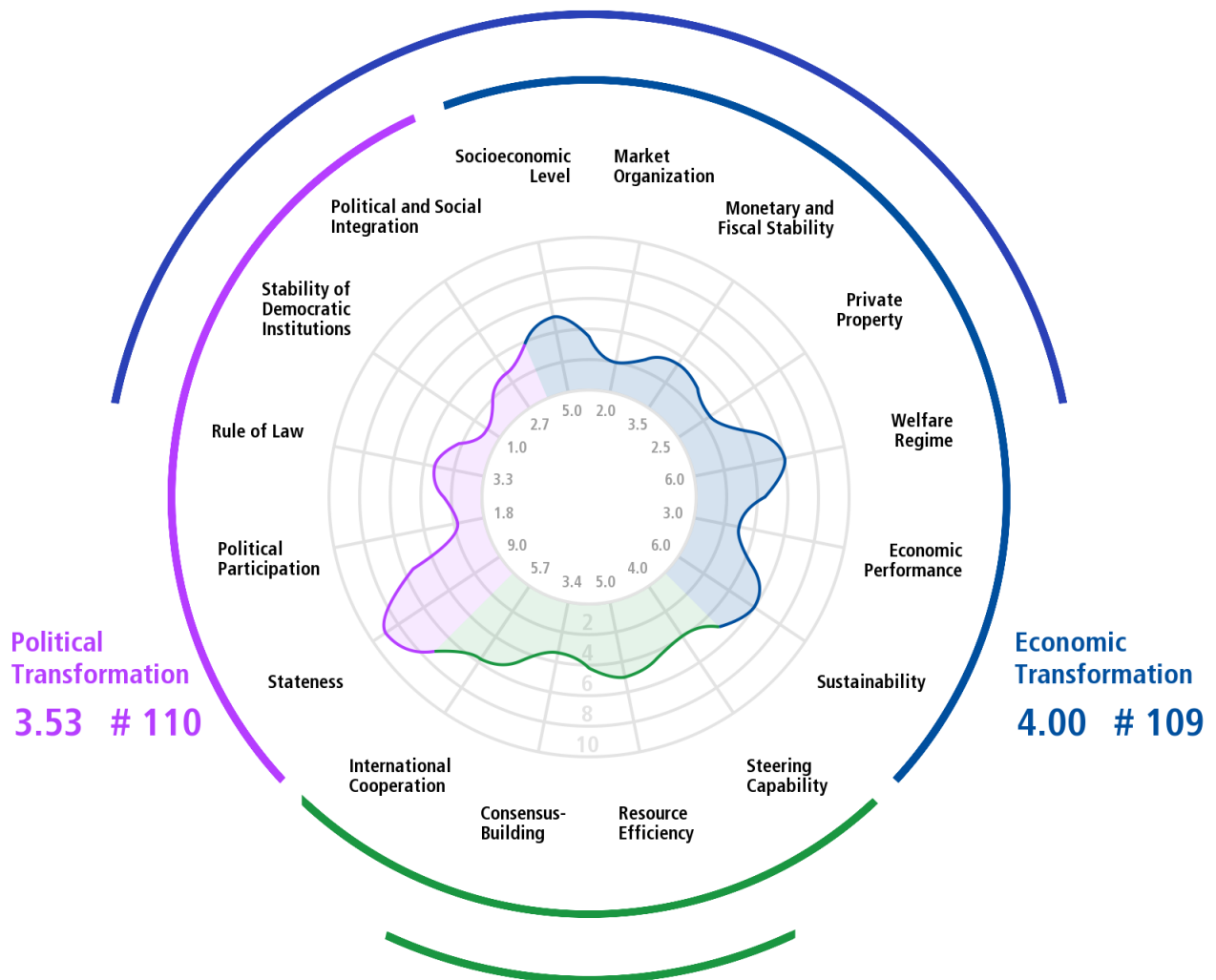


Cuba

Status Index

3.77 # 114

on 1-10 scale out of 137



Governance Index

3.95 # 102

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	11.3	HDI	0.778	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.0	HDI rank of 189	72	Gini Index	-
Life expectancy	years	78.7	UN Education Index	0.791	Poverty ³	% -
Urban population	%	77.0	Gender inequality ²	0.313	Aid per capita \$	63.3

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Fidel Castro and his brother, Raúl Castro, led Cuba for almost 60 years. In 2018, leadership was handed over to a younger generation and to someone outside the Castro family. Considering the weight of the Castro dynasty and legacy, the regime managed the succession with relative ease. If Max Weber has spoken of bureaucratic routinization as one way of succession to charismatic leadership, the years of Raúl Castro's tenure paved the way for gradualism and institutionalization. Miguel Díaz-Canel had been first vice-president during Raúl Castro's second term. After National Assembly elections – with no opposition candidates allowed – the Cuban parliamentary body unanimously elected Díaz-Canel as the new head of state. In his acceptance speech, he pledged political continuity, dispelling any expectations of change. Raúl Castro remains chairman of the Cuban Communist Party and still holds considerable power. But Raúl Castro is gradually retiring from the multiple positions he has held over the past decade. At no time during the leadership transition did splits between the political elite or public unrest become visible.

Díaz-Canel has since lived up to his promise of continuity. As he has no power base of his own, he has to balance the different sectors within the Cuban regime much more than his predecessors did. The first vice-president is now veteran trade union leader Salvador Valdés Mesa, which signals to the old guard that anti-reform forces have a strong say in the future course of the country. The military has secured and expanded its institutional power under the tenure of Raúl Castro.

The key political initiative, which marked Díaz-Canel's first year in office, has been the continuation of the previously initiated constitutional reform, which included a long phase of consultation with the party's rank and file as well as with the population at large (through a total of 350,000 local work-place meetings); some issues, most prominently the introduction of same-sex marriage, proved controversial in public debates. The revised draft was voted on in a popular referendum on February 24, 2019, with turnout around 84%. While about 87% of voters ratified the document, an unprecedented 9% of voters (about 700,000 people) voted against it. The remaining votes were invalidated or left blank. The new constitution makes it imperative to pass

a new electoral law within six months' time. In an optimistic scenario, the referendum could be the first step toward liberalization of the electoral process, such as giving voters the choice between different candidates (as is already the case at the municipal level).

In 2016, the economic reform policy had come to a virtual standstill. Price controls were re-introduced and new restrictive regulations were put on the private sector. Díaz-Canel has continued this course. Under his tenure, a new law regulating cultural activities was introduced, increasing state control over the arts and culture. The legislation provoked strong, negative reactions from artists and writers. However, this does not signal a coherent hardline roll-back, but rather a continuation of the stop-and-go process that marked Raúl Castro's last years in office. By the end of 2018, the government eased some of the restrictions on the new self-employment regulations. Similarly, the government slightly retracted on the new cultural policy, promising that its concrete regulations would do away with some of its most rejected aspects. At the same time, Díaz-Canel seeks to portray himself as a youthful, modern leader. The most tangible effect has been allowing residential subscription to the internet and, more importantly, the roll-out of 3G mobile internet services. These important developments bring Cuba a little bit more in sync with the digital age.

Economically, the past three years have been marked by a decline in Cuba's external revenues, translating into import reductions and austerity measures. Economic growth has been anemic. For 2018, the government has claimed the economy has grown by 1.2%. However, numerous observers doubt if economic growth has even been positive. Cuba has been hit hard by several external factors: the ever-deepening crisis of its ally and erstwhile economic benefactor Venezuela; the U.S. Trump administration's return to a tougher policy toward Cuba, which has reduced the number of U.S. tourists and reduced foreign investment in Cuba; and hurricane Irma in 2017, which caused severe damage to eastern parts and along the northern coastline of the island.

The year 2019 started with further bad news. The election of President Bolsonaro in Brazil immediately ended the Cuban medical services program to Brazil, worth \$300 million annually. The escalation of the political conflict in Venezuela adds to the deeply worrying prospects of Cuba's international context. If Venezuela's support for Cuba were to collapse, a return to energy shortages and economic hardships would follow. Most recently, parts of Havana were severely struck by a freak tornado leaving almost 10,000 Cubans without a home.

History and Characteristics of Transformation

Four junctures mark Cuba's last decade: the change in the country's political matrix after Raúl Castro took over the country's leadership from his ailing brother Fidel in 2006, and its continuation under his successor Miguel Díaz-Cane since 2018; the gradual market reforms launched by Raúl Castro; the de-ideologization of day-to-day life, albeit without the development of multiparty democracy; and rapprochement with United States starting in December 2014 – a move the U.S. Trump administration has largely turned back, although not in its entirety.

First, Fidel Castro and Venezuela's late Hugo Chávez developed a strong relationship, which benefited both countries. In exchange for large numbers of Cuban health care workers and educational experts, who provided the basis for Chávez's social service programs in Venezuela's poorest communities, the Cuban government received large, daily shipments of oil and other goods. Fidel used these resources to reverse the mild process of market-oriented reform in Cuba, which had begun in the early 1990s, recentralizing economic decisions. Restrictions on the small private sector were tightened; foreign direct investment (except from Venezuela or China) plummeted. Raúl Castro's early months in the presidency were largely taken up with getting rid of such revolutionary mobilization programs and strong centralization, while also dismissing most of the inherited high-ranking officials from his brother's late years.

Second, in 2010, Raúl Castro began his major economic reform initiative, to "update Cuba's socialism." The reform measures, known as "los lineamientos de la política económica y social," were approved at the VI Communist Party Congress in April 2011. The most significant change has been the expansion and liberalization of the private sector, first introduced on a modest and restrictive scale in the early 1990s. By 2016, the number of private sector licenses exceeded half a million in a country of 11.2 million people. Self-employment, at the low end, is often just that: a plumber who works as a private contractor. But self-employment at the high end is best described as: micro-, small- and medium-sized businesses. Other key reforms included: the legalization of the private property and automobile markets, and migration reform, which has given Cubans hitherto unknown freedom to travel. This has in part resulted in a constant stream of petty trade between Cuba and neighboring countries.

Third, Raúl Castro turned to a bureaucratic style of leadership without drawing on charismatic resources and doing away with much of the ideological mobilization. New possibilities of information and communication were opened, including the use of mobile phones, the permission to acquire computer equipment, and very gradually, internet access at the workplace and in public Wi-Fi zones. Independent, grassroots digital media projects emerged and have been largely tolerated, although their reach is still limited. More critical voices have been intimidated and attacked as counter-revolutionaries, some websites have been blocked, but repression has remained largely low-key. Under Raúl's tenure, the remaining dissident journalists of the 75 jailed in 2003, were released in a negotiated process. Since this time the state has replaced long-term jail sentences with multiple, short-term detentions for opponents. In the 2013 and 2018 National

Assembly elections, no opposition candidates were allowed to participate. The party's mobilization apparatus secured a high turnout and overwhelming approval. However, a quarter of voters did not follow the official orientation of the "unified vote" (voting for the full slate of candidates), but rather voted selectively for some candidates and not for others.

Fourth, in December 2014, Cuba and the United States began a process of normalizing relations by restoring diplomatic relations and creating a new climate of cooperation. Economically, the most important change for Cuba was the liberalization of U.S. travel restrictions on U.S. citizens to Cuba as well as the introduction of daily U.S. commercial flights, resulting in a surge in U.S. travel to Cuba. U.S. President Obama visited Cuba and addressed the Cuban people live via Cuban national television and radio without censorship. The U.S.-Cuban rapprochement greatly eroded the Cuban government's decades-old ideological framework and logic of being a "besieged fortress" in an ongoing struggle against U.S. imperialism. Although the U.S. Trump administration has not turned its back on all of these measures, its return to a hardline rhetoric and policy have turned the rapprochement into a short intermezzo.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state has had a monopoly on the use of force since the defeat of the last anti-Castro insurgency in 1965. Its administrative and security institutions are present throughout the country. There are no armed groups outside the state's control.

The only major large-scale riots in recent history occurred in 1994 in the city of Havana and were dispelled quickly and without loss of human lives.

Violent crime rates remain very low. Cuba cooperates with the United States and other countries on drug-trafficking interdiction and punishes drug traffickers harshly.

The one piece of territory where the Cuban state does not hold sovereign control is the U.S. naval base of Guantánamo Bay.

Cubans tend to share a strong sense of national identity (cubanidad) across racial, social and political lines. Although racial, gender and other forms of discrimination exist on the island, no particular group is denied access to citizenship. However, there are issues concerning the rights of emigrants and dual citizenship, which as elsewhere touch core tenets of the prevailing concept of the nation-state.

In Cuba, this receives particular importance due to the history of high emigration, with around 10% of Cuba's population living abroad. A precise estimate on numbers is difficult and depends on whether children and grandchildren of Cubans are included. Most Cuban emigrés live in the United States and most have acquired U.S. citizenship. However, to visit Cuba, they have to use a Cuban passport. To re-enter the United States, they have to switch to their U.S. passport or permanent residency ID. Between 250,000 and 300,000 "Cuban-Americans" have visited Cuba every year over the past decade. This practice is regarded by some emigrés as non-legitimate.

Cuba's 1976 constitution does not recognize dual citizenship. Though in practice dual citizenship has become more accepted over the years, to the point that the constitutional reform text put to referendum in February 2019 dropped the ban on

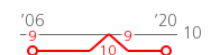
Question
Score

Monopoly on the
use of force
10



1

State identity
9



1

Cubans having a second citizenship (merely stating that on Cuban territory they will be seen as Cuban citizens only).

In recent years, more than 140,000 Cubans acquired Spanish citizenship through Spain's so-called grandchildren's law (Ley de Nietos), without ever leaving the island. Meanwhile, the 2013 migration law has made repatriation much easier. More than 20,000 Cuban emigrants have made use of it as a means of de facto acquiring dual citizenship, while most of them continue to mainly live abroad. These processes raise issues regarding the rights and duties of emigrants and dual citizens in relation to their nation-state of origin.

Until January 2017, Cubans arriving in the United States could easily claim asylum status. However, since then, emigration has become much more difficult. Many of the Cuban-Americans traveling back and forth are, in fact, engaging in transnational small-business activities. They did not break politically with the Cuban government and thus retained their right to return.

There are at least two problems concerning state identity. First, the Cuban emigrants to the United States might put "dual citizenship" on the agenda with a new legitimacy, which politically speaking poses questions of national sovereignty. Second, the rejection of dual citizenship was an inward-directed concept of the nation-state and part of the equality promise of the revolution. The possibility of acquiring a second citizenship through any of the above ways is marked by structural inequalities, which revive old ethnic-social cleavages (as most Afro-Cubans are by definition not of Spanish descent).

The state was secular even before the 1959 revolution, but became even more secular when the socialist state officially declared itself atheist. In 1992, the government changed its status to a lay state.

The impact of Cuba's multiple religious communities on public policy has long been limited to the purely religious sphere, such as visas for missionaries or licenses for processions outside church buildings. However, in recent years, a new modus vivendi has been evolving in which the government has sought tacit agreements, particularly with the Catholic Church. The Catholic Church has played an important mediating role in freeing political prisoners and Pope Francis was a facilitator of the U.S.-Cuban rapprochement under the U.S. Obama administration. In return for the moderate and in many ways stabilizing political role the Catholic Church is playing, the Cuban government has shown greater respect to core interests of the church, to the point that this can actually be called political influence. This was most visible in the 2018 debate on the constitutional reform project. Religious groups were allowed to voice their opposition to the proposed legalization of same-sex marriage in a way that no previous government policy had been allowed to be publicly opposed. In the end, the government ceded and dropped the proposal from the constitution's draft.

No interference of religious dogmas
10



1

There is an administrative structure throughout the country that provides basic public services, but its capacity to do so has been declining over the past years.

The Cuban state provides water, electricity, education, health care, sports and cultural facilities as well as public transportation to the entire population for free or at a minimal cost. Since the fall of the Soviet Union in the early 1990s, sustaining these services has been challenged by a number of factors: declining or non-existent material resources; a lack of technological development; the loss of qualified public service personnel (due to low state wages) to more attractive employment opportunities (particularly in the private sector); and painfully low work morale and widespread petty corruption among those remaining in state administration.

The quality of education and health care has seriously declined. A culture of bribery in both sectors has resulted in first- and second-class services. Private sector alternatives have emerged in education, principally tutoring as well as private instruction in foreign languages and music. The public transport system (urban, provincial and inter-state) lacks vehicles, maintenance and gas. As a result, it is rather unreliable, infrequent and overwhelmed. Private, collective taxis fill in some gaps. Water is available but rationed, with delivery and quantity of water depending on one's locality (ranges from once every 2 – 6 days). Most Cubans have water tanks on their roofs and thus try to store enough water until the next ration comes.

2 | Political Participation

Cuba is a single-party system that rejects pluripartidism, and does not hold competitive, free and fair elections.

Within the single-party system, elections for the National Assembly are regularly held; the National Assembly in turn elects the executive. The process to nominate candidates includes effective screening mechanisms that prevent any candidate from running who does not have official approval. In National Assembly elections, the number of candidates equals the number of posts, but citizens may vote blank, null or selectively – contrary to the Communist Party's orientation to vote for the full list of candidates. In the most recent election in 2018, more than 25% of Cuban voters cast a non-conforming vote (i.e., a null, blank or selective vote). Voting is not obligatory but there is strong mobilization and social pressure to do so; voter turnout was 85%.

Cuba's voting system involves each voting district electing two or more National Assembly deputies for an equal number of seats, with all candidates elected. Nevertheless, the system allows a voter to vote for candidate A but not vote for candidate B. Although A and B are both elected, A would have won more votes than

Basic administration

7



1

Free and fair elections

1



1

B. This adds an element of voter choice, but it also informs the party leadership about the relative popularity of its cadres.

At the municipal level, the electoral law requires multi-candidate albeit single-party elections. While there have been discussions to also adopt this system for national elections, this has not been adopted so far.

Political representatives are not elected democratically. At national elections, all official candidates win.

The constitution grants association and assembly rights only “in accordance with the goals of the socialist society.” In practice, this means that these rights are subject to severe government restrictions. Independent civic groups form and gather but they are not permitted to acquire legal status or take to the streets. When they do seek such type of public action, these are typically dispelled and protagonists arrested (although usually rather quickly released).

There is an array of academic, cultural and professional societies, which are usually referred to as “non-governmental associations.” These are not independent in the liberal sense of the word, but ultimately subordinated to state and/or party authority. However, they tend to struggle for relative degrees of autonomy in order to articulate at least some of the interests of their constituencies.

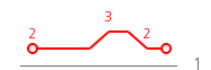
The Catholic and other Christian churches as well as some other religious institutions have a legal standing, which is not organically subordinated to state and party structures. This gives them the right to associate and assemble freely, but only within the confines of their own spiritual spaces. Beyond this, their ability to speak out on broader social or political issues is limited. However, in the 2018 debate on constitutional reform, religious institutions were allowed to publicly voice their opinions on the legalization of same-sex marriage. As a result of strong church opposition, this issue was dropped from the official proposal of the new constitution’s text.

Parts of the emerging digital media sphere can be considered prototypes of civic engagement. Their existence is by and large tolerated by the state. However, they operate in an uncertain, limbo sphere given that they have no legal status and face many restrictions. Digital media sites, which are perceived by the state as overstepping the boundaries of the permissive (e.g., Cuba Posible), report harassment.

Effective power to govern



Association / assembly rights



The Cuban constitution, Article 53, guarantees freedom of speech and of the press, but within the condition of “keeping with the objectives of socialist society.” De facto, freedom of expression does not exist.

While in private settings or at street level, Cubans tend to express a wide range of opinions, freedom of expression in public settings is still subject to strong government restrictions. The government-initiated process of debate of the constitutional reform project in 2018, for instance, was orchestrated in such a way that critical voices, questioning the core tenets of the socialist state or Communist Party rule, were excluded. Individual or groups of dissidents, who dare to openly protest (e.g., the Damas de Blanco), are often arrested and detained.

Over the few past years, however, spaces in which alternative opinions are expressed have notably expanded, including in the cultural/artistic (independent film, dance and theater groups as well as some musicians), academic/intellectual and emergent digital media spheres. None of these spaces or initiatives have a legal standing, but most are tolerated by the state. Their access and diffusion is, however, often limited and monitored. When they cross a “red line” or are seen to become politically too outspoken, their contributors can be subject to harassment.

Among the officially authorized publications, the journal *Temas* is the lead forum for intellectual debate, often pushing official limits. Its focus is societal, cultural and economic, emphasizing international or comparative topics, but clearly pertinent to debates in Cuba. *Temas* organizes monthly public panel discussions and debates and hosts a blog. More traditionally, the Catholic Church has a number of religious and lay publications. The most ambitious of these was *Espacio Laical*. When the editors were forced out by the Church’s leadership, presumably under state pressure, they founded a new digital platform called *Cuba Posible*, with a bolder focus on contemporary Cuban issues. While it continues to exist, it suffers from continuous government pressure.

Even official newspapers, such as *Granma* and *Juventud Rebelde*, have begun to allow readers to post online comments on their articles. Some of these posts are critical of government policies, albeit not of the government in general, the national leadership or the political regime. Even government websites allow some online comments critical of government policy.

Freedom of
expression

3

'06 _____ '20 10



1

3 | Rule of Law

The constitution defines the Communist Party as the “guiding force” in state and society. The formal separation of institutional powers is thus ultimately subordinate to the Cuban Communist Party’s Politburo, the supreme instance of power. As a result, there is no institutionalized system of checks and balances in a liberal, multiparty democratic sense.

The National Assembly (parliament) has, at times but rarely, amended legislation in minor ways. Occasionally, its committees question ministers and agency directors. In 2018, the draft of the constitutional reform was put to nationwide, work-place debates and then discussed at the National Assembly, where numerous minor points were amended (most significantly, the planned legalization of same-sex marriage was dropped). However, the entire process was firmly controlled by the party leadership and pre-emptive filters effectively put all central issues regarding the political or economic nature of the system off limits in public debate.

The courts operate under civil law traditions, avoid political topics, and balance other authorities only through trials and convictions of corrupt officials brought to court by state prosecutors. They occasionally curb abuses by mid-level officials and state-owned enterprises.

The judiciary is institutionally differentiated but not independent, as its decisions and doctrines are subordinate to political authority, ultimately resting with the Communist Party. It is part of an authoritarian single-party system, where prosecution of political opposition occurs when and if necessary. The courts may rule fairly only on non-political topics, holding mid-level administrators and state-owned enterprises accountable for legal violations.

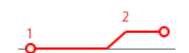
The executive nominates Supreme Court justices, while the National Assembly elects them and may remove justices and other judges by simple majority. Judges nominally serve a life term. The constitution subordinates the Supreme Court to the National Assembly. The courts do not have the power to declare laws or rules unconstitutional; only the National Assembly can do this. Supreme Court justices and lower-level judges may be removed by a vote from the Council of State.

Nevertheless, the courts do follow rules of procedure for civil and criminal cases and apply the laws in manners typical of a traditional, civil law system: the application of the law to a particular case. There are harsh penalties applied to crimes that involve acts of violence. In civil and family related cases, the Supreme Court affirms 85% of the decisions rendered by courts of appeal, but this also means that in a minority of cases the appeal succeeds. It is unclear what the rate of appeal success is for other jurisdictions.

Separation of powers

2

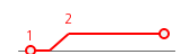
'06 '20 10



Independent judiciary

2

'06 '20 10



Since the presidency of Raúl Castro, official corruption has been systematically targeted, principally in the tourism industry and in dealings with foreign investors. Under Raúl Castro's tenure, the long-dormant Comptroller General's Office has been reinvigorated. The office now carries out audits systematically, for which it counts on the backing of the highest political authorities.

Nevertheless, there is no transparency on any of the cases. At times, cadres are also removed on the grounds of corruption but without a trial. This makes it impossible to clearly say if the trials are solely motivated by anti-corruption concerns or to what extent corruption accusations may be used to pursue political agendas. Similarly, the lack of public transparency and independent media reporting on these issues makes it impossible to ascertain whether certain individuals or sectors are shielded from prosecution. The most prominent case in 2018 was the apparent dismissal of Alejandro Castro Espín, the son of Raúl Castro, who had been in a central position in the security apparatus. The reasons and process for the dismissal lack transparency and have been subject to speculation.

Civil rights and the rule of law are subordinated to the single-party system and granted only in accordance with its framework. In this context, rights are codified within the constitution, but are subject to political interpretation. The enforcement of rights is difficult.

Since Raúl Castro took over from Fidel Castro, bureaucratic routinization has somewhat decreased the former arbitrariness of state reactions to civil liberty challenges. The 2018 constitutional reform project continues to emphasize the nation as a "state of law" within the parameters of the socialist political system.

Cuba remains a low-crime country and violent crime is rare. Consequently, the right to life and security is much better protected in Cuba than in most other countries of the hemisphere.

Citizen protection against arbitrary arrest is seriously deficient. Short-term arrests have become the government's routine intimidation tactic of dissidents, avoiding long-term jail sentences, which tend to draw more international media attention. When and where the state acts in a repressive manner, it does not overstep the respect for life. Political opponents do not fear assassinations or being "disappeared." Prison conditions are harsh, but there is no evidence of systematic torture.

Over the past decade, Cuba has made great strides in the protection of the rights of Cuba's LGBTQ citizens, including gaining attention for transgender rights for the first time. This is an enormous change within the revolutionary process, given that in the mid-1960s many people accused of being homosexual were sent to militarized labor camps with the aim of re-educating and transforming them into heterosexuals. It is thus astonishing that Raúl Castro's daughter, Mariela, with her father's support, has launched an extremely progressive LGBTQ policy agenda. The political

Prosecution of office abuse

5

Year	Score
'06	5
'20	5



Civil rights

4

Year	Score
'06	2
'20	4



leadership included the legalization of same-sex marriage in the 2018 constitutional reform draft. However, this provoked such an adverse public reaction (especially from religious groups) that this passage was eventually dropped from the draft text that will be put to a referendum in February 2019.

4 | Stability of Democratic Institutions

There are no functioning democratic institutions in Cuba, according to the BTI definition of “democratic.” Moreover, Cuba does not have a multiparty system. The Communist Party claims that it governs on behalf of the majority and under its definition, the political system is governed democratically. However, there is no independent or reliable way to discern such a majority and there is growing evidence of political discontent.

The political system is marked by a differentiated institutional setup, a strong sense of bureaucratic rationality and a nationwide presence. If, in any reform scenario, the Communist Party’s monopoly on power loosened and competing parties were allowed into the political process, a transition would find a reasonable institutional structure from which to evolve.

Cuba does not have democratic institutions, according to the BTI definition of “democratic.”

It is unclear whether the small number of opposition groups and dissidents share this concept of democracy. Rhetorically most do, but this has never been put to a test in real politics. The respect of Communist Party loyalists and institutions will likely be a controversial issue if today’s opposition groups were allowed to enter the political arena. The rise of Trump in the United States and Bolsonaro in Brazil fuel intransigent positions in the opposition camp.

5 | Political and Social Integration

There is no multiparty system in the sense of the BTI framework. Cuba is a one party (Communist) state and system, and the constitution enshrines the Communist Party’s guiding role in state and society.

The Communist Party has a strong national presence and maintains a functioning bureaucratic apparatus. The party is interwoven with the state and security apparatus, and it sponsors and controls the key mass organizations for workers, youth, women and farmers as well as professional associations. It is rooted in society, but within an authoritarian system in which top-down management is stronger than its function to provide societal feedback to government policies (although the latter also exists to

Performance of democratic institutions



Commitment to democratic institutions



Party system



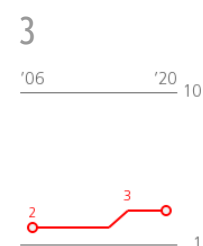
some degree). It is impossible to say how stable or socially rooted the Communist Party would be if it faced electoral competition.

Communist Party membership dipped slightly in the 1990s, but has since recovered to a little above half a million members. Since Raúl Castro took over as head of the party, more women have been incorporated into the Central Committee at its 2011 and 2016 Party Congresses and into the Political Bureau at the 2016 Party Congress. There have been similar efforts to increase the number of Afro-Cuban and younger members.

The constitution enshrines the Communist Party as the “guiding force” in state and society. As a result, most societal entities are under the aegis of the Communist Party. The largest of these mass organizations are the labor confederation, the women’s federation, the smallholder farmers’ association, the committees for the defense of the revolution organized by neighborhood blocks and the youth and student associations at various educational levels. While these do articulate some of the interests of their constituencies, they ultimately are controlled by the Communist Party. Although official discourse does not use the Leninist term “transmission belts,” party leaders still tend to see them, at least partly, as such. Similarly, there is a wide range of professional associations, which to some degree articulate the interests of their members but also respond to and are under the control of the party leadership. Among the mass organizations, the smallholder farmers’ association (ANAP) has over the years been fairly successful in lobbying on behalf of its members. Among the professional associations, the Union of Writers and Artists (UNEAC) has been the most vocal. There is no coordination across interest groups independent from the Communist Party.

There are a few organizations that fall outside of this scheme. The most important one is the Catholic Church, which has been given some liberties, and now publishes a limited circulation, hosts a weekly radio program and organizes a small-business training program for entrepreneurs. On various occasions, the Catholic Church has played a mediating role, such as in the release of political prisoners in 2010. But mostly the Catholic and other churches seek to lobby on their own behalf, essentially to widen their spaces of operation within society. Some also speak out for conservative family values and gender roles. In the 2018 debate on constitutional reform, this reached a new level as some Christian churches became vocal advocates against the legalization of same-sex marriage.

Interest groups



There is not enough evidence to answer this question. No independent surveys on the approval of democratic norms are allowed in Cuba. Latinobarómetro does not cover Cuba.

In the 2018 National Assembly elections, turnout was 85.65%. Of the votes cast, 75.95% voted for the full slate of candidates, following the orientation of the political leadership, while 18.45% voted selectively for only some of the listed candidates, and 4.32% cast blank and 1.28% cast spoiled votes.

The fact that almost a quarter of the votes cast did not follow the orientation from the party leadership implies some degree of nonconformity or discontent, but it is unclear how far this translates into approval of democratic norms. Similarly, the vote for the full slate of candidates should not be taken as solid approval for the regime, but needs to be understood in the context of highly ritualized, non-competitive elections in an authoritarian context.

In 2015, prior to the municipal elections, the official communist party newspaper held an online session during which election officials answered questions. Many of the questions reported online inquired about the possibility of voting for more candidates, choosing between parties and directly electing Cuba's president. The constitutional reform draft of 2018 to 2019 does not include changes to the electoral system. The government repeatedly insinuated that some sort of electoral reform law was in the making; however, neither its date nor content have been specified.

The issue of social capital remains highly ambivalent in the Cuban context. There is no survey data available on the level of trust in Cuban society.

Solidarity is a key concept and tenant of the revolution. Cubans (especially family, friends and neighbors) tend to be help each other out when in need. But this does not mean that they trust each other. In fact, there is ample ethnographic research on the culture of distrust among Cubans (both toward the state and toward each other). Since the Special Period in the early 1990s, when most Cubans materially hit rock bottom, a number of spaces and relationships have emerged in which social capital and to a certain extent trust have re-emerged.

There are three main spaces in which social capital has emerged. First, transnational family ties with Cuban emigrés in the diaspora, many of whom have, since the economic crisis on the island, reached out (sometimes for the first time) and started helping their family members materially. As a result, old and new bonds of kinship and intra-family trust have re-emerged and become hugely important. Second, on the island, many religious and faith-based communities have created strong social networks of their own as well as with their transnational counterparts in other countries (sister church programs, for instance, are quite common among Catholic and Protestant churches). Within these religious spaces, spiritual comfort is sought and often found, while material help in the form of medicines, food, money and even

Approval of
democracy

n/a

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n/a _____ 1

Social capital

4

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4 _____ 1

visas to travel abroad is often offered. Third, with the recent growth in the private sector, small-business owners are increasingly networking with each other, and thereby creating interesting, informal ties.

There has long been a strong basis for in-group mutual support, preceding the 1959 revolution and continuing thereafter. Afro-Cuban religions have long emphasized joint endeavors that combine religious and nonreligious activities. The Catholic Church's charitable organization, Caritas, not only disburses material support but facilitates group endeavors ranging from reading groups to after-school sports teams for kids. In-group mutual support has also been organized along national or regional migration backgrounds. Some of these have seen a revival with the economic crisis and reform process. The restaurants in Havana's Chinatown are as much an example of this as are the small Jewish community organizations, which reach out to donors abroad, and Cubans of recent Spanish descent, who have re-discovered their origins and applied for Spanish citizenship. They all build on and reinforce the social capital of their shared in-group, based on ethnic, national and cultural background.

On the downside, while violent crime is extremely low, petty theft has become widespread, with corrosive effects on trust.

II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality have both grown since the end of the Soviet economic support for and subsidies to Cuba. However, standard methods of international comparison have limited value in the Cuban context. Cuba's Office of National Statistics does not provide meaningful income-based measurements, given that the dual-currency system distorts all monetary relations.

The average monthly state sector salary was approximately \$30 in 2017. In contrast with most other countries, housing costs in Cuba are very low, and education and health care are free and universal (even if at declining quality). Even if the state has cut back on its former welfare state ambitions, the food ration card system still provides basic foodstuffs for all at symbolic prices, while cultural and sports events as well as public transport are highly subsidized. These key factors behind Cuba's relatively high ranking in the Human Development Index. In 2018, Cuba ranked 73rd in the sector of "high human development" and above countries like Colombia, Peru or Brazil. However, as state provisions and benefits have been declining for years, life has become dire for most Cubans, especially those making a living on state salaries or pensions. Cuban institutions prefer to speak of "at risk" or "vulnerable

Question
Score

Socioeconomic
barriers

5

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populations,” rather than poverty. Unofficial estimates place about one-fifth to one-third of Cubans in this category.

Having access to hard-currency income has become the key factor behind the widening gap in income and living standards, the most important factor being remittances from the Cuban diaspora. These, however, are very unevenly distributed. Because the majority of Cubans living abroad are phenotypically “white,” remittances – which by and large follow family lines – tend to mainly benefit white households on the island. Given the importance of remittances (estimated at \$3 billion annually), they are in part reviving and exacerbating the social and racial stratification of society. Moreover, as remittances are the single most important source of capital for starting a private business, this social and racial bias strongly effects the emerging private sector. The cumulative effects of these changes make inequality structurally engrained. Countermeasures by the state have limited effects and don’t stop this trend.

Cuba’s territorial HDI indicates modest variation in HDI levels by provinces, although Cuba’s eastern provinces have always been and remain poorer. The economic trends of recent years have further widened the gap between Havana (and in general, the northwestern provinces of the island) and the rest of the country.

Over the past decades, Cuba has made great advances in the area of gender equality, reflected in a fairly good gender inequality index (GII) score of 0.301, but still lags behind regional leader Uruguay (0.270) and Eastern European countries.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	87133.0	91370.0	96851.0	-
GDP growth	%	4.4	0.5	1.8	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	2.4	2.4	2.3	2.3
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-0.1	-19.7	0.0	-
Import growth	%	10.1	-10.6	-1.6	-
Current account balance	\$ M	-	-	-	-

Economic indicators		2015	2016	2017	2018
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	32.2	31.9	31.0	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	11.5	10.9	-	-
R&D expenditure	% of GDP	0.4	0.3	-	-
Military expenditure	% of GDP	3.1	3.1	2.9	-

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In Cuba's socialist economic order, the state continues to own and operate all significant enterprises. Foreign investors usually need to engage in joint ventures with state-owned enterprises. Limited market opportunities have been given a little more room since the mid-1990s and especially since Raúl Castro embarked on a gradual, long-term economic reform process in 2010. Despite this, the legal framework for the emerging market sector remains very weak and there are many restrictions. There is a thriving black market.

Over half a million Cubans (out of a population of 11.2 million) are registered as "self-employed" – a term that includes everything from street vendors to small businesses. The institutional framework that governs this small, private business sector is uneven and decision-making is often arbitrary. The cooperative movement has long existed, but remains weak under narrow state guidance.

The fundamental economic rule remains unchanged. Every non-state economic activity remains prohibited unless it has been specifically authorized. Thus, the licenses for self-employment are very specific. For example, you may acquire a license to sell DVDs, but may not use that license to screen movies in your home and charge an entrance fee, as if it were a cinema. Tax policies are designed to prevent the accumulation of wealth and seek to limit growth, limiting the sector's economic dynamism. For example, the tax rate on a private licensee increases upon hiring a



sixth employee and again upon hiring an 11th employee, and so on. Following new regulations in 2018, the business climate for private business has worsened considerably. With the new regulations, national, provincial and municipal bureaucracies are empowered to authorize inspections of and regular reports into private businesses under their jurisdictions. The restrictive rules are squarely aimed at inhibiting private capital accumulation. In a sharp turn from past practice, Cubans will now only be allowed one license for one business, effectively outlawing franchising and diversification. In addition, the new regulations also include capacity limitations and upward-sloping wage scales.

Prices for state-owned enterprises are centrally set. Prices in some agricultural markets were set by market supply and demand, but in 2016, selective food price controls were also applied in these “free” markets. The prices at which private farmers sell their products to the Ministry of Agriculture are set by the ministry, and farmers are compelled to sell a proportion of their harvest at that price.

Cuba operates a multiple exchange rate currency system, with varying exchange rates depending on the sector of the economy or special territories. For most transactions, however, there is the Cuban peso, in which state salaries are paid, and a convertible Cuban peso (CUC), which is pegged at 1:1 to the U.S. dollar. The exchange rate between the two currencies is approximately 25:1. This dual monetary system has caused havoc with statistical accounts, central planning and economic efficiency.

In principle, Cuba welcomes FDI, but the negotiation process and actual operation can be very slow, bureaucratic and tedious. Most FDI has to be in partnership with Cuban state-owned enterprises and the labor force must be hired through a Cuban state hiring company. Such joint enterprises can be profitable, but profit repatriation requires specific central bank authorization, often postponed to protect central bank reserves.

The government doesn't view state monopolies as negative, but rather as in sync with the planning logic of state socialism. Monopolistic or oligopolistic structures hence dominate most sectors of the economy. The state barely polices its own enterprises, although the courts at times try and convict abusive administrators. The government also sees the value of monopolies in luring foreign firms to invest. Anti-monopoly rules are only implemented on the small private business sector to prevent what the government deems as “enrichment.”

In contrast, in granting self-employment licenses in the private sector, the government seems to foster competition as a means to prevent any one entrepreneur from becoming too influential in the market. At the same time, the government doesn't want this sector to become big enough to compete with state-owned enterprises, as it already does in some cases. For instance, private bed and breakfasts have been allowed, since the capacity of state-owned hotels proved insufficient to cope with the boom in tourism. But so far bed and breakfasts have not been allowed

Competition policy

2

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to develop into hotels, so that the higher-priced state sector for tourist accommodation remains shielded from private competition.

Only state-owned enterprises and foreign firms in joint venture with state-owned enterprises are authorized to engage in foreign trade; small, private businesses are typically not. Since the liberalization of Cuba's travel laws in 2013, a continuous stream of petty imports has opened up via Cubans traveling abroad and returning to the island loaded with consumer goods, ranging from make-up to flat screen TVs and second-hand clothes. Cuban-Americans visiting the island are also a large source of imported goods. The large number of cell phones on the island, for instance, did not enter as formal, foreign trade but via the informal, petty trade of travelers.

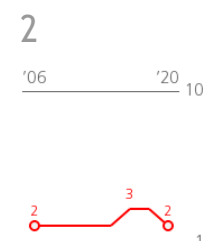
Cuba's economy is, however, selectively connected to the world market. Given its small size, Cuba is a significant exporter of services (tourism, medical and other governmental services), and some goods (principally nickel and other minerals, and some biotechnology, light-manufactured and agricultural products), and it imports a wide array of products including food.

Cuba has been subject to a comprehensive U.S. embargo for decades. A number of loopholes have, however, opened up and even remain in place under the U.S. Trump administration. For instance, since the end of 2001, Cuba lawfully imported over \$5 billion in agricultural products from the United States, paying cash in advance. But in most other sectors the embargo cuts Cuba off from what would be its closest and most natural market for almost all products, with enormous costs to the economy. Moreover, European banks engaged in Cuba have been repeatedly subject to billion-dollar fines for violating U.S. sanctions. As a result, many banks have stopped doing business with Cuba, aggravating the burden on foreign trade with the island.

The other main constraint on international trade is Cuba's limited domestic production and productivity as well as low quality control in industrial products. Cuban tariff rates are low (the simple average MFN applied tariff was 10.2% in 2017), but non-tariff constraints on trade are extremely high.

Severe distortions are created by a multiple exchange rate system as well as many special groups. Cuba established a dual exchange rate system in the 1990s. In its slow attempt to eliminate it, Cuba has shifted to a multiple exchange rate system, whereby preferential exchange rates apply in various sectors, compounding distortions.

Liberalization of
foreign trade



Cuba has a poorly developed banking system. Individual checking and savings accounts as well as credit and debit cards are rare. Most Cubans rely on the cash economy.

Only state banks are authorized. There is no capital market, although the state issues some bonds to finance the deficit and compels state-owned enterprises to purchase them. Starting in 2014, state banks have been obligated to purchase bonds from the Republic of Cuba, issued to finance the government's national budget deficit.

There are a few types of loans available, of which most tend to go to building maintenance and repair as well as to the agricultural sector, rather than to the small private business sector. Start-up capital for the private sector has thus mainly come from family members abroad in the form of remittances, which is in turn contributing to the emergence of profound social inequalities on the island. As most emigrés and most remittance receivers in Cuba are phenotypically “white,” this disproportionately affects Afro-Cubans, who are largely excluded from the new economic opportunities the private sector in Cuba has to offer.

8 | Monetary and fiscal stability

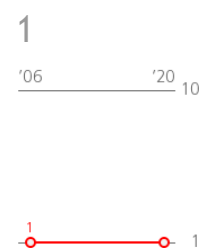
There is no independent central bank in Cuba. Controlling inflation is a component of the economic system in principle, but it is institutionally and politically subordinated to other goals. Government inflation statistics focus on official prices, not on prices in lawful or unlawful private markets. Economists on the island widely share the perception that the rising costs of living are not fully reflected in the official statistical data on inflation.

In particular, food prices have risen due to low levels of domestic production, cutbacks on imports, and high demand from private sector restaurants and the tourism industry. The government reacted by re-imposing some price controls, which resulted in rising prices on the black market. In addition, gasoline and transport costs have risen with similar effects.

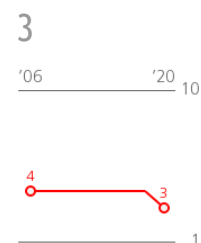
Until recently, the budget deficit had been manageable but nontrivial. However, in response to the negative impacts of declining Venezuelan support and decreasing tourism from the United States to the island, due to U.S. President Trump's aggressive Cuba policy, the Cuban government resorted to an expansive fiscal policy to compensate for the negative growth effects. To prevent inflationary effects, the resulting deficit was not financed through printing money, but via state bonds that the Cuban banks were obliged to sign. This, however, has created a financial bubble with major inflationary risks.

There is an arbitrary multiple exchange rate system, which renders many statistics nearly impossible to interpret and has been designed to favor some sectors over

Banking system



Monetary stability



others. The long-announced monetary reform has been postponed time and again, not least due to fears that it would drive inflation. These threats have risen rather than decreased through the recent crisis management.

Cuban macroeconomic policies aim to achieve stability. From 2012 to 2016, when economic growth averaged 1.7% according to official data, the fiscal deficit was kept at manageable levels. In part, this was achieved by cutting subsidies, an anti-cyclical fiscal policy in relative terms. But the lid on the fiscal deficit has also been the result of keeping state-sector wages extremely low (currently at an average equivalent of \$30 per month).

However, to offset the drop in GDP since late 2016, the country adopted a countercyclical, expansive fiscal policy. This has increased the government deficit to 12% of GDP in 2018. Cuba has not experienced such a large deficit since the early 1990s, at which time the deficit set off a rapid inflationary process. To prevent this from happening again, the state financed this deficit by issuing Republic of Cuba bonds that Cuban banks were obliged to purchase. This, however, has created a financial bubble in Cuba's banking sector with major inflationary risks. (There is no data transparency on public debt.)

Despite the successes of Raúl Castro's administration (e.g., signing agreements on debt settlements with the Paris Club, Russia, China and others), new problems to servicing credits have been building up. These problems have resulted in severe import reductions and increasingly long arrears for payments to international providers.

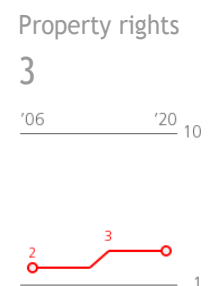
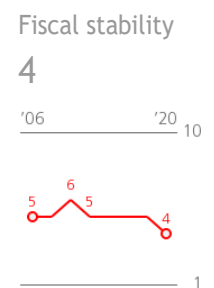
An additional problem is that the concern for fiscal stability is one of the government's key arguments for setting excessively high taxes on the small private sector, including punishing job creation as a means to prevent what it deems excessive enrichment.

9 | Private Property

Property rights in Cuba are weak. Not until the 2018 constitutional reform project was private property (beyond "personal" property) given constitutional standing.

After 1959, the revolutionary government confiscated all large businesses without proper compensation. Individuals were able to keep no more than two homes (if one was in an urban area, the other had to be in the countryside), the rest was nationalized. All rental properties became state property. Over the years, Cubans, who were renters in expropriated homes, were able to become owners of these homes. Smallholder farmers were able to retain their property.

Although in principle the law respects private property, there have been restrictions on what owners can do with it. Before 2011, owners wanting to up or downsize, or



move to another neighboring town had to swap their home with someone else (in practice, however, money was often paid on top of the swap, depending on the size and quality of the homes). The reform measures initiated by Raúl Castro have created real estate and automobile markets. Under the new law, only Cubans residing in Cuba can purchase or sell real estate. Over the past few years, many Cubans living abroad as well as foreigners have bought properties in the name of a relative or friend.

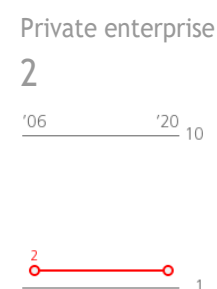
A recent agricultural reform has also made it possible for people to use idle state land for agricultural production. Initially, the use of the land was for 10 years, albeit renewable, and at the end of this time, everything built on the land would belong to the state. The time frame has since been extended, but the concept as such remains.

While the law defines a range of property rights, the same law allows the state to in effect override those property rights. The government can grant and revoke private licenses for self-employment. This also applies to authorizations for foreign companies interested in investing in Cuba.

State-owned enterprises dominate all key economic sectors. Foreign firms may partner with state-owned enterprises, but foreign investment remains modest outside of tourism, petroleum, natural gas and mining. Mixed foreign and state-owned enterprises are regulated closely and may face arbitrary state action. The emerging domestic private sector does not include private Cuban companies, but is made up of individuals who are “self-employed.” They range from micro-enterprises to small- and medium-sized enterprises (SME), which operate under substantial constraints and within weak legal structures. These private businesses lack the right to engage in international trade.

The government may revoke at will state-issued licenses for self-employment and has occasionally done so publicly to deter behavior of which it disapproves. There is no right to appeal such decisions. There are no wholesale markets for the private sector.

The constitutional reform presented in a referendum on February 24, 2019, marks a major step forward, in that it provides a constitutional framework more in sync with private sector activities than the previous framework. However, new regulations on companies and SMEs still needs to follow.



10 | Welfare Regime

The creation of free, universal social services and safety nets were the revolution's pride by the end of the 1970s. Despite the profound economic crisis since 1989, the state's social services have remained essentially in place, though their quality has declined. Cuba provides free health care and education, access to athletic facilities, subsidized public transportation and cultural events, and a pension system with universal coverage. The ration card system, which provides basic food supplies at highly subsidized prices, must be understood as part of Cuba's social welfare system.

Cuba's social safety net is in many respects unique. Since the early 1990s, all social services lack monetary and material resources, skilled professionals (due to labor migration to other sectors) and technological advances.

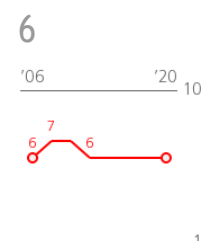
The quality of education has greatly suffered. The number of people in education has also been affected, as the government cut university enrollments by about 70% during Raúl Castro's administration. Those who can afford it increasingly hire private tutors for afternoon classes in order to increase the chances of passing the entry exams for higher education.

Furthermore, health care standards have declined. Side payments to physicians, nurses and other health care personnel have become common. Given low state wages, a significant share of medical staff have changed to other professions or run some private business (e.g., renting out rooms) on the side. Another option for medical staff has been to work abroad on the much better paid "international missions" in Venezuela, Brazil and elsewhere.

Many Cubans without access to foreign currency live in difficult circumstances. The quality of housing remains inadequate. While the lack of population growth and emigration has made this problem less severe, the lack of quality housing constrains young adults who prefer not to live with their parents. Moreover, considerable migration pressure from the provinces to Havana is not matched by the construction of sufficient housing.

The elderly suffer from the sharp decline in the real value of pensions and lack of elderly-appropriate housing. Elderly people with weak family connections are considered one of the largest "groups at risk," which is the term used in Cuba to describe poverty.

Social safety nets



Cuba had achieved significant equality of opportunity by the 1980s, overcoming much of the profound class and race inequalities that dominated pre-1959 Cuba. Universal education and state employment were powerful mechanisms for the upward mobility of Afro-Cubans as well as people of humble social backgrounds. It also opened the university-trained professions to women and integrated women fully into the workforce. The law is clear in prohibiting race or gender discrimination, but enforcement varies. In addition, territorial differences were reduced.

Since the end of Soviet subsidies in 1990, social inequalities have been re-emerging and these clearly follow racial lines. Remittances from the Cuban diaspora disproportionately benefit phenotypically white Cubans due to Cuban emigrants mainly being white. With the economic reform process under Raúl Castro, inequalities have become much more visible. Moreover, to open private sector businesses, remittances has become the key source of investment capital, clearly disadvantaging Afro-Cubans. This is creating a profound structural re-stratification of Cuban society.

Religious discrimination in university access, once high, has been mitigated. The government's sharp cutback on university enrollment appears to have come at the expense of those from lower-income families, non-whites and, to some extent, women. The latter had mainly majored in university programs in the humanities and social sciences, which have been cut back the most.

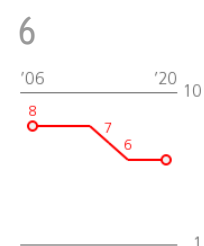
Cuba's self-reported literacy rate is 99.7%. Cuba's ratio of female to male enrollment is 1.0 for both primary and secondary schools, and 1.6 for tertiary education. The gross enrollment ratios for the three levels are 98.1, 99.7 and 41.0. Reported female labor force participation is 38.4, although it is probably higher because many women work in the informal labor market, which is not well counted.

11 | Economic Performance

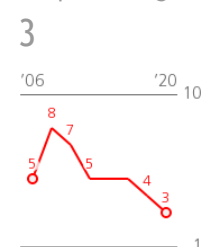
The Cuban economy has experienced anemic growth over the past decade. Cuban national accounts do not follow the near-universal methodology and Cuba has never explained its own calculations. Non-state economists typically assume double-counting in official statistics for GDP and therefore lop off 1% to 2% from the official growth rates. As there is zero population growth, GDP per capita data show the same trends as general GDP data.

According to official data, the Cuban economy has averaged 1% annual growth over the last three years (compared with a 5% to 7% rate economists say is needed to recover fully from the 1990s depression). In addition, Cuba has been hit by the economic collapse of its strategic ally, Venezuela. Other external shocks, such as Hurricane Irma in late 2017 and the tightening of U.S. sanctions, have also weighed on the economy. For 2019, government plans expect a sluggish growth of 1%.

Equal opportunity



Output strength



Agricultural output has been especially disappointing. As a consequence, food products form a large proportion of imports. Cuban manufacturing plants for the most part rely on old technology and deteriorating machinery.

Cuba has come to rely on its service economy, principally on tourism and the export of professional services to pay for imports. The latter are mainly in the health care sector but also in education, sports, internal security, military, some joint construction ventures and the like. Principal clients have been Venezuela, whose economic crisis has led to continuously lower shipments to Cuba and Brazil. In Brazil, the election of President Bolsonaro at the end of 2018 abruptly ended the Cuban medical program, resulting in a loss of about \$300 million in annual revenue. However, the decline in U.S. tourism to Cuba since the election of President Trump has led to an even greater loss in revenue, having hit the nascent private tourism sector especially hard.

Unemployment is low. However, as wages are so depressed, the loss of employment does not translate into a loss of income in the same way as in other countries. Under-employment in the state sector is high, although many state sector employees may have a second job or sideline business in lawful or quasi-lawful activities.

Multiple exchange rates severely distort prices and incentives and make statistical measurement more difficult. The cost of living for Cubans has been steadily rising over recent years, but no reliable data on inflation is available.

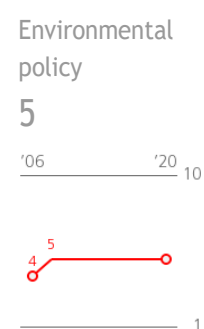
12 | Sustainability

The government takes environmental concerns into account, but characteristically subordinates them to economic growth. This is most apparent in the authorization of tourism projects that damage shore environments. The Ministry of Science and the Environment is tasked with providing a framework for environmental assessment and to intervene whenever environmental concerns are pertinent to a project. Its effectiveness is variable and it often fails to stop environmentally adverse projects.

Perhaps the most serious effects of environmental damage have been on water supply. Some of the effects are related to climate change (lower rainfall) and some from the over-exploitation of aquifers, many of which are severely damaged. Water supply to the population is often challenged by the antiquated and leaking pipes.

Cuba boasts a low carbon footprint. This is not due to effective environmental policies, but rather due to low consumption levels and the collapse of much of Cuba's industry. Although individual car ownership levels are low and most people use public transportation, air pollution, especially in urban areas is high, due to the use of old vehicles, which mainly work on diesel and leaded gasoline.

The single biggest environmental policy move involves the gradual phasing out and replacement of Havana's industrial port with a newly built port in Mariel, 45



kilometers west of the capital. Over the next few years (and probably decades), the bay of Havana will be turned into a port for cruise ships, marinas and other leisure activities. This development is planned to go hand-in-hand with the ecological cleanup of this highly polluted area.

Waste management is a real problem on the island. On the one hand, garbage collection is insufficient leading to the build-up of waste in urban areas and rivers. On the other hand, the population is not well informed about the need to manage, recycle and dispose of waste appropriately.

Education policy has been a major priority and source of pride for the revolutionary government. There is universal, free education from kindergarten through primary, secondary and higher education (all levels). Education is mandatory for all children until the ninth grade. There are no private schools, except for private day care facilities.

The government allocates time, attention and professionals to all levels of education. However, low state wages have led to an exodus of qualified staff from education to better-paying sectors, such as tourism or private tutoring. Overall, there has been a severe decline in the quality of primary, secondary and tertiary education since the 1990s. The austerity measures of recent years have further exacerbated this trend. Nevertheless, the U.N. Education Index still ranks Cuba third in the region behind Argentina and Chile and 22nd among the 133 BTI countries surveyed.

In a relatively demonetized economy with unreliable GDP statistics, investment proportions are of little meaning. However, the hard-currency squeeze of recent years has affected R&D investments. Moreover, even if the digitalization of the country gradually improves, the country's education system remains far from closing the gap on international standards regarding the use of digital technologies. Except for some prioritized sectors, R&D investments are insufficient to keep up with the relatively high levels of Cuba's academic system. Applied science efforts receive international recognition. Cuban scientific patents in biotechnology have clear commercial value, which is under-exploited due to the poor management of state-owned enterprises. The challenge is managerial and industrial, despite the presence of first-rate applied science.

Under Raúl Castro, enrollment in higher education has plummeted. In contrast, enrollment in technical and vocational schools has risen.

Education policy /
R&D

7

'06 '20 10



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Governance

I. Level of Difficulty

President Díaz-Canel inherited a highly stagnant economy suffering from severe, long-term under-investment in infrastructure and maintenance; profound monetary distortions; extremely low levels of productivity; and excessively reliant on a handful of products and services. Cuba's lack of economic diversification and productivity has been a long-term, partly external and partly self-induced, structural constraint.

The conflict with the United States is part of the external structural constraint. Since the early 1960s, the U.S. trade embargo has cut Cuba off from its nearest and natural market for almost all products and services. Although a number of loopholes have emerged over the years, the core of the embargo remains in place. According to U.S. law and regulations, all economic transactions between the United States and Cuba remain prohibited unless authorized by the U.S. Treasury Department. U.S. sanctions also strongly affect Cuba's relations with third countries, as high U.S. penalties against European banks for violating U.S. sanctions have testified in recent years.

In addition, the return to more aggressive U.S. policies under President Trump impedes the prospects for a domestic political opening within Cuba, as Cuba's leaders have reasons to fear a climate of political revenge if they lose control. Another external structural constraint is the Cuban émigré community in the United States, whose leaders largely align with hardline U.S. policies against the island. At the same time, this community is also an asset, given the estimated annual inflow of over \$3 billion in remittances.

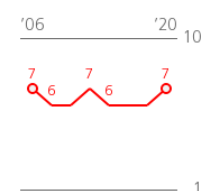
Cuba has a well-educated labor force, but work incentives and wages within the state sector are very weak. The government's aversion to the creation of private wealth is akin to a structural constraint. It is not only due to ideological stubbornness, but also the result of a political culture and social structure shaped over six decades.

Cuba is periodically hit by hurricanes, which cause different levels of damage. With climate change, the intensity of tropical storms is predicted to increase. The same thing can be said about droughts, which have been affecting Cuban agriculture over recent years. Like other island nations, Cuba will be severely affected by the rise in sea levels.

Cuba is nearly free of tropical infectious diseases.

Structural
constraints

7



Before 1959, Cuba had a fairly active and wide array of professional, educational, political, religious, welfare, social, cultural and other associations. Over the course of the early 1960s, the Cuban revolutionary process did away with most of these independent forms of civil society organizations as well as with the independent media. They were replaced by the official, state-sponsored and controlled media, trade unions and mass organizations. The latter include the Committees for the Defense of the Revolution (organized on a neighborhood basis), the Union of Cuban Workers, the Cuban Federation of Women, the Union of Cuban Youth and the Association of Small Farmers.

There is a wide array of professional associations; even if these are not independent and respond to the Communist Party or state institutions, they are a key part of what civic life can mean in the context of a single-party state. The Writers and Artists Union is an important forum in which the limits of what can be said and discussed in Cuba are contested. Some scientific associations, groups of intellectuals and the growing but still modest small-business sector are examples of evolving civil society entities. Remittances from abroad fund several of these civil society organizations, and North American and European foundations also play important roles in funding, support and advice.

In Cuba, civil society could be partially conceived of in terms of networks rather than associations. Intellectual magazines, such as “Temas” and the debates it organizes, are fora for intellectual civic engagement. The LGBTQ community has been actively engaged in civil society even though it lacks organizational autonomy and independence. Similarly, Afro-Cuban activists also have networks that seek to effect society and politics.

Social trust is difficult to assess.

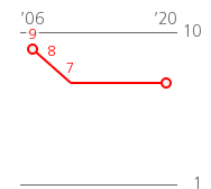
There is some evidence of participation in public life by the Roman Catholic Church, some by Afro-Cuban religions and also some by evangelical communities of faith. These groups were highly vocal in the constitutional reform debate in 2018 in which religious groups campaigned strongly – and successfully – against the legalization of same-sex marriage.

Incidents of political violence are extremely rare. Criminal violence remains very low.

Social class is reappearing and is producing social cleavages, especially in urban areas such as Havana. This is producing frustration and anger in a society that was socialized to believe in equality. Racial inequality in particular has increased since the 1990s. So far, no one on the island has politicized the potentially serious social cleavage of race. But anger and frustration among poor and working-class Afro-Cubans is increasing.

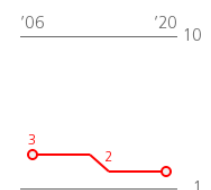
Civil society traditions

7



Conflict intensity

2



Religious discrimination was once severe, but has attenuated under Raúl Castro. In 1991, the Communist Party statutes removed atheism as a condition for party membership. Religious and faith-based groups compete with each other, but have no tradition of resorting to violence.

Among the émigré community, especially among older cohorts, class attitudes go hand-in-hand with racial prejudices and strong overtones of political revenge.

II. Governance Performance

14 | Steering Capability

Since the 1989 crisis, the Cuban government's strategic priority has been to maintain the socialist system and the established political order. It has achieved this despite numerous challenges (e.g., political isolation, economic crisis and mass emigration).

In the current context, the overarching priority of the past two to three years was to orchestrate the transition of political leadership from Raúl Castro to a younger successor, without causing fissures among the political elite or social unrest on the streets. This priority has been fully achieved. The transfer of state leadership to Miguel Díaz-Canel was smooth and uneventful.

In 2006, when Raúl Castro took office from his ailing brother, Fidel Castro, one of his priorities was to formulate an agenda of gradual economic reform and to have it broadly approved by the institutions of bureaucratic socialism. This process took longer than expected, but a document with a first set of reform measures was approved at the 2011 Party Congress. In the same spirit, a more long-term development plan was approved by the spring 2016 VII Communist Party Congress. Raúl Castro's restoration of the practice of quinquennial party congresses facilitates planning and coordination. Eventually the core tenets of the economic reform agenda became institutionalized in the constitutional reform approved in 2019.

Cuba's economy has been centrally planned since the early 1960s, and the government formally presents an annual budget and a plan for approval by the National Assembly. Set production goals are often not met, and plans are often subordinate to shorter-term problem-solving and crisis management. Under Raúl Castro, the government has also launched a range of experiments based on region, sector or other units. It has, however, shown an inability to bring these experiments to a conclusion, draw lessons and apply the lessons to national policy.

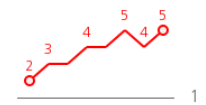
Since Miguel Díaz-Canel has been in power, his key policy priority has been the constitutional reform. This process was systematically carried out through different stages, including nationwide popular consultation processes. It culminated in the

Question
Score

Prioritization

5

'06 '20 10



National Assembly meeting of December 2018 and referendum on February 24, 2019, which approved a revised version. However, other economic policy priorities (e.g., restoring economic growth, improving wages and attracting significant FDI) have not been met.

The government has been effective in its key political priorities: maintaining regime stability, securing elite cohesion and avoiding popular protests during the leadership change from Raúl Castro to a younger successor.

However, it has been much less effective in implementing its proclaimed policy goals. The government announced in 2013 that it would “soon” unify the exchange rate and return to a single currency. However, monetary reform has since been abandoned. The same holds true for the reform of state-owned companies. If the economic reform agenda was slow moving before, it has become largely paralyzed since 2016. The lease of idle land to farmers has been so half-hearted that it has resulted in little to no improvement in agricultural production. The re-imposition of price controls contradicts measures to stimulate production. The policies aimed at creating a non-state sector large enough to absorb the excess workforce from the inefficient state sector have not been implemented coherently. Instead, the growth of private sector activities is deliberately limited in order to avoid the accumulation of private wealth. The planned transition from a social security system based on universal coverage (e.g., in the case of the ration card) to one targeted on the needy has not been implemented. The expansion of the cooperative sector has been rudimentary. Numerous economic policy measures have been tested in local experiments, but have never been scaled.

Beyond the economic sphere, the government postponed key policy reforms, including electoral reform, a new media law and a restructuring of municipal administration. However, the government of President Díaz-Canel, which took office in April 2018, has been effective in implementing one major reform step, namely reform of the country’s constitution to align it with changes introduced since the early 1990s and in particular with the reform agenda promoted by Raúl Castro.

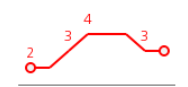
Raúl Castro learned from the failures of the economic policies he inherited. In 2010, Raúl Castro began to enact significant economic policy changes. This included the expansion of the private sector, the authorization of non-agricultural cooperatives, greater autonomy for state-owned enterprises, the development of the Mariel port to attract foreign investment and attempts to promote longer-term planning. However, he also learned that preserving elite cohesion is paramount and that any economic policy change should be abandoned if it is perceived as a threat to regime stability.

The government of Díaz-Canel has learned, from Raúl Castro’s ability to keep the regime afloat, that stability is more important than economic growth and that all reform has to be gradual. At the same time, Díaz-Canel has understood that technological modernization is imperative, and from China’s experience, that digital

Implementation

3

'06 '20 10

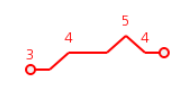


1

Policy learning

4

'06 '20 10



1

media can be compatible with sustained Communist Party rule and be an important source of revenue. In Díaz-Canel's first year in office, residential and mobile internet access has become available, with services rolled out with great economic success. In its first month in operation, the state telecom company sold mobile internet access for about \$7 million.

However, in general, the government's economic focus has been on control and preventing enrichment, rather than on inspiring innovation and economic growth. During the constitutional reform process, the government sponsored nationwide debates were orchestrated in a way that prevented the fundamentals of the socialist order from being only challenged. However, on some issues the leadership backtracked on its initial proposals when the proposals provoked significant discontent. The most prominent case was the legalization of same-sex marriage, which was dropped after religious groups, the party's rank and file and society at large were untypically vocal in opposing the measure.

15 | Resource Efficiency

The Communist Party vets all senior appointments to government offices, state-owned enterprises, hospitals, universities and so forth. Political criteria are paramount.

The distortions created by the dual monetary system and low pay in the state sector have led a large number of qualified personnel to seek better-paying work in tourism or the private sector. Most importantly, Cuba continues to suffer from brain drain, as many of its most educated and dynamic citizens see insufficient material reward or career prospects for their professional and personal development on the island. Cuba's net emigration rate this decade has been between 30,000 and 40,000 people per year.

For a long time, socialist Cuba was well known for its impressive accomplishments in education, but equally noteworthy inability to reap economic growth gain from its human capital investment. Only in this century has the government been able to export professional services, albeit only through state-owned enterprises, or to commercialize some of its biotechnology accomplishments, albeit on a modest scale. Government private sector licenses overwhelmingly emphasize skills that require modest levels of education (e.g., plumbers, barbers and chiefs) instead of freeing the private entrepreneurial possibilities that Cubans demonstrate mainly through illegal markets.

The government formally retains vast powers to allocate all resources, including job allocations. For many years, the government kept the budget deficit under control. However, since the 2016 recession, it has resorted to an expansive fiscal policy to stimulate the economy. The deficit is covered largely through the issuing of state bonds, which banks and state-owned companies are required to buy, thereby creating further economic distortions and inflation risks.

Efficient use of assets

3

'06 _____ '20 10

3 4 3

1

The process of pro-market economic change, authorized in the 2011 VI Party Congress, improved the government's capacity to coordinate some conflicting objectives but it also weakened the compliance from old-time cadres. The result has been largely a policy stalemate that translates into stop-and-go processes and policy incoherence. Examples include resistance to downsizing the state payroll, giving private sector activities more leeway, implementing monetary reform and permitting more non-agricultural cooperatives. The return to price controls and new restrictions on self-employment over the past two years has been seen as a setback to reform, and a dysfunctional result of conflicting priorities and interests.

Production and service managers practice hoarding to assure that they would have the necessary inputs for their work, that is, they over-demand and store such inputs, creating large inventories and spot scarcities elsewhere in the economy. Under-payment also characterizes much of the Cuban economy. Production and service units finance their operations by delaying payments to their suppliers. Cumulative under-payments amount to about one-fifth of GDP. Hoarding and under-payments are manifestations of what happens when coordination is impaired.

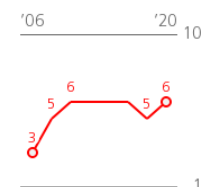
Corruption has been less of a problem in Cuba than in other Latin American, Caribbean and former communist countries. Nevertheless, government corruption has become an issue due to a convergence of three forces: the opening of a hard-currency sector and limited market-based economy with significant levels of state intervention and a weak legal base, the extraordinary discretion afforded to government officials in making micro-decisions, and the absence of independent institutions or media that could act as a watchdog and ensure transparency.

Corruption has mainly appeared in sectors that have opened up to market activities, above all tourism. Corruption also appears in foreign trade operations, some authorizations of foreign direct investment and some entities that export professional services. However, as judicial processes lack transparency and independent media reporting is absent, it is difficult to assess the scale and scope of corruption. In addition, due to the lack of transparency, it is impossible to determine to what extent corruption charges are substantive, politically motivated or merely a product of personal vendettas.

Raúl Castro took a much more systematic line against corruption than Fidel Castro. Raúl also routinized anti-corruption policing and empowered the Comptroller General to pursue corruption cases wherever the evidence warranted it. This included powerful officials, who could be removed from their jobs, even if just for negligence, but who in more serious cases were sentenced in a court of law. The Comptroller General has become a powerful actor in Cuban politics with no apparent limitation on the scope of what the agency may investigate. There are no indications that this has changed under Díaz-Canel's leadership.

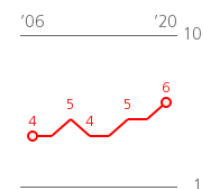
Policy coordination

6



Anti-corruption policy

6



16 | Consensus-Building

The Cuban government adheres to a concept of “people’s democracy,” which is fundamentally different from the concept of democracy used in the BTI. Political leaders do have a rhetoric of railing against false unanimity or calling for a franker debate. But this never crosses the line of questioning single-party rule or allowing competitive elections.

Within this context, the recent tug-of-war about the use of the term “democratic” is remarkable. At the 2016 Communist Party Congress, the commission in charge of the party program debated the official slogan. Cuba should be independent, sovereign, socialist and sustainable. Some proposed inserting democratic as a new noun adjacent to socialist; the commission did not approve the change. Yet, weeks later, when the party program was formally published, “democratic” had become part of the official slogan. This should not be overstated, all Eastern European socialist states conceived of themselves as democratic. The constitutional reform adopted in 2019 promises to modernize state functions and clarify the division of functions, which could strengthen a sui generis system of checks and balances.

Nascent civil society organizations, religious and secular, seem more committed to liberal democratic goals, as are opposition groups, loyal or dissident. Many of these alternative organizations are not democratic themselves, such as the Roman Catholic Church. The opposition groups’ commitment to democracy has never been tested.

There is a consensus among the ruling elite that socialism has to integrate some kind of market elements. However, there is no consensus as to how far this should go. The Communist Party congresses of 2011 and 2016, and the constitutional reform of 2019 endorsed an economic system in which the state retains a central role, including as the owner of many of the key means of production, but in which market actors are respected and afforded a legitimate role. There is also a consensus to prevent the uncontrolled accumulation of private wealth. The private sector was initially conceived of as comprising “self-employed” workers and political leaders have long struggled to accept the term small- and medium-sized enterprise. “Market economy” is not a term that would be accepted by the present government.

Opposition groups by-and-large support a much bolder version of market economy. Through a program called “Cuba Emprende,” the Catholic Archdiocese of Havana sponsors entrepreneurial training for people interested in launching small businesses.

Consensus on goals

3

Year	Score
'06	1
'07	2
'08	2
'09	3
'10	1

1

In the normative sense used by the BTI, the ruling elite within the government, the Communist Party and the military are anti-democratic actors who have effectively prevented the democratization of the country. Reformers within the regime seek to promote more dynamic and coherent economic reforms, and create wider spaces for debate, including at times more autonomy for civil society actors, a more plural media and greater ideological tolerance. However, a transition to a multiparty, liberal democracy is unwelcome to anybody acting within the established political structures. Given increased tensions between Cuba and the U.S. government, and existing property and human rights claims of the Cuban-American community in the United States, reformers fear abrupt regime change no less than hardliners.

At present, outspoken democratic reformers are found outside the state and party structures in some civil society groups, emerging independent media and small groups of explicit political opposition. Attempts by the former editors of *Espacio Laical*, a Catholic lay publication, to create support for a “loyal opposition,” which respects and acts within the existing political framework, was only successful among a small group of intellectuals. The “loyal opposition” gambit was an effort to build bridges with reformers in the government. However, these reformers within the system have yet to take a public position. Washington’s return to a Cold War-era Cuba policy has reduced the space for moderates within government and the opposition.

One of the aims and accomplishments of the 1959 revolution has been to narrow socioeconomic divides between social classes, racial groups, regions, and urban and rural areas. Due to the implementation of radical social and economic policies in the 1960s, Cuban society became relatively egalitarian by the mid-1980s. Although these accomplishments are eroding, and social and racial inequalities are returning, they are not yet structurally ingrained social cleavages, as they were before 1959.

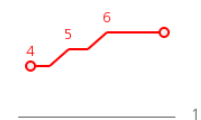
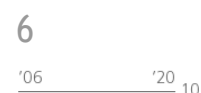
Organization based on race remains prohibited by law for social, economic and political institutions. However, a number of associations based on national, ethnic, religious and identity exist, which engage in a wide range of activities, including the Spanish regional associations, the Chinese family name associations and the Yoruba Cultural Association for Cubans who practice an Afro-Cuban religion. There is also the West Indian Cultural Association, the Arab Association, the Jewish Cultural Center and a Haitian cultural group. These organizations, which are all officially supported by the Cuban state, reflect the many different migrant groups that have come to Cuba over the centuries.

Given the growing racial inequalities and increasing overt racism on the island, more and more Afro-Cuban activists are emerging and speaking out about these issues. There has been a constant attempt by the government to downplay the growing racial inequalities and racism on the island. These are sensitive issues for a government that has prided itself on having created an egalitarian society. Given the speed at which

Anti-democratic actors



Cleavage / conflict management



racial inequalities are growing, and the frustration and anger that many Afro-Cubans feel about this, race could become an explosive issue in the future.

Cuba has a variety of religious organizations, but these do not constitute major social cleavages.

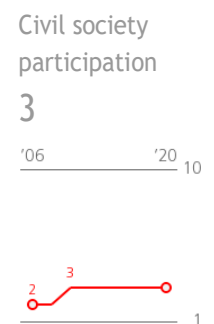
If one counts the Cuban diaspora as part of Cuban society, there is certainly a wide social cleavage between the (roughly) two million people of Cuban descent abroad and the 11 million Cubans on the island. The government has adopted a more reconciliatory tone with emigrants, as long as they are not linked to the political leadership of the U.S. Cuban exiles. Cubans abroad were even able to take part in the consultation process on the constitution reform. In 2013, the government made it easier for Cubans to travel abroad. Since then, the lines between travel, prolonged stays abroad and emigration have become blurred. That too is a government tool to manage possible political and social tensions, with the government using travel and emigration as a pressure valve.

In Cuba, civic, economic and professional interest associations are not independent of the state, but subordinated to the guidance of the Communist Party. However, although they are embedded in a vertical top-down logic, associations (some more than others) articulate some of the interests of their constituencies and sometimes express discontent in a carefully managed fashion. Though these are not civil society organizations in the full independent sense of the term, their struggles for autonomy and attempts to represent the interests of their members are relevant for state-society relations.

The political leadership responds to these organizations (if and when they officially and legally registered) at national congresses, political leaders attend and speak at their events, and their concerns are listened to. Thus, while there is representation and participation (on the part of some civil society issues and interests), it comes in a strictly controlled form, managed by the state and party hierarchies. Open protest or acts of defiance are rare and dealt with swiftly and at times harshly. When sub-cultures emerge that could encourage public protests, the typical state strategy is twofold: to set limits and enforce these limits in exemplary cases; to open up institutional channels of state-controlled public participation. The Agency for Cuban Rap Music is an example of such a co-optation strategy.

Beyond this pattern of state-controlled institutions, few organizations are formalized and represent substantial interests. Digital platforms have emerged, which have become important fora of debate. While the state tolerates this to some degree, it does not welcome independent media and it does not see independent media as a legitimate actor in public life.

The political leadership maintains communication channels with and is moderately responsive to communities of faith. In particular, under the tenure of Raúl Castro, the



Catholic Church has become an important mediator for the government. The government has permitted Caritas, the Catholic Church's charitable organization, to significantly expand its humanitarian and aid work on the island. The Catholic Church played an important mediating role in the release of political prisoners as well as in the talks preceding the U.S.-Cuban rapprochement under the U.S. Obama administration. In 2018, in the constitutional reform process, people were allowed to take outspoken positions against the proposed legalization of same-sex marriage. Religious groups were particularly vocal in these protests. In an extraordinary case of responsiveness, the government reacted by swiftly withdrawing this issue from the constitutional draft.

Generally, the leadership does not address historic acts of injustice and does not initiate a process of reconciliation. Notwithstanding, there are a few positive signs.

The government has clearly changed its policy toward the Cuban diaspora. It distinguishes between Cubans abroad, who are recognized as part of the Cuban nation and permitted to visit Cuba on a Cuban passport, and a minority of political activists who the government denounces. Cuban-Americans in particular send an estimated \$3 billion in remittances each year to Cuba and more than 400,000 Cuban-Americans visited Cuba in 2018.

In 2001, the government hosted a conference on the Bay of Pigs invasion in which five former invaders participated. It stopped labeling all of its opponents, including the Bay of Pigs invaders, as "mercenaries of the United States."

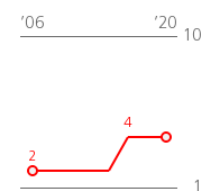
Government policy toward homosexuals has also changed substantially, especially since the 1960s, when homosexual men were sent to labor camps. Spearheaded by Mariela Castro, Raúl Castro's daughter, Cuba has become a strong domestic and international defender of LGBTQ rights.

The hardline cultural policy of the so-called gray five years in the 1970s have been much discussed in Cuba's cultural institutions. While no formal excuse has been provided or former bureaucrats sanctioned for their abuse of power, many symbolic measures to rehabilitate the victims of these repressive policies have had an effective reconciliatory effect.

Given how the U.S.-Cuban conflict had over the decades translated into domestic confrontation within Cuba, Cuba's rapprochement with the United States under President Obama was a huge step, not only in international affairs but also toward domestic reconciliation. Even if the U.S. Trump administration has done away with this spirit of de-polarization, the historic steps in normalizing relations has had a lasting effect on Cuban society.

Reconciliation

4



17 | International Cooperation

In general terms, the development agenda of Cuba's political leadership may be summarized as piecemeal reforms oriented toward a new model of economic prosperity – not least in order to legitimize the political status quo and to allow the authoritarian regime to continue. For that purpose, the government uses international support but tries to avoid conditionality.

Starting in the 2000s, the government used the profits of its relationship with Venezuela to suspend market-oriented reforms and strengthen command and control structures. The government's relationship with Venezuela also opened up new economic opportunities to export highly qualified human capital. Cuban medical staff and other professional experts have worked in dozens of countries for decades, providing a large proportion of the country's foreign currency. By the end of 2018, Venezuela's economic crisis reduced the scope and benefits from the medical missions to Caracas, while a similar program negotiated with Brazil was cut short when Bolsonaro won the Brazilian presidential election at the end of 2018.

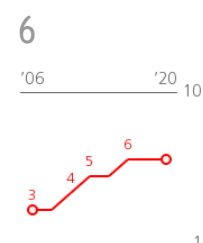
Cuba similarly has used its important economic relationship with China to advance government goals. China has insisted that Cuba pay its debts and pay its annual import bills. As a result, the Cuban government has fewer flexible resources from that relationship. China has provided very little “development assistance” except for some project assistance. China is the strong external actor with internal credibility to advocate for market reforms.

Assistance from the European Union has yet to begin; an agreement was signed in 2016. Assistance from individual European governments has been modest but consistent with the government's own agenda.

The government's agenda has also shifted regarding international institutions. In the fall of 2016, Cuba signed its first formal agreement with a market economy international financial institution, the Development Bank of Latin America (CAF); the agreement provided mainly for an exchange of information. There is a new debate in university and think-tank circles in Cuba regarding the wisdom of approaching the International Monetary Fund, the World Bank, and the Inter-American Development Bank, none of which has yet led to agreement.

The international debt settlements permit discussions with these international financial institutions and permit financial flows in the future, but these have not yet materialized. But the government finally seems to have embarked on using international partners to advance a development agenda.

Effective use of support



Cuba does not belong to the International Monetary Fund, the World Bank, or the Inter-American Development Bank, but it has begun to consider whether to approach them. Cuba has never supplied “blue helmets” to United Nations peacekeeping missions. Cuba signed anti-terrorist U.N. conventions only after September 2001. Cuba signed nuclear nonproliferation agreements after the collapse of the Soviet Union. It has been generally uncooperative on international human rights, labor standards, and similar conventions. It is, however, often an elected member of the U.N. Human Rights Commission, where it defends its own state interests and is supported by other countries of the Global South, which also use the argument of national sovereignty to reject the international insistence on liberal human rights. However, Cuban involvement in repression in Venezuela, which became more evident during the review period, strongly contradicts its general commitment to human rights.

Cuba complies with the rules set by the international and regional organizations to which it belongs. Conversely, despite an invitation to return to the Organization of American States in 2009, Cuba declined, refusing to accept the “Democracy Charter,” which has become the organization’s constitutional bedrock. Cuba does not accept the jurisdiction of the Inter-American Human Rights Commission or that of the Inter-American Courts of Human Rights.

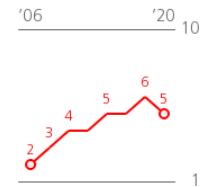
Cuba tends to be a reliable partner in the agreements it initiates and is known to be a very professional partner when cooperating with international organizations such as WHO. In the 1960s, Cuba developed an alternative form of international social aid and cooperation with other countries in the fields of health care, education, agronomy, disaster relief, among others. Cuba has also responded to many global crises, including the earthquake in Haiti and Pakistan, and the Ebola crisis in West Africa.

Cuba systematically defaulted on its international debt obligations in 1960, 1986 and several times over the decades that followed. Raúl Castro’s administration regularized almost all of these international debt obligations, except to the United States.

Cuba’s management of its rapprochement with the United States in 2014 to 2016 was both impressive and effective. From the initiation of secret negotiations through various confidence-building measures to U.S. President Obama’s visit to Havana, Cuba proved to be a reliable and competent partner.

Credibility

5



Cuba is a member of the Community of Latin American and Caribbean States (CELAC), although this organization has lost much of its past relevance. Cuba participates in Ibero-American Summits, in the EU-LAC summit process and is a member of the Association of Caribbean States. It has cultivated especially close relations with the anglophone Caribbean countries. Cuban political relations with Latin American countries vary depending on ideological orientations and junctures, with relations being stronger the more left-wing the Latin American government is. However, Cuba maintains diplomatic relations with all of its neighbors, including now the United States. The recent election of the right-wing President Bolsonaro in Brazil ended the important medical cooperation agreement Cuba had with Brazil, but diplomatic ties have so far been respected.

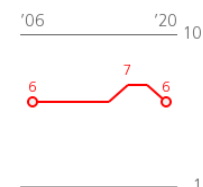
Despite an invitation to return to the Organization of American States in 2009, Cuba declined, refusing to accept the “Democracy Charter,” which has become the organization’s constitutional bedrock. Cuba does not accept the jurisdiction of the Inter-American Human Rights Commission or that of the Inter-American Courts of Human Rights.

Cooperation with Caribbean island governments is, in general, excellent. Prime ministers of various Anglophone countries routinely receive health care services in Cuba. Cuba trains their health care personnel and provides various services, some as assistance, some as trade in services. Cuba has provided disaster relief support to many countries in the circum-Caribbean.

Cuban cooperation with the United States concerning migration, search and rescue missions, drug-trafficking, scientific cooperation, among others has improved significantly since the U.S. Obama administration. While under U.S. Trump administration, cooperation has suffered, it has not been terminated by the Cuban side.

Regional cooperation

6



Strategic Outlook

With U.S. President Trump in the White House, right-wing leaders dominating South America, including the fierce anti-communist President Bolsonaro in Brazil, and allied Venezuela teetering on the brink of collapse, Cuba's international situation has become critical. Continued diversification of economic relations will be imperative, but will hardly suffice. China is an important trading partner, but Havana has so far been unable to get Beijing to subsidize its economy and this will not change over the coming years. Russia has re-emerged as an international partner with some willingness to invest in order to promote its own geo-strategic interests. In international politics, Cuba has little choice but to stand by its Venezuelan ally, even at considerable cost. Cuba crucially depends on Venezuelan oil supplies and regime change in Caracas would most likely sever these trade ties. Diplomatically, Cuba will have to face criticism for supporting the Venezuelan Maduro government.

Beyond this, Havana will maintain a sober foreign policy, avoiding any provocations and trying to find a *modus vivendi* with the Trump administration and other ideologically hostile governments. To counter isolation, Havana will seek to maintain good ties with Europe and maintain strong networks of diplomatic support with countries of the Global South.

Given Cuba's hard-currency limitations, it will be crucial to attract more foreign investment from Western countries. To do so, it will need to avoid defaulting on credit and prevent payment arrears spiraling out of control. Moreover, more flexibility for the operation of foreign companies will be needed, especially with regard to the current prohibition on directly hiring local staff.

Opening the real estate market to foreign investment could be a way to draw in hard currency quickly. Domestic economic policy will likely continue to be a high-wire act. More market-oriented reforms, monetary unification and an expansion of the private sector are economic imperatives. But they will also have high social costs in terms of layoffs in the state sector, inflation and increased social inequalities. These in turn are perceived as potentially politically destabilizing. As elite cohesion is seen as the supreme imperative to avoid regime change, anti-reform forces will have substantial leverage to slow the pace and reduce the scope of change. As a result, an incoherent stop-and-go process is more likely than a coherent reform process. External actors can provide funds, credit and technical assistance for this process. However, if Cuban authorities perceive this to be driven by a hidden agenda of regime erosion, security concerns will trump potential economic benefits.

Domestic pressure for some liberalization in the realm of Cuba's political and social life will persist. Improved access to the internet will likely be among the most tangible demands. But demands for greater tolerance for non-conformist opinions, freer debate of policy alternatives, more critical media and a more meaningful electoral process are widespread. Dissidents have not gained a broad following so far, but especially in the intellectual sphere, the line between those

who are critical from within the established institutions and those “out of bounds” has become increasingly blurred. The government is aware that manifest repression of dissenting voices carries considerable domestic costs.

If the regime fails to steer a course of gradual liberalization and of widening the spheres of pluralist expressions, it will fail to prevent the continued emigration of many young and well-educated citizens, who are needed for the revitalization of economy and society. It also runs the risk of an increasing share of citizens losing confidence in the gradual reform process and seek radical regime change instead. International trends, from U.S. President Trump to Brazilian President Bolsonaro, have emboldened the political forces on and off the island that see polarization as the way to bring about such change.