shah*, Chicago: University of Chicago Press, 1992.

<sup>14</sup>In February 1993, Castro teased American and Cuban audiences by intimating in an ABC television interview that he was prepared to give up his office if doing so would lead to the lifting of the U.S. embargo—except that he appears to have been referring solely to his seat in the National Assembly of People's Power. *The New York Times*, March 7, 1993, p. A18.

Hardliners and reformers among civilian and military circles would be divided over how to respond to the burgeoning political opposition, which itself would become evidence of the regime's delegitimation and growing peril. As when German generals plotted against Adolf Hitler in 1944 in the darkening days of the Third Reich, and when Romanian communist leaders moved successfully against Nicolae Ceausescu in 1989, Cuban military and civilian leaders could view Castro as leading the regime and the nation to their doom.<sup>15</sup>

As we discussed in our 1992 study, popular opposition could take the form of street demonstrations and food riots that begin to overwhelm the government's security organs. An undeclared general strike, in which an exhausted society simply stops going to work, could quickly spread throughout Havana and other cities, paralyzing what is left of the economy and heightening tensions between the government and the populace. With his regime at the point of unraveling, Castro might try to engineer a final military reckoning with the United States in a *Götterdämmerung*-type scenario that could leave Cuba destroyed but would confirm his legacy as Latin America's staunchest anti-imperialist.<sup>16</sup> Such a scenario is not far-fetched: It conforms not only to the value that Castro places on struggle, intransigence, and defiance, but also to the way he and other past Cuban leaders have exalted the acts of death and martyrdom on behalf of the nation.<sup>17</sup> Others within his regime, however, could well refuse to commit collective suicide for Castro's sake; they may still have survival options.<sup>18</sup>

<sup>15</sup>It is conceivable that one or more of the *raulista* generals in the MINFAR may step forward to "save" Cuba from impending ruin by forcing Castro's ouster. Indeed, the most senior of the defecting field-grade officers could emerge as Cuba's Pinochet.

<sup>16</sup>On these and other scenarios, see Gonzalez and Ronfeldt, *Cuba Adrift*, 1992, pp. 54-59.

<sup>17</sup>Nelson P. Valdés observes that "death permeates Cuba's historical and political imagination" and that numerous political figures have died "to show that they have had the best interests of the country in mind and that they held high patriotic and moral standards." "Cuban Political Culture: Between Betrayal and Death," in Sandor Halebsky and John M. Kirk, eds., *Cuba in Transition: Crisis and Transformation*, Boulder, Colo.: Westview, 1992, pp. 221-222.

<sup>18</sup>In April 1991, for example, Roberto Robaina ended his speech on behalf of the communist youth movement by omitting Castro's new slogan, "Socialism or Death!" which the Cuban leader had introduced in December 1989. On the incident, and Castro's reaction, see Oppenheimer, *Castro's Final Hour*, p. 382.

### Obstacles to Forging a New Coalition Government

How might *reformistas* and *centristas* try to salvage the situation? As occurred with some East European communist regimes, they might try to forge a broad "united front" with more moderate elements of the internal and external opposition to restore stability and build a "new Cuba." But key civilian and, especially, military circles would first have to withdraw their support from the *lider máximo*. At that crucial juncture, they could try to persuade him to go into exile to Spain, North Korea, Vietnam, or China to "save" Cuba and the revolution. Or they could depose him by means of a coup or assassination in the tradition of past Cuban martyrs who rose up against the tyranny of the colonial, Machado, and Batista governments. Whichever course is taken would be extremely risky to the conspirators.

Even if the rebellious civilian and military circles succeeded in taking Castro out of the picture, their position would still not be consolidated. Raúl Castro and other loyalists in the Ministry of the Revolutionary Armed Forces and the Ministry of Interior would have to be eliminated quickly, if not simultaneously with Castro, to ensure the viability of a new government. Indeed, the transition from a Castro to a post-Castro government in Endgame IV may not be entirely nonviolent, because there would likely be some armed resistance from hard-core *fidelista* circles, and from security and other personnel who had been responsible for acts of repression.

The obstacles to forming a new power-sharing government would appear to be formidable. Could former members of the Castro regime relinquish their "vanguard" mentality and share power with people who had opposed the government and Cuban socialism? What would be the role of the Communist Party of Cuba, with a membership of over 600,000 and its impressive organizational strengths? Who among the *reformistas* and *centristas* is strong and capable enough to put together a coalition government? Who would control the armed forces and police, and what would be their composition? Would Cuba become like post-1990 Nicaragua, where a revolutionary Marxist party continues to control the army?

In turn, what opposition groups would enter into a pact with leaders from the old Castro regime? Presumably, the more moderate, non-



violent human-rights and dissident groups on the island that favor "democratic socialism" and "national reconciliation" would participate, as probably would some external groups, such as *Cambio Cubano* headed by Eloy Gutiérrez Menoyo, a former anti-Batista and anti-Castro combatant, who currently advocates dialogue with Cuban leaders. But organizations that are more conservative are likely to oppose the new government as a halfway house, and to seek its replacement by a market-oriented government that would support the return of Miami exiles. In the midst of this Cuban cauldron, the new government, its allies, and its opponents would need to practice a civility in politics that has been missing from both sides of the Florida Straits.

Moreover, the absence of personalities and institutions that have strong moral authority in the eyes of the internal and external opposition is likely to pose a major obstacle to a negotiated pact between the regime and opposition groups. Without a Solidarity-type movement, a strong Catholic Church, and a Lech Walesa or Václav Havel at the head of the opposition, who can assure the dying regime and its followers that there will be no reprisals against them by Cubans and Cuban exiles eager to settle personal scores?<sup>19</sup>

Thus, the viability of Endgame IV looks problematic. Even if pressures from above and below could lead to Castro's displacement, the rise of a new government based on a pact with the opposition would face many risks and uncertainties. At least initially, a post-Castro government that emerges from Endgame IV would probably be unstable, tumultuous, and lacking effective authority. It would be in desperate need of external assistance to help rebuild the economy. Cuba would most surely become a source of increased legal and illegal Caribbean immigration to the United States. And, because of the weakness of the economy and government, illicit drug-trafficking on the island would be certain to grow as well.

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<sup>19</sup>According to Anthony P. Maingot, contemporary Cuban history and political culture are likely to exacerbate this problem. "The Ideal and the Real in Cuban Political Culture: Identifying Preconditions for a Democratic Consolidation," in *Cuba in Transition*, 1993, pp. 289-335.

### **ENDGAME V: VIOLENT SYSTEM CHANGE**

The same context of economic and political deterioration found in Endgame IV applies to Endgame V, except that relatively nonviolent change from above and below does not take place. Castro is not displaced or, if he is, a hardliner succeeds him. In either case, the *reformistas* and *centristas* remain powerless to alter course, Cuba plunges into a vortex of mass protest and government repression, and the regime turns to the FAR in a vain effort to control the streets. Meanwhile, Castro (or his successor) seeks to ensure the military's loyalty by capitalizing on occasional armed clashes with U.S. units who may try to protect fleeing Cuban swimmers and *balseiros* from Cuban border guards and patrol boats.

However, the officer ranks of the FAR split over the growing internal repression, the military's role in it, and the risk that Castro may seek a *Götterdämmerung*-type ending. The civilian leadership also finds itself increasingly divided, with liberal reformers ready to "jump ship." Students and workers openly protest against the regime, demanding fundamental system change, to no avail. The situation on the island turns volatile and violent.

### **Civil War and the Fall of the Castro Regime**

At some point, perhaps in an unexpected manner, a political explosion is detonated. It might be triggered by workers and students who confront the regime with a massive walkout that gains broad-based popular support in Cuban cities and towns, at which point army units are deployed but refuse to fire on protesting Cuban civilians. Or perhaps younger, anti-Castro officers try to oust the regime in a coup, possibly even with the support of some of their senior officers.

Whatever the catalyst for the explosion, some FAR units under the command of loyal *fidelistas* and *raulista* generals support the two Castro brothers, as do the MININT's Special Troops and other personnel who constitute the state's repressive apparatus. Civil war thus breaks out between *fidelistas* and anti-*fidelistas* in and outside the regime. As the war progresses, the former find themselves internationally isolated and discredited. Meanwhile, the rebels get support from the Cuban exile community, and from others in the United States, Western Europe, and Latin America. Unlike Endgame III, in

which stasis occurs, this endgame leads to the downfall of the Castro regime and, in its aftermath, to radical system change.<sup>20</sup>

### **The Aftermath of Castro**

In contrast to the preceding endgame, the regime is not succeeded by a coalition or transitional government. Instead, there is a wholesale purge of former civilian and military leaders who have not fled the island or gained diplomatic asylum. Former government and party leaders and cadres are brought to trial and convicted on charges of crimes against the Cuban people. At the grass-roots level, personal scores are settled against Cubans who were ardent supporters of the old regime or, more seriously, who served as informers and members of the control apparatus. Because of the political upheaval and economic wreckage caused by the civil war and its aftermath, more Cubans than ever before try to emigrate, legally or illegally, to the United States.

The new post-Castro regime is committed to making a clean sweep. It allows only those persons who had opposed or not participated in the Castro regime to participate in the new government. It also aims to refashion Cuba along the lines of a market economy and, in time, a liberal democracy with competitive elections and political parties. In the interim, law and order must be restored, new institutions created, the economy jump-started, international credit and foreign investments secured, new ties with the United States and the exile community forged, and issues of compensation for nationalized property resolved. The model for the new Cuban government is not post-Mao China or pre-1982 Mexico; it is post-1989 Poland.

### **ASSESSING ENDGAME PROBABILITIES**

Will the Castro regime be able to weather a controlled crisis as postulated earlier in Endgames I and II? Or will it sooner or later be plunged into an uncontrollable crisis in which the regime is over-

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<sup>20</sup>A *fidellista* victory is not considered in Endgame V because it would resemble the outcome in Endgame III.

taken by Endgame III, IV, or V? Again, the time lines used here concern the short term (1 year) and medium term (1-3 years).

### Improving Odds for Short-Term Survival

As of early spring 1994, the economic situation appears to have stabilized a bit compared to that of the two preceding years. This stabilization, together with the regime's political strengths, suggests that prospects for regime survival, at least in the short term, have improved over what they were a year ago. For the moment, therefore, Cuba appears to be passing through Endgame I and may be entering Endgame II, in which the regime muddles through by adopting something along the lines of the market-Leninist hybrid model.

So far, the emerging model is more Leninist than market-oriented. Castro, the *duros*, and the more conservative among the *centristas*, have slowed the reform process to the point that further movement toward the market now appears less likely than it did in 1993. Avoiding the market, the regime has evidently settled instead on a *centrista*-type approach that revolves around managerial, fiscal, and monetary reforms. These reforms concentrate on making the central government, state enterprises, and local administrative bodies more efficient and productive by introducing organizational and Western-style managerial reforms, cutting the budget, downsizing the government and state enterprises, raising consumer prices, phasing out subsidies for enterprises, restructuring wage incentives, and, perhaps, issuing a new Cuban *peso*. The market appears to be operating only in the external sector of Cuba's bifurcated, "dual model economy." This approach does not allow the market to function in the domestic sector. Whether it can turn the economy around remains to be seen.

In the meantime, other economic uncertainties remain for 1994 and beyond—among them, the size of the harvest, the amount of foreign-exchange earnings from sugar and nickel exports and from tourism, the level of petroleum imports, the extent of foreign investments, and the extension of Western loans and credit. The Cuban economy remains vulnerable to buffeting by adverse developments in the world economy that are beyond its control. Already fragile, the economy is also exceedingly susceptible to drought conditions, heavy rains, and especially, hurricanes.

Thus, whereas the regime appears likely to endure over the immediate future, the odds begin to shift as the time line is extended beyond the short term. If the regime continues to balk at adopting a hybrid model that incorporates market reforms as in China (and, to a lesser extent, in Mexico), it is likely to lay the basis for its own undoing. Even if such a hybrid model could be put in place this year, the regime would still need to produce a reasonably good harvest in 1994 and 1995, and to benefit from other favorable conditions, if it is to survive beyond the short term.

### **But Uncertain Prospects for the Medium Term and Beyond**

If the island's economic situation once again turns critical, whether as a result of the internal limitations imposed by the regime, exogenous factors in the global economy, or natural disasters, then there is likely to be growing restiveness among the population and deeper divisiveness within the regime itself. Should these developments materialize, the Cuban situation could turn increasingly volatile and unpredictable. In that event, Cuba most probably would begin moving toward one of the remaining endgames:

- *Endgame III:* status quo, with heightened repression and possibly militarization
- *Endgame IV:* nonviolent change through a reconstitution of the regime along power-sharing lines
- *Endgame V:* violent, radical change through civil war and the emergence of an anti-Castro regime.

Of these, Endgame IV looks most remote because it requires Castro's departure from the Cuban scene; and it depends also on major political actors in and outside the regime coming together to forge a new, united government. Thus, if the regime is unable to muddle through as depicted in Endgame II, the likelihood is that Cuba will be wracked by increasing political violence from above (Endgame III), which may occur sooner rather than later. Or it will be beset by violence from below (Endgame V), which could erupt in the next year or

two if the economy resumes its free fall.<sup>21</sup> Therefore, the most probable Cuban outcomes—Endgames II, III, and V—portend continued troubles if not major foreign policy problems for the United States over the short and medium terms.

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<sup>21</sup>It needs to be emphasized that the endgames may not occur in sequence. For example, the Cuban situation might well oscillate between Endgames II and III, with the regime stopping the reforms and relying on increased repression to keep the lid on (III), only to restart the reform process later on when the political situation is under control (II). Or the political situation may deteriorate so rapidly under Endgames I, II, or III, that Endgame IV or V follows.

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**U.S. POLICY AND THE CHANGE  
PROCESS IN CUBA**

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The preceding chapters of this study hold U.S. policy constant: The Cuban endgames were identified and analyzed as though the established policy of active containment goes essentially unchanged. The concern addressed in this chapter and the next is whether and how a major policy change, particularly in the direction of lifting U.S. pressures, might affect trends in Cuba and the relative probabilities of the endgames.

The time may come when a major U.S. policy change regarding the embargo might be urgently advisable to accelerate the process of change on the island. But at present, the signs in Cuba are not clearly strong enough to ensure that a major easing of the embargo would lead to a more favorable, less risky endgame than seems likely without such a major easing. In particular, we have doubts about the strength and durability of the liberalizing reformers, or *reformistas*, in the Castro regime. So far, they have had but limited success in liberalizing the economy. As a consequence, lifting the U.S. embargo may do little to strengthen their position or to weaken Castro's hold. It could do the opposite: relieve the pressures on Castro and the hardliners, and strengthen and ensure the authoritarian regime led by them for years to come.

**CUBAN FUTURES AND THE UNITED STATES**

The models, endgames, and trends that we have identified are certain to have consequences for the United States. At present, the

regime is not only surviving but also is enacting some reforms under its current transitional model (Endgame I). If additional market-type reforms are adopted, they will move Cuba in the direction of a Cuban-Chinese hybrid model, which may enable the regime to muddle through and survive for a time (Endgame II)—a prospect that now is becoming the more likely because of recent signs of improvement in the economy. Were such an endgame to materialize, the United States would be faced with a market-Leninist system entrenched in Cuba, which, if the present is any guide, would probably remain more authoritarian in its politics than market-oriented in its economics.

The regime may lack the favorable conditions and time for the market-Leninist model to extricate Cuba from its deepening crisis under Endgame II. Post-Mao China and pre-1982 Mexico at least had large internal markets to build on and, in the Mexican case, some elements of a civil society, as well as a supportive private sector. Thus, if the economy fails to improve further, and popular expectations over a better future are again dashed, Cuba could move into one of the other endgames, perhaps as early as the start of 1995.

The prospects are dim for Castro's becoming absent to make way for new leaders and reforms under a coalition government (Endgame IV). Nonviolent, regime-led change to a coalition government would benefit U.S. objectives if it could open the way to a democratic system and a market-oriented economy. In the best of cases, elections might be held, perhaps emulating Nicaragua in 1990. But it is far from clear that Endgame IV would lead to a stable, much less a democratic, system.

Whereas Castro's absence is a prerequisite to make the Cuban system reformable under Endgame IV, his absence may also remove a stabilizing factor and rend the Cuban polity during a transition to democracy. As occurred for decades with the *peronistas* in Argentina, and recently with the *sandinistas* in Nicaragua, the Cuban Communist Party or its successor may continue to represent a large, organized antidemocratic force. Moreover, the army is likely to emerge as the most potent institution on the island, further undermining the prospects for liberal democracy under Endgame IV. Also, a wide-open Cuba under this endgame could produce high levels of illegal immigration and drug-smuggling, more so than seems likely



under Endgame II. In brief, this endgame appears both unlikely and, if it occurs, very difficult to lead to good results.

Thus, if Endgame II becomes short-lived, and if Endgame IV is unlikely, the relative probability will increase that the United States may witness a display of massive repression on the island (Endgame III), a violent upheaval of indeterminate proportions and consequences (Endgame V), or both. The worst endgame for both the United States and Cuba may be Endgame III because of the heightened repression, which could break out in the near term. Endgame V runs a close second because of the likelihood of civil war, widespread bloodshed, and prolonged instability. Both endgames would raise the risk of military confrontation between the United States and Cuba, and both would incite the Cuban-American community and lead to its demanding U.S. armed intervention.

If Cuba does begin to explode into violence, the risk is increasing that the violence will cascade fast and hard. Prolonged disintegration and disorder seem unlikely. One reason is the polarized state of Cuban society. Although the bases of regime legitimacy may be rapidly eroding among major sectors of the populace, the hard-core *fidelista* supporters in and outside the regime, and many others with a strong personal stake in the existing order, are likely to defend the regime. This defense makes the Cuban situation markedly different from what was seen in Eastern Europe. In addition, and again in contrast to the former Soviet Union and much of Eastern Europe, no public figure or organization of high stature has been identified in Cuba that may serve as a rallying point for peaceful change or as a force for mitigating conflict.

This absence of an opposition figure or organization—the result of totalitarian repression—may be comforting to the regime's hardliners, but it should increase the fear and anxiety of those in the regime who may feel that major peaceful reform is preferable to the alternatives. In the event of spreading civil disorder, the reformers would have no one to negotiate with outside the regime, no one who might constrain people from acting violently, and no one who might offer strong allies for a coalition government. Neither an Elizardo Sánchez nor an Eloy Gutiérrez Menoyo has the stature and the presence to fulfill this role on a national scale. This lack makes Endgame IV all the more tenuous. Worse yet, it increases the perils for all parties—

not only those in Havana but also those in Washington—if Cuba starts oscillating between Endgames III and V.

### **PERILS—AND A CONUNDRUM—FOR U.S. POLICY**

Ideally, U.S. interests would be best served were Cuba to undergo a peaceful transition to a stable political democracy and a prosperous market economy. The problem is that neither the current transitional model nor the alternative future models hold much promise that Cuba will evolve substantially in that direction in the near or medium terms. The endgames that these models are likely to yield are perilous for U.S. policymakers.

Given that Cuba may eventually slide into an oscillation between Endgames III and V, it might be concluded that it would be advisable for U.S. policy to do what it can to prevent such a slide. Endgame II, in which the Castro regime muddles through on the basis of an evolving Cuban-Chinese model, may then appear attractive as a sub-optimal outcome: It looks the least perilous of the endgames, for it may reduce the potential for conflict.

But should the United States relent on its goals for political democracy, accept a repressive authoritarian regime, even one not still led by Castro, and by so doing, ensure that such a regime remains entrenched for many more years? Our analysis indicates that Endgame II should be viewed less with hope and optimism than with caution and skepticism—in large part because of inherent limits on the prospects for extended liberalization.

### **The Limits to Liberalization**

Unlike the case in other countries, *liberalization* in the Cuban context does not necessarily mean much *marketization*. *Liberalization* has so far meant trying to make the state economy more efficient while allowing only some very restricted activity by certain categories of individuals in specified trades, crafts, and services under the September 1993 Decree 141. It has also meant thus far that private foreign investment and competition are allowed under highly administered, restricted conditions. The state selects and licenses those Cubans “of confidence” who may form joint ventures with

foreign investors. In command-economy style, the government or the people it handpicks as coinvestors for the foreigners still designate which workers, contractors, and suppliers the foreign firms should use in building up their investments.

There is little in all this that is truly market-oriented, little to indicate that the market system per se will get the credit for successful investments, increased efficiencies, and more goods and services. There is even less reason to believe that the Castro regime will be willing to allow the extension of the market to the internal economy. This is confirmed by the restrictions and conditions contained in the September 9 self-employment decree, which leave the legalized private sector still far behind where it was prior to 1968.

Many U.S. and Cuban commentators neglect this reality, preferring to argue for a relaxation of the U.S. embargo on grounds that the recent liberalization of the external economy (Model I) begins a process that should lead to the liberalization of parts of Cuba's internal economy, including some marketization (Model II).<sup>1</sup> According to such commentators, this process of liberalization will rebound to the benefit of the reformers in their struggle for influence inside the regime, enabling them to offset the political power of Castro, the hardliners, and the centrists.

But a contrary outcome looks equally, if not more, likely: Once the liberalization process strengthens the hand of Castro, the hardliners, and the more conservative among the centrists, they may bring that process to a halt. Rather than the controlled liberalization of the external economy becoming a reason to also liberalize the internal economy, the income it generates becomes the means to finance the preservation of Castro's vision and his regime without engaging in further reform. In other words, the economy remains bifurcated, and the political power held by Castro and his hardline adherents is augmented by the new infusions of foreign-exchange earnings.<sup>2</sup> If

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<sup>1</sup>For example, see Monreal, "To Market, to Market . . .," 1993, pp. 10-12; and Zimbalist, "Dateline Cuba," 1993.

<sup>2</sup>The Soviet case is instructive here in showing how the easing of economic pressures by the West served as a disincentive to enact further reform under a government that, unlike Castro's, had committed itself to *perestroika*. According to Boris Fyodorov, the former Russian Finance Minister, "After each new loan (from the West),

need be, they might even feel emboldened to increase repression and perhaps militarization to remain in power, as in Endgame III. Meanwhile, the reformers would get congratulated for helping save the regime but would be marginalized when it comes to implementing other aspects of their liberalizing agenda. The reform process goes no further. Thus, under this scenario, Endgame I could persist for years, with no further evolution into Endgame II, precisely because the limited liberalization of the external economy is successful.

Or assume that the evolution toward Endgame II is completed under a Chinese-type model, or under a hybrid model that melds elements of the Chinese and the Cuban transitional models. In either case, the result is a form of market-Leninism, which has aspects of a market-type economy, including in the domestic sector, but preserves one-party rule and an authoritarian, repressive state.

If these alternative outcomes seem plausible, policymakers and analysts should be wary of hypotheses about the inevitability of fundamental system reform in Cuba. In the long run, such reform may occur, but probably not under the aegis of Castro and his cohorts. The changes he has permitted may be the product of little more than his tactical pragmatism, in which once again he cleverly disguises his real intentions of preserving his power and socialist vision under the cloak of seeming moderation. What remains lacking is a genuine commitment to transform the command economy into a market economy through such measures as monetary and fiscal reform, price and wage deregulation, privatization and property-rights protection, the breakup of state monopolies, and currency convertibility.<sup>3</sup>

It seems advisable for the United States to await the enactment of more-explicit market-oriented reforms before concluding that the process is real and probably irreversible, and that Castro has indeed changed his mind and accepted market economics. As a start, the evidence could come with the revival of the Peasant Free Market, the conversion of some state enterprises into private firms or indepen-

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former President Gorbachev would lose interest in any kind of reform." "Moscow Without Mirrors," *The New York Times*, April 1, 1994, p. A11.

<sup>3</sup>See Wolf, *Getting to Market*, 1991.

dently owned cooperatives, and the opening up of the domestic economy to private individuals *and* small firms without the restrictions imposed by Decree 141. These reforms would do more than simply return the Cuban economy to more or less where it was in the mid-1960s. They would constitute a major breakthrough in setting the economy moving in the direction of the market.

### **The Difficulty of Obtaining a Positive Cuban Outcome**

A perilous conundrum emerges for U.S. policymakers. On the one hand, they can now identify a set of reformers inside the Castro regime who, while not pro-United States, are in many respects what Washington has long waited to see in Cuba. On the other hand, not only is there no easy way to address the reformers, but major moves by the United States to try to strengthen them may backfire and end up weakening or harming them instead.

For example, suppose the United States lifts the embargo, believing this action to be a wise response to the reformist current and an incentive for Cuba to pursue Endgame II. But lifting it (perhaps because it is done too early) plays into the hands of Castro and other hardline leaders. They still outnumber the reformers and control the reins of power; flush with Cuba's new financial resources, they could freeze the reform process and subdue the reformers for years to come.

Or suppose that, to avoid a collapse into violent civil disorder, reform toward a new model under Endgame II or IV gets adequately under way with some U.S. encouragement, maybe including an easing of the embargo. But the process is too long term, proves fragile, and requires more resources than are available, and Cuba still erupts into violent civil disorder in the short or medium term.

A key challenge for U.S. policy is trying to foster an endgame that will strengthen the reformers, reduce the risks of violent civil disorder, and promote fundamental system change. As in decades past, the major obstacle to such change is Cuba's top leader:

Cuba's worst enemy today is not Uncle Sam. It is Fidel Castro. Devoted to his country and (most of) its people, the Cuban president for years has been doing incalculable harm to both. His no-

tions of democracy are Leninist, his human-rights record is dismal, his economic policies have proved a disaster. Whatever his past services, the best thing he could do now is resign. The next-best is to change his ways or at least let others change them for him. That is starting to happen, albeit slowly. What can the world do to accelerate the change?<sup>4</sup>

Unfortunately, simply lifting the U.S. embargo will not necessarily strengthen the hand of the reformers in their dealings with Castro, the hardliners, and the centrists. Given the experience of other communist states and the regime's own record thus far, it remains largely indeterminate whether the current Cuban system is reformable. Even if the system could be reformed, at this moment (April 1994) it remains moot whether U.S. policy changes would have significant positive effects that benefit the reformers more than Castro and his hardline cohorts.

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<sup>4</sup>"After Vietnam, Cuba?" *The Economist*, February 12, 1994, p. 17.

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**TIME FOR A TWO-TRACK STRATEGY**

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The preceding discussions of the alternative models and endgames show that the situation in Cuba is much more fluid and potentially volatile, and that U.S. policymakers are faced with a far more complex set of issues than was the case two years ago. In very general terms, the analysis reduces to posing two very different kinds of outcomes for U.S. policy:

- On the one hand, the Castro regime may survive, as in Endgames I and II. If so, it will probably remain in a lingering, prolonged, but *controlled* state of crisis for many years. During this time, it may try to evolve into a Cuban variant of Chinese market-Leninism or perhaps move toward a somewhat liberal political-economic order like that of pre-1982 Mexico. Meanwhile, U.S. policy may try to press for democratic and market reforms, respect for human rights, and greater tolerance of civil society—but these goals will remain elusive.
- On the other hand, an *uncontrolled* crisis may erupt at almost any time, along the lines of Endgames III and V, or possibly IV. U.S. policy may be faced with a situation in which the regime resorts to heightened repression; or it is violently overthrown by a coup or civil war; or it collapses, but a new (dictatorial? democratic?) government is constituted fairly quickly. Meanwhile, U.S. policymakers may be compelled to act unilaterally and/or multilaterally, in both military and nonmilitary ways, to contain, alleviate, or resolve the crisis.

It is not clear that U.S. policy can do much to affect what happens in Cuba. But these two stark depictions reduce, in turn, to two very general implications for U.S. policy.

First, if the Castro regime can muddle through to a new system that combines authoritarianism with economic liberalization, U.S. policy will be faced with a new situation in which democratization remains an elusive goal. If so, and if there are good reasons to improve relations despite this elusiveness, then perhaps U.S. policymakers should consider elevating marketization as a system-changing goal of U.S. policy. In the meantime, they could still try to utilize new avenues for U.S.-Cuban contact and U.S. influence to soften the regime's authoritarian behavior.

Second, the prospect of facing an uncontrolled crisis does not fit neatly into the established U.S. policy track toward Cuba, which is mainly geared to dealing with the first outcome depicted above. U.S. policymakers may find it advisable to develop an explicit dual-track strategy that prepares *simultaneously* for dealing with the two contrasting outcomes depicted above for Cuba.

### RECONSIDERATION OF U.S. SYSTEM-CHANGING GOALS

Traditionally, U.S. policy has emphasized two long-term, system-changing goals: seeing Cuba become a democracy, and seeing it open its economy.<sup>1</sup> The first has normally taken priority because it was assumed that democratization would lead to desirable economic changes. It never seemed right to call for marketization first in dealing with a communist regime that had mastered the rhetoric of anti-capitalism. Thus, save for the issue of compensation for nationalized U.S. properties, the normalization of U.S.-Cuban relations has been predicated on Cuba's agreeing to hold democratic elections, respect human rights, and take other, mainly political steps (e.g., release political prisoners) in exchange for a lifting of the U.S. commercial and financial embargo.

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<sup>1</sup>It could be argued that the U.S. policy has had but a single, all-encompassing goal—democracy—on grounds that the three goals specified here—political democracy, a competitive market economy, and an open civil society—are facets of that one goal. Also, it should be noted that, to keep the focus on fundamental system-changing goals, this treatment puts military and security issues to the side.



Is this still a sensible formula? Our analysis raises questions and calls for clarifications in three regards.

First, U.S. policy should want Cuba to become a liberal democracy in the long term. But the endgames identified in this study do not show any easy way to achieve that goal in the short and medium terms. Instead, the endgames raise a dilemma:

- Should U.S. policy insist on the goal of liberal democracy in ways that could be achieved only with an entirely new, post-Castro government? Such insistence implies working for Endgame IV and maybe Endgame V.

But these endgames could result in a nondemocratic regime, or in a disorganized, fractious society like Nicaragua's. Meanwhile, as long as Cuba remains stuck in Endgame I, the United States' insisting on full democracy may increase the risks of civil war, because it virtually means that the Castro regime has to fall before the United States will normalize relations with Cuba. How is this fall to be achieved under these circumstances—and at what cost?

- Or should U.S. policy relax the goal of democracy and accept an (elected?) authoritarian reformist regime for awhile? Endgame II offers such a regime.

But this possibility also leaves Castro at the helm or a power behind the scenes. Accepting it would compromise the finest U.S. ideals regarding democracy, and encounter domestic opposition from Cuban-Americans and many other critics. Yet it might be a pragmatic interim solution if the reformers seem headed in the right direction (e.g., marketization), if the switch to such a regime would bring relief to the Cuban people and reduce the likelihood of civil war and massive emigration, and if Castro seemed headed for marginalization anyway.

There is no easy answer to the above dilemma. But it is a dilemma that U.S. policymakers may need to ponder and anticipate.

Second, in the case of Cuba, the standard formula is to prefer democratization over (or prior to) marketization. But marketization may be an easier objective to advance, given the recent opening of Cuba's

external economy and the reformers' apparent interest in allowing limited forms of private enterprise in parts of the internal economy. Indeed, calling for marketization may be less destabilizing—and more inviting to the reformers—than pushing for democratization. Moreover, a large body of literature, including new work by an author of this study, shows that democratic systems require the presence of a market economy—and the feedback of market-type principles into the realm of political behavior.<sup>2</sup> This finding suggests that it may be advisable to review and perhaps raise the importance of marketization as a U.S. policy goal.

As this study has noted, marketization not only presents Castro with major political problems, e.g., loss of personal control, but also with an intellectual one, because he confuses the market system with “the evils of capitalism.” Thus, he has opposed the adoption of real market principles, forcing the reformers to limit and disguise their liberalizing agenda. If the Cuban leadership is compelled by economic imperatives to opt for a market system—perhaps under the label of “market socialism,” even though this form of socialism has not worked well elsewhere—it will have to allow private individuals and enterprises to operate without the heavy hand of state intrusion and control.

In the meantime, if marketization merits higher priority for U.S. policy, its meaning could be given better definition. In calling for marketization, for example, the United States needs to clarify that it is not seeking simply to reopen Cuba to U.S. private enterprise. Rather, it also has a broader national interest in promoting the emergence of open, dynamic market economies in Cuba and the rest of Latin America because the market represents the most efficient system for facilitating complex economic transactions, freeing up the creative capacities of individuals, and promoting general prosperity. The conversion from a nonmarket to a market economy can be initiated only by the Cubans in pursuit of their own interests, but it could require substantial support and guidance from outside nations.

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<sup>2</sup>David Ronfeldt, “Institutions, Markets, and Networks: A Framework About the Evolution of Societies,” RAND draft, DRU-590-FF, December 1993. A preliminary summary and application appears in David Ronfeldt and Cathryn L. Thorup, “North America in the Era of Citizen Networks,” RAND Draft, DRU-459-FF, August 1993. An application to Cuba is being contemplated.

A third system-changing objective needs to be separated out that may otherwise be diminished under a liberal-democracy heading: The United States should work for the emergence of a civil society in Cuba. Civil society spans a broad range of nongovernmental and grass-roots associations that give organized voice and influence to people in their relations with the state. Initially, this objective should include the emergence of independent NGOs or human rights, trade unions, dissidents, intellectuals, students, and other groups.<sup>3</sup> The growth of such civil-society actors would be supportive of a nonviolent change process in Cuba, better enabling the cultures of political democracy and market economics to take root.

This objective could prove a major point for U.S. policymakers and for diplomatic and military officials. Around the world, the realm of civil society—as manifested by transnational NGOs dealing with disaster-relief, human-rights, conflict-mediation, environmental, and other global issues—is gaining strength relative to the realms of the state and the market. A key reason for this phenomenon is the information revolution: Its technologies increasingly enable small, once-isolated groups to link together in vast, well-coordinated, cross-border networks and coalitions to undertake social missions. In Somalia and elsewhere, for example, the U.S. military learned that it, too, must create a new interface for communications, coordination, and consultation with NGOs involved in disaster relief and other humanitarian activities.

If the realm of civil society begins to open up in Cuba, Endgames II and IV could each involve variations on this new global trend. Thus, it seems advisable for the U.S. government to begin planning for the types of relations its diplomatic, military, developmental aid, relief officials, etc., may want to foster with Cuban NGOs (if they emerge) and with outside NGOs that may enter the Cuban picture under some conditions.<sup>4</sup> It may also be advisable to begin identifying and

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<sup>3</sup>What the Castro regime claims are *Cuban NGOs* are really *government-organized NGOs*, known as GONGOs; they by no means signify an independent civil society.

<sup>4</sup>Such planning could involve the U.S. government with some unusual actors. For decades, the American left and much of the center-left have been pro-Castro and critical of U.S. policy toward Cuba. This remains the case with the traditional left. But a new tendency is emerging in some leftist and center-left circles in North America and Europe: They are increasingly focusing their ideals and energies on creating

perhaps informally contacting civil-society actors in Miami and other parts of the United States (e.g., at The Carter Center at Emory University<sup>5</sup>), and perhaps abroad, who may end up playing useful roles in protecting and developing civil-society actors in Cuba. Such development could become as important an activity as market-building, depending on the endgame and Cuban receptivity.

In sum, to the extent that U.S. policy keeps systemic reform high on the agenda for Cuba, that agenda should be explicit about the reforms of interest in all three realms: government, economy, and civil society. Moreover, the agenda should clarify what reforms in which realms are of priority interest, and what the implications are for U.S. preferences and trade-offs among the endgames, particularly Endgames II and IV. For democratization of the political system to remain the priority implies pushing (or at least waiting) for an entirely new regime under Endgame IV, meanwhile fending off possible deceptive attempts by the Castro regime to survive by offering a fake democratization in a "grand gesture" to get concessions from the United States. For marketization to be given priority, the evolution of the Castro regime into a highly reformist mode under Endgame II would have to be made acceptable to U.S. interests.

### **TRACK ONE: REVISITING U.S. POLICY OPTIONS**

In 1991–1992, the issue for U.S. policy was whether Cuba would go the way of Eastern Europe and the Soviet Union—and whether the

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transnational movements that represent "global civil society." From this perspective, civil society must be independent from the state and the market, which means that the Castro regime deserves criticism from the left for its obliterative treatment of civil society. It also implies that if a human-rights NGO in Cuba is allowed access to the outside world, actors on the left that identify with global civil society may contribute to strengthening the Cuban NGO. Such strengthening may occur mainly through information and communications measures, because the proponents of this trend identify with the information revolution (e.g., through Peacenet and other computer networks that are affiliated with the global Association for Progressive Communications). The point is not that their efforts will support U.S. government efforts to open Cuba up, but rather that, despite the ideological differences, there may be a rough overlap of interests in seeing an independent civil society allowed in Cuba.

<sup>5</sup>The Carter Center at Emory University is the location of both (a) the International Negotiation Network, which can help with crisis mediation, and (b) the Council of Freely Elected Heads of State, which can help with election-monitoring.

United States should persist with its established Cuba policy, or increase or decrease the pressures on the Castro regime. Our 1992 RAND study concluded that the regime's political strengths outweighed its economic weaknesses, that it would probably remain in power for at least the short term (1-2 years), but that the prospects for instability would increase afterwards if major system changes were not accomplished. We recommended retaining the established framework of the U.S. containment policy toward Cuba, but augmenting it with a new information and communications policy that would help lower Cuban perceptions of a U.S. threat, build bridges with key Cuban elites, and nurture Cuban civil society, among other goals.<sup>6</sup>

Today's analysis of the endgames and of current conditions in Cuba implies taking a new look at U.S. options. What, if anything, should be changed in U.S. policy, the better to affect current trends in Cuba and the prospects for the endgames? We find no good reasons to revisit the option to increase the pressures on the Castro regime: That option remains inadvisable. But conditions in Cuba have changed enough that the other two options—continuing the established policy or decreasing the pressures—deserve to be revisited. Also, we would now add to the list an in-between option: selectively easing the embargo.

This review is needed for considering the U.S. capacity to deal with a prolonged, regime-controlled crisis in Cuba along the lines of Endgames I and II. New political winds in Havana, Miami, Washington, and elsewhere are beginning to produce a growth industry in fresh proposals for the U.S. government to ease, if not lift, the embargo, open a dialogue with the Castro regime, give Castro a face-saving way out, and either leave the Cuban regime alone to determine its own policies or negotiate for some system-changing reforms in exchange for lifting the embargo and other pressures. Would adopting such proposals have positive effects? Would doing so be better than staying with the established policy?

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<sup>6</sup>Gonzalez and Ronfeldt, *Cuba Adrift*, 1992, pp. 47-82.

### Principal Track-One Options

- Option: Staying the course—adaptively—with the evolving containment policy.

This option means staying the course with the current policy until the Cuban situation looks riper for change (preferably under Endgame II or IV), and there is better, more encouraging knowledge about the prospects for reform and how to support it on the island.

The U.S. effort to stay the course against the Castro regime has revolved around the decades-old policy of containment. Its centerpiece has been the embargo, with allowances made for private shipments of humanitarian and informational goods under licensed conditions. At times, depending on the turn of events over the decades, the policy has also included political, military, and other pressures and countermeasures. The policy has not, as a rule, actively sought negotiations for normalizing U.S.-Cuban relations—but U.S. officials have always been open to overtures.

In the past two years, the policy has gone through considerable adaptation to the changing nature of the Cuba problem. Many modifications have been made along the lines recommended by our 1992 RAND study and by other Cuba watchers inside and outside the U.S. government. New telecommunications links are being planned that will improve telephone, fax, and computerized electronic mail (E-mail) connections. Cuban academicians and researchers are finding it easier to visit the United States. Private donations of medicines and other humanitarian assistance are getting to Cuba more easily. The Pentagon, desiring to initiate confidence-building measures with the Cuban military, is providing it with advance notification of impending U.S. military exercises in the Caribbean. The U.S. government is distancing itself from the most violent and right-wing of the exiles in Miami, and is warning them not to conduct armed attacks. Support for TV Martí is being reconsidered.

Thus, in many respects, the policy is being reduced, relaxed, and made more flexible all around the edges. Despite the Cuban Democracy Act (CDA) of 1992, which tightened the embargo, U.S. policy no longer resembles the active containment policy of the past.

It is not really a "containment" policy at present; indeed, with Castro and Cuba so weak, there is little threat to worry about containing.<sup>7</sup> In terms of punitive elements, it is increasingly a policy limited to the embargo, combined with an enduring and increased insistence on democratic, human-rights, and other reforms. Otherwise, the policy is increasingly open to information and communications exchanges with Cuba, at both governmental and societal levels.

This is a major set of changes, quietly made. The option here is to stay the course with this updated version of the established policy, as we recommended nearly two years ago. Yet there is the question, discussed above, of whether it would be preferable to shift the emphasis from democratization to marketization.

- Option: Easing the embargo selectively, especially with regard to humanitarian matters and information flows.

The embargo would be eased to allow the unrestricted sale and provision of medical, health, and other humanitarian goods and services to Cuban recipients. This easing would go one step further than under current provisions of the CDA, which permit the sale of medical and health supplies provided there is third-country certification that the items will not be exported, used by the biotechnology industry, or employed in the torture of prisoners. The exchange of informational materials is already allowed under the CDA; sale of fax machines and computer hardware and software to Cuba should also be allowed. Were the need to arise, the speedy provision of disaster relief would also be considered under the option for selectively easing the embargo.

The purpose would be to alleviate suffering among the populace—partly to compensate for the growing inability of the Castro regime to meet the basic needs of the Cuban people—as well as to offer an unthreatening, friendly outreach that may dissuade Castro from hyping "the U.S. threat," encourage the reformers, and improve the prospects for peaceful change on the island. This outreach could be advanced indirectly through the provision of medical supplies, hu-

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<sup>7</sup>Containment of the secretive production, sale, and shipment abroad of chemical and bacterial weapons remains a concern. Regime-sponsored drug-smuggling and Mariel-like immigration explosions also still need to be guarded against.

manitarian relief, and telecommunications and informational material to NGOs on the island, a step that would help strengthen civil society. As discussed in a companion RAND study released in 1993, the easing might be undertaken in the hope that it would help set in motion a bargaining process.<sup>8</sup> Otherwise, the embargo on commercial and financial transactions would remain generally in place, as would the insistence on democracy and respect for human rights.

- Option: Actively moving to end the embargo and other pressures and to normalize relations.

This oft-posed option, which we analyzed (and rejected) in our 1992 study, is increasingly reiterated on grounds that Cuba does not represent a Soviet-linked threat, immiseration is afflicting the Cuban people, the regime has taken steps to liberalize the economy, and the lifting of the embargo would strengthen the position of the reformers and accelerate the process of change. Another rationale is that lifting the embargo would prevent Castro from escaping responsibility for his grievous economic errors, thereby hastening the likelihood of his departure.

The *sine qua non* of the option is the immediate or phased lifting of the embargo. In most versions, lifting would be done in exchange for Cuba's agreeing to a string of reforms, the most important being democratization. But other versions might be posed in which the emphasis is put on marketization, and the evolution of a market-Leninist or free-market authoritarian regime (à la China) is tolerated. We do not lay out these various versions or analyze them here, since our focus in the discussion that follows is limited to the broader question of whether much at all could be gained from lifting the embargo, particularly with respect to the issue of advancing system change in Cuba.

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<sup>8</sup>John Arquilla, *A Decision Modeling Perspective on U.S.-Cuba Relations*, RAND, MR-337-USDP, 1993. We agree with our colleague that the United States might test the Cuban government's intentions at home and abroad by undertaking unilateral initiatives short of lifting the embargo.



### **Track-One Options Versus a Regime-Controlled Crisis in Cuba**

Would a change in U.S. policy have much influence on trends in Cuba and the prospects for Endgames I and II? The question of U.S. influence is an old one, and the authors of this study have found no definitive new answers—only a string of further questions and points that add to skepticism and uncertainty about U.S. influence. In many respects, Castro and Cuba may march to their own drummer almost regardless of what the United States does.

The endgames highlight two particular concerns for U.S. influence: (1) the prospects for the reformers to rise in the Castro regime, and hence for Endgame I to evolve into Endgame II (or even IV); and (2) the prospects for civil disorder, and hence whether Cuba can remain in Endgames I and II and not evolve into Endgame III or V. If U.S. policymakers cannot be sure that lifting the embargo or other major changes to U.S. policy would strengthen the reformers and/or make civil war unlikely, the expectations for using a policy change to raise U.S. influence and affect Cuban outcomes are flimsy and dicey.

In Cuba, the new reformers argue that if the U.S. government would ease the embargo and show it is not "the enemy," space would be opened for them to gain influence and help Castro save face in ways that would benefit Cuba's liberalization process. In the United States, new (and old) critics of U.S. policy are voicing similar arguments that U.S. pressures prevent Cuba from reforming, and that ending the pressures will undermine the position of the hardliners and allow reform.

But these arguments ignore the fact that an economic reform process has begun in Cuba both in spite of U.S. policy and perhaps because of it: More liberalization has occurred in the past few years than in the past few decades—with the U.S. embargo in place and more effective than ever, owing both to the Cuban Democracy Act and the "second embargo" created by the collapse of the Soviet Union. So why believe that U.S. pressures prevent reform? And why believe that U.S. policy should ease up just now? Why not wait for more economic and political reforms to occur, until it appears that the process is irreversible? At present, the Cuban economy remains far from having a market system, and there are no serious signs that the

Castro government is truly willing to negotiate full-scale democratization in exchange for lifting the embargo.

The embargo is the single most influential instrument at the disposal of the U.S. government.<sup>9</sup> If negotiations were conducted now with the Cuban regime about lifting the embargo, the embargo's value as a bargaining chip might grow temporarily—or at least become evident—in the course of those negotiations. But suppose the embargo is then lifted, or a schedule is set for a phased easing, what then? After a period of euphoria and optimism, influential new instruments and connections may be developed, e.g., for commercial and financial transactions. But such development may take time and may not give the U.S. government more new influence than it has over other nations. Can U.S. policy have greater influence over Cuba than it has over Haiti or Nicaragua? Once the embargo is gone, the ability of U.S. policy to influence Cuba may dissipate rapidly, especially if Castro is still in power. Meanwhile, as discussed in Chapter Eight, lifting the embargo now could play into Castro's hands and lead to a marginalization of the reformers and the reform process.

In other words, it is not evident that lifting the embargo at this juncture would result in strengthening the reformers. It might have reverse effects. It is advisable to wait for the reform process to deepen, as a result of Cuba's own internal decisions, before moving to lift the commercial and financial embargo.

The case of Vietnam provides support for this argument. Critics who claim that Cuba represents no more a threat than Vietnam, and therefore that the United States should lift its embargo on Cuba as it has done with Vietnam, are missing an important point: Vietnam has moved well along the road to developing a market economy ever since it began introducing free-market reforms in 1986. By now,

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<sup>9</sup>A rhetorical question that, to our knowledge, has not been posed before is, Which has more influence on the Cuban equation, Fidel Castro or the U.S. embargo? Many critics of U.S. policy point the finger at the embargo, meanwhile arguing against using Castro as an explanation for so much that goes right or wrong in Cuba. In contrast, many critics of the Cuban Revolution point the finger at Castro, meanwhile arguing that the embargo has a marginal economic effect compared to the faulty organization and distorted decisionmaking that characterize the Cuban system. Why do so few people have positions in which the two factors—Castro and the embargo—are of roughly equal significance in the overall equation?

prices are increasingly set by market forces, even for the state-run enterprises. The exchange rate is allowed to float. Agricultural land is increasingly in the hands of private tillers. The laws are being liberalized to attract foreign investments, particularly in the foreign trade sectors, and to permit the entry of foreign banks. All sorts of foreign goods, even cellular telephones, are for sale to consumers in the domestic economy. Rapid growth is occurring in small private enterprises, notably, in restaurants, entertainment, and ground transport. Today, Saigon is looking to Hong Kong as its model, and some foreign observers are viewing Vietnam as the next Asian tiger.<sup>10</sup>

Thus, even though Vietnam's policies about U.S. soldiers missing in action (MIAs) played a major role in getting the U.S. government to lift its economic embargo and stop blocking international loans in July 1993, the point still stands: The U.S. embargo was lifted years after Vietnam began introducing market-led reforms, when it seemed sure to remain on that course and was showing signs of economic recovery that owed to those reforms. In short, Vietnam had passed the point of no return when the embargo was lifted. How close is Cuba to that point? Castro's policies are still keeping Cuba from crossing it. The comparison with Vietnam suggests that Cuba's reform process is not yet ripe for lifting the embargo.

Would easing U.S. pressures reduce the prospects for violent civil disorder in Cuba, and help keep Cuba in Endgames I and II, or move it into a peaceful transition to Endgame IV? As noted in our 1992 study, civil war in Cuba would not be a good outcome for U.S. interests. Lifting or easing the embargo would surely be greeted with a vast sigh of relief in Cuba. But doing so would probably translate into enhanced tenure for Castro and his hardline cohorts. In short, the likelihood of violent civil disorder would probably decline, but at the expense of ensuring the regime's longevity and without propelling the reform process forward.

For such reasons, we conclude that the cons still outweigh the pros with regard to the option of lifting the embargo at this juncture. At

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<sup>10</sup>See *The World of Information: Asia and Pacific Review, 1993/94: The Economic and Business Report*, 13th ed., London: Kogan Page and Walden Publishing, 1994; and *Far Eastern Economic Review: Asia 1994 Yearbook—A Review of the Events of 1993*, Hong Kong: Far Eastern Economic Review Ltd., 1994.

some future point, if the reform process continues, its deepening may be unlikely to proceed further without a U.S. response. At that point, U.S. policymakers might be well advised to propose to ease, if not lift, the embargo. But Cuba is not at that point yet. If U.S. planners and policymakers were to assemble to review U.S. policy, they should spend more time on considering how to prepare for an uncontrolled crisis in Cuba (Track Two) than on whether to lift the embargo for a Cuba bogged down in a controlled crisis (Track One).

Meanwhile, the option of selectively easing the embargo with respect to medical, health, and other humanitarian goods and services that meet people's basic needs does seem worth considering. At some point, this selective easing might help ameliorate some of the deprivation and suffering at the local level, improve society-to-society relations between Cuba and the United States, and encourage the reformers in the Castro regime. A humanitarian easing might also politically facilitate the United States' maintaining the embargo as a whole.

#### **TRACK TWO: PREPARING FOR AN UNCONTROLLED CRISIS**

At the same time that the United States attempts to influence the outcome of a prolonged but controlled crisis on the island, so too must U.S. policy be ready to deal with a wide array of contingencies if Cuba is suddenly overwhelmed by an uncontrolled crisis. A Cuba that begins to unravel is certain to affect U.S. interests directly because of Cuba's proximity, its strategic location in the Caribbean, and its nearly 11 million inhabitants, many of whom are linked to family and friends in Florida and other states. This concluding section assesses the ramifications of an uncontrolled crisis and suggests precautionary and contingency measures for a prudent U.S.-Cuban strategy.

#### **Threatening Ramifications for U.S. Interests**

A Cuba mired in Endgame III, in which the regime heightens repression to restore control, or a Cuba plunged into mounting turmoil or civil war as in Endgame V, would increase the prospects of a military confrontation between Cuba and the United States. As discussed in Chapter Seven, an armed clash could be triggered by an incident in

which Cuban military units cross into U.S. waters or airspace at Guantánamo, or into international airspace and waters, perhaps in pursuit of Cubans fleeing the island. Or, more ominously, a military confrontation could occur because a desperate Castro provokes it, opposition elements on the island appeal for U.S. intervention, and/or Cuban-Americans and others in the United States urge a "humanitarian intervention" to stop the bloodshed and oust the Cuban leader.

At the very least, Endgames III and V, and even the less apocalyptic Endgame IV, in which a national unity government is formed to succeed the Castro regime, are likely to entail considerable turmoil and confusion on the island. A collapsing economy, a breakdown in law and order, and open political conflict between government and opposition, or between contending political factions, are certain to produce rising crime in the streets and general social disorder. Because of government collusion or the lack of government, drug-smuggling and other criminal activities on the island will surely increase under any endgames. Meanwhile, accurate information concerning events and contending political forces on the island may become a scarce commodity, owing to breakdowns in communication, misinformation, and deliberate disinformation.

Perhaps most predictable of all, the three endgames are certain to produce large, uncontrolled migration flows from Cuba that would dwarf the 1980 Mariel exodus of 125,000 Cubans, not to speak of the recent Haitian migration. The United States has long beckoned to Cubans: It is rich and geographically close; it now has 1.2 million Cuban-Americans residing in Florida and other states; and for decades its immigration laws have given preferential treatment to Cubans as refugees from communism. However, the "push" factors on the island are now stronger than ever. Over the past two years, Cubans have experienced far greater economic deprivations and political repression, and more of a sense of hopelessness than in 1980, when the Mariel exodus occurred. Thus, the number of *balseros* reaching Florida increased by more than sevenfold between 1990 and the end of 1993, with the latter year setting a new record of nearly 3,700 *balseros*, as desperate Cubans preferred risking the

treacherous Florida Straits over remaining on the island.<sup>11</sup> With over 1,400 new *balseros* having already arrived between January 1 and mid-April, the year 1994 appears headed to be another record breaker.<sup>12</sup>

An uncontrolled crisis could vastly increase the flow of outmigration in any number of ways. For example, if the Cuban government cracks down and militarizes under Endgame III, it could try to relieve social pressures by creating another Mariel and inviting Cuban-Americans to undertake a new boatlift. Such a move could lead to a loss of social control as Cubans stampede to leave the island, but the regime might be desperate enough to risk a Mariel II and perhaps use it to increase tensions with the United States. Under Endgames IV and V, the outmigration may result less from government policy than from a loss of governmental control. Nevertheless, outmigration surely would be as great, if not greater, as Cubans seek to save themselves and their families from the strife, uncertainty, and economic devastation accompanying governmental instability or civil war.

The magnitude of a future Cuban outmigration cannot be predicted under any of these endgames with any precision. But present conditions on the island, and the potential for further deterioration in the years ahead, suggest that the outflow could easily exceed the size of the Mariel exodus of 125,000 Cubans by 20 or 25 times. Only if the refugee status of those Cubans fleeing communism ceases to be applicable under U.S. immigration laws, and/or the U.S. government physically prevents their entry into this country, is the tide of legal and illegal immigrants likely to be stemmed significantly.

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<sup>11</sup>Mike Clary, "Waves of Cuban Rafters Make Their Way Toward U.S.," *Los Angeles Times*, April 16, 1994, p. A19.

<sup>12</sup>In 1990, 497 *balseros* reached Florida, an increase of over 100 from the previous record year. In 1991, the number jumped to 2,300, and another 2,557 came in 1992. In 1993, 3,656 Cubans floated to Florida, marking a 47-percent increase over the number for the previous record year. *Los Angeles Times*, April 16, 1991, p. A5, and August 25, 1993, p. A25; *Wall Street Journal*, June 26, 1991, p. A8; and *CubaINFO*, Vol. 6, No. 1, January 11, 1994, p. 3.

### **Preparing for Crisis Containment, Alleviation, and Resolution**

An uncontrolled crisis in Cuba would probably present a complicated mix of simultaneous challenges to the United States. It would have international and transnational dimensions, as well as domestic effects in the United States. U.S. policymakers need to prepare to deal with these contingencies as part of a dual-track strategy toward Cuba.

Others within the U.S. government are better equipped than the authors to make specific recommendations regarding crisis management. Nevertheless, at a broad conceptual level, it might be helpful for the Departments of Defense and State, and other relevant agencies, to consider sorting out and dealing with contingencies according to three general tasks:

1. *Containment of the crisis*, with the aim of damage limitation for both the United States and Cuba
2. *Alleviation of the crisis*, for the purpose of reducing human suffering among refugees and noncombatants on the island
3. *Resolution of the crisis*, unilaterally or multilaterally, by diplomatic or other nonmilitary means, and by military means if necessary.

Some of these tasks may overlap, or may have to be undertaken simultaneously. Also, the actions pertaining to task 3 may entail greater risk and involvement for the U.S. armed forces.

**Containment of the Crisis.** The first U.S. priority should be to prevent the crisis from escalating to the point of direct military confrontation as a result of an incident between Cuban and U.S. military forces, Castro's provocation, or domestic U.S. pressures. The United States may ultimately be required to intervene militarily in Cuba, but if so, such an action should be the result of a deliberate policy decision by the President for achieving clear military and political objectives.

In the meantime, the U.S. Army, Navy, and Air Force may need to be placed in a state of alert, ready to take defensive and precautionary measures to deter and contain any number of possible military inci-

dents. For example, U.S. military commanders will need to take steps to safeguard military installations in Guantánamo and on the U.S. mainland, as well as possible civilian targets in Florida; defend against surprise attack; and prevent any armed clash between their units and the FAR from precipitating a wider war. Additionally, U.S. Coast Guard and Naval units must be ready to intercept and prevent Cuban-Americans from trying to go to the island to retrieve relatives and friends—or to fight Castro.

Nonmilitary measures should also be in a state of readiness to influence developments on the island and limit their repercussions. For example, because misinformation, disinformation, and general confusion are certain to plague the unfolding of an uncontrolled crisis, the U.S. government will need to have in place accurate sources of information to avoid the kind of costly political and military mistakes that were made at the time of the Bay of Pigs. For similar reasons, the capacity of Radio Martí and other U.S. government broadcasting facilities to present reliable, accurate information to their Cuban audience should be upgraded.

The importance of broadcasting accurate information to Cuba, and, just as importantly, having it accepted as such by Cubans on the island, cannot be minimized. In the case of Radio Martí, improvement of the quality of its news programming should not be delayed, because it already has been broadcasting to Cuba on a daily basis for eight years and has a wide audience on the island. It needs to ensure its credibility as a news source well beforehand, so that Cubans, long bombarded by regime propaganda, will not tune out its broadcasts during an uncontrolled crisis. To further ensure that it can respond swiftly and accurately to a Cuba undergoing an uncontrolled crisis, the Radio Martí news department should undertake periodic drills that simulate different types of crisis situations along the lines of Endgames III, IV, and V. Cubans should be able to turn to Radio Martí (and possibly other U.S. government broadcasters ) to learn what is happening on the island, be correctly informed about U.S. immigration and humanitarian policies, and be accurately informed about U.S., OAS, and U.N. activities.

**Alleviation of the Crisis.** Once an uncontrolled crisis commences, the United States must be ready to process and render assistance to Cuban refugees who arrive in Florida and Guantánamo. As noted in



the preceding subsection, even the onset of a crisis could precipitate a sudden, initially chaotic flow of Cubans that far exceeds the recent outflow of Haitians. At the same time that the United States renders assistance to Cuban refugees, it will need to take steps to bring the outmigration under control and in conformance with U.S. immigration laws; such control could prove difficult to achieve given the concerns of the Cuban-American community.

Beyond the refugee issue, the United States must also be prepared to mount a major humanitarian relief program on the island to assist Cubans who have long endured privations and who most certainly will be suffering even more under an uncontrolled crisis. Humanitarian aid will not be confined to U.S. government efforts; it may also involve programs undertaken by NGOs, the United Nations, and other countries. Still, U.S. government participation in and coordination of humanitarian assistance will no doubt be required if such assistance is provided on a multilateral and transnational basis. From the U.S. side, the relief effort could run the gamut from supplying food, medicine, and clothing to a stricken population, to providing public health, police, administrative, and other government-type services in areas devastated by war or internal chaos.

**Resolution of the Crisis.** Bringing an uncontrolled crisis to an end is likely to prove the most daunting, complex task—and potentially the one most fraught with peril. The kind of responses available to the United States may depend not only on the kind of crisis that befalls Cuba, but also on the readiness of other governments and international organizations to play roles in ending the crisis. For example, it is unlikely that unilateral or multilateral military intervention would be used to end increased state repression under Endgame III. However, it might become more feasible were a new coalition government to call for such intervention under Endgame IV, or were civil war and the downfall of the Castro regime (Endgame V) to open the way for a peacekeeping force.

Ideally, U.S. efforts to resolve the crisis would begin by enlisting the political and diplomatic efforts of other governments that have ties to Cuba. In particular, Spain, Mexico, Colombia, Venezuela, and Canada could be asked to intercede to lessen the Cuban government's repression if Endgame III is unfolding, or to use their in-

fluence to facilitate a transition to a post-Castro regime under Endgame IV. Their services would be indispensable in trying to arrange political asylum for perhaps as many as tens of thousands of party, government, military, and security organ leaders, cadres, and their families, whose lives may be in peril if the Castro government collapses or is overthrown. The United Nations and the OAS may also provide multilateral mechanisms that could be employed for internal conflict resolution. The success of the U.N.'s mediating and peacekeeping roles in El Salvador stands out in this respect.

But what if nonmilitary initiatives prove useless, the internal conflict intensifies, and the anti-Castro opposition calls for U.S. or multilateral intervention to consolidate a new unity government or put an end to civil war and further bloodletting? In this scenario, the U.S. government is likely to be confronted with far more domestic pressure to undertake "humanitarian intervention" than was true with either Somalia or Bosnia-Herzegovina.

In our 1992 RAND study, *Cuba Adrift in a Postcommunist World*, we stated that the United States would be ill-advised to undertake armed intervention to topple Castro. Such a move could produce high U.S. and Cuban casualties, play into Castro's hands, poison U.S.-Latin American relations, identify the anti-Castro opposition with the "Yankees," and set back future U.S. relations with a Cuba after Castro. Intervention might accomplish little more than an artificial, short-term solution that would lead later to renewed instability and crisis. If absolutely necessary, armed intervention should be considered only as a last resort and undertaken in concert with the OAS or other nations. We believe that these caveats still apply.

Nevertheless, given the volatility of the present Cuban situation, it would be risky for policymakers to exclude the possibility that the United States may be required to undertake armed intervention to achieve political as well as military objectives.<sup>13</sup> In our judgment, such intervention ought to heed three caveats:

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<sup>13</sup>This contingency includes U.S. armed intervention in response to a Cuban attack on the United States. The more vexing issue is armed intervention to bring to an end an uncontrolled crisis situation in Cuba.

- **Military intervention should not be undertaken to impose peace on a nation bogged down in civil war. A peace operation in Cuba should be initiated in response to appeals by the rival Cuban camps to establish a buffer, to provide sufficient observers and monitors to reduce fear of aggression by the opposing sides, and to help create a climate conducive to the reconstruction of Cuba.**
- **Military intervention should not be undertaken unilaterally. To do so would stir up Cuban nationalism and memories of the U.S. intervention and occupation at the turn of the century. Thus, even if the United States were to supply the lion's share of troops, the forces participating in the peace operation should serve under either a U.N. or OAS mandate, and include military and police units from other hemispheric countries.**
- **The duration of the peace operation should not be open-ended; it should have a definite time limit. The longer the multilateral force is on the island, the greater the prospects are for increased armed resistance and casualties, and the greater are the probabilities of political fallout in the countries participating in the mission.**

It needs to be emphasized that even under these conditions, armed intervention to keep the peace in Cuba is a contingency measure of last resort under Track Two.

If the United States finds itself reluctantly approaching the brink of intervention, it might seize the occasion to offer Cuba and Castro a last-minute deal. As noted in the discussion of Endgame IV in Chapter Seven, Castro is not likely to give up power voluntarily; and if cornered, he might fight to the death. But he might relinquish power if by so doing Cuba gains and he leaves with his prestige and stature intact. Perhaps the United States could craft a proposal—a "grand bargain"—to encourage Castro's resignation, avoid civil war and intervention, resolve the crisis along lines of Endgame IV, and, in so doing, save countless Cuban and, possibly, American lives.

Such a proposal might contain some of the following elements:

- **The Cuban leader would resign and turn over power to a new Provisional Unity Government composed of reformist leaders from his regime and the opposition. He, together with leading**

members of the security apparatus and others from his regime who wanted to, would leave the island immediately for asylum abroad.

- Upon Castro's departure, and the dismantling of the internal security forces, the United States would lift all economic sanctions and help mobilize international aid for Cuba. Cuban exiles would be permitted to return to the island, invest in business ventures, and participate in politics after they took up permanent residence.
- Within 18 months, the Provisional Unity Government would hold an internationally supervised plebiscite on a new constitution for a post-Castro Cuba, and on the issue of compensation for nationalized properties previously owned by Cuban nationals. Internationally supervised governmental elections would follow six months later.
- Upon the installation of the newly elected Cuban government, the United States would immediately transfer sovereignty and control of Guantánamo naval base to Cuba, to be operated as an international seaport and/or free-trade zone. Claims by U.S. citizens and firms against the former Castro government would be settled later by a joint commission appointed by the U.S. and Cuban governments.

A U.S.-Castro deal would infuriate the most extreme elements of the Cuban exile community, but not necessarily Jorge Mas Canosa, the Cuban-American National Foundation, or other conservative circles. To be sure, Castro would escape retribution at the hands of his opponents and he would get some credit for the return of Guantánamo. But a post-Castro Cuba would be secured without bloodshed, and the exiles would be able to return to their homeland. The U.S. naval base at Guantánamo no longer holds strategic value for the United States, yet its transfer to Cuba would be symbolically important to the Cuban people and help invest the new government with legitimacy. If the issue of asylum for Castro and other leaders could be resolved, which admittedly may be no easy task, the proposed deal might provide a "win-win" resolution to the Cuban crisis—for Castro, Cubans on the island, Cuban exiles, and the United States.

Proposing such a deal to Castro and Cuba would be politically risky, even given conditions of escalating conflict on the island. Thus, it should be held in reserve as a last-minute option, to be fielded only if conditions seem appropriate for its acceptance. In any case, the importance of developing a Track-Two policy does not rest on this somewhat speculative idea, but rather on the broader considerations laid out in the preceding pages.

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## POSTSCRIPT

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This study was completed in early April 1994. Since then, events have borne out its overall assessment of dim prospects for the further deepening of the liberalization process. Many of these events also appear to be compressing the time frame in which Cuba may be plunged into an uncontrolled crisis. As a consequence, Cuba may well be approaching either Endgame III (stasis and repression) or Endgame V (civil strife and violent upheaval) at a *faster rate* than we originally predicted.

Several telling developments have accumulated between April and June 1994: (1) A public disturbance rocked a Havana suburb in late April, well before the hot summer months set in. (2) To reduce the budget deficit, the May 1 special session of the National Assembly approved steep price increases for consumer goods and services, including alcohol, cigarettes, gasoline, and workers' lunches. It also issued a new decree authorizing the confiscation of "illegally obtained" property. But it avoided opening up the economy through new market reforms—a policy option that Castro, the *duros*, and the *centristas* roundly condemn. (3) In late May, heavy rains flooded some 1,700 square miles of land in eastern Cuba, resulting in deaths, heavy property damage, and loss of vegetable, rice, and sugar crops. (4) At the beginning of June, a Canadian company discovered oil in the Bay of Cardenas, the first such find since offshore oil exploration began. But whether the oil is significantly lighter and of higher quality than the oil found on the island remains to be seen, as does the commercial feasibility of developing the new field. (5) The government remained silent on sugar production, but outside experts were predicting that the 1994 harvest could be lower than last

year's harvest of only 4.28 million metric tons, which means that the economy will probably decline further during the remainder of 1994. (6) Government repression of dissidents and human-rights activists has intensified. (7) The regime reportedly is strengthening its internal security apparatus to ensure that it can rapidly quash demonstrations and protests that it expects may erupt later this year.

Unless there is a breakthrough on the oil front, the countdown for the Castro regime may well be speeding up. And unless Cuba can provide basic necessities to its people and fuel to run power plants, the hot summer and fall months ahead are likely to create a combustible situation that could spark civil unrest on a scale larger than last year's incidents. Although the regime probably can contain such unrest, this turn of events would signify that Cuba is moving into an uncontrolled crisis—and that time is running out for the United States to prepare a Track-Two policy.

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