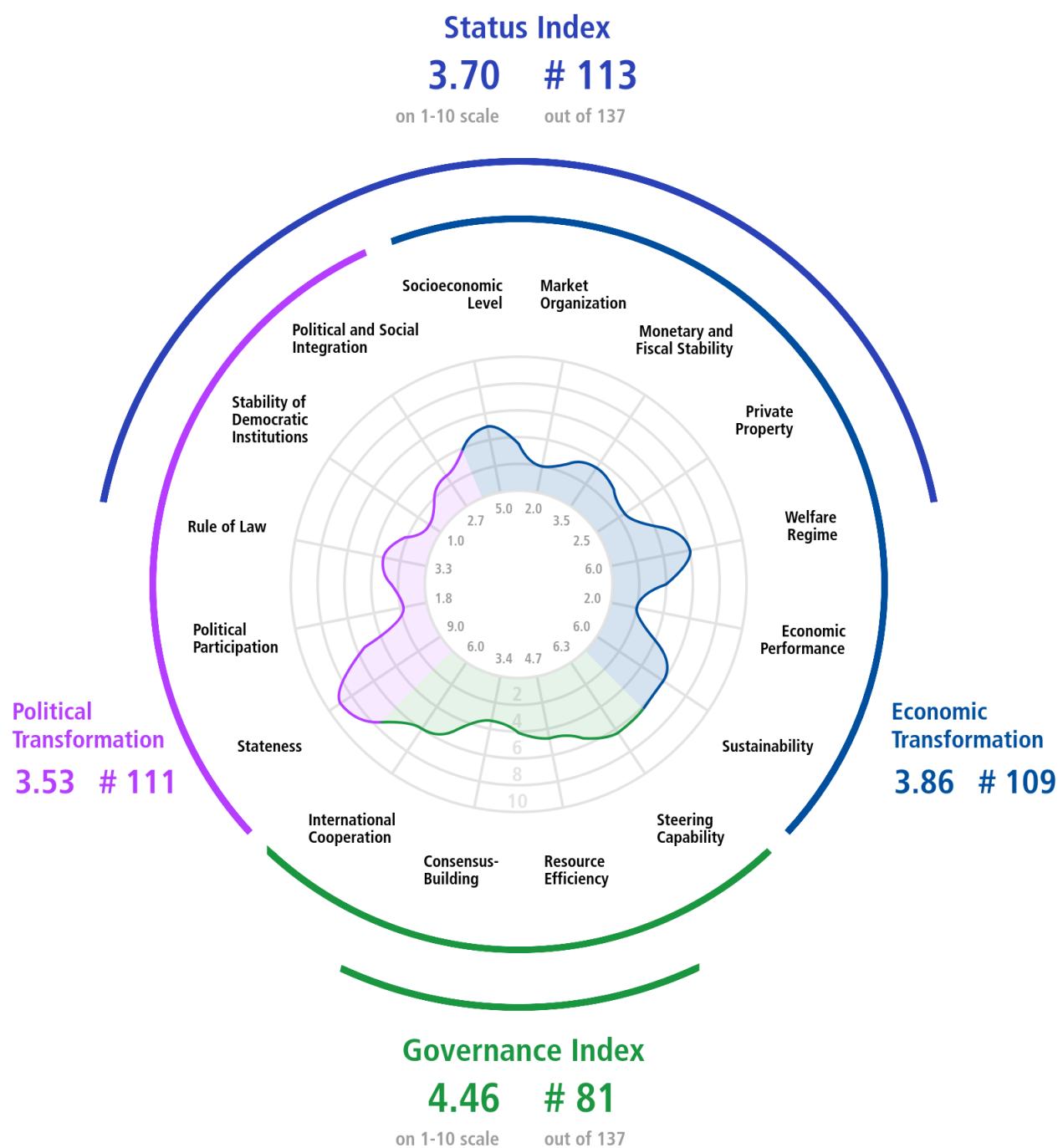


# BTI 2022 Country Report

## Cuba



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2022. It covers the period from February 1, 2019 to January 31, 2021. 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	<b>11.3</b>	HDI	<b>0.783</b>	GDP p.c., PPP \$	-
Pop. growth <sup>1</sup>	% p.a.	<b>-0.1</b>	HDI rank of 189	<b>70</b>	Gini Index	-
Life expectancy	years	<b>78.8</b>	UN Education Index	<b>0.790</b>	Poverty <sup>3</sup> %	-
Urban population	%	<b>77.2</b>	Gender inequality <sup>2</sup>	<b>0.304</b>	Aid per capita \$	<b>44.1</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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

Cuba has been remarkably successful in containing the spread of the coronavirus for most of 2020. However, by the beginning of 2021, infection rates had risen sharply. The pandemic's economic impact has been brutal. While the economy was in crisis before, the pandemic led to an almost complete collapse of international tourism, the island's most important economic sector. Remittances, the other important source of foreign revenue, also declined as a result of the increased financial problems among the remitting émigré communities; the stepped-up U.S. sanctions that forced Western Union to close its 400+ offices on the island; and the drop in travel by Cuban-Americans, who carry significant monetary and in-kind remittances when they fly to Cuba.

As a result of these external shocks, the Cuban economy contracted by 11% in 2020, according to official data. Foreign exchange revenues fell by half. Combined with the impact of the coronavirus restrictions on domestic production, the economic situation for the population has become dire. Severe shortages of food and goods mark daily life, and prices on informal markets have skyrocketed. Initially the government reacted with a continuation of the stop-and-go process of reform, announcing some openings for the private sector, while at the same time imposing price caps and stepping up control. Eventually, however, the political leadership implemented a comprehensive monetary and exchange rate reform on January 1, 2021. This reform policy marks the single most consequential measure in the entire reform process, which began a decade and a half ago when Raúl Castro took over leadership from his ailing brother, Fidel Castro. While export sectors stand to benefit from the measure, the large proportion of state companies relying on imports and the domestic market will slip into the red and need to raise their prices. Anticipating an inflationary shock, the government quintupled salaries and pensions at the start of January 2021, but inflation will likely eat up even this extraordinary increase.

Politically, Miguel Díaz-Canel's tenure as president since 2018 has been unchallenged in a remarkably smooth leadership transition, considering the rule of Fidel and Raúl Castro for more than 60 years. Born after the triumph of the revolution, Díaz-Canel embodies generational change, but he does so while pledging maximum political continuity. Raúl Castro has announced that he will step down as the Communist Party's First Secretary at the Communist Party Congress scheduled for April 2021. At the age of 89, his retirement will complete the revolution's historic leaders' departure from the political stage. The end of the Trump presidency raises hopes that, under Joe Biden, the United States may return to a process of gradual normalization of relations with Cuba. The announcement in February 2021 that the ban on remittances and U.S. travel to the island was to be lifted is an important first step.

Another hope lies in the fact that Cuba is the only country in Latin America that has pursued its own development of COVID-19 vaccines. At the beginning of 2021, the first of these went into stage three of clinical trials. If these tests show good results, Cuba could see large-scale vaccination of its population in the course of 2021, making it a safe tourist destination. It could even develop the vaccines and vaccination programs into major exportable products and services.

## History and Characteristics of Transformation

The country's political structure is still shaped by the 1959 revolution, which led to a Communist Party regime and an essentially state-controlled economy on the Caribbean island. Political continuity prevailed through the change of leadership from Fidel to Raúl Castro in 2006. Since 2018, Miguel Díaz-Canel has been in office as president, which initiated an overdue generational change at the head of state. At the same time, the 2019 constitutional reform confirmed the Communist Party as "the leading force in the state and society." However, the armed forces that emerged from the 1959 revolution remain a pillar of the regime and occupy central positions in the state, party and economy.

Concerning the gradual economic reform agenda launched in 2006, progress has been painstakingly slow and reform steps often incoherent. While this has avoided friction among political elites and thus maintained regime stability, the approach has not produced economic dynamism. Monetary unification has been on the reform agenda for more than a decade as an indispensable step toward restoring economic rationality. But it has been repeatedly postponed because of a lack of consensus among elites and fear of its potentially destabilizing economic, social and political consequences. Post-revolutionary Cuba has always been highly dependent on the international context, from its dependence on the Soviet Union in its first three decades to its alliance with oil-rich Venezuela in the 2000s. While Cuba today maintains diversified international relations, it has no benefactor to offer generous subsidies or lines of credit to keep the socialist model afloat.

Relations with the United States, the island's most immediate neighbor and natural first market for almost all goods and services, have suffered from an economic embargo, sanctions and hostilities since the early days of the revolution. When Raúl Castro and U.S. President Barack

Obama unexpectedly announced the restoration of diplomatic relations in December 2014, an unprecedented window of change opened. Hardliners in Havana, however, were reluctant to take full advantage of the opportunity, as the U.S.-Cuban rapprochement eroded the decades-old ideological framework of the struggle against U.S. imperialism that required keeping ranks closed and not allowing dissent in the “besieged fortress.” Hardliners also prevailed on the other side of the Florida Straits when Trump won the 2016 presidential election, returning U.S. Cuba policy to its Cold War aggressive mode.

The Cuban Revolution produced one of the most egalitarian societies in the world – at least if one ignores the hundreds of thousands of upper and middle-upper class Cubans who emigrated to the United States, forming one of the wealthiest and most politically influential immigrant communities in the United States. If on the island state employment had been the great elevator of social advancement for the lower classes, the depression of state salaries since the early 1990s has reversed that process. Economic necessity forced the state to allow parallel hard-currency retail circuits: first in 1993 with the legalization of the U.S. dollar and then its replacement with the “convertible peso” (CUC) pegged to the dollar. This opened a wide gap between those who have access to hard-currency circuits, mostly through remittances or work in tourism, and those who depend on government salaries paid in devalued Cuban pesos. As a result, social inequalities have become increasingly structurally ingrained. The state-owned hard-currency stores have become a symbol of considerable popular anger among those excluded from their well-stocked supplies. Moreover, Cuba’s new social inequalities reflect in no small measure the island’s pre-revolutionary social hierarchies. Because Cuba’s emigrant community is predominantly “white,” remittance flows also overwhelmingly favor the island’s “white” population. Afro-Cubans are thus structurally disadvantaged. For a political system based on the promise of social justice and equality, these inequalities are politically sensitive. This partly explains the lack of elite consensus on a systematic economic reform drive.

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. As such the state's monopoly on the use of force is uncontested in 99% of its territory, encompassing 100% of the population.

Cubans tend to share a strong sense of national identity (cubanidad) across racial, social and political lines. Identification with the Cuban nation, however, goes beyond the confines of the nation-state and extends – at least to some extent – to the large Cuban diaspora. No particular group is denied access to citizenship. It is only with respect to emigrants that rights to citizenship – including questions of dual citizenship – emerge.

This receives particular importance due to the history of high emigration, with around 10% of Cuba's population living abroad. Most émigrés 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. This practice is regarded by some émigrés as non-legitimate. On average, between 250,000 and 300,000 "Cuban-Americans" have visited Cuba annually over the past decade.

Question Score
Monopoly on the use of force 10



State identity 9
---------------------



Cuba's 1976 constitution did not recognize dual citizenship. Though in practice dual citizenship has become more accepted over the years, to the point that the constitutional reform adopted in 2019 dropped the ban on 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), many without ever leaving the island. Moreover, Cuba's 2013 migration law has made repatriation of emigrants 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.

There are at least two problems concerning state identity that could arise in the future. First, the Cuban emigrants to the United States might put "dual citizenship" on the agenda, 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 that favor Cuba's "white" population, as most Afro-Cubans are not eligible for Spanish citizenship, which is dependent on Spanish ancestry.

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; 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. That this can actually be called political influence became most clearly 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. Judicial and law enforcement authorities are present throughout the country's territory.

The Cuban state provides education and health care for free, though both have declined in quality recently. It maintains a reliable universal pension system and a rationing-card system provides a basic set of foodstuffs for the entire population at subsidized prices; however, pensions have lost much of their former purchasing power, and the monetary reform announced at the end of 2020 is set to reduce food subsidies.

Public administration services such as tax collection or the issuing of documents are universal but can be slow and burdensome. Public administration suffers from deficient material resources and 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.

Education and health services have remained a state monopoly in principle, but some private and informal alternatives have emerged as complements. In education, this is principally tutoring as well as private instruction in foreign languages and music; in the health sector, medication unavailable in state stores arrives from abroad and feeds a black market. In both sectors, petty bribery has become common. 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.

The COVID-19 pandemic has strongly affected the Cuban economy, as tourism – the main source of foreign revenue – came to a standstill. As a consequence, the state's capacity to provide services and goods has declined. Moreover, lockdown measures restricted cross-border as well as domestic transportation; office hours of public service providers were reduced; universities and in part schools adopted distance learning modes with a significant loss of quality. Throughout 2020, the public health system excelled at keeping infection and death rates at the lowest level of all Latin American countries; only after cross-border flights re-opened – namely via visits from Cuban emigrants in the United States – did infection rates go up at the end of the year. The ongoing economic challenges and current reforms are only increasing the already challenged and under-resourced administrative system.

Basic administration

7



1

## 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 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.

In a tightly controlled society and state, including a one-party system, political decision-makers have extremely effective power to govern. However, as outlined in Q2.1, they are not democratically elected, but in turn control all nomination processes; in national parliamentary elections, all official candidates win. There are no social or political actors who could defy the power of the Communist Party of Cuba (Partido Comunista de Cuba, PCC).

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, they are typically dispelled, and the protagonists are arrested (although usually rather quickly released). In late 2020, a public protest by about 300 artists and intellectuals calling for greater freedom of expression in front of the Ministry of Culture (which came to be known as N27 for November 27) was tolerated

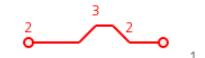
Free and fair elections



Effective power to govern



Association / assembly rights



and a delegation of the protesters was admitted into the ministry to talk with the authorities. The meeting engendered considerable hope that a sustained dialogue might take place to address specific grievances among Cuba's cultural workers and artists. However, the "dialogue" broke down quickly, with each side accusing the other of not playing straight. Since then, the Cuban state media has waged a defamation campaign against most of the artists who participated in the N27 protest. Several of the most outspoken artists have been accused of being U.S. mercenaries and been detained for several days.

There is an array of academic, cultural and professional societies, which are usually referred to as "non-governmental associations." These are not independent, but ultimately subordinated to state and/or party authority. However, they tend to struggle for relative degrees of autonomy in order to articulate 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 objections to same-sex marriage. As this combined with the perception of widespread popular unease with same-sex marriage, the 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 has been 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. A number of digital media sites are blocked, and independent journalists are subject to harassment and defamation by state media. Since the San Isidro Movement and N27, there has been a widespread, strong crackdown and defamation campaign against a number of independent journalists and media outlets.

In 2020, reacting to the outbreak of the COVID pandemic, restrictions on movement were imposed, but these followed the requirements of necessity and proportionality, as well as that of legality within the socialist legal framework. When infection rates rose sharply particularly in the city of Havana at the beginning of 2021, restrictions became rigid. However, these did not further infringe on civic groups' right to assembly, as these rights are already severely restricted under the authoritarian regime. In the case of the repression of the San Isidro artist collective in November 2020, some of the police actions were legitimated as interventions against violations of COVID-19 regulations.

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.” In practice this means that there is no freedom of press.

While in private settings or at street level, Cubans tend to express a wide range of opinions, freedom of expression in public settings is subject to government restrictions when it is seen as a political threat. 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. Protest against specific issues, such as the same-sex marriage clause, was however tolerated.

Over the 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 many 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. An example of this was the harsh reaction to the San Isidro Movement and collective of artists (N27), who began protesting in November 2020.

Among the officially authorized publications, TEMAS journal is the lead forum for intellectual debates, which can be critical, but always stay within government boundaries. 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. It closed in 2014 when the editors were forced out by the Church’s leadership, presumably under state 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 \_\_\_\_\_ '22 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.

In reaction to the COVID-19 pandemic, restrictions on mobility were imposed within the legal framework and the national protocols for health crises and infectious diseases. No state of emergency was declared. While restrictions were rigid, they met the requirements of necessity, proportionality and non-discrimination. They differentiated among provinces and were eased or tightened according to infection rates.

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, workplace 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.

Separation of powers

2

'06 \_\_\_\_\_ '22 10



Independent judiciary

2

'06 \_\_\_\_\_ '22 10



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.

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 since Miguel Díaz-Canel took over the presidency 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. This could have been a mere routine movement of cadres, but as the reasons and process for the dismissal lacked transparency, the issue became subject to speculations concerning corrupt behavior. Beyond this, no spectacular cases of dismissals or corruption have surfaced.

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, civic rights do not comply with liberal standards. Equal access to justice and due process are a sham in precisely those cases where they should be guaranteed, namely in politically relevant cases of "citizens against the state," while otherwise they apply in principle. In a situation of aggressive state control, state repression is largely pre-emptive; where repression is manifest, it can include harassment and low-level physical violence. There have been no cases where firearms or teargas were used against public protests. As violent crime rates are extremely low, the fundamental rights to life and physical integrity of the citizenry are much better protected than in most other countries.

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 continued to emphasize the nation as a "state of law" within the parameters of the socialist political system.

Prosecution of  
office abuse  
5  
'06                  '22 10



Civil rights  
4  
'06                  '22 10



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.

COVID-19 related restrictions have, as elsewhere, included quarantine measures that infringe on freedom of movement, but these have been epidemiologically adequate and non-discriminatory. At the same time, they are also a reminder that the universal health coverage guaranteed by the state is part of the protection of life and physical integrity, with Cuba having the lowest infection rates of any Latin American country.

#### 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 have fueled intransigent and potentially illiberal positions in the opposition camp.



## 5 | Political and Social Integration

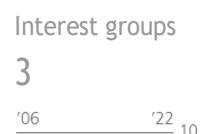
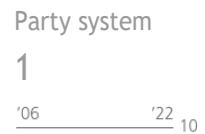
There is no multiparty system in the sense of the BTI framework. Cuba is a one-party (Communist) state and system, and the constitution enshrines the Communist Party's guiding role in state and society.

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 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 and into the Political Bureau. There have been similar efforts to increase the number of Afro-Cuban and younger members. A generational change in the top leadership is scheduled for the Communist Party Congress in 2021 as Raúl Castro has announced that he will not seek another term as first secretary.

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. 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 space for publications of limited circulation, and which has even been allowed to host a small-business training program for entrepreneurs. On various occasions, the Catholic Church played a



mediating role, such as in the release of political prisoners in 2010; in conflict situations it often advocated for dialogue. 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.

This lack of potential mediators between the state and society is especially evident in the current period of conflict between artists and independent journalists and the state.

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.

There are no polls regarding the impact of the COVID-19 pandemic on attitudes toward democratic institutions. But the disastrous health situation in many democratic countries in Latin America, as well as in the United States, combined with illiberal tendencies probably have not improved the attractiveness of a democratic, capitalist alternative.

The issue of social capital remains highly ambivalent in the Cuban context. Family relations have emerged as key social units, but in general social capital has been severely impaired by the corrosive effect of aggressive state control.

Solidarity is a key concept and tenant of the revolution. In everyday life, Cubans (especially family, friends and neighbors) have a tradition of helping each other organize access to goods and services, whether in formal or informal and black-market settings. But this does not necessarily translate into a high degree of mutual trust. 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.

Approval of  
democracy  
n/a

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n/a                    1

Social capital

4

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4                    1

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There are three main spaces in which social capital has emerged and become important. First, transnational family ties with Cuban émigrés in the diaspora, many of whom support their family members on the island through remittances – in money or in kind – as well as through joint intra-family investments, as in the case of many bed and breakfasts and other small businesses. 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; this also includes strong links of elective kinship in the syncretistic religions of Afro-Cuban origin such as the Santería. Within these religious spaces, spiritual comfort is sought and often found, while material help in the form of medicines, food, money and even 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 – even though they also are competitors.

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.

Exchanged at a rate of 25 Cuban pesos to the U.S. dollar, the average monthly state sector salary was approximately \$37 in 2020. However, taken in isolation, this data is misleading. Housing costs in Cuba are very low, and education and health care are free and universal (even if at declining quality). While the state has cut back on its former welfare state ambitions, the food ration card system still provides basic foodstuffs at subsidized prices, as do workplace cafeterias. Non-monetary achievements also explain Cuba's relatively high ranking in the Human Development Index. In 2019, Cuba ranked 70th and above countries like Colombia, Peru or Brazil. The COVID-19 pandemic had a devastating impact on the Cuban economy as tourism came to a standstill and remittances declined. As a result, GDP fell by 11% in 2020. Living conditions have reached a new low as food and other basic goods suffer from critical shortages. While the government opened a separate retail circuit of hard-currency shops, life for those who have to live on peso salaries or pensions has become dire. Prior to the pandemic, unofficial estimates stated that about one-fifth to one-third of Cubans were "vulnerable" or "at risk of poverty."

Having access to hard-currency income has become the key factor behind the widening gap in income and living standards, the most important of these being remittances from the Cuban diaspora. Because the majority of Cubans living abroad are phenotypically "white," remittances – which by-and-large adhere to family lines – mainly benefit white households on the island. Remittances (estimated at \$3 billion annually) are in part reviving the social and racial stratification of society. As remittances are the key source of capital for starting a private business, social and racial inequality becomes structurally engrained. Official Gini coefficient calculations take into account peso incomes only and as a consequence are meaningless for a society marked by a dual-currency gap.

Cuba's territorial HDI indicates modest variation by provinces, although Cuba's east has always been poorer than the rest of the country. The economic trends of recent years have further widened this gap. Cuba has made great advances in the area of gender equality, reflected in a fairly good Gender Inequality Index (GII) score of 0.304, but still lags behind regional leader Chile (0.247) and Eastern European countries.



<b>Economic indicators</b>		2017	2018	2019	<b>2020</b>
GDP	\$ M	96851.0	100050.0	103131.0	-
GDP growth	%	1.8	2.2	-0.2	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	1.7	1.7	1.7	<b>3.9</b>
<b>Foreign direct investment</b>		% of GDP	-	-	-
Export growth	%	0.0	-2.4	-	-
Import growth	%	-1.6	-2.0	-	-
Current account balance	\$ M	-	-	-	-
<b>Public debt</b>		% of GDP	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	30.8	30.0	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	10.5	9.9	-	-
R&D expenditure	% of GDP	0.4	0.5	-	-
Military expenditure	% of GDP	2.9	2.9	-	-

Sources (as of December 2021): 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 large enterprises. Limited market opportunities have been given room since the mid-1990s and especially since Raúl Castro embarked on a gradual economic reform process in 2010, which President Díaz-Canel has continued. Reforms have been marked by an incoherent back and forth between liberalizing steps and restrictive measures. The legal framework for the emerging market sector remains very weak and there are many restrictions. There is a thriving black market.

As the impact of the COVID-19 pandemic sent Cuba's economy spiraling downwards, the government eased a number of restrictions on the private sector. The monetary reform that came into effect on January 1, 2021 is the single most consequential reform step taken so far. It ends the circulation of the so-called "convertible peso" (CUC) pegged to the dollar and leaves the regular Cuban peso (CUP) as the only national currency with an exchange rate of 25 pesos to one U.S. dollar, preventing state-owned enterprises from benefiting from the previous, highly overvalued official rate of 1:1. This will put many state-owned enterprises in the red, which could mean they will have to cut costs by laying off excess workers. The government announced further openings for the private sector to absorb the state sector's excess workforce. For the government, the reform is a balancing act. While promising companies more autonomy, it also vows to shield the population from rising costs of living through price caps.

As of the end of 2020, about 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. In February 2021, the government opened 2,000 further categories of legal self-employment. Health care, education, journalism and engineering, among others, remain firmly under state control.

Tax policies and other regulations are designed to prevent the accumulation of even modest wealth, which stymies the sector's dynamism. In principle, Cuba welcomes FDI, but the negotiation process and actual operation can be slow 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 in order 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, in the past the government sought to prevent this sector to become big enough to compete with state-owned enterprises. 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 to develop into hotels, so that the higher-priced state sector for tourist accommodation remains shielded from private competition.

In the past, only state-owned enterprises and foreign firms in joint venture with state-owned enterprises were authorized to engage in foreign trade. In 2020, regulations were changed to also allow small, private businesses to engage in import and export. However, they are do so through state-run intermediaries. So far, only very few transactions have taken place.

Since the liberalization of Cuba's travel laws in 2013, a continuous stream of informal petty imports has opened up via Cubans traveling abroad and returning to the island loaded with consumer goods. Within bounds, this is legal or at least tolerated. Cuban-Americans visiting the island are also a large source of imported goods.

Cuba's economy is structurally open and dependent on international trade. Cuba is a significant exporter of services (tourism, medical services), and some goods (nickel, biotechnology, light-manufactured and agricultural products). It imports a wide array of manufactured products, but also a significant share of the food consumed on the island.

Cuba has been subject to a comprehensive U.S. embargo for decades. A number of loopholes have, however, opened up and even remained in place under the 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. 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.

Competition policy

2

'06 \_\_\_\_\_ '22 10



Liberalization of foreign trade

2

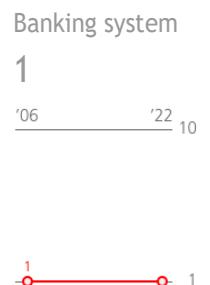
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1

The other main constraint on international trade is Cuba's limited domestic production and productivity; the monetary reform of January 1, 2021 is designed to make Cuban exports more competitive by devaluating the currency. 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.

Cuba has a poorly developed banking system. Individual checking and savings accounts are far from widespread. The expansion of hard-currency stores in which customers make payments with dollar-denominated debit cards has propelled many Cubans to open dollar accounts at Cuban banks.

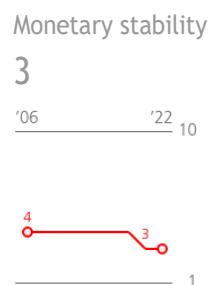


Only state banks are authorized. There is no capital market, although the state issues some bonds to finance the deficit and compels state-owned enterprises to purchase them. Starting in 2014, state banks have been obligated to purchase bonds from the Republic of Cuba, issued to finance the government's 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 émigrés and most remittance receivers in Cuba are phenotypically “white,” Afro-Cubans are largely excluded from the new economic opportunities the private sector in Cuba has to offer.

## 8 | Monetary and fiscal stability

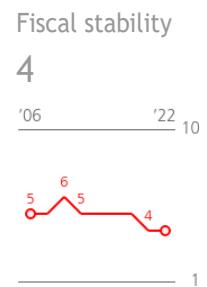
There is no independent central bank in Cuba. Controlling inflation is a policy goal, but it is institutionally and politically subordinated to other goals. Government inflation statistics focus on official prices, not on prices in lawful or unlawful private markets. Economists on the island widely share the perception that the rising costs of living are not fully reflected in the official statistical data on inflation.<sup>4</sup>



In recent years, low levels of domestic production and cutbacks on imports have led to increases in consumer prices. This process has been further exacerbated by the COVID-19 pandemic's impact. To cope with the crisis, a monetary and exchange rate reform came into effect on January 1, 2021. This will likely trigger strong inflation as it goes hand in hand with a massive increase of state-set prices, from food rations in retail to utilities tariffs for gas, water and electricity. The rule of thumb is a five-fold increase; in order to compensate for it, the state also increased state salaries and pensions by 500%. The result is a deliberate inflationary push; the government's goal is not to prevent it, but to prevent it from escalating out of control. Price caps and controls will drive produce to informal or black markets where prices are higher than in the formal economy. The official exchange rate cannot be expected to remain stable at 25:1, as it was set initially.

Under pressure from a coronavirus-induced acceleration in the economic crisis, the Cuban government resorted to an expansive fiscal policy to compensate for the effects of negative growth. The resulting deficit was not financed via state bonds that the Cuban banks were obliged to sign. This, however, has created a financial bubble in the banking sector with major inflationary risks.

To offset the drop in GDP since late 2016, the country adopted a countercyclical, expansive fiscal policy at the cost of increasing the fiscal deficit. The exacerbation of the crisis in the wake of the COVID-19 pandemic meant that in 2020 Cuba lost about half of its foreign exchange revenues. As no major external credits came to the rescue, severe cuts in imports had to be made. For 2020, the fiscal deficit reached an estimated 18% – 20% of the gross domestic product, almost tripling the figure from the previous year. To avoid this triggering inflation, the state financed the 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. (There is no data transparency on public debt.)



During the COVID-19-induced crisis, the lack of external finance has not allowed for a countercyclical stimulus package. The state expanded the hard-currency retail outlets in order to maximize channeling foreign exchange revenues – mostly from remittances – into the state's coffers.

By the end of 2020, pressured by the dramatic economic downturn, the government announced a monetary reform that, by devaluating the Cuban currency, aims to reduce the foreign trade deficit, but which also goes hand in hand with a massive cut in subsidies in order to prevent Cuba's fiscal deficit from getting out of hand. However, given the political imperative to maintain a minimum of social cohesion, it is likely that considerable subsidies will be maintained for quite some time and that the fiscal deficit will rise.

Regarding external debt, the Raúl Castro administration had some success in signing agreements on debt settlements with the Paris Club, Russia, China and others. However, new problems servicing credits have been accruing. These have resulted in increasingly long arrears in payments to international lenders.

Cuba is not a member of international financial institutions such as the IMF, World Bank or IDB. While there is cooperation with the CAF Development Bank of Latin America, this has not yet yielded large-scale credits. Given Cuba's inability to service its credit obligations, China has been reluctant to grant new credits and exports to the island have sharply decreased since 2018.

## 9 | Private Property

Property rights in Cuba are weak. Not until the 2019 constitutional reform was private property (beyond “personal” property) given constitutional standing. Legislation legitimizing small and medium businesses has been announced but not yet passed. So far, the private sector is considered “self-employment.” Houses used as restaurants or bed and breakfasts have to be personal property and therefore not considered a “means of production.”

After 1959, the revolutionary government confiscated all large businesses without proper compensation. Individuals were able to keep no more than one urban home plus one in the countryside. All rental properties became state property. Over the years, Cubans who rented expropriated homes were able to become the owners of these homes. Smallholder farmers were able to retain their property.

Although in principle the law respects personal property, there have been restrictions on what owners can do with it. 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 and foreigners have bought properties in the name of a relative or friend.

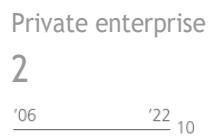
A recent agricultural reform allowed for the lease of idle state land for agricultural production. Initially, the leases were for 10 years, though renewable, and at the end of this period, everything built on the land would belong to the state. The time frame has since been extended, but the concept of leasing rather than property ownership remains.

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 domestic private sector remains limited to modest enterprises. The constitutional reform passed in 2019 gives the private sector constitutional standing. In early 2021, the existing list of professions eligible for self-employment was eliminated, opening up the private sector to a wider variety of activities, albeit pending approval in each case.

At the beginning of 2020, the private sector encompassed about 600,000 people registered as “self-employed,” plus 160,000 employees whom they contracted. In the course of the COVID-19 crisis in 2020, about half were reportedly temporarily suspended or handed in their licenses.



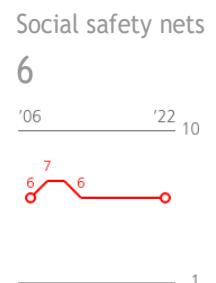
While many “self-employed” are indeed single-person or family operations in services or crafts, the larger ones are restaurants and bed and breakfasts, which employ staff well beyond the circle of the family. In addition to the legally registered “self-employed,” there is a wide network of informal or black-market entrepreneurial activities, which employ hundreds of thousands of people, though not necessarily in full-time jobs.

The government is said to be working on a comprehensive law on small-and-mid-sized enterprises, but no draft has yet been made public. In 2020, registered private-sector actors were given the right to engage in import and export activities through state intermediaries. A number of wholesale markets opened. The depressed economic situation however also greatly affects the private sector.

The government may set price caps for private services or revoke at will state-issued licenses for self-employment and has occasionally done so publicly to deter behavior of which it disapproves.

## 10 | Welfare Regime

In the socialist model, the most fundamental social safety net resides in full employment in the state economy, combined with pensions for the elderly, which in principle gives everybody the means to sustain a dignified living. This is complemented by free, universal health and education services, the two social flagship achievements of the Cuban revolution. In addition, as the ration card system provides basic food supplies at subsidized prices to the entire population, it constitutes a form of “unconditional basic income” in kind.



Over the past three decades, these mechanisms have severely eroded. With the Cuban currency’s loss in value, salaries and pensions have lost so much of their purchasing power that a state salary has become insufficient to cover needs. About two million working-age Cubans are neither employed by the state nor seek state employment. Since the 2020 crisis in the wake of the COVID-19 pandemic, the peso-based retail circuit is marked by shortages of all kinds; in markets where prices depend on supply and demand, prices have skyrocketed.

The monetary reform of January 1, 2021 and the newly unified exchange rate will force state companies to cut costs by reducing excess workforce. Anticipating an upsurge of inflation, the government quintupled salaries and pensions, but even this massive increase will be quickly eaten up by rising prices. Given the country’s financial constraints, the reaction to the COVID-19-induced crisis of 2020 has not been increased social spending, but rather a painful adjustment process, along with government pledges to “leave nobody behind.” But this will be difficult to achieve without specific social policies targeted at vulnerable populations. The number of Cubans in precarious living conditions or at risk for poverty has greatly increased.

While the socialist welfare system relied on the state as the central agent, today family ties – to family abroad, but also on the island – have become a key factor in how well or not Cubans survive the crisis. Other forms of social capital, such as church affiliations and strong relations with friends and neighbors, are also important.

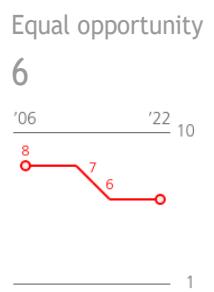
Health and education services have remained essentially in place, though their quality has declined. Much of the qualified workforce has left for better-paid work in tourism or the private sector. Those who can afford it increasingly hire private tutors for afternoon classes to prepare for entry exams for higher education.

Housing conditions may be poor, but housing costs are extremely low so that, even in the worst crisis, Cubans do not experience forced evictions. While the lack of population growth and emigration have lowered pressure on the crowded housing situation, continued migration pressure from the provinces to Havana is not matched by new construction.

Health care standards have declined. Not only does health care lack material resources and medications, but due to low state wages, a significant share of medical staff has switched professions or runs a private business (e.g., renting out rooms) on the side. International medical missions provide opportunities to earn higher salaries. Still, Cuba's public health system proved its worth in its successful containment of the pandemic. Life expectancy at birth remains the highest of all Latin American nations.

Cuba had achieved significant equality of opportunity by the 1980s, overcoming much of the profound class, gender and race inequalities that dominated pre-1959 Cuba. The law is clear in prohibiting race or gender discrimination. In addition, territorial differences were reduced. Since the end of Soviet subsidies in 1990, social inequalities have been re-emerging and these clearly mirror racial divisions. 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. In 2020, the severe shortages in peso shops contrasted with the expanded network of well-stocked hard-currency stores, and made the inequalities based on access to the U.S. dollar bitterly felt. Moreover, remittances have become the key source of investment capital for opening private-sector businesses, clearly disadvantaging Afro-Cubans. This is creating a profound structural restratification of Cuban society.

Access to most public offices is only based on political loyalty and does not reveal discrimination along race, class or gender lines. A crucial exception is the Armed Forces, where leadership positions for women is still highly exceptional. In other public institutions, such as the National Assembly, the state deliberately seeks to ensure adequate representation of Afro-Cubans and women.

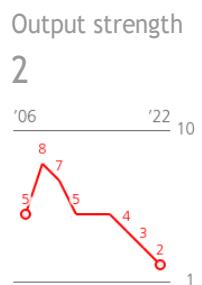


Religious discrimination in university access, once high, has been mitigated. The government's sharp cutback on university enrollment appears to have come at the expense of those from lower-income families, non-whites and, to some extent, women. The latter had mainly majored in university programs in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

According to World Development Indicators (WDI), the literacy rate is 99.8%, while the ratio of female to male enrollment is 1.0 for both primary and secondary schools, and 1.4 for tertiary education. The gross enrollment ratios for the three levels are 102.9, 100.3 and 41.4. Reported female labor force participation is 38.4% (2020), although it is probably higher because many women work in the informal labor market, which is not well counted.

## 11 | Economic Performance

The COVID pandemic brought international tourism to a halt and remittances to a new low. As a result, the Cuban economy shrunk by 11% in 2020, according to official data, after an anemic growth of 0.5% in 2019. Cuban national accounts do not follow the near-universal methodology. 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.



Already prior to the pandemic, Cuba was hit by the economic collapse of its strategic ally, Venezuela; the tightening of U.S. sanctions; and the termination of the large-scale medical missions to Brazil – representing an income of \$300 million annually – and also Ecuador after changes of government in these countries. These external factors aggravate the profound structural problems of Cuba's state-led domestic economy. Raúl Castro had been advocating gradual reform, but implementation remained extremely slow and incoherent, never achieving sustained economic dynamism. 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 are not competitive on the world market.

There are no reliable data on inflation. The cost of living has increased considerably in recent years. This was exacerbated by the economic downturn in 2020. The monetary reform of January 1, 2021 will bring a three-digit inflationary push for peso prices, in anticipation the government quintupled state salaries and pensions. As a consequence, the fiscal deficit for 2021 is estimated at more than 20% of GDP. It will be a core challenge to reign in these inflationary pressures and to keep the currency devaluation within controllable bounds.

Formal unemployment is low, but about two million Cubans are neither formally employed nor seeking employment and thus do not appear in statistics. 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. During the crisis of 2020, employment in the private sector decreased, as many Cubans turned in their self-employment licenses due to the lack of tourists and income.

## 12 | Sustainability

The government takes environmental concerns into account, but characteristically subordinates them to economic and political considerations. 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.

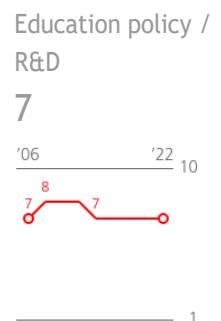
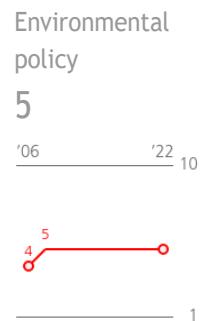
Perhaps the most serious effects of environmental damage have been on the water supply. Some of the effects are related to climate change (lower rainfall) and some from the over-exploitation of aquifers. Water supply to the population is often challenged by the antiquated and leaking pipes.

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. The single biggest environmental policy move involves the gradual replacement of Havana's industrial port with a newly built port in Mariel, 45 kilometers west of the capital. According to the plans, the Bay of Havana will be turned into a port for cruise ships, marinas and other leisure activities, including an ecological cleanup of this highly polluted area. The abrupt fall in tourist arrivals, the ban on U.S. cruise ships and empty state coffers are delaying the project.

Waste management is a real problem on the island. On the one hand, garbage collection is insufficient and leads 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 has been a major priority for the revolutionary government. There is universal, free education from kindergarten through primary, secondary and higher education. There are no private schools, except for some private day care facilities.

There has been a severe decline in the quality of primary, secondary and tertiary education since the 1990s. Low state wages have led to an exodus of qualified staff from education and research to better-paying sectors, such as tourism and private tutoring. Nevertheless, with a score of 0.790, the UN Education Index still ranks Cuba third in the region behind Argentina and Chile and 22nd among the 133 BTI countries surveyed.



Like many other countries, the pandemic has affected Cuba's education system. Except for a brief period in November and December 2020, Cuban children and university students have been out of school since March 2020. Given the lack of digital access, home schooling has been implemented via Cuban TV and is quite poor in quality.

The hard-currency squeeze in recent years has affected R&D investments. Still, Cuba's medical infrastructure has been able to develop four COVID-19 vaccines, one of which was in phase three clinical trials in March 2021. There are hopes it will be ready for a large-scale vaccination campaign in the second quarter of 2021.

Even as the level of digitalization improves over time, the country's education system remains far from international standards in 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 commercial value, which is underexploited due to the poor management of state-owned enterprises.

Under Raúl Castro, enrollment in higher education has plummeted.

## Governance

### I. Level of Difficulty

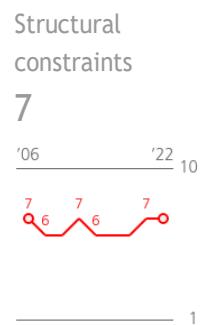
In Cuba, it is difficult to distinguish the current political leadership from many of the country's structural constraints. As there has been political continuity for more than six decades, much of what is "structural" is the result of transformations that have taken place since the Cuban revolution. Raúl Castro is still head of the Communist Party, and President Díaz-Canel, while in office only since 2018, presents his tenure as fully in continuity with the historical leadership of Fidel and Raúl.

Having said this, President Díaz-Canel inherited an extremely stagnant economy that suffers from severe, long-term underinvestment in infrastructure and maintenance; profound monetary distortions; extremely low levels of productivity; and excessive reliance 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 demonstrated in recent years. Under President Trump sanctions were further tightened.

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 an asset, given the estimated annual (pre-pandemic) 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 varying levels of damage. With climate change, the intensity of tropical storms is predicted to increase. The same thing is true for droughts, which have affected Cuban agriculture in recent years.

Cuba is nearly free of tropical infectious diseases. It managed to keep the COVID-19 pandemic from spreading for most of 2020 but saw infection rates spike in December and into the first months of 2021. The death rate still remains very low when compared to other countries. However, the economic fallout from the pandemic, which brought tourism to a standstill, has been a highly disruptive shock. This has not limited structural transformations but instead was a key factor in pushing through a monetary and exchange rate reform in January 2021.

After 1959, the Cuban revolutionary process did away with most independent forms of civil society organizations as well as with the independent media. They were replaced by the official, state-sponsored 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 emerging bottom-up digital media groups are examples of evolving civil society entities. In particular, independent media have come to fulfill the role of de facto political opposition. The government considers many of these as counter-revolutionary activities funded from abroad to topple the regime.

The same can be said of many artists, whose work is known to be critical of the state. Although most artists work individually, many are connected to each other via social and professional ties, as well as social media. The activities and reaction from the state to the San Isidro Movement and N27 movement are examples of this.

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 2018/19 in which religious groups campaigned strongly – and successfully – against the legalization of same-sex marriage.

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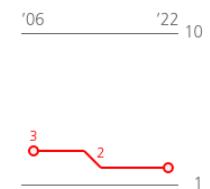
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Incidents of political violence are extremely rare. Criminal violence remains very low.

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.

Conflict intensity

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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.

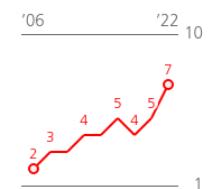
## II. Governance Performance

### 14 | Steering Capability

Question  
Score

Prioritization

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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., U.S. sanctions, economic crisis and mass emigration). Moreover, it successfully managed to orchestrate the transition of political leadership first from Fidel to Raúl Castro and then from Raúl Castro to a younger successor, without causing fissures among the political elite or social unrest in the streets. This priority has been fully achieved. The transfer of state leadership to Miguel Díaz-Canel was smooth and uneventful. Another key priority is the provision of basic services, such as health care and education to the population. The high priority given to the containment of the coronavirus resulted in the lowest infection rate in all Latin American countries. However, the severe economic consequences of the pandemic have made many developmental goals unachievable in the near future.

In 2006, when Raúl Castro took office, 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 strategic guideline documents (*Lineamientos de La Política Económica y Social del Partido y La Revolución*) with a first set of reform measures were approved at the 2011 and 2016 party congresses – including permission of an incipient, though controlled, private sector – and became institutionalized in the constitutional reform

approved in 2019. The overall goal is to guarantee the “continuity and irreversibility of socialism,” as well as to promote economic development and improve the living standards of the population.

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. When Miguel Díaz-Canel became president in 2018, one policy priority was constitutional reform; this was discussed and eventually approved in referendum in 2019. However, economic policy priorities, such as restoring economic growth, improving wages and attracting significant FDI have not been met.

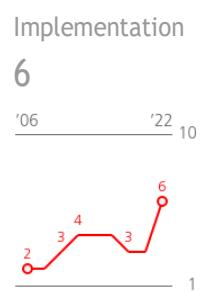
During the COVID-19 pandemic, saving lives was the top priority of the Cuban government. This has had an extremely adverse impact on the economy. It has, however, also forced the government to implement long-overdue economic policies, such as monetary reform and opening up the private sector.

The government has been effective in its key political priorities: defending national sovereignty and maintaining regime stability in spite of economic crisis and a leadership change from Fidel and Raúl Castro to a younger cohort of cadres.

However, it has been much less effective in implementing its proclaimed economic policy goals and the reform agenda described in the guideline documents adopted during Raúl Castro’s tenure. It was not the success of gradual reform, but the sudden pandemic-induced deepening of the economic crisis in 2020 that propelled the government to implement a long-postponed monetary and exchange rate reform. While the original plan was monetary unification, this was seen as not viable in the current context. Instead, a new dual currency system was implemented: while the convertible peso (CUC) was sacked and the Cuban peso (CUP) left as the sole national currency, the expansion of a parallel hard-currency retail circuit effectively makes the U.S. dollar – even though it is in the form of bank cards – the competing (and certainly superior) currency in the Cuban economy.

Many other reform objectives, such as increasing the efficiency of state-owned companies and restoring the purchasing value of state salaries, have been 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 implemented 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. The planned transition from a social security system based on universal coverage (e.g., in the case of ration cards) to one targeting the needy has not been implemented. The expansion of the cooperative sector has been rudimentary.

Beyond the economic sphere, the government of Miguel Díaz-Canel has been effective in implementing one major reform step, namely the reform of the country’s constitution in 2019.

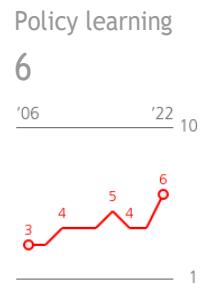


In principle, the Cuban government learns from past experiences, as well as from foreign examples. A key historic lesson has been the collapse of the socialist systems in the Soviet Union and Eastern Europe, with the understanding being that a) reforms are risky and hence need to be kept at the minimum necessary to sustain the system, and b) that preserving elite cohesion is paramount for regime stability. These lessons explain the slow, incoherent stop-and-go process of economic reform since 1989.

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. This also included the lesson that all reforms must be gradual. The breakthrough decision to implement the long-postponed monetary reform on January 1, 2021 reflects learning that the extreme conditions of the 2020 economic downturn did not allow for continuing a gradualist approach at such slow speed. Nevertheless, the government will heed the historic lessons from the Soviet Union's demise and pay extreme attention to preventing reform from getting out of control, leading to divisions among the elites or opening up space for contestation from below.

At the same time, Díaz-Canel has understood that technological modernization is imperative, and from China's experience, that digital 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 the services rolled out producing a major source of revenue for the state.

The government's policy approach is top-down and popular consultations – as in the constitutional reform process of 2018/19 – severely limited in their scope and controlled from above. Even so, the government has backtracked in cases where it sensed widespread 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. Likewise, in the monetary reform process, announced hikes in electricity tariffs and a number of state-set prices for goods were reduced in a reaction to public discontent. The government relies on a range of monitoring activities to sense and inform itself of popular perceptions, though these are nontransparent and arguably not fully reliable.



## 15 | Resource Efficiency

At best, the government uses only a portion of the available human, financial and organizational resources efficiently, as political criteria prevail and trump efficiency. This holds true prominently with regard to administrative personnel, as the Communist Party vets all senior appointments to government offices, state-owned enterprises, hospitals, universities and so forth. In addition, extremely low pay in the state sector has led a large number of qualified personnel to seek better-paying work in tourism or the private sector, thereby weakening the efficiency of public administration and state-run services. In addition to the internal brain drain, many among Cuba's most educated and dynamic citizens see insufficient material reward or career prospects on the island, resulting in a high net emigration rate.

There is no transparent budget planning or implementation. The countercyclical, expansive fiscal policy initiated in 2016 proceeded at the cost of increasing the fiscal deficit, exacerbated in the wake of the COVID pandemic when Cuba lost about half of its foreign exchange revenues. In 2020, the fiscal deficit reached an estimated 18% – 20% of the gross domestic product, almost tripling the figure from the previous year.

Concerning organizational resources, 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. Medical brigades sent abroad to fight Ebola in Africa and, more recently, outbreaks of COVID-19 in three dozen countries have become not only a diplomatic success, but also a source of hard-currency revenues.

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 under Raúl's tenure, it never evolved into a coherently implemented policy program instead suffering from endless stop-and-go. The monetary and exchange rate reform implemented on January 1, 2020, provides for the first time an effective assessment of the rentability (or not) of state companies and makes possible resource allocation according to the logics of efficiency and generation of real revenues. If this combines – as was announced – with greater autonomy for state companies and an expansion of private sector activities, market logics would assume a greater role than they have since the revolution. However, the prevailing priorities of the political leadership are focused on regime stability and elite cohesion, which makes doubtful the coherent and consistent implementation of the announced plans.

Efficient use of assets

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Policy coordination

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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. Both, hoarding and under-payments are manifestations of what happens when coordination is impaired.

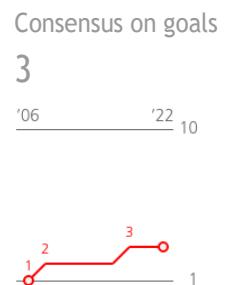
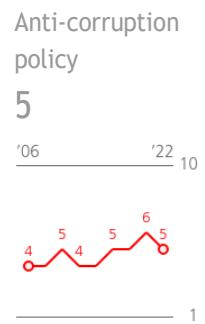
Corruption has been less of a problem in Cuba than in other Latin American, Caribbean and former communist countries. Nevertheless, government corruption has become an issue due to a convergence of three forces: the opening of a hard-currency sector and limited market-based economy with significant levels of state intervention and a weak legal base; the widespread petty corruption in everyday life which creates a mentality that rules are to be broken; 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, foreign trade operations, joint ventures, and some entities that export professional services. In 2020, with the shrinking of the economy's dollar sectors, corruption will also have likely decreased. 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, including cases against powerful officials. The Comptroller General has become a major 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. In the first three years of his tenure, no major corruption scandals have become public.

## 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. 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 and a bottom-up digital media sphere 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.

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 the structural 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, artists 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. Their initiative, which came to be known as “Cuba Posible,” was heavily undermined by state security, leading to the group’s fragmentation and ultimate breakup.

The artists and independent journalists that loosely belong to the N27 movement are defying established norms by means of their strong social media savvy, organizational skills, transnational ties and apparent lack of fear.



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. 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. The government has made it a policy to give Afro-Cubans and women adequate representation in the institutions of the state and the Communist Party.

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

If one counts the Cuban diaspora as part of Cuban society, there is 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. 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.

Cleavage / conflict management

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Civil society participation

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The political leadership responds to these organizations, 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; and 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. A similar divide-and-rule policy was adopted in response to the public protests by artists in November 2020.

Beyond this pattern of state-controlled institutions, few organizations are formalized and represent substantial interests. Digital platforms have emerged, which have become important fora for contestation and debate. While the state tolerates this to some degree, independent journalists are time and again subject to public defamation and harassment. The government does not see independent media as a legitimate actor in public life.

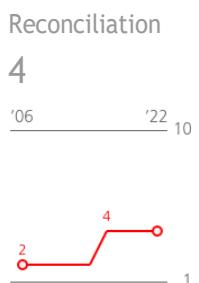
The political leadership maintains communication channels with and is moderately responsive to communities of faith. In particular, the Catholic Church has become an important mediator for the government. The government has permitted Caritas, the Church's charitable organization, to significantly expand its humanitarian and aid work on the island.

In the constitutional reform process of 2018/19, 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 adopted a reconciliatory tone 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 whom the government denounces. Until the Trump administration stepped up restrictions in 2020, Cuban-Americans sent an estimated \$3 billion in remittances each year to Cuba, and Cuban-Americans made up the second largest group of visitors to Cuba after Canadian tourists.

Government policy toward homosexuals has changed substantially. Whereas in the 1960s and 1970s, homosexual men were sent to labor camps, in the past decade, Cuba has become a strong domestic and international defender of LGBTQ rights.



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

Given how the U.S.-Cuban conflict had translated into domestic confrontation within Cuba over the decades, 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, the historic steps in normalizing relations have had a lasting effect on Cuban society, which could be revived during Biden’s presidency.

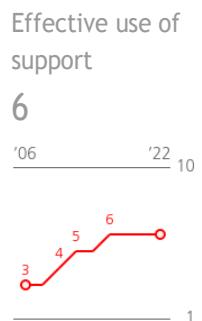
## 17 | International Cooperation

In general terms, the development agenda of Cuba’s political leadership may be summarized as piecemeal reforms oriented toward a new model of sustainable economic development – not least in order to legitimize and stabilize the current political order. For that purpose, the government uses international support but seeks to avoid conditions for receiving it. Western donors tend to be viewed with suspicion of having a hidden agenda to erode the political regime. Since political risks trump economic gains, the government time and again has adopted tough stances in negotiations that eventually led to blocking or ending assistance projects.

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

Assistance from the European Union has been low-key, centered on hurricane relief and food security programs. Since 2014, this also includes support for economic and social modernization, but with modest sums. In 2016, a Political Dialogue and Cooperation Agreement was signed. Assistance from individual European governments has been modest but consistent with the Cuban 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. But the government finally seems to have embarked on using international partners to advance a development agenda.



Cuba complies with the rules set by the international and regional organizations to which it belongs. It has been strongly committed to organizations that do not include the United States or the Global North, and which do not interfere in domestic politics, such as the Community of Latin American States (CELAC). 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 for its high level of professionalism 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 and disaster relief, among others. Cuba has also responded to numerous global crises, including the earthquakes in Haiti and Pakistan, and the Ebola crisis in West Africa. During the recent COVID-19 pandemic, it has sent medical brigades to three dozen countries, including most prominently Italy in the health emergency situation of early 2020.

Cuba has systematically defaulted on its international debt obligations in 1960, 1986 and several times over the decades that followed. Raúl Castro's administration regularized most of these international debt obligations and renegotiated its debt to the Paris Club. However, the economic downturn of recent years led to new arrears in debt service.

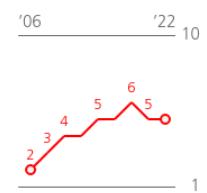
Cuba signed nuclear nonproliferation agreements after the collapse of the Soviet Union, and anti-terrorist U.N. conventions after September 2001. Cuba has never supplied "blue helmets" to United Nations peacekeeping missions. It has been generally uncooperative with regard to civil human rights, labor standards, and similar conventions, while being a vocal advocate of social human rights, such as access to health and education. Cuba has repeatedly been elected a member of the U.N. Human Rights Council, where it uses the argument of national sovereignty to reject international insistence on respect for liberal human rights.

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. Venezuela is a close political ally in international politics.

Cuba maintains diplomatic relations with all its neighbors, now including the United States. Political relations with Latin American countries vary depending on ideological orientations and junctures. The rise of right-wing leaders in many countries has brought increased tensions to Cuba's relations with Latin American countries. In Brazil and Ecuador, the end of left-wing governments ended important medical cooperation agreements.

### Credibility

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### Regional cooperation

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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 has provided disaster relief support to many countries in the circum-Caribbean and supported the fight against the COVID-19 pandemic with medical personnel.

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 cooperation has suffered under the U.S. Trump administration, it has not been terminated by Cuba.

## Strategic Outlook

With Joe Biden as U.S. president, Cuba can hope for a return to a more dialogue-oriented policy approach than existed previously. The European Union and its member states could step up low-level cooperation with Cuba without fearing retaliation from the United States. However, the underlying conflicts will persist. Both the United States and Europe will want to see progress regarding civil liberties – even if well below the threshold of regime change – as they need to justify engagement policies in the face of critics who decry them as cooperating with a dictatorship. Any repressive acts against domestic opposition will have high international political costs. Cuba's alliance with Venezuela will be an additional source of contention. Beyond this, Havana will maintain a sober foreign policy which avoids provocation. The government will seek a constructive modus vivendi with the new U.S. administration and maintain good ties with Europe, although the sharp rejection of anything it senses as “interference in domestic affairs” means that progress in negotiations will be slow and diplomatic stalemates are likely to continue. Cuba will maintain strong networks of diplomatic support with Latin America and countries of the Global South. Fostering inclusion in regional cooperation schemes or institutions would be useful approaches.

For investors, trade partners and creditors, advances in the economic reform agenda and compliance with contract obligations, including avoidance of arrears in payments and debt services would be important. While progress in FDI legislation has occurred, in practice investment is still marred by burdensome decision-making processes and restrictions on business operations. While monetary and exchange rate reform improves the business climate, the economic contraction reduces potential demand. Support for further pro-market measures, but also for social protection programs for those affected negatively by these, could constitute a fruitful field for cooperation with Western state and non-state actors, as long as the government does not perceive this support as seeking to undermine the political regime. A coherent reform course could also help bring in more investment and credit from China. Opening the real estate market to foreign investment could be a way to attract hard currency quickly. The CAF Development Bank of Latin America could become a privileged actor supporting Cuba's economic reform process.

The pandemic-related slump in air traffic and other coronavirus-related restrictions, as well as reports of the dire living conditions of ordinary Cubans, will continue to undermine the attractiveness of Cuba as a tourist destination. However, if Cuba's national vaccine development program proves successful and a broad vaccination campaign is rolled out, Cuba could market itself as a safe tourist destination well ahead of other tropical countries. Moreover, an anti-COVID-19 vaccine could spur revenues from the export of medical services. Given Cuba's medical resources, the fight against the pandemic could also provide a prime field for international cooperation, be it via the WHO, the Pan American Health Organization, in regional projects or bilaterally.

Even if food shortages and the sharply rising cost of living are the dominant concerns for the population at large, domestic pressure for some liberalization in the realm of Cuba's political and social life will persist. Openly oppositional groups have not gained a broad following so far, but especially in intellectual and artistic spheres, the line between those who are critical from within the established institutions and those who are "out of bounds" has become increasingly blurred. Bottom-up digital media activists and other non-conformist voices will continue to seek international support to shield them from state repression.