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Is Cuba's reform going in reverse?

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Cubans were jubilant when president Barack Obama visited the island in March, but economic reforms have not progressed in line with the people's hopes of change. [Ueslei Marcelino/Reuters](#)

When US President Barack Obama [made his historic March 2016 visit to Havana](#), Cuban expectations of better times to come were high. As the United States goes to the polls to select its next president, it's clear that rapprochement with Cuba will be a key achievement of the Obama administration.

But the slow pace of reform in Cuba is raising questions about President Raúl Castro's legacy. Frustration has begun to set in, with energy cuts paralysing production, the economy shrinking, and the country's economic "updating process" seemingly going in reverse.

What is derailing Cuba's much-anticipated reform course?

More questions than answers

With [the economy forecast to decrease by 2.9% in 2016](#), the country's socialist government is reimposing price controls and putting brakes on the emerging small-scale private sector.

Is Cuba's backtracking the fallout from Venezuela's drastic reduction in oil shipments to the country, forcing it to slash imports and adopt austerity measures? Or does Havana fear losing control as White House policy turns from strangulation to embrace?

Or perhaps the retrenchment is the result of the Raúl Castro government gathering strength to finally tackle its most complex economic problem: overcoming the highly distorting coexistence of two competing currencies, the dollar-linked Cuban convertible peso (CUC) and the greatly devalued Cuban peso (CUP)?

The answer probably is a combination of all three according to a [recent study assessing](#) the prospects of Cuba's development model, which I undertook alongside other European and Cuban scholars for the [Third World Quarterly](#).

The beginning of 'a very long journey'

In Cuba, economic and political considerations go hand in hand. As Havana-based economist Ricardo Torres has [stressed](#), in the ten years since Raúl Castro assumed office, the island's economic structure has indeed been substantially transformed.

What's more, Raul's reforms over the past eight years have not been ad hoc changes; they form part of a long-term strategy of gradual reform, backed by programmatic documents adopted at the Communist Party's conferences.

But unresolved contradictions in the economy have limited positive effects on growth and salaries. Torres concludes that it is becoming increasingly clear that Cuba's reforms over the past eight years are just at the early stage of a very long journey.

The most dramatic contradiction of the Cuban economy is the uncomfortable coexistence of two disparate currencies. State salaries are paid in CUP, [averaging 687 pesos per month](#). At official currency exchange houses, this is less than 40 CUC, or US\$40.

Since Cubans need to buy more and more everyday items – from cooking oil to shampoo – in the convertible currency, the chasm with their peso salaries widens. This is not only damaging the economy but also tearing apart the island's social fabric.

Combining these two currencies will be monumentally difficult, with implications for all sectors of economy and society. And it has long been on Raul's agenda.

Some reports suggest that the often postponed [monetary unification](#) is set to occur before year's end. That may necessitate slashing imports, not just to adjust to reduced Venezuelan supplies but, crucially, to build up reserves that could defend the currency against foreseeable [inflationary pressures](#).



Liberalisation of Cuba's economy has created an industry of upscale private restaurants like this one, but the average salary remains US\$40/month. [Enrique de la Osa/Reuters](#)

It's not (just) the economy, stupid

In Cuba, political factors weigh very heavily. Laurence Whitehead from Oxford University stresses that the puzzle of the [exceptional resilience of the Cuban regime](#) cannot be understood without taking into account its sources of legitimisation and discursive justifications.

For half a century, Havana's [uncompromising stance against the US](#) played a key role in bolstering support for the socialist government, even when [such political isolation meant hardship](#) for the Cuban people. The recent rapprochement with Washington is a diplomatic victory, but normalisation – and particularly the decidedly warm welcome given to Obama – weakens this pillar of legitimisation.

Norwegian analyst [Vegard Bye argues](#) that Obama's opening to Cuba may have actually imperilled the reform process. Fears in Havana that friendly ties with the US, combined with a strengthened entrepreneurial sector at home, will eventually undermine the revolutionary project could lead to retrenchment.

While foreign observers usually see the emergent private sector only in tourist-targeted restaurants (*paladares*) and B&Bs (*casas particulares*), Yailenis Mulet from the University of

Havana shows a much more complex picture in [her analysis](#) of Cuba's shoe-manufacturing sector.

Based on field research, she estimates that the private sector associated with the shoe production chain employs over 12,000 Cubans, making it a sizeable industry in the shrunken island economy. But restrictive regulations, the weak legal standing of many producers in the supply chain, and the lack of wholesale markets for production inputs raise manifold obstacles to the growth of this remarkable domestic sector.

Meanwhile, the country is importing brand-name shoes to sell in the state-run shops aimed at Cubans with sufficient access to hard currency.



US President Barack Obama with Cuban president Raul Castro at a baseball game in Havana during his visit in March 2016. [Jonathan Ernst/Reuters](#)

‘More participatory’ and ‘democratic’ socialism

When Raúl Castro steps down as head of state in 2018, [as he has pledged](#), his legacy will depend on both the results of the economic reforms he initiated and his agenda for political change.

While he has forsworn transition to a multi-party democracy, he did promise to make Cuban socialism more participatory, the Communist Party more democratic and the media more critical.

And indeed, since Raúl Castro took over from his brother Fidel ten years ago, Cuba has turned from a model of charismatic socialism to one of bureaucratic socialism. This has meant depersonalising politics and strengthening the nation's institutions.

As I argued in my contribution to the Third World Quarterly, Raúl's "[bureaucratic socialism in reform mode](#)" has changed Cuban politics in two additional ways.

First, the liberalisation of travel and migration laws has expanded citizen rights vis-à-vis the state: Cubans no longer depend on an exit permit and goodwill from above to go abroad.

Second, the de facto (if unsteady) tolerance of emerging digital media voices has led to the most diversified Cuban public sphere since before the 1959 revolution. The state still defends the state media monopoly as a constitutionally enshrined Communist pillar. But the reach of government publications like *Granma* is eroding.

In practice Cubans – especially the young and urban – can now access all sorts of information via mobile phones and flash drives.

Meanwhile, as Cuban socialism is digesting the impact of reconciliation with the US and the fallout from Venezuela's [economic and political crises](#), Raúl Castro's broader agenda of political change seems paralysed.

Quite a number of the major projects he had announced still await implementation, including reforming the country's constitution, revising electoral law, and reducing the number of delegates in the National Assembly.

As Obama's tenure comes to a close, Raúl Castro has over a year left in his presidency. But the clock is ticking, and Raúl certainly knows he shouldn't leave the reforms to his successors in Cuba's soon-to-come post-Castro era.

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- [Economic reform](#)
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