



# Cuba: The Challenges of Change\*

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Very few countries in the world have been as dependent for their development –or the lack of it– on external actors as Cuba. Since its revolution in 1959 the country has been suffering from the impact of international politics inspired by economic or geopolitical factors. The development of its post-revolutionary society and the survival of its model have basically depended on the support of or its denial by the two Cold War superpowers. At the same time the Cuban revolutionary regime has tried to project itself externally and to influence the international power balance by using quite unconventional measures. In the post-Cold War period other external actors, principally Venezuela,

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but to some extent also China and Brazil, have been essential in their support for the continuity of the Cuban model. Even the historic events of the 17th of December 2014 and the slow process of normalizing the relationship<sup>1</sup> with the US - interrupted by the announcement of its partial dismantling of June 16th 2017 in Miami by President Trump - will probably not change the situation in the near future.

Additionally the role of the Cuban diaspora should not be overestimated, since about 15% of Cuba's population has left over the last decades because of the lack of economic and political opportunities. Especially now, 60 years after the revolution, remittances from abroad represent Cuba's most important source of income and constitute a crucial financial input in the recent establishment of non-state enterprises. In many respects Cuba already represents an example of a well-functioning transnational society<sup>2</sup> that is completely opposite to what the Cuban revolution with its strong nationalist flavor wanted to achieve. The changes under way during the last years, called by the Cuban government the "actualization of the Cuban model", are consequently determined principally by "intermestic" factors, a combination of external and internal interests, and the influences of various sectors of Cuban society and their foreign counterparts.

During the last decade the need to adapt the country's development model had become obvious to the Cuban government, and only the way in which changes are implemented and the pace and extent of the reforms have been a matter of controversial internal discussions. The central problem facing the Cuban leadership is to what extent the Cuban revolutionary model can be adapted to the rapidly changing conditions of a globalized world in which it is not realistic to count on continuous subsidies from the diaspora or from ideologically close allies. Up to a certain point the reform process seems to be based on a "trial-and-error" method with the clear intention of postponing all dramatic changes until the retirement of the "revolutionary generation", which will likely occur in 2018. Undoubtedly the reforms currently under way have already produced some remarkable changes in the Cuban model<sup>3</sup> and have strengthened the position of president Raúl Castro<sup>4</sup>, who was elected by the Cuban National Assembly in February 2008, and who has announced stepping down as president – but not as party leader – in February 2018, although internal disagreements among

the party leadership between the reform sectors and the status-quo advocates are slowing down and complicating the process.

## Concepts and perspectives of economic reforms

Already in April 2011 the Sixth Congress of the Communist Party of Cuba (PCC) in Havana discussed and authorized its famous guidelines (*Lineamientos de la política económica y social*), which were widely seen as an effort to modernize the Cuban economy and simultaneously improve the legitimacy of the Cuban government. Since then the major discussion has been between those who want to move quickly towards a mixed economy, with a strong emphasis on state capitalism, and those who fear the entire reform process and its possible results not only for the Cuban economic model but even more so for the stability of the political system. The expectations that the 7th Congress of the PCC in April 2016 would generate a more dynamic reform process and clearer orientations for future public policies were disappointed.

The obvious need for the opening up of major sectors of the Cuban economy to foreign investment and some sectors to the establishment of national private enterprises must be seen in the context of steadily declining productivity and a lack of sufficient public funds to maintain an incipient modernization process. Only a reformed economy will allow a more productive integration of the island into the changing world economy and reduce its vulnerability resulting from its reliance on external subsidies. Additionally the government had become well aware of the frustration of large parts of the population with declining living standards and reduced social benefits, while bureaucratization and corruption were clearly on the rise. Implementing wide economic reforms without major political change seems therefore to be the overriding priority of the Cuban government<sup>5</sup>, which is seeking to avoid resistance to the reform measures and thereby facilitating the legitimacy of the next government in 2018.

The pace of the reform process has been described by Raúl Castro as one “without haste, but also without pause”. Despite the preoccupation of the government with the speed of certain market-oriented

reforms, no master plan seems to be in evidence, but the economic updating process is mainly concentrated on six goals:

- a general improvement of living conditions;
- a mayor reduction of state employment in many sectors;
- an expansion of private proprietary rights;
- a boost in government income through increasing taxation;
- a major attraction of foreign investment and technology; and
- a strengthening of the currency through convergence of the current two monetary systems.

The announced massive reduction of state employment by about a million jobs seems to be falling behind schedule because of the slow implementation of the necessary administrative reforms and decentralization processes. The extension of the non-state sector, where self-employment has been allowed for some years, is rather limited and has so far affected a bit more than half a million people, mainly in the services sector and excluding health and education. The progressive loosening of the US restrictions on trade and financial transfers since the beginning of 2015 was perceived as a possibility to widen and strengthen the non-state sector more rapidly, but the restrictions for US tourist travel and US business activities announced by the Trump administration have made such projections rather doubtful.

So far the most visible economic changes are linked to what the government considers to be the daily needs of the population. The prohibition on buying and selling private apartments or vehicles was lifted in 2012, while agricultural cooperatives were allowed to sell their products directly to consumers without the state as intermediary. Recently, the provision of public credit for the self-employed and cooperatives was introduced. Even though the self-employed have carved out a more independent life for themselves since 2010, their dependency on outside financing has become a problem and many of the new private enterprises (about 60%) rely on finance from relatives or friends living abroad. These forms of external financing, remittances or donations, mainly from the U.S., but also from Spain and some Latin American countries, constitute the largest source of income in Cuba, surpassing tourism, external services and trade, and appear to be the major factor in the establishment of a market-oriented sector in

the economy. Cuban society is now characterized by huge differences between those who have access to foreign currency – about 50% of the general population, but almost 70% of people living in Havana, according to current estimates – and those who cannot rely on the booming black market to satisfy their daily needs. The expectations of most Cubans about a rapid adaptation and modernization of the Cuban socioeconomic model are likely to be unaccomplished, even after the unsteady process of normalization of the relationship with the U.S., since these expectations are strongly oriented towards the way of life of the diaspora in Miami, which has become more visible since 2013 after the travel ban for Cubans was almost entirely lifted, with the sole exception of security and medical personnel.

From the government's point of view the pace of these reforms has to be sufficiently gradual to avoid negative effects of the success of private enterprise on the political structure of the state, while at the same time it has to be sufficiently rapid to alleviate the current economic crisis and thereby facilitate better governability. The question of how to deal politically with the new market-oriented economic actors was already a preoccupation of the 6th. PCC Congress in 2011, and even more so at the 1st. National Conference of the PCC held on January 28th and 29th 2012. It seems that the government tends to favor the cooperative format because of its collective nature.<sup>6</sup> But so far it has quite openly tolerated the overwhelmingly individual character of the self-employed sector of the economy and attempts to limit its members' private benefits only through regulation and taxation. Thereby the Cuban government has by now quite notably accepted the fact that the success of the self-employed will produce an increasing inequality in the Cuban society as an obvious by-product of the necessary modernization of the economic model. The government is very much aware that the reform process has to be channeled through a filter of bureaucratic safeguards to prevent the transformation process from creating increasing social conflicts.

Resistance to change is not only ideological, but also a result of the obvious fear of a large proportion of the state bureaucracy that its members will lose the very limited benefits of their position because of the intended reforms. The main problem of updating the Cuban economic model is precisely the excessive concentration of economic

decision-making at the state level, as well as the necessary and inevitable reduction of public spending, which it is seen by the reformers as the greatest challenge the process will have to confront. The essence of the reform of the economic model is the urgent issue of improving productivity. Nevertheless any privatization of the state enterprises has been completely ruled out.<sup>7</sup> The Cuban internal market is still tightly controlled - but not regulated - by state authorities.<sup>8</sup> The chronic deficit in external trade has been a factor since the Cuban revolution and even now very few products are available for export: nickel and some pharmaceutical and biotechnological products are the principal items sufficiently competitive in the world market. However, Cuba has been very innovative in the development of new lines of exports, basically of professional services, not only in the much acclaimed health sector, but also in terms of professionals in social services of various kinds, principally to Venezuela and other Bolivarian Alliance for the Americas (ALBA) countries, but also to Brazil and some African countries as well.

To readdress the shortage of capital in a society that has traditionally spent all its income on public goods, the modernization of the 1995 Foreign Investment Law in March 2014<sup>9</sup> has become the clearest expression by the Cuban government that it needs to accept capitalist incentives to attract more external financing. Foreign investment is now not only welcome but sought after in all sectors of the economy except health, education and security. The expectations are especially high with regard to the new development zone around Mariel port, to which Brazil has already committed almost \$1 billion in development funding. Numerous other projects have been announced by Mexico, some European Union (EU) member states, China and Russia. The latter has positioned itself as a major Cuban economic partner by forgiving 90% of the island's \$35 billion historical debt to it and stretching the repayment of the remainder over ten years, with the intention of reinvesting the entire amount in the Cuban economy.

The idea behind the new development zone is to create a tax-free zone around the deep-water Mariel port for the production of a variety of industrial goods that will help to increase trade. The aim is to provide the Post -Panamex container ships with a conveniently located, modern deep-water port for trade distribution in the entire Caribbean Basin after the opening of the modernized Panama Canal.

Now this concept appears quite realistic given the partial lifting of the traffic restrictions for shipping lines serving Cuba by the US. The main criticism of this megaproject, which is being sold by the government as a “magic” solution to most of the structural and financial deficiencies of Cuba’s current economic situation, is that such an enormous investment effort may come too late and will also have to compete with similar developments like the Colon Free Trade Zone in Panama. There is also the fear that much-needed foreign investment in the general infrastructure of the country will now be concentrated mainly in the new Mariel zone and be beneficial to foreign companies and the state, but not to the development of other non-state sectors across the country.

An additional obstacle for implementing the new investment strategy is the remaining illegality of many types of economic interaction between U.S. and Cuban non-state enterprises. Until this legal situation is finally resolved it seems doubtful that foreign investment will arrive in such substantial amounts as to create the desired impact for the entire economy. The envisioned 30% annual increase in foreign direct investment –about \$2 billion– is considered by many Cuban economists to be unachievable, at least in the short term. As a result it appears to be extremely doubtful that the decentralization initiatives and a bold change in the policies regulating property and business rights will be sufficient to guarantee that about 50% of the national economy will be in the hands of non-state actors by 2018, originally foreseen by the government guidelines. But the new economic dynamics in the country, resulting from the loosening of some of the US sanctions, might help to reach that objective in a not too distant future.

A better performance of the Cuban economy will depend to a large extent on the currency reforms announced on March 4th 2014 by the Cuban government, but without reference to when it would actually be implemented. Since the withdrawal of the U.S. dollar from internal use in 2004 Cuba has experienced the parallel application of two currencies. This dual system of an internal Cuban peso (CUP) and a convertible peso (CUC) –with a relationship of 25 to 1– makes it impossible to establish clear cost and benefit criteria, while simultaneously having very negative effects on the international competitiveness of the Cuban economy.<sup>10</sup> In the short term the necessary currency reform will clearly

create winners and losers in the society, but over the medium term it should allow the Cuban economy to function better and not only in the internal market. Since Cuba is currently not a member of the various international financial organizations (IMF, World Bank, etc.), but might consider re-joining them under certain circumstances - the government cannot ask them for assistance with the management of the unification of the dual-currency system, which might need a monetary reserve of about \$15 billion and a carefully managed technical preparations to avoid any disruptions. The current relationship of the CUC to the CUP and the exchange rate with the U.S. dollar are crucial indicators for the future development of Cuba's international competitiveness and will be decisive for the relationship between the state and non-state sectors of a new Cuban economy.

To what extent this economic reform process can be seen as preparation for a political transition in Cuba is widely discussed among Cubans themselves, as well as by the diaspora, the U.S., the EU and Latin American countries. The problem of restructuring an entire economic model usually results in a great deal of corruption. The Russian and Chinese examples are indicative of what Cubans might expect once the tight social control imposed since the revolution disappears. Even now most Cubans are aware of and disillusioned with the notable increase of inequality<sup>11</sup> and the increasing breakdown of moral and civic values in a society that used to be proud of its commitment to social solidarity. Some are willing to accept that this is the price to be paid for the liberty to pursue their own interests, be they material or ideological, and to opt out of the collective system inherited from the revolution.

As other transitions from socialist systems have demonstrated – like those that the countries of Eastern Europe experienced after the collapse of the Soviet Union – this process often leads to a rapid disintegration of society, with the inevitable loss of a generation or a sector of society that identified –whether voluntarily or out of necessity– with the former socialist system. Therefore it is quite understandable that a large part of the public administration in Cuba now fears that it will lose its limited benefits, which are so far related to state regulation of foreign trade, foreign investment and tourism. The obvious lack of interest in any type of far-reaching economic or even limited political reform is very visible in this part of Cuban society. The government seems



to be aware of this and is trying to implement the necessary changes gradually so as to avoid protest from those parts of society that have been most identified with the socialist system. Granting permission to the managers of state enterprises to play a larger role in the internal decision-making processes of these enterprises can therefore be seen not only as a measure to increase the efficiency in the state sector, but also as a possible extension of benefits to the state bureaucracy during the reform period, while simultaneously increasing the country's move to a more market-oriented economy.<sup>12</sup>

### Slow motion towards political reform

The political dimensions of the adaptation process have already led to changes in Cuba's bureaucratic leadership. The new division of labor between the PCC leadership and the armed forces seems to consist in the party's efforts to limit the political reform process wherever possible, while the armed forces –with support from some academics– appear to be concentrating on the reform of the Cuban model while occupying more and more key government positions. The armed forces are seen by many Cubans as the *avant-garde* of the economic reform process because of their experience in controlling directly or indirectly an important share<sup>13</sup> of the country's economy and managing some of the most successful sectors of the state enterprises, and, at the same time, they are seen as the most pragmatic part of the government structure.

Since the Sixth Congress of the PCC in 2011 the extent of political reforms has not been impressive. The logic of an authoritarian one-party state has not been challenged and the very weak, divided and strongly individualistic opposition groups suffer still from harassment by state organs or state-supported groups. The main focus of these dissident groups is the human rights situation in Cuba, which has been continuously criticized by the U.S. and some EU member states, where these groups' message is much more visible than on the island itself. Some support for opposition activities has always come from the Catholic Church, which has at times also functioned as a mediator between dissidents and the government, especially regarding the fate of political prisoners.

The attempts of the current government to invite and allow more criticism have also impacted on the restricted communications scenario in Cuba. In spite of a very limited individual access to the Internet, some new online publications are helping to overcome the typical problems of closed societies, where dissident voices generally are largely excluded from public discussion. Probably it will be in this very sensitive area where the normalization process with the US could have the most noticeable impact on the role of the civil society in Cuba, given the recent agreements between the two governments to open up the communication sector.

The liberalization of travel and migration policies was probably the reform measure that was most welcomed by the Cuban population and the one with the most political, economic and social consequences. The massive increase in mobility not only between Cuba and the U.S. (because of the extensive family bonds with Cuban-Americans), but also between the island and Latin America and Spain, has surpassed all government projections. The ability of Cubans to live and work abroad for up to two years will undoubtedly have an enormous impact on future perceptions in Cuba of the strengths and weaknesses of the island's society. The need to expand the political reform process is felt more strongly outside the party and government circles, but by no means only there. But even within the party leadership a consensus seems to be evolving that only a transition controlled by the PCC will be able to avoid a traumatic rupture of the current political system.<sup>14</sup> Many Cubans believe strongly that the modernization of the economy and the opening up to outside influences and experiences will almost automatically lead to a more plural society and a political system where the costs and benefits are divided up very differently from the current situation.

## Reintegration into Latin America

The Summit of the Community of Latin American and Caribbean States (CELAC) in Havana in January 2014 and the Summit of the Americas in Panama in April 2015 were a clear demonstration that Cuba has become again an important part of the Latin American community. The policy of participating in all important regional discussions

over the last decade and developing close bilateral relations with almost all of the countries in the region has been quite successful for a country which had been called “isolated” by the U.S. for many decades.<sup>15</sup> The Cuban presidency of CELAC has been praised for its careful balancing of diverging interests in the region and its efforts to participate in the creation of a regional voice without much of ideological bias. But beyond its regional role, Cuba has also proved that it can contribute to the process of resolving long-standing regional and even national problems of other Latin American countries. In the peace process between the Colombian government and the Revolutionary Armed Forces of Colombia (FARC) guerrilla movement, negotiated between 2012 and 2016 in Havana, Cuba’s support was of outstanding importance for Colombia, in spite of the latter’s very different relationship with the U.S, which has been historically the opposite of that of Cuba. Also, earlier efforts in the peace process with the National Liberation Army (ELN), the other significant Colombian guerrilla group, or in the recurring bilateral conflicts between Colombia and Venezuela could not have been mediated without Cuba’s good offices. This responsible stand of Cuban foreign policy has been the most important argument of the Latin American countries in their attempt to convince the U.S. that Cuba can no longer be called a state sponsor of terrorism. The long awaited decision taken after the Panama Summit of the Americas 2015 by the Obama administration to remove Cuba from the list of sponsors of terrorism has certainly facilitated the formal process of normalization between the former “closest of enemies”.

Since the previous Summit of the Americas in Cartagena in 2012 Latin American efforts to reintegrate Cuba in their own community was also aimed to the wider hemispheric community. Latin American countries therefore conditioned their attendance at the Americas Summit in Panama in April 2015 on Cuba being invited. The role Cuba has played during this last Summit of the Americas has contributed significantly to the success of this meeting of hemispheric leaders and thereby opened the way for the restructuring of inter-American relations, with the collateral - and probably politically intended - effect of improving considerably the image of the Obama administration in Latin America.

In the last decade many Latin American countries had already improved and intensified bilaterally their relations with Cuba. Brazil,

especially during the Lula da Silva presidency, had become one of the major trading partners and investors until the change of government in 2016. Also Mexico, under President Nieto, has made enormous diplomatic efforts to overcome the period of poor bilateral relations and has announced its interest in becoming an important economic partner in the special development zone of the new Mariel port. In that respect Cuba can still count on important diplomatic support and continued investment interest from some Latin American partners, in spite of the recent, very important geopolitical changes in the region, which have undoubtedly affected regional support for Cuba's "autonomous role" and thereby also reduced considerably its capacity to influence regional issues.

Cuba's special relationship with Venezuela has been an important part in the "downgrading" of Cuba's regional voice. The future of the economically more than ideologically important bilateral relations is difficult to assess given the current political instability and possibly social implosion in Venezuela. Cuba's entire reform process has already experienced increasing and unexpected stress in the context of the ups and downs in the normalization process with the U.S. and suffers now again from serious concern over the island's vulnerability to external factors. At present almost 40% of Cuba's trade is with Venezuela, which in spite of the impact on the island economy is by no means comparable to previous periods of economic dependency upon the U.S. or the Soviet Union. During the last decade the estimated total yearly income from commercial relations and services between Cuba and Venezuela were estimated at \$5-6 billion depending partly on the price of oil. Since 2014 the economic crisis in Venezuela has severely reduced benefits of that close economic and ideological relationship. Therefore a possible "Venezuelan shock" might have similar, but by no means identical, consequences to the historical Soviet shock in 1991, when Cuba's economy contracted by about 35% and a so-called "special period" started, that lasted until 1994, with serious cuts in social spending and severe suffering for the population. Cuban economists estimate now that "only" about 20% of gross national product depends on favorable external economic conditions, meaning that this time the shock might be not as severe as then.

It is not only the economic fallout that Cuba has to fear from the serious decline of governability in Venezuela, but the political bond with the *chavista* regime will also have to be re-evaluated. Given such uncertain scenarios, a “plan B”, referring to Brazil, has in the last years often been mentioned in Havana. However, recent political and economic developments in Brazil have meanwhile led to favoring a “plan C”, in this case, China, its third trade partner and in some way also an often mentioned possible model for a changing development strategy. To what extent such a “fall back plan” will be able to contribute to cushioning a possible Venezuelan shock for the Cuban economy will only become apparent over time. But in any case, the secret hope in Havana in the last two years, that the “real plan B” would be to count on the emerging strong economic relations with the U.S. might also have to be shelved since the policy reversal in June 2017 by the Trump administration.

### Reintegrating with the “global North”?

The reintegration of Cuba into the Latin American community and its successful presidency of CELAC, which is the EU’s central regional partner,<sup>16</sup> have given Cuba a new incentive to finally institutionalize its relations with the EU. Up to now Cuba was the only Latin American country without any kind of formal bilateral EU- agreement. At the same time it was also the only Latin American country for which the EU had established in 1996 a “common position”, which conditioned formal relations on democratic political reforms and was therefore seen by Havana as a form of interference in its sovereign internal affairs<sup>18</sup>. The common position came about after the shooting down of two small U.S. aircraft with four Cubans exiles on board by the Cuban armed forces in 1996. Before this incident the two sides had already held advanced discussions about a cooperation agreement.<sup>19</sup> The reforms under way in Cuba have led in February 2014 to the EU decision to make a new effort to find a mutually acceptable agreement with Cuba that will facilitate trade and investment and institutionalize a dialogue on human rights which was signed as a “Political Dialogue and Cooperation Agreement” in December 2016, followed by the formal cancellation of the common position by the European Parliament in July 2017. The recent, unprecedented, visit by the High Representative

for the Common Foreign and Security Policy of the EU has underlined the importance of Cuba for the EU after the beginning of the normalization process of its relations with the U.S. and demonstrated the interest of the EU in not losing its current economic position in Cuba.

Cuba had been able to establish sound bilateral relations with many EU member states and has concluded bilateral cooperation agreements with 19 of them even before the new agreement with the EU was reached, which is economically quite important for Cuba, since it is the island's main foreign investor (about 60%) and its second-largest trading partner (about 40%), while about one-third of all tourists come from EU member states. EU development cooperation with Cuba has averaged about €20 million per year and will increase considerably with the new agreement especially regarding sustainable development and technology transfer. The Cuban position with regard to the European intention to support market-oriented reforms and human rights with the agreement has been very clear: change in Cuba will never come about through external pressure – a conviction that the government has consistently maintained in all its foreign policy positions. It appears, therefore, that for both sides the new agreement will not so much be about economic benefits, but rather political gains, given that the EU wanted to formalize its relations with Cuba before a possible lifting of the U.S. embargo and Cuba has thereby now demonstrated to the U.S. its diplomatic capacity to achieve formal acceptance of its economic model and governmental structure. Indirectly the successful negotiation process between Cuba and the EU has therefore contributed also to the change in the original U.S. position. The historical triangulation between EU and U.S. policies in relations with Cuba might now get a new twist in case the EU and Cuba will be able to agree on certain multilateral issues – climate change, global health, plurality of development models etc. – which the current U.S. administration do not approve. The EU might turn out in general as an easier partner for Cuba's economic transition process, if it moves in the direction of a mixed economy with strong state capitalist characteristics.

The relationship between the U.S. and Cuba has been called “traumatic” on both sides and carries a heavy historical baggage not only because of the way in which Cuba's pre-revolutionary semi-colonial status related to the U.S. but also because of the revolution itself, the

U.S.-supported invasion attempt in 1961 and the missiles crisis in 1962. Due to all these events and the influx into the U.S. of a large number of Cuban refugees since 1959, the island has become more a “domestic” than a foreign policy issue for the U.S. The trade embargo imposed in 1962<sup>20</sup> has been used by the Cuban government as the main reason for impeding economic development and has certainly also contributed to very difficult U.S. relations with some Latin American and EU countries. The clearly failed U.S. efforts over more than 50 years to change Cuba’s economic model and the country’s political regime has led to strong demands, even from within the U.S. itself, to change this policy. In 2009 the Obama administration had eliminated already some travel restrictions for Cuban-Americans and had also extended some travel possibilities for other U.S. citizens with the “people-to-people” concept, so that the number of U.S. visitors to Cuba has climbed to over 400,000 a year recently. It had also lifted the cap on remittances for family members of the Cuban-American community and since then cash and gift transfers to Cuban families have reached at least an estimated \$ 2 billion per year.

All recent U.S. polls have demonstrated that these measures have been seen as sufficient and that a major policy change towards Cuba is continuously supported by a majority of the U.S. population. In 2014 two of those polls indicated that 56% of the U.S. population was in favor of dropping the embargo, while even 52% of Cuban-Americans in Florida shared this view and 68% were in favor of the U.S. establishing diplomatic relations with Havana. This major change in public opinion, which also reflects a generational change among the Cuban-American community, had certainly facilitated the decision of the Obama administration to normalize the relations with Cuba.

The ability of the Obama administration to overcome the severe opposition in Congress to overturning the Helms-Burton Act and lifting the embargo was always very uncertain given the general unwillingness of the Republican-controlled Congress to cooperate with this president, especially on such a divisive issue. Many analysts in Havana are convinced that for strictly domestic U.S. reasons, that are less related to voter opinion and more to massive campaign financing to candidates of both Democrats and Republicans from Cuban-Americans, it is very unlikely that a lifting of the U.S. embargo can be expected in the near

future in spite of the diplomatic normalization process and the strong increase of U.S. business interests in trading with and investing in Cuba. But even without the consent of the US Congress the Obama administration was able through “executive orders or privileges” to profoundly change the relations between the two countries between 2014 and 2016, especially in their economic and financial dimension.

The election of President Trump has been the most serious challenge for the modernization process of the Cuban model and possibly for the political transition process planned for 2018 as well. The historical visit to Havana of President Obama in March 2016 had been seen by the Cuban government as the beginning of a difficult but at least economically promising relationship after decades of denial of accepting Cuba as a possible partner for trade, investment and general bilateral cooperation from the U.S. government. The expected new relationship was also considered by many Cubans as well as Cuban-Americans as a perspective to facilitate future changes in Cuba. The turnabout of Trump’s new policy towards Cuba can be best characterized as a half-measure,<sup>21</sup> to satisfy at one hand the Cuban-American hardliners in reversing many effects of President Obamas policies, but also to keep enough opportunities opened for U.S. business interests in Cuba. The effects might not only turn out quite negative for the Cuban private sector, which is very dependent on tourism and external financing, but also might reduce bilateral cooperation regarding the 23 agreements reached so far, especially on issues of importance to the U.S. government like migration, drug control and military- to- military contacts<sup>22</sup>. It can hardly be excluded that Trumps preference for domestic political considerations might hurt important U.S foreign policy interests related to hemispheric and global security problems. Russia’s “strategic partnership” with Cuba and China’s growing influence – both providing economic and military assistance– has been an open preoccupation for various U.S. administrations and Trump’s current policy initiatives could possibly open even wider geopolitical options for both of Cuba partners.

The challenge of this external part of the process of change which the Cuban government has to face consists of the urgent need of adapting the original roadmap of the internal transformation process until 2018 to the entirely different and rapidly changing external conditions. Gi-



ven the very different expectations within Cuban society as well as in the U.S., not only with regard to the pace of change but also to its final outcome, a more complicated transition process has to be anticipated as the next phase of Cuban history.

## NOTES

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6. See: Carmelo Mesa-Lago (2014). *Institutional Changes of Cuba’s Economic-Social Reforms. State and Market Roles, Progress, Hurdles, Comparisons, Monitoring and Effects*, Washington, D.C., Brookings, August, here p. 7.

7. See: Richard Feinberg and Ted Picone (eds.) *Cuba's Economic Change in Comparative Perspective*. Washington, D.C., Brookings, 2014.
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12. See: Juan Triana Cordovi, and Ricardo Torres Pérez, “Policies for Economic Growth: Cuba's New Era”, in *Cuba's Economic Change in Comparative Perspective*, N° 2, Brookings, October 2013, here p. 28.
13. There has been a great deal of discussion in the media in the U.S. about the share of economic influence of the military in Cuba. For details see: William M. LeoGrande, “Does the Cuban Military Really Control Sixty Percent of the Economy?” [www.huffingtonpost.com](http://www.huffingtonpost.com), June 28, 2017.
14. See: Federico Merke *The New Cuba Moment: Can Latin American States Help Spark Reform?*, Washington, D.C., Carnegie, September 28, 2015, here p.4.
15. For details see: Andrés Serbin “La política exterior de Cuba en un mundo multipolar”, en *Anuario CEIPAZ 2012-2013*, Madrid, CEIPAZ, 2012, pp. 187-219, here pp. 194-203.
16. For an evaluation of the inter institutional relations see: Wolf Grabendorff , “Realidad y ficción en las relaciones entre la CELAC y la Unión Europea”, in Adrián Bonilla Soria and Grace Jaramillo, (eds.), *La CELAC en el escenario contemporáneo de América Latina y el Caribe*, San José, FLACSO/CAF, 2014, pp. 175-192.

17. See Bert Hoffmann (2015). “Kuba-USA: Wandel durch Annäherung“ *GIGA-Focus Lateinamerika* N° 2, Hamburg, GIGA, here p. 3.
18. For previous negotiations problems between the EU and Cuba, see Wolf Grabendorff (1994). “Relaciones entre la Comunidad Europea y Cuba”, in Instituto de Relaciones Europeo-Latinoamericanas, (ed.) *Cuba, apertura económica y relaciones con Europa*, Madrid, IRELA, pp. 175-205.
19. For a detailed history of the U.S. sanctions against Cuba, see: William M. LeoGrande (2015). “A Policy Long Past Its Expiration Date: US Economic Sanctions Against Cuba”, *Social Research: An International Quarterly*, vol. 82, N° 4, Johns Hopkins University Press, Winter, pp. 939-966.
20. See William M. LeoGrande (2017). “Trump Has Set U.S.-Cuba Relations Back Decades”, *Foreign Policy*, June, 22.
21. For details see: Hal Klepak “Reflections on U.S.-Cuba Military-to-Military Contacts”, *Strategic Forum* 295, National Defense University, pp. 1-16.

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ABSTRACT

**Cuba: The Challenges of Change**

Cuba has experienced regularly international interventions of different forms due to geopolitical and economic foreign interests. The construction and survival of a post-revolutionary economic and social model depended on the support or rejection of the superpowers during the Cold War. Almost 60 years after the Revolution its economy is still dependent on external factors and foreign financing. Cuba has now a double challenge: implementing an economic and political reform process and achieving its return to the hemispheric community.

RESUMEN

**Cuba: El desafío del cambio**

Por intereses geopolíticos y económicos, Cuba padeció la constante intervención internacional. La construcción y la supervivencia de un

modelo económico y social post-revolucionario, dependieron del apoyo o “del rechazo” de los países protagonistas durante la Guerra Fría, y casi 60 años después de la Revolución, su economía está condicionada por factores y financiamiento externos. Cuba tiene ahora un doble desafío: alcanzar una reforma económica y política y lograr su reinserción en la comunidad hemisférica.

#### SUMMARIO

#### Cuba: Os desafios da mudança

Por interesses geopolíticos e econômicos, Cuba sofreu a constante intervenção internacional. A construção e a sobrevivência de um modelo econômico e social pós-revolucionário dependeram do apoio ou do “desamparo” dos países protagonistas durante a guerra fria. Quase 60 anos depois da revolução, sua economia está condicionada por fatores e financiamento externos. Cuba tem agora um duplo desafio: promover uma reforma econômica e política e conseguir sua reinserção na comunidade hemisférica.