

# **Cuba's History and its Future Transition**

*The Impact on its Economy and Stakeholders*

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This thesis was written as a part of the Master of Science in Economics and Business Administration program - Major in International Business. Neither the institution, nor the advisor is responsible for the theories and methods used, or the results and conclusions drawn, through the approval of this thesis.

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## Table of Contents

<b>1. PREFACE</b> .....	<b>6</b>
<b>2. INTRODUCTION</b> .....	<b>8</b>
<b>3. CUBA'S POLITICAL AND ECONOMIC HISTORY UNTIL 1959</b> .....	<b>11</b>
<b>3.1 POLITICAL AND ECONOMIC ENVIRONMENTS PRIOR TO 1902</b> .....	11
<b>3.2 POLITICAL ENVIRONMENT BETWEEN 1902 AND 1959</b> .....	14
<b>3.3 ECONOMIC ENVIRONMENT BETWEEN 1902 AND 1959</b> .....	18
3.3.1 <i>United States Direct Investments in Cuba</i> .....	18
3.3.2 <i>The State of the Cuban Economy Before the Revolution</i> .....	20
<b>4. POLITICAL ENVIRONMENT</b> .....	<b>22</b>
<b>4.1 POLITICAL BACKGROUND</b> .....	22
4.1.1 <i>The Revolution in Power</i> .....	22
4.1.2 <i>The Split with the United States</i> .....	23
<b>4.2 UNITED STATES - CUBAN RELATIONS</b> .....	24
<b>4.3 SOVIET UNION - CUBAN RELATIONS</b> .....	28
<b>4.4 THE CUBAN GOVERNMENT</b> .....	29
<b>4.5 HUMAN RIGHTS</b> .....	30
<b>4.6 INTERNATIONAL RELATIONS</b> .....	32
<b>5. ECONOMIC ENVIRONMENT</b> .....	<b>34</b>
<b>5.1 THE REVOLUTION IN POWER</b> .....	34
<b>5.2 CUBA'S MAJOR ECONOMIC SECTORS</b> .....	38
5.2.1 <i>Agriculture</i> .....	39
5.2.2 <i>Mineral Production and Mining</i> .....	40
5.2.3 <i>Tourism</i> .....	41

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<b>5.3</b>	<b>ECONOMIC PERFORMANCE</b> .....	<b>42</b>
5.3.1	<i>Gross Domestic Product (GDP)</i> .....	42
5.3.2	<i>Employment Figures</i> .....	44
<b>6.</b>	<b>SOCIAL AND TECHNOLOGICAL ENVIRONMENT</b> .....	<b>46</b>
<b>6.1</b>	<b>SOCIAL ENVIRONMENT</b> .....	<b>46</b>
6.1.1	<i>Educational System</i> .....	46
6.1.2	<i>Health System</i> .....	46
6.1.3	<i>The Human Development Index (HDI)</i> .....	47
<b>6.2</b>	<b>TECHNOLOGICAL ENVIRONMENT</b> .....	<b>48</b>
<b>7.</b>	<b>INTRODUCTION TO TRANSITIONAL ELEMENTS AND BACKGROUND INFORMATION</b> .....	<b>49</b>
<b>7.1</b>	<b>CUBA’S LARGEST STAKEHOLDERS: IT’S POPULATION BROKEN DOWN BY GROUPS</b> ....	<b>52</b>
<b>7.2</b>	<b>INTRODUCTION TO POPULATION BREAKDOWN</b> .....	<b>52</b>
7.2.1	<i>Make Up of Groups A1 and A2</i> .....	54
7.2.2	<i>Make Up of Groups B1 and B2</i> .....	55
7.2.3	<i>Make Up of Groups C1 and C2</i> .....	57
7.2.4	<i>Make Up of Groups D1 and D2</i> .....	58
7.2.5	<i>Make Up of Groups E1 and E2</i> .....	60
<b>7.3</b>	<b>SIZE OF THE POPULATION IN EACH GROUP</b> .....	<b>61</b>
<b>8.</b>	<b>AFFECTS OF FOREIGN/INTERNATIONAL EVENTS ON THE POPULATION GROUPS</b>	<b>63</b>
8.1.1	<i>The Collapse of the Soviet Union</i> .....	63
8.1.2	<i>The Rise of China</i> .....	65
8.1.3	<i>Globalization, WTO, and Neoliberalism</i> .....	66
8.1.4	<i>The Helms-Burton Act</i> .....	68

---

8.1.5	<i>Pope John Paul II visit to Cuba</i> .....	69
8.1.6	<i>The Rise of Hugo Chavez and Venezuela</i> .....	70
8.1.7	<i>9/11 and the United States Counter Terrorism Campaign</i> .....	71
8.1.8	<i>European Union’s Reaction to Treatment of Dissidents in Cuba</i> .....	72
8.1.9	<i>The Emergence of a Democratically Elected Left in Latin America</i> .....	74
<b>8.2</b>	<b>TOTAL AFFECT OF FOREIGN/INTERNATIONAL EVENTS ON THE POPULATION GROUPS</b>	<b>74</b>
<b>9.</b>	<b>AFFECTS OF DOMESTIC EVENTS ON THE POPULATION GROUPS</b> .....	<b>76</b>
9.1.1	<i>Cuba’s Economic Crisis in the Early 1990’s</i> .....	76
9.1.2	<i>The Emergence of a Large Cuban Dissident Movement</i> .....	78
9.1.3	<i>Cuban Economic Reforms</i> .....	79
9.1.4	<i>1993 Dollarization</i> .....	80
9.1.5	<i>“La Patria es de Todos” or “The Homeland Belongs to Us All”</i> .....	81
9.1.6	<i>“Proyecto Varela” Proposal of Democratic Changes to the Cuban Policy</i> .....	82
9.1.7	<i>The Elian Gonzalez Event</i> .....	83
9.1.8	<i>Crackdown and Detention of 75 and Execution of 3 Cubans in 2003</i> .....	84
<b>9.2</b>	<b>TOTAL AFFECT OF DOMESTIC EVENTS ON THE POPULATION GROUPS</b> .....	<b>85</b>
<b>10.</b>	<b>POTENTIAL TRANSITIONAL CHANGES WITHIN CUBA CONSIDERING PUBLIC SENTIMENT</b> .....	<b>86</b>
<b>10.1</b>	<b>INTRODUCTION AND OVERVIEW OF STAKEHOLDERS’ SENTIMENTS TOWARDS CHANGE</b>	<b>86</b>
<b>11.</b>	<b>METHODS, CHANGES, AND STAKEHOLDERS VIEWS TOWARDS THEM</b> .....	<b>90</b>
11.1.1	<i>Succession</i> .....	90
11.1.2	<i>Peaceful Transition</i> .....	90
11.1.3	<i>A Coup</i> .....	91
11.1.4	<i>Civil War</i> .....	92

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11.2	OVERALL CUBAN SENTIMENTS TOWARD TRANSITION/SYSTEM.....	92
12.	TRANSITIONING TO A MARKET ECONOMY: CRITICAL AREAS OF FOCUS	94
12.1	PREVIOUS TRANSITIONAL ISSUES IN OTHER COUNTRIES .....	94
12.2	CUBA'S CRITICAL AREAS OF FOCUS IN THE TRANSITION PROCESS.....	95
12.2.1	<i>Preliminary Transitional Elements</i> .....	95
12.2.2	<i>Low-income and Poor Cuban Population</i> .....	96
12.2.3	<i>Urgent Need for Cuban Infrastructure</i> .....	97
12.2.4	<i>Monetary System</i> .....	97
12.2.5	<i>Privatization</i> .....	98
12.2.6	<i>State and Social Changes</i> .....	98
13.	CONCLUSION.....	99
	REFERENCES.....	101

## 1. Preface

The purpose of this paper is to analyze Cuba from both a historical and current perspective, and based on these analyses, breakdown the key stakeholders and their respective positions towards change. Due to the complicated nature of this topic, there are quite a few things that must be considered before a true analysis can be undertaken. Considering the controversies surrounding the Fidel Castro regime, as well as the United States' policy towards the regime, it is difficult to find objective research materials. Throughout the writing of this paper, a conscience effort was made to remove the subjectivity from the various research sources, and in essence to consider both sides of the equation.

Additionally, considering the recent changes within the Castro regime, namely the appointment of Raul Castro as the head of Cuba, and the stepping down of Fidel, his older brother, there has been much debate whether any true changes have been made to both governmental and economic policies. That being said, for the purposes of this paper, the political succession of Raul, is not considered to be significant enough to warrant a separate analysis regarding the Castro regime. In other words, for all intents and purposes within this paper the Raul Castro regime will be considered the same as the Fidel Castro regime for simplicity reasons. Raul has made only very minor changes, and the few that he has made do not really affect the Cuban population in a significant way.

Raul has now allowed the purchasing of DVDs and computers by the Cuban public; however, they are at such a high cost that virtually no one can afford them. He has also changed the hotel policies at the State-owned hotels, now allowing the average Cuban population to stay in these resorts. Again, considering the costs of such hotels, no average Cuban could even dream of staying at these resorts. These are the basis for the decision to consider the Raul and Fidel regimes as the same within the analyses of this paper.

Although there will be a brief section regarding some of Raul's changes, it will not be carried through to the full analysis of the Cuban public sentiments. Furthermore, it is the opinion of this paper that in order for a true transition to take place within Cuba, both Fidel and Raul must be gone. It will be interesting to see what happens following their departure, and whether the hypotheses of this paper are correct and a democratic Cuba will arise.

## 2. Introduction

The purpose of this paper is to analyze Cuba from both a historical and current perspective in order to gain insight into whether Cuba is ready for governmental and economic changes. Within this, it is also the goal to examine how these specific perspectives influence Cuban public sentiment towards transition, and in what political direction the population is most likely to favor.

In order to understand and address these topics, several questions must be asked:

- **What constitutes the political, economic, social, and technological environments in Cuba?**
- **How do these international and domestic factors influence Cuban public sentiment towards transition?**
- **What are the likely outcomes considering the sentiments of the Cuban people?**

Based on these key questions, the structure of the paper has been arranged in such a way that it builds upon itself beginning with the history of Cuba, moving to a breakdown of its economic structure, followed by the analysis of the Cuban people and their sentiments towards transition, and finally, how these sentiments affect potential outcomes of any transition as well as which outcome is the most likely to occur.

Section three covers the history of Cuba from the time of its discovery until the Revolution in 1959 when Castro came to power. The focus was on the United States and Spanish struggle over the control of Cuba. The section also focuses on the United States and Cuban relationship over time. In this section, we show the US influence on Cuba before and after it granted Cuba its independence and the close economic and political ties between the two countries.

Section four highlights Fidel Castro's regime and the new Cuban and US relations. We looked at the sanctions imposed by the United States on Cuba, as well as discuss the Cuban and Soviet Union relations. The section highlights how Cuba shifted its economic and political dependence from the United States before the Revolution to the Soviet bloc countries until 1991. Further, we discuss the



structure of the Cuban government, bringing to light the behavior of the Cuban government and later the human rights violations. Finally, we looked at Cuba's international relations, especially after the fall of the Soviet Union.

Section five begins with an overview of the Cuban economy from 1959 until now. In this section, we discuss the different policies and reforms made by Castro's regime, the effects of the US embargo on the Cuban economy and the effects of the collapse of the Soviet Union. In the second part of this section, we evaluate the major economic sectors and the performance of the economy.

Section six outlines the social and technological environments in Cuba. We highlight the high performance of the educational and health sectors as well as the poor performance of the telecommunication system and infrastructure.

Section seven is an introduction to the background information regarding the Cuban transition and in particular the key elements and stakeholders. It outlines the make up of Cuba's population and forms ten groups in order to analyze the Cuban public sentiment towards change. It also describes these groups' roles both in Cuba and abroad.

Section eight expands on these Cuban population groups by analyzing the affect of key international events and their affect Cuban public sentiment. A description of each groups' reactions is given, followed by the overall reaction of the whole system. Section nine is similar to eight in that it too analyzes the Cuban population groups reactions towards events, however, in terms of domestic events within Cuba.

Section ten brings these examinations together by describing the transitions that might take place based on Cuban and other stakeholder sentiments. It illustrates the four potential methods of change as well as the results of those changes. The four methods are succession, peaceful transition, coup, and finally civil war. These methods of change each have very different outcomes both for the people of Cuba but also on its key stakeholders.

Section eleven discusses in depth the potential methods of change and their outcomes. It concludes with a description of the overall Cuban sentiments towards the Castro regime and change. It summarizes the description of the perceived preference of the Cuban population, or democracy. Based on the research conducted this seems to be the most viable and popular result due to not only the Cuban people but also the key players or countries that both impact and are influenced by Cuba.

Considering the preference of an open-free market economy, and democratically elected government, section twelve outlines several critical areas of focus before any transition can be undertaken. It considers the best interests of the Cuban people as well as recommends areas of focus based on these important Cuban interests. In order to obtain assistance, which would undoubtedly be needed during any transition phase, section twelve recommends the best ways to go about obtaining the funds required to address those areas of needed investment.

Finally, the conclusion brings everything together to show the relevancy of Cuba's history in determining Cuba's future, and how this history has impacted its people. Furthermore, it specifies the overall preferences of the Cuban people, which is democracy.

### **3. Cuba's Political and Economic History Until 1959**

#### **3.1 Political and Economic Environments Prior to 1902**

Following the discovery by Christopher Columbus in 1492, Cuba was not an interesting territory for the Spanish in the 16th and 17th centuries. At that time, the country lacked precious metals and it had few slaves due to the lack of African slaves as compared to its neighboring countries; for these reasons it was used as a naval base serving as a stopover for the Spanish treasure navy.<sup>1</sup>

The Spanish settlers established the raising of cattle, sugarcane, and tobacco as Cuba's primary economic products. African slaves were imported as the native Indian population died out as a result of imported diseases from Europe. The African slaves worked on the ranches and the sugar plantations, which allowed Cuba to develop its sugar industry. By the 18th century, Cuba became a large sugar producer and a successful sugar-based economy, with the United States as its main export market.<sup>2</sup>

In the second half of the 18th century, a series of events resulted in massive changes in the Cuban economy. The economic boom in Cuba was driven during the first stage by a short British occupation of Havana in 1762-1763 and towards the end of the century by the independence of the US in 1783.<sup>3</sup> Those events were a major force behind the boom in the economy; the economic changes that occurred brought an influx of new technology and capital. Cuba started to become economically less dependent on Spain. A big part of its trade shifted towards the British colonies and the economic ties with the United States grew fast as it started to rely more upon the American market after its independence.

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<sup>1</sup> EIU: The Economist Intelligence Unit (2008), p.4

<sup>2</sup> CountryWatch Incorporated (2008), p.7

<sup>3</sup> <http://www.revision-notes.co.uk/revision/63.html>

Cuba was the last major Spanish colony to gain independence as the Cubans were distracted by the major improvement in their economy, which delayed the rebellion against the Spanish rule that was spread across America. However, the rebellion was developing as discontent grew among the population: the slaves and the free blacks as well as the wealthy landowners were frustrated with the repressive Spanish rule and a crisis in the sugar industry in the 1840s and 1850s fuelled a 50 year struggle with Spain. Cuba's first war of independence began in 1868 and ended ten years later in 1878 with the pact of *Zanjón*. However, Spain did not grant independence to the Cubans.<sup>4</sup> Many rebel leaders did not agree to the *Zanjón* pact. Although it offered some concessions, it did not fulfill the main goals of independence and the abolition of slavery.

In order to win the support of the blacks, the Spanish abolished slavery in 1880 (though the decree was not finalized until 1888). With the decreasing influence of the Spanish on the Cuban economy and society, the United States was starting to become increasingly more important. By 1890, 10 percent of the US imported goods came from Cuba, which was equivalent to 87 percent of Cuba's exports. This was mainly due to the McKinley Tariff Act of 1890 that eliminated import duties on sugar from Cuba and thereby greatly increased the United States' influence in Cuba.<sup>5</sup> Many Americans came to Cuba to manage their investments, which reached US\$50 million in 1896 and were mainly concentrated in the sugar industry. The final push for independence that began in 1895 with Jose Marti. In response, Spain sent a new commander to Cuba, General Veleriando Veyer, to stop the new revolutionary movements. But, the newly appointed general dealt harshly with the rebels and the measures he undertook to beat the guerillas turned out to be a failure. This resulted in an increase in the popular revolt, which drove Spain to make a promise of autonomy to Cuba late in 1897. The tense relations between Spain and the US as well as the USS Maine accident, which sank in the Havana

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<sup>4</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>5</sup> US Department of State, Bureau of Western Hemisphere Affairs (November 2007), p.3

Harbor in 1898, caused a US intervention in the final stage of the war. Late that year, Spain ceded its control over Cuba to the United States under the Treaty of Paris that was negotiated between the United States and Spain with no Cuban representation.<sup>6</sup>

What was thought as a US intervention to help the Cubans in their war of liberation turned out to be a US war of conquest,<sup>7</sup> and the United States occupied Cuba for the first time from 1899 until 1902. During this time, the US exerted substantial influence on the island – politically, economically and culturally.

The Americans wanted to turn Cuba into an autonomous state so that it would bear the costs of the new country. In doing so, a US military government ruled the island and offered Cuban rebel leaders well paid positions to keep the Cuban army under its authority. One of the goals of the Americans was to repair the war damage that ravaged Cuba so political stability could be achieved preventing any attempt of resistance or rebellion to the occupation. All the costs related to the reforms and changes suggested and created by the Americans to improve the Cuban economy and society were assumed by the Cuban treasury; even the American army expenses were covered by the Cubans.<sup>8</sup>

The United States wanted to absorb Cuba into its economic sphere. They forced the inclusion of "The Platt Amendment" into the constitution during the first elections for a convention despite a significant opposition from the Cubans.<sup>9</sup> "The Platt Amendment" was seen as compromising Cuban sovereignty and as an attempt by the US to maintain control. It was initially voted down by the Cuban constitutional assembly. The United States threatened that the military occupation would not end unless the Cubans accepted the Amendment as part of the new

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<sup>6</sup> [http://www.countriesquest.com/caribbean/cuba/history/united\\_states\\_occupation.htm](http://www.countriesquest.com/caribbean/cuba/history/united_states_occupation.htm)

<sup>7</sup> Longley (2000)

<sup>8</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>9</sup> Jeffries (1990)

constitution. The Amendment was finally passed by a one-vote margin. Economically, "The Platt Amendment" allowed favorable trade terms for American businessmen in Cuba, and it also limited Cuba from conducting normal foreign affairs that could jeopardize the Americans' economic and political power over the island.

### **3.2 Political Environment Between 1902 and 1959**

After shaping the relation with Cuba through "The Platt Amendment," the US agreed to withdraw its army from the island and cede its control to the Cubans once a new government was established. On May 20, 1902, the US granted Cuba its independence, although it never treated it as a sovereign country. Instability and rising authoritarianism marked the period after independence: Cuba was ruled by figures that obtained or remained in power by force. The United States kept interfering in Cuba's affairs and made sure that the country was run by pro-American governments that prioritized the US interests over the Cuban interests. The US army reinvaded Cuba on two occasions in 1906 - 1909 and in 1917 - 1921 in order to help its allies from revolts against emerging fraudulent systems and corruption.<sup>10</sup>

In 1901, Tomas Estrada Palma was elected as the first Cuban president, but he only took office in 1902 following the United States departure.<sup>11</sup> During his reign, a second agreement, "the Reciprocity Treaty," increased the Cuban economic dependence on the United States in 1903. The treaty ensured that the Americans got 20 percent of the sugar tariffs from Cuba in return for preferential treatment for Cuban sugar imports to the US.<sup>12</sup>

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<sup>10</sup> EIU: The Economist Intelligence Unit (2008), p.4

<sup>11</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>12</sup> Doxey (1980)

Estrada's government was hit by several scandals linked to violence and corruption. In the summer of 1906, the US army reentered Cuba for the first time since its independence as the new president called for help as he was unable to control the revolt led by the Liberal Party. In order to decrease national consciousness against the foreign presence in the island, the Americans made sure that the power was divided between all parties and that corruption became well established in the Cuban political structure. The Liberal's won the presidency in 1908 and the US withdrew in 1909. In 1912 and 1916, it was the Conservatives that came back to power through General Menocal. During his two terms, corruption increased and debt amassed to a staggering US\$40 million.<sup>13</sup> As a result, the Liberals rebelled again in 1917 causing the United States to send its troops to Cuba for the second time after the independence to quell the disturbance. The second American sojourn into Cuba was characterized by very tight control over the country. Every time violence threatened, the United States intervened harshly to restore order.

Liberal Party representative Alfredo Zayas won the presidency in 1920. However, he did not actually begin his rule until the United States' exit in 1923 as the island was governed by General Crowder, a US special representative.<sup>14</sup> During Zayas' reign, sugar prices crashed affecting the country's economy due to the US domination and lack of agricultural diversity.

Economic problems revived Cuban nationalism at the end of Zayas' administration. This led to the election of Gerardo Machado Morales, the Liberal Party's nationalist candidate, as the new Cuban president in 1924. Machado was very popular and he did not face any opposition during the early years of his term. He led a reform program for public works, tried to protect small and medium-sized sugar companies by controlling sugar prices and imposed high taxes on some crops to increase agricultural diversity and discourage monoculture.

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<sup>13</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>14</sup> <http://www.latinbusinesschronicle.com/app/article.aspx?id=220/8>

Despite his ambitious economic and social programs, Machado's administration turned out to be oppressive and tyrannical. He ruled with an iron grip: political assassinations of his rivals increased dramatically in the last two years of his first term. He secured his second term in the office by outlawing his main rival in 1928.<sup>15</sup>

The US became worried as the reforms undertaken by the Machado administration did not prevent the deterioration in Cuba's economic situation. Several strikes and rebellion attempts erupted in 1930. These were led mainly by the students who played an important role in Cuban politics. The Cuban secret police dealt harshly with the participants. Unsuccessful negotiations, mediated by the US in 1933, between the opposition, the Student Union on one side and the Machado administration on the other side, led to general strikes that paralyzed Havana and ultimately Machado's resignation in August of that same year.

The provisional government following Machado's resignation could not stop the violence that was widespread throughout the country. A group of army sergeants and the Student Directory managed to take over Cuba in September 1933. Although the students were backed by the army, they had no political support as they were aiming for radical and genuine reforms. A well known opponent of Machado's, Dr. Ramon Grau San Martin was chosen the president, and with his government, repealed "The Platt Amendment." They introduced an eight-hour working day rule for laborers, established a labor department, stopped the importation of cheap labor from other Caribbean islands, increased the availability of higher education, redistributed lands to agricultural laborers, gave women the right to vote and eliminated usury.

However, the changes by the new regime were not backed by the different political parties. Both the Left and Right Parties were against these reforms for different reasons. The United States also did not recognize the new government in

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<sup>15</sup> <http://www.revision-notes.co.uk/revision/63.html>



Cuba given its suspension of loan repayments and the nationalization of two American mills. As the pressure increased on Grau and his government, his allies stopped supporting him and many of them withdrew from the government coalition. Grau was forced out of office in January 1934, after army sergeant Fulgencio Batista, a former member of Grau's coalition government and one of the major figures, took part in the 1933 overthrow and formed a new government with the backing and support of the United States. Although Batista led Cuba from 1934 to 1944, he was officially the president from 1940 to 1944 as he ruled through puppet presidents during the first six years of his regime.<sup>16</sup> Batista was very popular among the lower classes of the population as he initiated certain reforms and undertook efforts to redistribute the land. Moreover, he initiated a law that a president could not succeed himself. This led to Grau's return to the presidency in 1944 as he defeated Batista's candidate in the elections. From 1944 to 1952, violence and corruption continued to worsen in the island despite reform attempts. Batista seized power for a second time and returned to the office in a bloodless coup just three months prior to the presidential elections, suspending the vote for presidential elections and ruling as a dictator. Many political groups opposed Batista's new regime. Students and guerilla organizations began plotting Batista's overthrow as they wanted a return to democracy.<sup>17</sup>

On July 26, 1953, Fidel Castro, son of a wealthy Spanish farmer in northwest Cuba and a follower of Eddie Chibás (a famous populist leader that committed suicide on a radio program in 1951 to alert the Cubans to the extent of the political corruption in their country), entered the Cuban political arena. He was against Batista's dictatorship and he was promising a return to constitutional rule and democratic elections along with social reforms and an end to corruption. Hoping to spark revolution amongst the Cuban population, with the help of students he attacked the *Monacada* soldiers' quarters. However, his unsuccessful coup led to his

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<sup>16</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>17</sup> ICON Group International, Inc. (2000), p.75

imprisonment.<sup>18</sup> Castro became a national hero following his speech “History will absolve me” during his trial.<sup>19</sup> His popularity increased during his time spent in prison and 19 months later he was released as part of a general amnesty. He flew to Mexico where he began to plan new attacks against Batista’s regime. He met Ernesto (Che) Guevara in 1955, at a time when Marxist revolutionary thoughts swept across Latin America. Castro returned to Cuba with Guevara and their followers on board the *Granma* yacht in 1956. They were betrayed upon reaching the port of *Santiago de Cuba* and most of them were killed. Castro managed to escape and started to recruit a new army. His struggle with Batista’s forces did not stop as he continued his raids in 1957. Batista faced a major setback in early 1958 as the US stopped sending arms to the Cuban government and his army faced heavy losses when they attacked Castro’s forces. The final push began in August 1958 under the leadership of Castro and Guevara. Three different armies with the cooperation with other rebel groups set out to divide the island in two. Fulgencio Batista was defeated and fled on January 1, 1959, to Miami as Fidel Castro’s “26th of July Movement” gained control: The Revolution was in Power!<sup>20</sup>

### **3.3 Economic Environment Between 1902 and 1959**

#### **3.3.1 United States Direct Investments in Cuba**

After it granted Cuba its independence in 1902, the United States penetrated the Cuban economy by investing heavily in the sugar industry. The United States direct investment in Cuba increased 5 times from 1902 to 1928. From the 1930s on, the Cubans started to purchase a large number of sugar mills from their foreign owners. This transfer of assets to Cuban ownership was done through regular commercial channels and it reflected, at that time, how the island matured on a

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<sup>18</sup> EIU: The Economist Intelligence Unit (2008), p.5

<sup>19</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>20</sup> CountryWatch Incorporated (2008), p.7

business level. Hence, the US share in sugar production declined from 62 percent in 1935 to 55 percent in 1939 to reach 37 percent in 1958.<sup>21</sup> After World War II, Cuba was a very attractive market for investments. The Constitution guaranteed the protection for property owners and Cuba enjoyed financial stability. The cost of living remained relatively stable, the peso was at par with the US dollar, and the risk of currency devaluation was minor. These diversified US investments played a major role in Cuba's economic growth and US firms penetrated all the sectors of the economy. In the 1940s, US investors began to get involved in manufacturing, infrastructure, oil refining, diversified agriculture, tourism and mineral extractions. In 1952, a new agreement with the US replacing the one from 1934 allowed Cuba to diversify its exports in new markets in the United States.

By 1957, US businesses made critical contributions to Cuba's balance of payments. They accounted for a direct net foreign gain of US\$335 million and they employed an estimated 160,000 workers and 2,000 supervisory, professional, and technical personnel.<sup>22</sup>

By 1959, in the center of the Cuban Revolution, the United States was dominating the Cuban economy. It accounted for 65 percent of Cuba's exports and provided around 75 percent of its imports. The US was paying a premium of 80 percent above world market prices for sugar imported from Cuba, which helped stabilize the economy as 60 percent of the sugar was exported to the US. Cuba was becoming more dependent on trading with the US as the latter had powerful control and a considerable share in the structure of the economy: 37 percent of raw sugar production, 50 percent of public railways, 66 percent of petroleum refining, 100 percent of nickel mining, 90 percent of power services and telephone, and 25 percent of bank deposits were in the hands of US companies. Cuba became a large

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<sup>21</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>22</sup> Jorge (1989)

supplier of nickel in the world due to the US affiliates' expansion of their operations in this sector.<sup>23</sup>

The US direct investments in Cuba brought technical and managerial expertise and capital. Cuban groups and entrepreneurs also benefitted from those resources resulting in the courage and know-how to take part in the economic activities by buying US owned subsidiaries or starting their own companies in sectors where US companies dominated. This is especially true of the sugar, banking and air transportation sectors.

### **3.3.2 The State of the Cuban Economy Before the Revolution**

The World Bank Mission observed that "In the 161 sugar centrales, in the excellent highway, in the extensive system of public and private railroads, in the harbor installations, in the cities, and their utilities, Cuba has the basis of exceptionally fine equipment for modern economic activity and further development."<sup>24</sup>

This statement demonstrates that Cuba was one of the most important and capitalized nations in Latin America. Real income per capita was fourth in Latin America in 1957, even better than Spain and some other European countries. Real wages were higher than any country in the Western Hemisphere except the US and Canada: an eight-hour day wage averaged US\$6 and wages ranged from US\$4 for unskilled workers to US\$11 for skilled ones. By 1958, workers' remuneration accounted for 65 percent of the national income and it was surpassed by only three developed countries: the United States, Canada, and Great Britain.<sup>25</sup> In the 1950s, Cuba started to develop new strategies to reduce the impact of traditional agricultural exports on its economy. Several banks were created during that time

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<sup>23</sup> <http://www.revision-notes.co.uk/revision/63.html>

<sup>24</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>25</sup> Lago (1971)

to offer credit facilities to encourage new companies and non-traditional exports and for public works projects like the construction of water systems, highways and tunnels. Further, new laws offering tax incentives to new firms were ratified in the 1950s.

Additionally, the tourist industry played a major role in the evolution of the Cuban economy in the 1950s. Hotel capacity almost doubled in the major cities and foreign tourist expenditures increased to US\$60 million per year in 1958 as compared to US\$19 million in 1952.

New Laws setting incentives for agricultural diversification paid off in the 1950s. Agricultural exports gains came from several products other than sugar, such as rice, fish and cattle.

By 1959, Cuba reached a self sufficient level in petroleum refining of 83,000 barrels per day supplied by US oil affiliates. Reaching this status was also reflected in the increase in various industrial activities as US\$600 million was invested in 154 new and the expansion of existing plants. This demonstrates that Cuba was making significant improvements in reducing its dependency upon the sugar industry.<sup>26</sup>

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<sup>26</sup> <http://www.revision-notes.co.uk/revision/64.html>

## 4. Political Environment

### 4.1 Political Background

#### 4.1.1 The Revolution in Power

At the beginning of his reign, Castro promised social reforms and a return to democratic elections, but instead he used his control over the military to consolidate his power. After gaining power, he considered that elections and democracy were not suitable for Cuba as he believed social and economic reforms should be done first.<sup>27</sup>

In the first four years of his reign, Castro worked on many reforms as he achieved multiple goals such as land and income redistribution, and working on gaining economic independence (especially from the United States) through policies that favored industrial and agricultural diversification.

Moreover during these first four years, Castro was consolidating his position as sole leader of Cuba especially through power centralization. He used his power to suppress and punish his opponents as he restricted freedom of speech, took control over Havana University (repressing student movements), eliminated elements of the Cuban Labor Unions, and arrested and executed thousands of Batista's supporters and other political rivals publicly: "An estimated 3,200 people were executed by this new regime from 1959 to 1962."<sup>28</sup> Castro's radical actions led hundreds of thousands of Cubans to flee the country, especially those associated with Batista as well as the business classes.

In 1970, Castro admitted his failure in the reform programs and he changed the structure of the Revolution in Power as he "depersonalized and

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<sup>27</sup> CountryWatch Incorporated (2008), p.7

<sup>28</sup> US Department of State, Bureau of Western Hemisphere Affairs (November 2007), p.3

institutionalized” the government.<sup>29</sup> He separated the army from the government. Castro created a new committee “the Council of Ministers” that had the executive power (he headed this committee), changed the judicial system, and made many economic changes introducing a work quota system, material incentives, and wage differentiation between jobs. The restructuring of the Revolution in Power proved to be a shrewd move as the reforms led to big changes in productivity and the GDP growth rate from 1971 until 1975.

#### **4.1.2 The Split with the United States**

The United States initially recognized Castro’s revolution, but as the reforms moved the regime leftwards toward socialism, a rupture in the relations between the two countries was inevitable. Castro included the Cuban Popular Socialist Party in the new administration and started to establish close relations with the USSR as the two countries resumed their diplomatic relations in May 1960.<sup>30</sup>

In 1960, the US – Cuban relations deteriorated as the Cuban government confiscated and expropriated US properties. In May that year, US oil refineries in Cuba, backed by the US government, refused to obey the Cuban government and process crude oil bought from the Soviet Union. As the Soviet crude oil was less expensive than the American, Castro nationalized the American oil refineries in June 1960. The US government responded by withdrawing Cuban sugar quotas. This decision drove Cuba into nationalizing the majority of US-owned businesses worth around US\$1 billion without due compensation.<sup>31</sup> These actions between the two countries peaked in October 1960 when the US government banned all exports to Cuba and broke off diplomatic relations on the 3rd of January 1961.<sup>32</sup> Castro’s description of the Cuban Revolution as an anti-imperialist movement and the

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<sup>29</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>30</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>31</sup> [http://www.countriesquest.com/caribbean/cuba/history/united\\_states\\_occupation.htm](http://www.countriesquest.com/caribbean/cuba/history/united_states_occupation.htm)

<sup>32</sup> Rasmussen (2002)

declaration of Cuba as a socialist state on April 16, 1961, reduced any hopes of resuming normal relations with the US.<sup>33</sup>

## **4.2 United States - Cuban Relations**

The 1960s shaped the relationship between Cuba and the United States for the next four and a half decades. Even though the restrictions and the US embargo over Cuba were modified during those years, the United States never accepted Castro's totalitarian regime in Cuba.

Following the deterioration in the relations between Cuba and the US, the US Central Intelligence Agency (CIA) commenced providing Cuban exile groups with arms and military training with the objective of overthrowing Castro's regime. Training camps were set up in Guatemala in the summer of 1960, and in April 1961, President Kennedy allowed the forces of Cuban exiles to attack Cuba. This incident was known as the Bay of Pigs invasion. This confrontation with Castro forces was a disaster as the exiled forces were defeated within 72 hours. The operation was poorly planned and was based on the idea that the people would revolt against Castro and help the exiled forces once they had landed on Cuban soil. Castro forces captured 1,189 exiled invaders, while 114 others died and 150 were unable to land. Even though the Bay of Pigs invasion failed, the CIA, in secret, continued to support exiled groups planning to overthrow Castro's regime.<sup>34</sup>

The decline between the two countries' relationship peaked in 1962 when the USSR installed nuclear-equipped missiles in Cuba.<sup>35</sup> The Missile Crisis could have caused a nuclear war since both Cuba and the Soviet Union considered the missile installation as a defensive act whereas it was considered an offensive action by the United States. The US considered that this would allow Cuba increased weapon

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<sup>33</sup> <http://www.gwu.edu/~gwcsog/OPS/yang.pdf>

<sup>34</sup> <http://www.fordham.edu/halsall/mod/1901platt.html>

<sup>35</sup> Franklin (1997)



delivery across the Continent. The US obstructed all ships coming in and out of the island in order to put pressure on both the USSR and Cuba. The crisis was over when the USSR agreed to dismantle the missile sites in exchange for the US' agreement to withdraw its weapons from Turkey and guarantee not to invade Cuba.<sup>36</sup>

In 1963, a new US regulation against Cuba was passed. This regulation banned trading with Cuba through other countries and it also froze all the Cuban assets in United States.<sup>37</sup>

In the 1970s, efforts were made toward improving the relations between Cuba and the United States. Both countries established diplomatic interest sections in each others' capitals,<sup>38</sup> and US affiliates in third countries were allowed to trade with Cuba. Those efforts ended when the United States discovered that Cuba had been sending troops to Africa (mainly to Angola and Ethiopia) and that Soviet forces were present in Cuba. But as a number of Cubans tried to seek asylum in the US in the late 1970s, diplomatic relations between the two countries started to improve slowly and quietly.

The US - Cuban relations in the 1980s were marked by the Cubans exodus to the US, known as the "*Maríel* boatlift."<sup>39</sup> Castro's government allowed Cubans that wished to leave for the United States to use the port of *Maríel*, in the North-West part of the island, as a departure point. As a result, 125,000 Cubans emigrated to the US. This mass departure of Cubans was interpreted as Cubans would gladly leave their country if they could. Also, Castro forced people with criminal records to leave for the United States. Coming to office in 1981, the Reagan administration

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<sup>36</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>37</sup> USITC (2001)

<sup>38</sup> CountryWatch Incorporated (2008), p.8

<sup>39</sup> <http://www.revision-notes.co.uk/revision/64.html>

was characterized as working on containing the Cuban influence in America. Many policies that tightened the embargo on Cuba were initiated during that period.

During the 1990's, Cuba was heavily affected by the disintegration of the Soviet Union in 1991. The Cuban economy was in crisis following the loss of financial backing from the Soviet bloc countries<sup>40</sup> and it was not until late in the decade that the economy improved mainly because of economic reforms, the emergence of the tourism industry and a diminishing international isolation. The United States acted rapidly after the fall of the Soviet Union by tightening the sanctions on Cuba.

In 1992, President Bush signs a new act that increased the economic and political pressure on Cuba. The Cuban Democracy Act's main features were to ban US foreign subsidiaries trade with Cuba,<sup>41</sup> impose restrictions on ships entering US ports after stopping in a Cuban port, and allow the American President to impose economic sanctions on any country that provide economic assistance to Cuba. The act also eased the sanctions the United States imposed on food and medicine, where donations to non-governmental organizations were allowed.

In 1993, Cuba allowed financial transactions using US dollars.<sup>42</sup> This step was made in order to help the amelioration of the economy that was struggling after the fall of the Soviet Union as the money sent by Cubans emigrants in the US to their families in Cuba was an important support for the economy.

In 1996, Cuban MIG fighter jets downed two airplanes in international airspace and killed everyone onboard. The two planes belonged to a Cuban organization based in Miami called Brothers to the Rescue that assisted Cubans trying to reach the United States. The planes were used by members of the

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<sup>40</sup> [http://en.wikipedia.org/wiki/History\\_of\\_the\\_Soviet\\_Union\\_\(1985-1991\)](http://en.wikipedia.org/wiki/History_of_the_Soviet_Union_(1985-1991))

<sup>41</sup> Ibid

<sup>42</sup> Archibald R. and M. Ritter (2004)

*“Concilio Cubano”* that regrouped pro-democracy, anti-Castro, and human rights activists.<sup>43</sup> Later that year after the downing of the two planes, President Clinton signed the Helms-Burton Act into law. This law imposed more punitive measures on Cuba and included sanctions, contradicting international laws, against non-US companies that offer any financial assistance to Cuba.

The visit of Pope John Paul II to Cuba in January 1998 exemplified a tolerance of the Castro regime regarding the practice of religion. The Clinton administration acknowledged the visit and was positive towards improving the relations with Cuba. He eased up the policies against Cuba and allowed direct flights to Cuba from the United States.<sup>44</sup>

At the end of the decade, in November 1999, the story of the six-year-old Cuban boy that was rescued at sea after his boat sank and his mother and stepfather died while trying to enter the United States hit the news headlines in the two countries. The Elian Gonzalez affair was about a custody fight between Elian’s biological father in Cuba and the boy’s relatives in the United States. This incident dominated and spotlighted the complicated relations between the two countries, but in June 2000, Juan Miguel Gonzalez managed to bring his son back to Cuba as the custody dispute was finalized in his favor. For the first time in 41 years, Fidel Castro in his statement hailing the return and reunion of the Gonzalez family considered that this was a time of truce between the two countries.<sup>45</sup>

The year 2001, was characterized by negative and positive happenings that affected the relationship between the two countries. That year the United States arrested a top official in the Defense Intelligence Agency (DIA) spying for Cuba. This incident was followed by another arrest by the Federal Bureau of Investigation (FBI) of two members of a Cuban spy organization in the US. The new Bush

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<sup>43</sup> CountryWatch Incorporated (2008), p.11

<sup>44</sup> Lopez (2002)

<sup>45</sup> CountryWatch Incorporated (2008), p.12-13

administration in 2001 did not ease up the embargo on Cuba. But in December 2001, following the devastating Michelle hurricane that hit Cuba, and for the first time since the US embargo, a US ship arrived in Cuba carrying food and medicine. This important event was followed by the visit of former US President Jimmy Carter to Cuba in May 2002. President Carter had discussions with Castro upon his arrival in Havana and he was allowed to deliver freely a televised speech to the Cuban people. During his stay President Carter discussed ways of bringing the two countries closer together, as well as issues regarding democracy and human rights.<sup>46</sup>

On May 20, 2002, President Bush called on the Cuban government to make political and economic reforms starting with fair elections for the National Assembly. The “Initiative for a New Cuba” was overlooked by the Cuban regime and the National Assembly’s elections were held in January 2003, where all the candidates were approved by the government. Late that year, the Bush administration created the “Commission for Assistance to a Free Cuba.” This new initiative aimed to help Cubans who did not disagree with the President as it was based on economic and political reforms that lead to transition towards democracy.

### **4.3 Soveiet Union - Cuban relations**

In January 1960, Russia’s deputy premier visit to Cuba resulted in resuming the diplomatic relations between the Soviet bloc countries and the island in May of that same year. On April 16, 1961, Fidel Castro declared Cuba a socialist country and the regime maintained close relations with the Soviet Union until the disintegration of the Soviet bloc countries in 1991. The Soviet Union provided financial backing for Castro’s government in many ways. One example was when it covered Cuba’s trade deficit between 1961 and 1967. Following the Missile Crisis,

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<sup>46</sup> CountryWatch Incorporated (2008), p.15

the compromise deal between the United States and the Soviet Union in 1962 assured Cuba that it would not be invaded by the United States.<sup>47</sup>

In 1972, Cuba became a member of the Council for Mutual Economic Assistance (CMEA). Under the CMEA the Soviet trading block and Cuban economy became heavily dependent on this new alliance of Soviet bloc countries. The Soviet Union provided Cuba not only with financial assistance but also with military support. From 1975 and for more than 15 years, Cuba managed to upgrade its military due to massive help and support from the Soviets.<sup>48</sup>

Following the *perestroika* and the downfall of the Soviet bloc countries, Cuba lost a major economic and political ally in the Soviet Union. Some 15,000 Soviet military personnel remained in Cuba until 1993 and an estimated US\$5.6 billion in economic and military assistance was also lost starting in 1991.

#### **4.4 The Cuban Government**

Cuba is a one-party dominated totalitarian communist regime.<sup>49</sup> Prior to handing the power to his younger brother Raul, provisionally in 2006 and officially in 2008, Fidel Castro was the sole leader of Cuba for more than four and a half decades. He ruled the country following the coup that overthrew Batista in 1959. Fidel Castro was the president of the Council of State and Council of Minister. He was the chief of state and head of government as well as the Commander of the Armed Forces. And as the leader of the Communist Party of Cuba, he had absolute authority over the National Assembly. The 609 members of the National Assembly and the 31 members of the Council of States have the authority in the Cuban system. The National Assembly amend the constitution and approve the budgets but since it meets only twice a year, it is the Council of State that has the legislative

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<sup>47</sup> <http://www.revision-notes.co.uk/revision/64.html>

<sup>48</sup> EIU: The Economist Intelligence Unit (2008), p.5

<sup>49</sup> Datamonitor (2007), p.1

power and it is the Council of Ministers, that holds the executive and administrative powers. The National Assembly members are elected every five years and it is those members that elect the 31 members of the Council of State.

The Communist Party of Cuba (*Partido Comunista de Cuba* or PCC) was formed in 1965 when the parties of the Revolution against the Batista regime merged together. The PCC has around 800,000 members. It controls the National Assembly, the government and all the economic, political and legal decision-making positions within Cuba. The PCC Party Congress elects the Central Committee that, in addition to overseeing the activities of the Party, also elects a Political Bureau – the decision-making body in the structure of the Party.<sup>50</sup>

Raul Castro is now the leader of Cuba, he was given this responsibility on a permanent basis in February 2008. Prior to becoming the Cuban president, Raul used to be the second secretary of the PCC, the defense minister and the vice president of the Council of States and the Council of Ministers. His reign thus far has been characterized by a less restrictive economic policies and a different style of leadership, as he is often criticized as being less charismatic than his brother. He has a more collective approach towards the country's decision making processes.<sup>51</sup>

#### **4.5 Human Rights**

Cuban Law punishes any assembly of more than three people that was not authorized. In the Cuban constitution, the rights to form an assembly should not threaten or contradict the objectives of the "Socialist State of Cuba." On vary rare occasions, the church is granted permission to hold outdoor masses for major religious celebrations.<sup>52</sup>

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<sup>50</sup> Datamonitor (2007), p.5

<sup>51</sup> EIU: The Economist Intelligence Unit (2008), p.6

<sup>52</sup> ICON Group International, Inc. (2000), p. 37

State security officers often arrest anti-Castro activists that try to organize rallies or commemorations of any sort as they are “exercised against the existence and objectives of the Socialist State.” The Cuban population is not allowed to change the government. The PCC is the only allowed political Party in Cuba and while the elections for provincial and municipal assemblies is direct, the candidates still have to be approved by the mass organizations controlled by the PCC and the government.

One can be imprisoned up to three years, if one criticizes in any form the government and its leaders. Arbitrary arrests are also an effective weapon that the government uses to harass and scare its opponents. The students and their parents are evaluated based on their ideological character. Reports from teachers to the Ministry of Education affect and determine the students’ careers.

The State has the right to interfere and violate its citizens’ life, even though the Constitution provides the right of privacy to the Cuban citizens. Some mass organizations controlled by the government interfere in the private life of Cuban citizens in order to “improve loyalty to the Cuban state and government”.

The Castro regime has never respected the Constitution. The regime imprisoned and persecuted thousands of political opponents. Any sort of public dissent or peaceful demonstration was brought down harshly by killing or arresting the participants. The government rejected a proposal of national referendum on economic and political reforms presented under the name of the Valera Project in 1998. Some of the activists that were behind this project were arrested for disagreeing with Castro’s regime.<sup>53</sup>

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<sup>53</sup> ICON Group International, Inc. (2000), p.38

#### 4.6 International Relations

With the help and assistance of the Soviet Union, Cuba used to send military aid to third world countries. Cuban troops were involved in many liberation or independence wars across the Africa and Latin America. At the end of the Cold War and with the loss of Soviet economic support, Cuba stopped its financial backing to guerilla movements. It is now involved in civil aid by sending doctors, engineers, and agronomists to more than 20 nations and it also offers free education for anyone in Cuba.

Cuban membership of international organizations is subject to those organizations that do not allow a US veto. Cuba and Venezuela signed several agreements that resulted in the exchange of mainly Venezuelan crude oil at subsidized rates for Cuba sending medical doctors to Venezuela and the removal of the tax on imports from Venezuela.<sup>54</sup> Cuba and China signed memorandums of understanding (MOU) in 2004, worth around US\$500 million as China was interested in accessing Cuba's nickel deposits. The agreements with China and Venezuela helped improve the Cuban economy after the loss of the Soviet Union backing in 1991.

The Cuban relationship with the European Union (EU) was always subject to the Human Rights code, as the EU put pressure on Cuba to improve the measures the latter takes regarding government opponents. Spain is the major foreign investor in Cuba through joint venture enterprises. In 2006, more than 12 percent of Cuba's imports came from Spain.

Russia also resumed economic agreements with Cuba. The visit of the Russian prime minister to Cuba in 2006 set new trade agreements between the two

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<sup>54</sup> Datamonitor (2007), p.9



countries. Russia established a line of credit over 10 years for Cuba to purchase Russian goods and to finance Cuban energy and infrastructure projects.<sup>55</sup>

Cuba is a member of all United Nations agencies including the World Trade Organization (WTO) and has good relations with the Latin American countries as it is a 1995 founder of the Association of Caribbean States (ACS) and a member of the Latin American Integration Association (LAIA) since 1999.<sup>56</sup>

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<sup>55</sup> US Department of State, Bureau of Western Hemisphere Affairs (November 2007), p.10

<sup>56</sup> US Census Bureau, 2006, International Database (IDB)

## 5. Economic Environment

### 5.1 The Revolution in Power

The Revolution led by Castro to overthrow Batista's regime in the 1950s caused little destruction and loss of lives and properties. Castro did not face a lot of economic problems at the beginning of his reign as the Cuban infrastructure, in terms of communication and transportation, was of a high quality in comparison to neighboring countries, excluding the United States. The majority of the population, located in the countryside, demanded from the Revolution better working conditions including a pay raise and did not aim for getting owning their own lands. So, the new regime in Cuba in 1959 did not have a lot of confrontations and demands from the population. To the contrary, they enjoyed many advantages and a benefited from potential employment opportunities in both the agricultural and industrial sectors.

A redistribution of income raised wages and purchasing power. Although this action was favorable among the population, it eventually led to problems in the form of increased demand for consumer goods, and since Cuba was unable to import goods because of the United States embargo demand for goods was not met.<sup>57</sup>

Economic disruption was due to happen as the country was moving from capitalistic toward socialistic economic policies in a centrally planned system. The fact that the United States imposed an embargo on the island did not help the smooth transition of the economy as Cuba began experiencing problems with some of its other trading partners as well.

Agricultural reforms started immediately after the new regime was in control. The state nationalized almost 85 percent of the Cuban farms and were put

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<sup>57</sup> <http://www.revision-notes.co.uk/revision/64.html>

in either cooperatives under the administration of the Institute of Agrarian Reform (INRA) or were redistributed to farmers but in restricted amounts. Some of the agricultural reforms included government's suggestion of agricultural diversification by substituting sugar growing. This proved to be a failure because of the lack of experience in growing other agricultural products. As such, Castro's administration returned to growing sugar in 1963 with a goal to harvest 10 million tons of sugar by 1970. This goal was not reached due to the diversification strategy that was adopted earlier which resulted in the destruction of the best crops as well as the lack of maintenance in and new investment of the sugar mills.<sup>58</sup>

Industrial reforms also started shortly after the Revolution. However, it began slowly as the government was counting on an increase in agricultural earnings to finance the industrialization. The conflict with the United States led to the nationalization of the US affiliates in Cuba without paying any compensation. The industrialization reforms were difficult to achieve especially with the crisis in the agricultural sector as the returns were not up to the expectations and laborers were removed from some industries to help with the sugar production in favor of the "*ten million tons*" program.

In 1970, Fidel Castro admitted that the economic reform programs were a failure and did not reach the expectations of both the Cuban government and the Cuban people. The changes he made in the structure of the State affected the economic behavior of the island. These changes, such as material incentives for workers, the introduction of a work quota system (introduced between 1971 and 1973 and led to a 20% increase in productivity in 1972), and wage differentiation according to the complexity and productivity of the job, led the GDP to an annual growth rate of 10 percent from 1971 until 1975, as compared to an increase of around 4 percent from 1966 to 1970. The growth rate in from 1976 to 1980 was back to a disappointing rate of 4 percent because of problems with laborers, quality and a heavy reliance on sugar production.

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<sup>58</sup> <http://www.revision-notes.co.uk/revision/64.html>

However, the US embargo imposed on Cuba did not have an overall devastating effect that could have led to a breakdown of the Cuban economy. The impact of the embargo varied throughout the years before and after the collapse of the Soviet Union.

Many Cuban industries suffered from the sanctions imposed since the United States was their major trading partners. The Cuban government integrated the socialist approach and entered an alliance with the Soviet Union. By 1962, trading with the Soviet bloc countries rose to 78 percent of Cuba's import and export as compared to 10 percent four years earlier.

Cuba joined the trading block of the Soviet Union in the form of the Council for Mutual Economic Assistance (CMEA) in 1972. This new alliance with the socialist countries supplied Cuba with more economic assistance as the Soviet Union paid around five times the world price for Cuban sugar and offered Cuba crude oil at discounted prices. The trade with the Soviet Union compensated for the economic consequences of the US embargo.

The US embargo on Cuba during the Cold War did not affect much of the economy of the island as the economic dependence on the United States shifted to the Soviet Union. But the collapse of the Soviet Union in 1991 highlighted the fragility of the Cuban economy. Between 1989 and 1992, Cuba's budget deficit reached one-third of the GDP which dropped 35 percent, and exports fell by 61.3 percent while imports fell by 73.1 percent.

The US embargo, after the fall of the Soviet bloc countries, hit the Cuban economy hard in several ways. From the time of its discovery until 1991, the island always relied on other countries to enhance its economy. The sanctions imposed on Cuba had both direct and indirect effects on the economy after the collapse of the Soviet Union.<sup>59</sup> The direct effects are related to the Acts and punishments that the

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<sup>59</sup> USITC (2001)

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American administrations since Eisenhower took against Cuba. The indirect effects of the embargo relates to the policies adopted by the Cuban government and that tied the economic status of the island to the Soviet Union.

To overcome the economic slump, the Cuban government made structural reforms by stimulating domestic production, restoring import capacity, stabilizing the economy, and better integrating Cuba into the global economy.<sup>60</sup> The government allowed foreign direct investment in joint ventures and developed tourism facilities in order to secure foreign currencies. In 1993, Cuba allowed financial transactions using the US dollar as the money sent by Cubans emigrants in the US to their families in Cuba provided important support for the economy. In 1994, services mainly related to tourism and the mining sectors led the growth of the Cuban economy. The Cuban government adopted emergency measures following the loss of Soviet assistance. The state reforms and investments, which were planned before the collapse of the CMEA, were all abandoned. Spending for the government administrations and the army was dramatically reduced, and electricity and oil costs were also greatly diminished.<sup>61</sup>

The transformation to a market economy of the former Soviet countries, together with limited liberalizing reforms that occurred in Cuba to contain the economic crisis, led to the belief that Cuba was following a similar transition as those countries out of its severe recession. However, this was not true since tight control and heavy taxes over private enterprises drove most of them out of their respective businesses despite the structural reforms. In 1997, the new central bank of *Banco Central de Cuba* was set up to monitor the financial systems and conduct new monetary policies. Consumer credit, interest bearing accounts, and promissory notes were established. Those reforms were accompanied by an overhaul of all the accounting systems in the state, and by an upgrade in 2001 to the status of Ministry of Audit and Control of the state audit commission. During that

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<sup>60</sup> CountryWatch Incorporated (2008), p.79

<sup>61</sup> EIU: The Economist Intelligence Unit (2008), p.28

same period, Cuba established two currencies: the Cuban Peso (CUP) and the Convertible Peso (CUC). The latter replaced the US dollar and is “used between Cuban entities operating in hard currencies.”<sup>62</sup> “In April 2005, the Convertible Peso was equivalent to US\$1.08 and individuals can buy 24 Cuban pesos (CUP) for each CUC sold, or sell 25 Cuban pesos for each CUC bought; enterprises, however, must exchange CUP and CUC at a 1:1 ratio.”<sup>63</sup>

In recent years, the Cuban government improved the relations with neighboring Caribbean countries and built strong economic ties with Venezuela and China. Venezuela and China are the most important trade partners to Cuba, the former supplies Cuba with crude oil at discounted rates in return for Cuban medical services in Venezuela, and the latter invests heavily in the mineral sector, imports sugar and exports machinery to Cuba.

Once again, Cuba is linking its economy with other foreign countries even though the dependence on Venezuela and China is not as strong as the dependence on the United States before the Revolution and the Soviet Union from the 1960s until 1991. The Cuban economical policies that allow the government to control the economy through strategic political alliances with other countries should be put into question, and maybe the Cuban economy should stop following socialist policies that curb the growth of and otherwise strong economy.

## **5.2 Cuba’s Major Economic Sectors**

The Cuban economy is characterized by sugar, fishing, and other agricultural production industries and non-agricultural industries such as mineral production and mining and tourism.

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<sup>62</sup> EIU: The Economist Intelligence Unit (2008), p.29

<sup>63</sup> US Department of State, Bureau of Western Hemisphere Affairs (November 2007), p.2

### 5.2.1 Agriculture

Following the discovery of Cuba, the Spanish settlers established the raising of cattle, sugarcane, and tobacco as the islands primary economic products. Throughout the Cuban economic history, sugar production and sugar prices have played a major role in determining the performance of the economy. The economy would stop its growth if sugar production decreases or sugar prices go down, and it may grow if sugar production and sugar prices go up.

Today, the Cuban agricultural sector is divided into two: the sugar industry and the non-sugar industry. The former has its own ministry, the Ministry of Sugar while the latter covers food production and fish for domestic use and is under the Ministry of Agriculture.

The agricultural sector is of major importance to the Cuban government as it employs more than 20 percent of the Cuban labor force, even though it does not account for more than 5 percent of the national income. Due to weak performances and the economic crisis after the fall of the Soviet Union, the agricultural sector is not as important as it used to be to the Cuban economy, the aggregate level of agricultural output in 2007 represents only 68 percent of the 1990 level.<sup>64</sup> The decline in agricultural performance is mainly due to the sugar sector. As was previously mentioned, before its collapse, the Soviet Union used to buy sugar from Cuba at five times the world market price, but this financial backing was lost in 1991 and the sugar sector in Cuba has been suffering ever since. The industry is not profitable when selling at world market prices as production costs are relatively high. The output from sugar production collapsed in 2007 as it accounted for 1.1 tonnes and was equivalent to US\$89 million in exports (1% of Cuba's total exports) as compared to 8.4 tonnes in 1990 representing 70 percent of Cuba's total exports earnings that year and estimated at US\$4.3 billion. The numbers representing Cuba's sugar production in 2007 may be misleading and undervalued since the wet

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<sup>64</sup> EIU: The Economist Intelligence Unit (2008), p.33-34

weather in that year might have affected the production. In 2006, Cuba's export earnings from sugar production was US\$236.7 million.<sup>65</sup> Even though, in the coming years it is more likely to have similar figures to the ones in 2006 rather the ones in 2007, one cannot overlook the fact that the days when Cuba was the world's leading sugar exporter are gone.

Most of Cuba's non-sugar agriculture sector benefited from efforts to increase efficiency and output since the 1990's. Structural reforms in this sector stimulated the production, and production in 2007 is even higher than what it was before the fall of the Soviet Union. Non-sugar agricultural production is consumed domestically and some basic crops such as rice and wheat are still imported. Cuba's traditional agricultural products such as tobacco, rum and citrus fruit are subject to limited foreign investment as they constitute an important part of the country's exports. Tobacco exports averaged US\$200 million annually from 2002 to 2007 and it accounted for US\$250 million in 2007.<sup>66</sup>

The fishing sector was heavily hit by the economic crisis of the 1990's and was unable to recover since then. The fishing catch used to be around 130,000 tonnes and it fell by 70 percent in the 1990's and did not increase in 1998 to more than the half the value it represented in the late 1980's. The export of fish products according to the Oficina Nacional de Estadísticas represented US\$64.2 million in earnings in 2006.

### **5.2.2 Mineral Production and Mining**

Cuba's major mining production is nickel. It is the world's sixth largest producer of nickel and it produces 10 percent of the global cobalt supply.<sup>67</sup> Nickel production in Cuba soared in the mid-1990's and since 2001, the country reached a peak of 76,530 tonnes in the production of nickel from three plants.(see Chart 1)

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<sup>65</sup> Oficina Nacional de Estadísticas

<sup>66</sup> Oficina Nacional de Estadísticas

<sup>67</sup> EIU: The Economist Intelligence Unit (2008), p.36



Given the high international nickel prices and the price nearly tripled from 2005 to 2007, a plan to upgrade the plants was established to increase production to 125,000 tonnes by 2010. Additionally, a new joint venture was created to increase production, by building a new plant that same year. Nickel exports represented the majority of earnings from the Cuban exports in 2007, comprising around 60 percent of the earnings for a value of US\$2.3 billion and representing a significant increase from approximately US\$400 million in 2002.

**Chart 1<sup>68</sup>**

<b>Cuba Manufacturing Mining/Metals: Production</b>						
Commodity	Units	2000	2001	2002	2003	2004
Bauxite	MT1000s	0	0	0	0	0
Copper	MT	1,346	5,176	3,695	2,552	1,240
Diamonds	Carats 1000s	0	0	0	0	0
Gold	KG	1,000	1,000	1,000	500	0
Iron Ore	MT 1000s	0	0	0	0	0
Lead	MT	0	0	0	0	0
Nickle	MT	68,064	72,585	71,342	74,018	72,076
Phosphates	MT 1000s	0	0	0	0	0
Platinum	KG	0	0	0	0	0
Silver	MT	0	0	0	0	0
Tin	MT	0	0	0	0	0
Zinc	MT	0	0	0	0	0

### 5.2.3 Tourism

The recovery of the economic crisis in the 1990's was initially led by tourism earnings. The industry grew to become the most important sector and the top earner in the Cuban economy, attracting the largest share of foreign investments in that decade. The average annual growth in tourist arrival in the 1990's was 18.5

<sup>68</sup> CountryWatch Incorporated (2008): Cuba Review 2007 – Economical Review P.15

percent driving the industry to earn around US\$1.7 billion at the end of the decade as compared to US\$240 million in 1990. This growth slowed down starting in the year 2000 mainly due to the industry's maturity. The average annual growth of tourist arrival from the year 2000 onwards was 4.5 percent (see Chart 2).

**Chart 2<sup>69</sup>**

<b>Cuba Key Sectors Services: Tourism</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Tourist Arrivals (1000s)	1,741	0	1,656	1,847	2,017
Tourist Expenditures Abroad (\$US Millions)	1,737	0	1,633	1,846	1,915
International Tourist Receipts in this Country (\$US Millions)	1,737	1,692	1,633	1,846	2,550

### 5.3 Economic Performance

#### 5.3.1 Gross Domestic Product (GDP)

Between 1989 until 1993, and during the Cuban economic crisis, Cuba's GDP declined sharply by 40 percent due to the loss of the Soviet financial backing that was estimated to be around US\$4 - 5 billion a year. Due to the reforms made by the Castro government, the economy stabilized in the mid-1990's and increased on annual average of 5.1 percent from 1999 to 2001. This increase in annual GDP growth was halt starting in 2002 mainly due to the increase in fuel prices, the September 11 attacks in the United States and the natural disasters that hit Cuba; GDP growth from 2002 to 2004 averaged 2.4 percent. High international metal

<sup>69</sup> CountryWatch Incorporated (2008): Cuba Review 2007 – Economical Review P.21

prices, higher investments and strong performance in tourism drove the GDP growth to nine percent in 2005 and 12 percent in 2006.<sup>70</sup> (see Chart 3)

Chart 3<sup>71</sup>

### Real gross domestic product by expenditure

	2003	2004	2005	2006
Private consumption	19,086.1	19,380.0	19,453.3	23,093.1
	6.2	1.5	0.4	18.7
Government consumption	5,979.3	6,178.8	6,134.2	6,416.5
	4.5	3.3	-0.7	4.6
Gross fixed investment	2,972.4	3,187.0	3,843.1	5,538.3
	-6.6	7.2	20.6	44.1
Stockbuilding	97.8	297.0	790.3	318.0
Exports of goods & services	5,054.7	6,017.3	8,875.5	8,978.4
	5.8	19.0	47.5	1.2
Imports of goods & services	4,688.1	5,296.5	6,661.3	8,027.0
	12.1	13.0	25.8	20.5
<b>GDP</b>	<b>28,502.2</b>	<b>29,763.6</b>	<b>32,435.1</b>	<b>36,317.3</b>
% change year on year	2.9	4.4	9.0	12.0

By 2006, the service sector contributed mostly to the GDP. Services with tourism as the top earner of this sector constituted around 68 percent of Cuba's GDP. The industrial sector contributes in 27 percent and the agricultural around 5 percent.<sup>72</sup>

Compared with neighboring countries in 2006, Cuba had the second highest Nominal GDP just after Puerto Rico, with a value of US\$45 billion. Whereas GDP per Capita is around US\$4,000 and it ranks in the last five among its neighboring countries (see Chart 4).

<sup>70</sup> CountryWatch Incorporated (2008), p.79

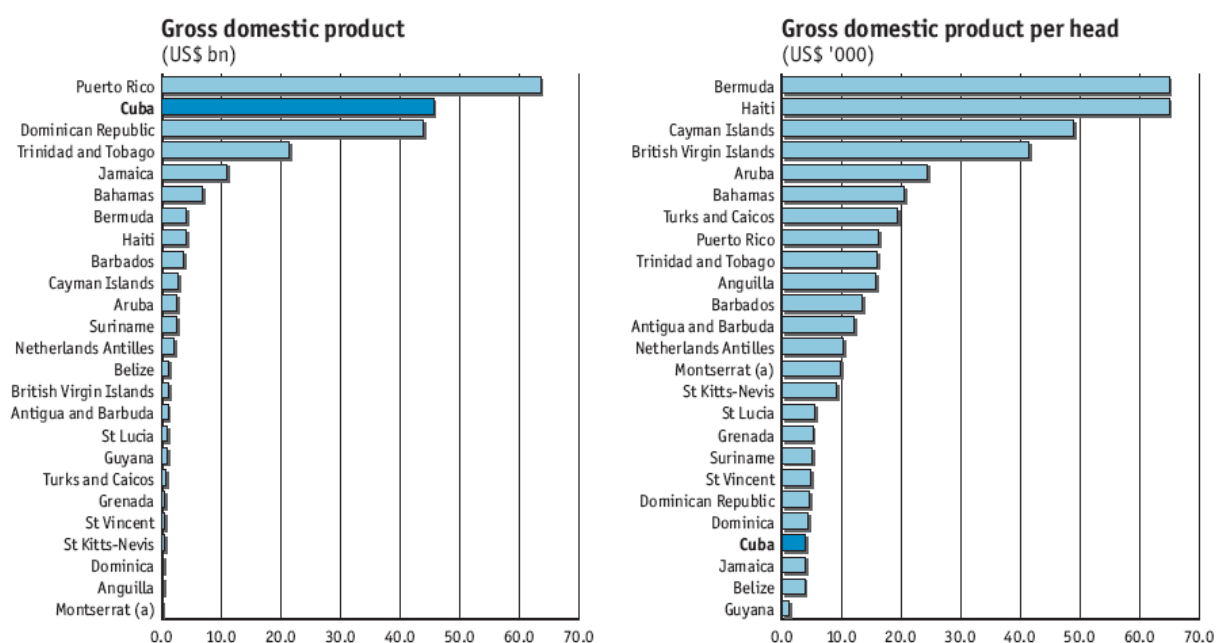
<sup>71</sup> Oficina Nacional de Estadísticas (2007)

<sup>72</sup> Datamonitor (2007), p.14

Those numbers reflect the state of the Cuban economy, where the agriculture sector contributes no more than 5 percent in the GDP while employing around 20 percent of the Cuban labor force. The Cuban economical policies of tight control and employing all the labor force led to lack of productivity and underemployment that can be explained by these figures.

Chart 4<sup>73</sup>

### Comparative economic indicators, 2007



### 5.3.2 Employment Figures

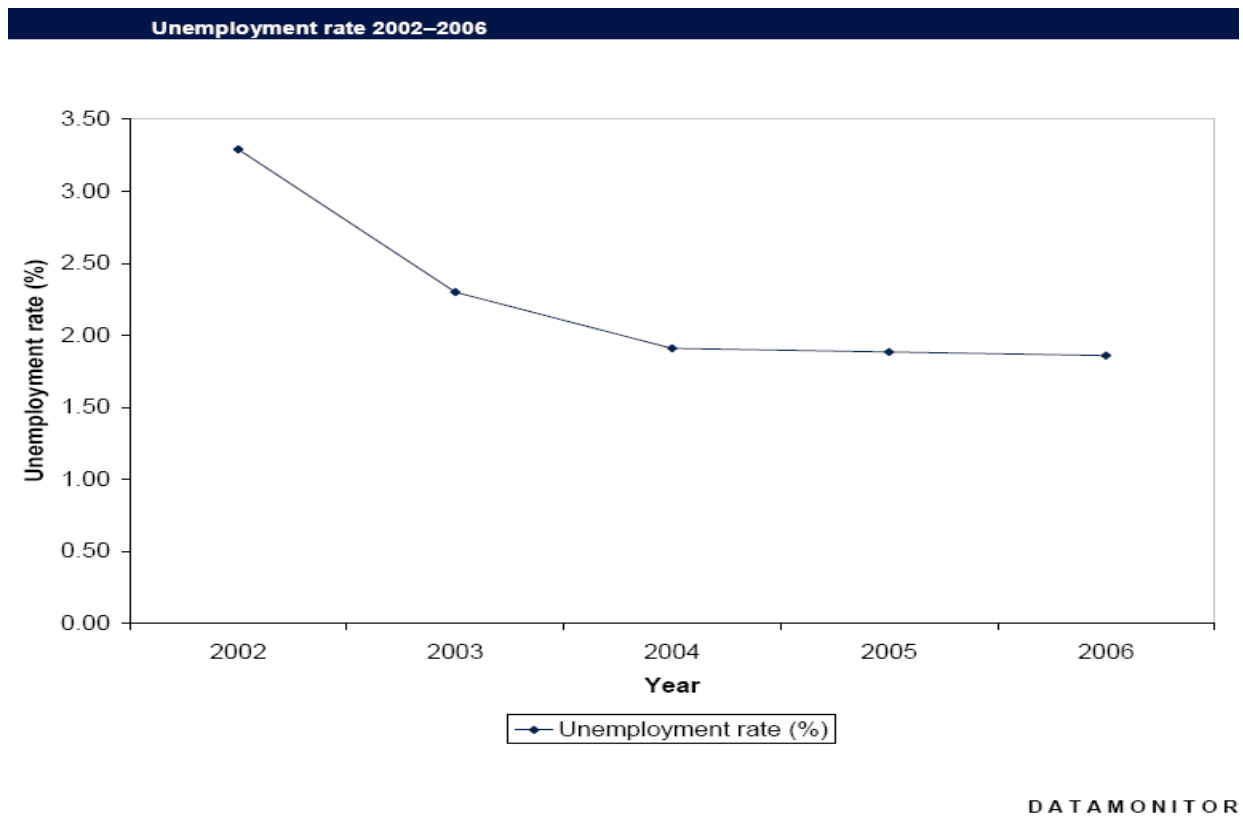
The State is Cuba's main employer as it accounts for more than 80 percent of total employment. The State employed around 95 percent of the Cuban labor force before the fall of the Soviet Union, but with the restructuring of the economy to absorb the loss of financial backing from the Soviet Union and with some tight liberalizing reforms, the private sector contributed in part to the employment of the labor force.

<sup>73</sup> EIU: Economist Intelligence Unit (2008): Cuba Country Profile (2008) – Comparative Economic Indicators

“UN Economic Commission for Latin America and the Caribbean (ECLAC) estimates that open unemployment and underemployment together may have totaled 40 percent of the economically active population in the mid-1990’s,” whereas the official rates submitted by the Ministry of Employment showed a rise of only 8 percent in unemployment during that period.<sup>74</sup>

According to figures from Datamonitor, unemployment rates declined from 4.1 percent in 2001 to 1.9 percent in 2006 (see Chart 5) with the number of unemployed reaching 95,000 people.

Chart 5<sup>75</sup>



<sup>74</sup> CountryWatch Incorporated (2008), p.80

<sup>75</sup> DATAMONITOR (2007): Country Profiles – Cuba, a PEST overview, p.15

## **6. Social and Technological Environment**

### **6.1 Social Environment**

The Cuban population at the end of 2007 was estimated at around 11.2 million.<sup>76</sup> Seventy percent of the population lives in the cities and urban centers and 30 percent in the rural areas. The three large ethnic groups are the Mulattos (Spanish-African mixture) that constitute the majority with 51 percent of the population, the European descendents 37 percent and the African descendents 11 percent.<sup>77</sup>

#### **6.1.1 Educational System**

Cuba has the best educational system in Latin America. Illiteracy has almost been wiped out with the population literacy rate reaching 97 percent. The education at all levels is free for all, and primary school is mandatory. Enrollment rates are very high and the population's average education is ninth-grade.<sup>78</sup> The government considers education a national priority and the educational budget in 2007 constituted 14 percent of the country's GDP. In the last decade new schools and institutions have been added and most of the existing schools were modernized and renovated.<sup>79</sup>

#### **6.1.2 Health System**

The health system is as good as the systems of industrialized countries. Cuba made remarkable efforts in improving the health sector. The health expenditure amounted to 8.5 percent of GDP in 2005.<sup>80</sup> Medical tourism is a new

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<sup>76</sup> EIU: The Economist Intelligence Unit (2008), p.17

<sup>77</sup> CountryWatch Incorporated (2008), p.2

<sup>78</sup> Datamonitor (2007), p.18

<sup>79</sup> EIU: The Economist Intelligence Unit (2008), p.19

<sup>80</sup> World Health Organization, World Health Report (2006)

type of service that has emerged in Cuba over the past few years. Tourists head to Cuba for medical treatments as the country provides one of the highest quality medical-care in the world.

Health indicators as compared to the US and some of the other neighboring countries show impressive numbers for Cuba. Life expectancy in Cuba for the entire population in 2005 was almost 78 years, which is the same as in the US and Chile and far better than averages for Guatemala and Haiti. Infant mortality rate are just six deaths per 1000 live births, which is also the same as the United States. The maternal mortality rate is still high in Cuba when compared to the US and Chile. The main reasons behind this rate is the shortage of modern equipment and medical supplies in the rural areas (see Chart 6).

**Chart 6<sup>81</sup>**

#### **Comparative health indicators**

	<b>Cuba</b>	<b>US</b>	<b>Chile</b>	<b>Guatemala</b>	<b>Haiti</b>
Life expectancy (years; 2005)	78	78	78	70	59
Infant mortality rate (per 1,000; 2005)	6	6	8	32	84
Maternal mortality rate (per 100,000; 2005;) <sup>a</sup>	45	11	16	290	670
Physicians (per 100,000; 1990-2004)	591	256	109	90	25

<sup>a</sup> UN estimate based on national data.

### **6.1.3 The Human Development Index (HDI)**

The human development index (HDI) ranks Cuba in 50th place in the high human development category. This measure of the United Nations Development Program (UNDP) combine several indicators that measure a country's achievements in three main areas of human development: longevity, education, and economic standard of living.<sup>82</sup>

<sup>81</sup> UN Development Programme, Human Development Report, 2007/2008

<sup>82</sup> United Nations Human Development Report (2006)

## 6.2 Technological Environment

Cuba has one of the least developed telephone systems in the world. One of the largest foreign investments in Cuba to date occurred in 1994 with the formation of a telecom joint venture, the *Empresa de Telecomunicaciones de Cuba SA* (Ectesa) between the Cuban government and *Grupo Doms* from Mexico. Ectesa monopolizes the Cuban market, as it is the only provider of fixed-line and mobile services. According to the UNDP, in 2007 only 10 percent of the Cuban population uses fixed-line services. This number represents only 50 percent the average for Latin America and the Caribbean region.<sup>83</sup> The rate of mobile phones users is even lower and in 2007 that rate was 2 percent. One of the reasons for the limitations in this market is because bills have to be paid in Convertible Pesos.

Government control is not allowing the technological sector in Cuba to develop. In 2006, the number of personal computers (PCs) was equivalent to only about 6 percent of the population. Given that access to internet is restricted to government offices, in 2004 only 1.3 percent of the population used the internet.

According to the IT Ministry, further expansion in this industry is a priority in the future, so that the population will have a broader access to PCs and internet use. However, will the Cuban regime allow access to information provided to its people other than the one supplied by the state?

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<sup>83</sup> EIU: The Economist Intelligence Unit (2008), p.23



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## 7. Introduction to Transitional Elements and Background Information

Before going into detail on the topic of Cuba's governmental and economic transition, it is important to consider several key elements, and specifically how these elements could affect potential transitional outcomes. These elements include: Cuban history, the Cuban economy, multilateral and governmental organizations (e.g. IADB, World Bank, IMF, OAS, UN, etc.), and most importantly stakeholders<sup>84</sup> within and outside of Cuba. In addition to the previous examination and analysis of Cuba's turbulent history and economic sectors, a look at the stakeholders and their influences must be explored, particularly how these stakeholders have been, and continue to be influenced by both historical and current events.

In today's globalized world, the term stakeholder does not mean what it used to; it has grown to encompass much more. Also, the multilateral governmental and non-governmental organizations have ever-increasing scope and influence. This phenomenon known as globalization has an incalculable impact on any transition that Cuba would go through. Globalization as Joseph Stiglitz wrote is "the closer integration of the countries and peoples of the world, which was brought about by the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and people across borders. Globalization has been accompanied by the creation of new institutions that have joined with existing ones to work across borders."<sup>85</sup> Because of this, the Cuba's stakeholders have grown to include the Cuban population (within and outside of Cuba), it's main trading partners both currently and historically, the neighboring countries, as well as any future or potential countries or industries that will be impacted by a Cuban

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<sup>84</sup> Betancourt (2004) p. 47

<sup>85</sup> Stiglitz (2003) p. 9

economic change. That being said, in order for a stable and sustainable transition to occur the majority of stakeholders must achieve some sort of understanding, without which there would be chaos.

In terms of the largest and most important stakeholder, or the Cuban population itself, both currently living in Cuba as well as the dissidents living in the United States, a breakdown of groups can be formed ranging from those that fully support and even fight for the current establishment in Cuba, to those that despise it and fight against it<sup>86</sup>. Any changes within Cuba would have to be approved by the majority of its citizens (as defined by Cuban born individuals) in order for it to work successfully.

Additionally, the term successfully or successful transition for the purposes of this paper has to do with the well being and basic freedoms of the people of Cuba. A more in depth analysis and breakdown describing the actual groups and their composition will be discussed in the following sections.

Related to these population groups mentioned above, are their influences and impacts, or the actual events both foreign and domestic, which are the crucial determining factors as to where individuals will be defined within each classification group. In other words, their positioning in society will help to determine where they stand on the current establishment in Cuba, and the current and historical events will further influence their positioning in society and possibly even change it.<sup>87</sup> In order to examine this aspect of the key stakeholders a historical evaluation must be done, however unlike the previous historical analysis, the following one will separate foreign from domestic events and will only focus on how these events impacted or changed the Cuban population sentiment towards the current government and economic system.

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<sup>86</sup> Betancourt (2004) p. 11

<sup>87</sup> Eckstein (2006) p. 609 (Part of the Cuba Reader)

Beyond the main stakeholder of the Cuban people, there are also the external stakeholders and even specific industries that would be impacted by a Cuban transition. That being said, it is rather obvious that the United States is a key stakeholder that has a significant interest in the transition process and its outcome.<sup>88</sup> In addition to the United States, Central, South and the remainder of North America have a significant stake in the pie so to speak of a potential Cuban transition.<sup>89</sup> In terms of Europe, Russia has a reason for concern due to the two countries previous partnership. Other important European countries that have an interest include the Netherlands, Spain and Italy<sup>90</sup>. Outside of the EU and Europe for that matter, Japan<sup>91</sup> and China<sup>92</sup> have considerable business interests in Cuba. In terms of actual industries, as mentioned previously in the breakdown of the Cuban economy, sugar, fishing, and other agricultural production industries are considered to have a stake. Non-agricultural industries that have a stake are the mineral production/mining such as nickel and to some extent petroleum production.<sup>93</sup> In addition, tourism is another crucial sector within the Cuban economy, responsible for roughly 15 percent of total GDP in 2004.<sup>94</sup>

Currently, Cuba's largest country stakeholders outside of the United States include Venezuela, Ecuador, Bolivia, Mexico, Canada, Russia and China.<sup>95</sup> For the purposes of the analysis in this paper, the country stakeholders will be categorized

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<sup>88</sup> Stiglitz (2007) p. 289

<sup>89</sup> Carmelo Mesa-Lago (2000) p. 171

<sup>90</sup> <http://en.wikipedia.org/wiki/Cuba#Economy>

<sup>91</sup> Cuba faces difficulties in paying Japanese Import Bill (August 2008)  
<http://myinsight.globalinsight.com/servlet/cats?documentID=2189572&serviceID=4078&pageContent=art>

<sup>92</sup> China – Cuba: Chinese Railway Machinery Comes into Operation in Cuba (July 2008)  
<http://myinsight.globalinsight.com/servlet/cats?documentID=2180310&serviceID=4078&pageContent=art>

<sup>93</sup> Cuban Nickel Mina and Oil Refineries Resume Production After Hurricane Ike (September 2008)  
<http://myinsight.globalinsight.com/servlet/cats?documentID=2194801&serviceID=4078&pageContent=art>

<sup>94</sup> Figure calculated by dividing tourism revenues by GDP (2004 data was latest information available):  
<http://diw2.globalinsight.com/index.aspx>

<sup>95</sup> Mexico announces trade preferences for Cuba (July 2008)  
<http://myinsight.globalinsight.com/servlet/cats?documentID=2180065&serviceID=4078&pageContent=art>

into groups, namely, the United States and the group of Latin Countries (Venezuela, Ecuador, and Bolivia). While the remainder of the countries will have an impact on a potential transition, these selected few will have the most significant impact, based on historical precedents as well as current market trends.<sup>96</sup>

All the elements required and involved in a Cuban governmental and economic transition have diverse impacts and relations to the potential outcomes, as seen in previous economic and governmental transitions like the former Soviet Union and China for example.<sup>97</sup> A deeper look into these particular elements, specifically in terms of the Cuban public sentiment, will help to better understand how and even why a transition might take place in addition to helping to strategize for such a transition.

## **7.1 Cuba's Largest Stakeholders: It's Population Broken down by Groups**

### **7.2 Introduction to Population Breakdown**

Prior to the in-depth analysis of the Cuban population and in particular their sentiments towards the current governmental system/establishment, it is important to mention that there is a serious lack of information regarding the scope of such issues. Furthermore, the information that is available is difficult to substantiate in order to maintain an objective perspective while performing the analysis. That being said, the sources used were from an actual Cuban foreign agent working in the United States, who later became the first director and organizer of *Radio Marti*. Although, this might seem to be slightly subjective, it was corroborated with other analyses done by other scholars in the field of international relations and political science.<sup>98</sup>

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<sup>96</sup> Betancourt (2004)

<sup>97</sup> Walder (2001) p. 143

<sup>98</sup> Haroldo Dilla (2006) p. 650 (Part of the Cuba Reader)

Furthermore, it is also difficult to analyze Cuban public sentiment since the current establishment punishes any dissenting views from its “revolutionary” principals.<sup>99</sup> Since there is a so-called “double moral”<sup>100</sup> in Cuba due to repression and lack of basic freedoms, namely freedom of speech, these dissenting views are kept private and will only come out publicly on rare occasions. However, such occasions do occur, for example the Catholic Pope John Paul II visit in 1998.<sup>101</sup>

With all these difficulties in discerning Cuban public sentiment, it is still evident that the population of Cuba can be broken down into groups of people. These groups range from those who strongly support the “*revolution*” and would fight to maintain it-all the way to the opposite extreme, or those who would fight to rid Cuba of the current establishment. Basic human nature when combined with establishment will always create supporters together with an opposition. Moreover, people are not necessarily polar; they can also be in the middle or indifferent to the current establishment.

Similar to Ernesto F. Betancourt’s breakdown/model<sup>102</sup> of the Cuban population based on their sentiments towards the current Cuban establishment, this analysis describes a model to help evaluate Cuban public sentiment towards the government. It includes Cuban dissidents living outside of Cuba (technically non-Cuban citizens) as well as “licensed” Cubans living outside Cuba sending remittances back home while still working for the “*revolution*.”<sup>103</sup> It arranges the population into five groups each with a sub group or ten total groups.

The chart below describes the Cuban population breakdown. It shows the two distinct groups, or those Cubans that are currently still living inside the

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<sup>99</sup> Betancourt (2004) p. 63

<sup>100</sup> Ibid

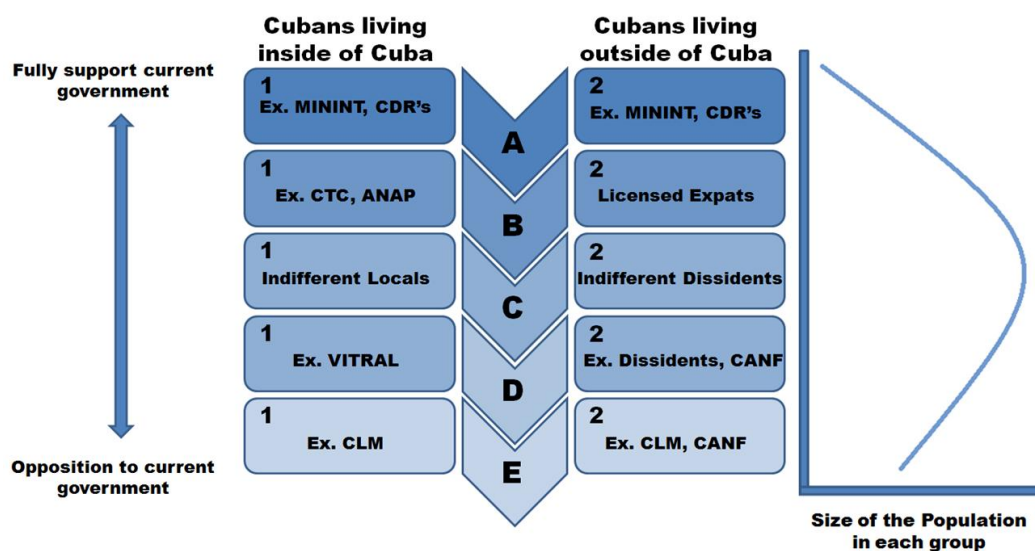
<sup>101</sup> Pope John Paul II (1999) p. 635 (Part of the Cuba Reader)

<sup>102</sup> Betancourt (2004) p. 12

<sup>103</sup> Sanchez Santacruz (2006) p. 664 (Part of the Cuba Reader)

country as well as those that have left, either with or without the permission of the government. Some examples, which will be described later, are also given regarding the makeup of the particular groups.

Chart 7



### 7.2.1 Make Up of Groups A1 and A2

The composition of group A1 and A2 is relatively straightforward, it contains the strong believers/supporters in the “*revolution*.” Obviously, this could be because of the benefits they are currently receiving from their civic, military, and governmental positions. The main constituents of these groups include all of the ministers and higher/highest-level governmental and military officials. The MININT or *Ministry of the Interior* plays a significant role in all aspects of the current Cuban society and establishment.<sup>104</sup> Furthermore, the *Seguridad Del Estado*, the National Police force and CDR's or *Committees for the Defense of the Revolution* are key players in this category.<sup>105</sup> The CDR's have been described as “a nationwide network of neighborhood block associations which act as appendages of the Urban

<sup>104</sup> Institutions and Players: Key Figures report Luis Carlos Nino (2008)

<sup>105</sup> Ibid

Cuban State security apparatus” and have been referred to as somewhat of a secret “unofficial” police force.<sup>106</sup>

Externally, Group A2 can be described as pretty much the same as Group A1 with the basic difference of current location. This group is made up of all the Cuban governmental officials that are living abroad for State reasons, and even including upper level Cuban consulate/embassy staff.

The A1 and A2 groups are considered virulent supporters of the “*revolution*” and would even resort to violence in order to maintain the current establishment. They have good reason for this however. The majority of these Cubans hold the majority of assets within Cuba, even though in some areas individual ownership is not permitted. They in essence also maintain the leadership position in those specific organizations. In other words, they are the head of some of the SOE’s (state-owned enterprises) and as such enjoy many financial benefits as long as they stay in favor with the bureaucrats in power.<sup>107</sup>

### **7.2.2 Make Up of Groups B1 and B2**

The composition of Groups B1 and B2 is somewhat similar to A1 and A2, including some of the same members, however they are less staunch in their support of the regime. These groups would be much less likely to engage in violence in order to maintain the current establishment, which is not to say that they might eventually migrate upwards into the A1 or A2 categories. The lower levels within the MININT would most likely be in this category, along with the lower level military and police officials.

The stronger believing communist youth would be a large part of this group along with the ANAP, and CTC members. The ANAP or the *Asociación Nacional de Agricultores Pequeños*, which means the National Association of Small Agriculture,

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<sup>106</sup> <http://www.cubaverdad.net/cdr.htm>

<sup>107</sup> Betancourt (2004) p. 12

are strong supporters of the current government.<sup>108</sup> They have good reason to be supporters as they benefit from the current economic structure in that they have a virtually guaranteed farm under their management as long as they stay in favor with the governmental officials. The ANAP also do not recognize the property claims from the previous families living and farming the land prior to the “*revolution*.” This is a very good reason to support the current system, without which they might lose these farms.

The CTC, or *Central de Trabajadores Cubanos*, also are strong believers of the current system. They represent the only legal workers union so to speak in Cuba. Some consider the CTC more of an extension of government oversight into the factories to discourage dissent and to ensure proper work is being done.<sup>109</sup> They also enjoy particular benefits from being strong party members. They could even be considered self-seekers, because of the way they do not ardently support the system but rather support it for self-gain.<sup>110</sup>

The Cubans in the B2 Group, or Cuban nationals legally (with permission of the Cuban government) living outside of Cuba also have a good reason to support the system as they are likely to be working for Cuban government interests outside of Cuba. They could also be members of the ministries, but are more likely to be employees of certain SOE’s (State-Owned Enterprises). Other potential members of this group are the Cubans that live outside of Cuba with permission, who are similar to dissidents, just without the legality issues, along with this license they normally pay certain fees associated with supporting the party at home, thereby keeping them in good standing order with the current Cuban government.<sup>111</sup>

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<sup>108</sup> [http://www.themilitant.com/1999/6322/6322\\_13.html](http://www.themilitant.com/1999/6322/6322_13.html)

<sup>109</sup> <http://www.britannica.com/EBchecked/topic/145683/Confederation-of-Cuban-Workers>

<sup>110</sup> Betancourt (2004) p. 13

<sup>111</sup> <http://www.embacubalebano.com/imiigracion180308e.html>



The B1 and B2 Groups could be considered opportunists<sup>112</sup> in that they are simply supporting the system as much as they need to in order to benefit from a better quality of life or higher position within the SOE's. This is of course not the case for all people within this category. Some truly believe in the system, but would not be willing to fight physically for it, instead opting for other non-violent approaches.

### **7.2.3 Make Up of Groups C1 and C2**

Group C1 and C2 are quite a complicated group. This group contains the majority share of the population when compared to the other groups. The members of this group have an indifferent attitude towards the current regime, and are considered to be more focused on survival and making a living instead of politics and government. It is also the group that has grown the most over the years.<sup>113</sup> This group would most likely pursue a more passive role in any transition, however, that does not mean that they would not change groups if they thought it might benefit them in some way.

This group or C1 contains a fusion of different people, from those that feel disenfranchised with the Cuban revolution, to those that opposed the establishment but gave up for one reason or another trying to fight for change. Furthermore, due to the significant poverty in Cuba, a large portion of the group are people who are just trying to get by, or earn what meager living they can given the resources they have. Basically by keeping survival at the forefront some might even say that politics is a luxury they cannot afford. It is important to note however, that these people are not willing to try to escape or leave Cuba, so they therefore still must have some feelings of nationalism or pride. Alternatively, it could just be fear of

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<sup>112</sup> Betancourt (2004) p. 13

<sup>113</sup> Ibid

punishment for dissenting.<sup>114</sup> This group would not contain any governmental or military officials, and would be made up primarily of common citizens.

The C2 group is much different from C1 in that it contains the Cubans that have already left Cuba, and now live abroad as dissidents. C2 might also contain a small number of Cubans that have legally left to live and work abroad, but this would be insignificant when compared to the rest of the group. C2 Cubans are the ones that have virtually given up and no longer associate themselves with any movement or cause for change. Due to the complicated circumstances, they might even assume the nationalities of their new host countries, and never look back. Betancourt notes that these types of Cubans, who have become indifferent to transition, would most likely support the idea of annexation (to the United States).<sup>115</sup>

#### **7.2.4 Make Up of Groups D1 and D2**

The population segment that makes up Groups D1 and D2 are those that resist, and rebel against the current Cuban establishment. They are strong supporters of a governmental and economic transition. This is reflected in their day-to-day behaviors and even in some cases employment. Some of the members of this group might have migrated downward from C1/C2 and even B1/B2, as they might realize significant benefits for their labor by owning their own small business or by working with cooperatives in the agricultural sectors of the economy.

D1 is most likely to consist of the *VITRAL* supporters/members and readers. *VITRAL* is a Cuban socio-cultural catholic magazine. A space for transparency and reflection in the pluralism and multicolor light the Civic and Religious Education Center offers, in the *Pinar del Rio Diocese*.<sup>116</sup> This group actually stands up against the “repression and injustice” within Cuba through a combination of civil

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<sup>114</sup> <http://www.fiu.edu/~fcf/great.escape.html>

<sup>115</sup> Betancourt (2004) p. 13

<sup>116</sup> <http://en.wikipedia.org/wiki/Vitral>

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disobedience and even protests.<sup>117</sup> The members of this group face persecution, penalties/prosecution and even jail time for being against to Fidel's revolution.

Furthermore, due to their unwillingness to work within the current system, they suffer financially. They are not members of the CTC,<sup>118</sup> and are thereby less likely to be able to enjoy what little benefits exist for small business operators.<sup>119</sup> This group uses non-violent measures to cause change within the current establishment, sometimes even at the cost of their own detention.<sup>120</sup> Another important factor associated with these Cubans is related to the fact that the majority have relatives living outside of Cuba. This has two major consequences, one is the fact that their family members most likely defected, which means they are not in support of the current regime; and two and perhaps the more influential consequence is the fact that these Cubans are the ones receiving the majority of remittances coming into Cuba. This not only affects their personal income/wealth but also gives them the ability to be more independent from the system and from other socio-economic conditions.<sup>121</sup>

The D2 group on the other hand is a strong supporter of a Cuban transition within and outside of the United States. They are some of the ones who have helped to sponsor such lobbying power to help maintain the embargo against Cuba. Some of these people are members of organizations like the CANF or *Cuban American National Foundation*.<sup>122</sup> As mentioned earlier, the majority of Cuban dissidents living in the United States belong to this group. The remittances that were touched upon previously are primarily sent from the group to their relatives and even friends who remain in Cuba. This group is the stronger than D1 in terms

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<sup>117</sup> [www.vitral.org](http://www.vitral.org)

<sup>118</sup> <http://www.globalsecurity.org/wmd/library/news/cuba/4889.htm>

<sup>119</sup> <http://www.cubaverdad.net/cdr.htm>

<sup>120</sup> <http://www.pbs.org/wgbh/amex/castro/index.html> and Sanchez Santacruz (2006) p. 664 (Part of the Cuba Reader)

<sup>121</sup> Batancourt (2004) p. 14

<sup>122</sup> [www.canf.org](http://www.canf.org) and [http://en.wikipedia.org/wiki/Cuban\\_American\\_National\\_Foundation](http://en.wikipedia.org/wiki/Cuban_American_National_Foundation)

of their support for change. They are the ones that risked their freedom, and even lives in some cases to escape to the United States. This group is expected to play a significant role in any Cuban transition.

### 7.2.5 Make Up of Groups E1 and E2

Like Group A1 and A2, Group E1 and E2 are the most radical of the opposition and are the most active supporters of change in and outside of Cuba. The population in this group would potentially use violence in order to achieve their goal of a democratic Cuba as these people openly participate in acts of defiance towards the government. Even in the face of government oppression, this group continues to fight for its cause.

Cubans in Group E1 are the most extreme. The majority of these Cubans are serving time in prison or have served time previously, and they continue to openly criticize the regime within its own borders, even resorting to some acts of violence. They are often members of the MLC or *Movimiento Libertario Cubano*, which is a “network of Cuban anarchists living in exile abroad and possibly in Cuba, including collectives and individuals. The organization(s) take a consistent anti-capitalist and anti-Castro position denouncing both Fidel Castro’s regime and the U.S. foreign policy towards Cuba while encouraging anarchist/libertarian communist/libertarian socialist resistance in both countries and abroad.”<sup>123</sup> It is important to note however that not all people in E1 are part of this radical group. Some participate in another group, the CLM or *Cuban Liberal Movement* who “support the Christian democratic party of Cuba.”<sup>124</sup> These people were also the ones “willing to sign/join the *Proyecto Varela* petition/movement” which landed many in prison.<sup>125</sup> This movement will be discussed in later chapters.

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<sup>123</sup> [http://en.wikipedia.org/wiki/Cuban\\_liberation\\_movement](http://en.wikipedia.org/wiki/Cuban_liberation_movement)

<sup>124</sup> <http://cuban-liberal-movement.top-promo.net/>

<sup>125</sup> <http://www.state.gov/g/drl/rls/hrrpt/2005/61723.htm>

The Group E2 is similar to Group E1 but is perhaps less extreme. Both the members of the MLC and the CLM also make up this group. Additionally, a significant portion of these Cubans living in exile have been imprisoned in Cuba, justifying their escape.<sup>126</sup> Like the D Group, this group would be essential to any transformations. Moreover, they would undoubtedly return to Cuba to help with this complicated and long-term process. Some more radical members of CANF would also be a part of this group as they are the real substance behind a lot of the United States government policy towards Cuba. Through their lobbying power in combination with their importance in terms of voter population in the state of Florida, which is a swing state for presidential and other national elections. In fact, in terms of the Helms Burton bill,<sup>127</sup> which will be discussed later on, former President Clinton was basically forced to sign a bill in which he was not in favor. "Most of the Clinton administration was actually against the Act. Some Clinton aides have claimed that Clinton was persuaded to endorse the bill by his National Security Advisor who ...convinced him that he needed the political cover in Florida."<sup>128</sup>

### 7.3 Size of the Population in Each Group

Obviously, there are differences in the sizes of all ten groups. In addition, it would be uncharacteristic that the extremes groups, A and E be larger than the middle groups B, C, and D. Based on research, the population breakdown of all the groups is similar to a bell curve with the one exception that the bottom groups or D and E are larger than the A and B group who still support the regime, this breakdown can be clearly seen on the Chart 7. Considering the trends in exodus numbers it would seem that more and more Cubans are defecting,<sup>129</sup> However,

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<sup>126</sup> Ibid

<sup>127</sup> Bardach (2003) p. 157

<sup>128</sup> Ibid p. 130

<sup>129</sup> [http://www.economist.com/displayStory.cfm?story\\_id=11546110](http://www.economist.com/displayStory.cfm?story_id=11546110)

rather than staying in Cuba to resist, they simply make the perilous journey to the United States or Mexico.<sup>130</sup>

It is also important to note that though research suggests that there are more Cubans opposed to the current regime, it is impossible to truly tell whether or not that is valid. Considering the bias in journalism, especially in the United States regarding Cuba, research is difficult to substantiate. Also, in terms of the figures coming out of Cuba, there is absolutely no way to substantiate the government's data.

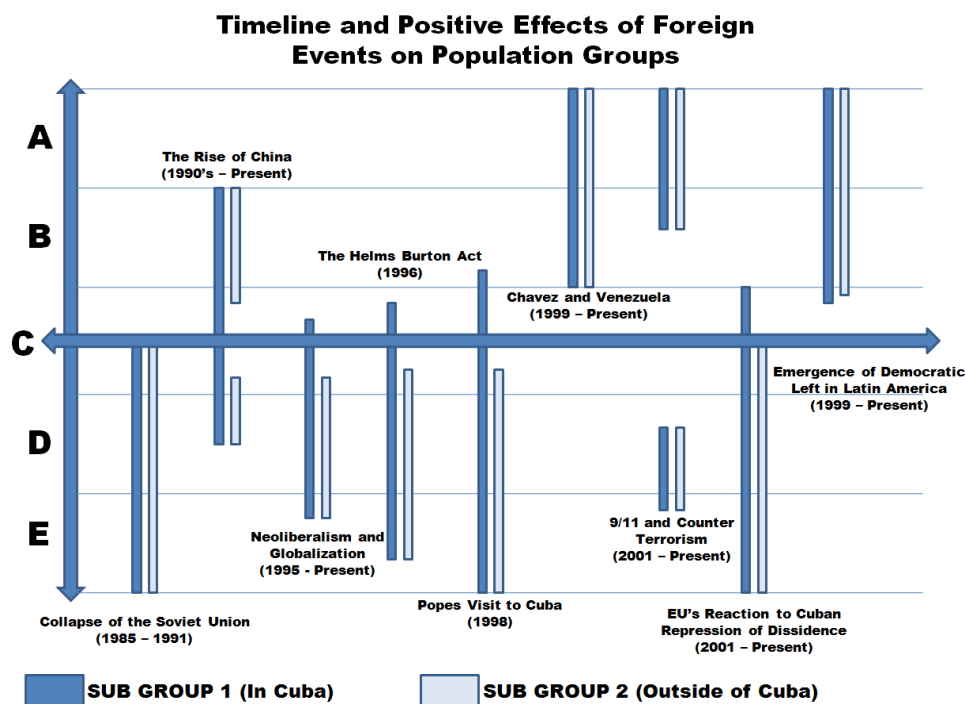
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<sup>130</sup> *Ibid*

## 8. Affects of Foreign/International Events on the Population Groups

The next step in this process of analyzing Cuban sentiment and its influences on a potential governmental and economic transition is to examine the foreign events that have directly affected Cuba and how the different Cuban population groups perceived them. By doing this, a picture will begin to emerge of the disposition of the Cuban population in terms of a shift of power, or actual transition and change. The chart below depicts the affects of these selected foreign events on the ten different population groups. An analysis of the affects on the groups follows.

**Chart 8**



### 8.1.1 The Collapse of the Soviet Union

On December 3<sup>rd</sup> 1991, the Soviet Union officially collapsed, as all Soviet institutional operations were terminated.<sup>131</sup> This end of a communist empire was

<sup>131</sup> [http://en.wikipedia.org/wiki/History\\_of\\_the\\_Soviet\\_Union\\_\(1985-1991\)](http://en.wikipedia.org/wiki/History_of_the_Soviet_Union_(1985-1991))

not only a disaster for Cuba's economy, which was virtually dependent on the support of and trade with the Soviet Union, but also detrimental in terms of the support of communist ideology. As previously discussed, Cuba suffered tremendous economic woes, which caused significant hardship to the entire Cuban population, with few exceptions. All the population groups were strongly affected by this resulting depression.

In terms of the population Groups A1 and A2, they were the least impacted by the financial/economic hardships. However, this group was severely shaken by the fall of such a huge regime/empire, which undoubtedly led them to question their own destiny under this system of government. Moreover, without the financial benefits of the sugar trade and supply of petroleum below market value, they were left to discover new means of trade and energy resources. Worse yet was the fact that their ideology had proven to be a failure, and the whole world knew it, including the Cubans themselves.<sup>132</sup> Groups A1 and A2 were shaken by this foreign event leading them to implement economic reforms.

Groups B1 and B2 also suffered similar shocks in terms of their confidence in the government as well as their ability to provide considering the deep depression Cuba was facing. Any Cubans in Group B1 that were not fundamentalists or strong believers most likely shifted their views towards Group C or indifference. The B members that were there for self-promotion and personal gain must have reevaluated their belief systems as well as the political strategy.

The indifferent Group or C1 suffered the worst in terms of financial/economic woes, but the least in terms of their beliefs in the communist system. Obviously, Group C2 did not personally feel the pains of depression, but family members and friends that were still in Cuba did, causing their view of indifference to migrate more towards opposition and Group D. Group C1's views were even more impacted, experiencing the result of a depression first hand causes

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<sup>132</sup> Carmelo Mesa-Lago (2000) p. 289



a significant change in beliefs, and even in terms of the risks, they are willing to take in order to escape or improve their quality of life. This is evident by the Cuban mass exodus taking place of Cubans into Florida, which resulted in an agreement to be formed between the United States and Cuba to return all dissidents.<sup>133</sup>

Considering the oppositional beliefs held by Groups D1/D2 and E1/E2, the fall of the Soviet Union only strengthened their position of change. The economic woes however, were most destructive in these groups (excluding D2 and E2) as the Cubans suffered enormously at the hands of the state. In response to this collapse, Groups D2 and E2 pushed the United States government into funding a freedom television station known as *TV Marti*.<sup>134</sup> As illustrated by the chart eight above, the fall of the Soviet Union positively impacted Groups E, D, and C, intensifying their support and receptivity of a transition or change.

### 8.1.2 The Rise of China

Even though Chinese communist values and economic policies differ from Cuba's, their successes are an undeniable testament supporting the communist system.<sup>135</sup> This foreign event significantly counteracted the Soviet fall, just as communism had failed the Soviet Union, granted somewhat of a different flavor it had blossomed in China. This event helped reinforce/sustain many beliefs in the Cuban population. Additionally, China provided another ally/trading partner which helps to boost the Cuban economy.<sup>136</sup>

In this case, Group A1 and A2 are to some extent supported in their beliefs by China's successful example, however considering the substantial differences in their economic and governmental policies this benefit was to some extent

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<sup>133</sup> <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html>

<sup>134</sup> <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html> and [http://en.wikipedia.org/wiki/TV\\_Marti#C3percentAD](http://en.wikipedia.org/wiki/TV_Marti#C3percentAD)

<sup>135</sup> King Whyte (1995) p. 37

<sup>136</sup> <http://myinsight.globalinsight.com/servlet/cats?filterID=1089&serviceID=4078&typeID=15431&pageContent=report&pageType=ALL>

counterbalanced.<sup>137</sup> Groups B1 and B2 were also positively supported, but considering their broader beliefs are not harmed by the differences between Cuba and China. Furthermore, the addition of a new extremely powerful trading partner and resulting boost in the economy also helps them increase their own yields. The B1 and B2 group are the ones to reap the most rewards regarding China's rise to an economic power.

Cuban population Group C1 also benefits from the added trade with China. However, unlike the previous groups, they are not concerned with the differences in politics, resulting in no real change in their views towards transition. The C2 group also benefits in that their families and friends still in Cuba are slightly better off with the new earnings from trade. Similarly, even the D Groups experience these benefits from trade, but with the cost of some weakening in their position of opposition towards the regime.

The E Groups are the only members that do not really enjoy any of the benefits from China's growth. Not only are they excluded from the added income due to their opposition status, they too are also somewhat weakened in their argument for change. The growth of China is not quite as significant an event as the fall of the Soviet Union, but it does prove not only to the people of Cuba but also to their adversaries, that a form of communism does work and can achieve considerable economic growth.

### **8.1.3 Globalization, WTO, and Neoliberalism**

As mentioned earlier, the global economy is changing, borders and trade barriers are diminishing, market liberalization is spreading<sup>138</sup>, and with these changes come the concepts of "freedom and democracy" which have become "the basis for organizing modern political rule."<sup>139</sup> Not all of these changes are a part of

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<sup>137</sup> Carmelo Mesa-Lago (2000) p. 310

<sup>138</sup> Stiglitz and Charlton (2005) p. 171

<sup>139</sup> Betancourt (2004) p. 19

the Cuban regimes ideology, namely the idea of globalization, and of course democracy. Globalization is due to a large extent to capitalistic markets, the quest for the almighty dollar has driven businesses and industries to migrate to other cheaper more efficient global markets. This fact is completely counter to what Cuban economic and governmental policies have at their roots, or communism/socialism, this topic will be discussed later. Additionally, the formation of a group, the WTO or *World Trade Organization*, whose purpose is to regulate global trade, which globalization has brought about only reinforces the fact that globalization and neoliberalism is a much more successful system in terms of increased *Gross Domestic Product*, or GDP.

Because of these differences in ideology, the upper level members of Cuban establishment are negatively impacted by this market/global trend. Considering the fundamentalist views held by Groups A1 and A2 regarding communism, globalization and neoliberalism significantly degrade their views. Even with the increase in the import/export markets within Cuba, the groups are so vested in the current regimes organization and philosophy that they are unable to benefit from trade. Groups B1 and B2 share this inability to benefit from globalization, and even if they were to accept the new policies and added earnings from trade they would undoubtedly be punished for showing their support by the other members of the group and higher authorities within the party.

Groups C1 and C2 on the other hand are able to benefit from the extra income from trade, and because of their indifference, and low party status they are unharmed by the discrepancy in principles. Additionally, the mounting evidence that globalization and neoliberalism is more viable pushes the C1 and C2 Groups towards support of transition and change. Like the previous group, D1 and D2 also benefit from the added income from trade. Moreover, the differences in the ideology between communism and globalization with neoliberalism support what they have been fighting for all along. This foreign event/phenomenon is the proof and basic rational behind their quests for change.

Groups E1 and E2 on the other hand have a more anarchist view towards current economic and governmental systems. They take a “consistent anti-capitalist and anti-Castro position.”<sup>140</sup> Since the population make up of the E1 Group are the most radical opponents of the system within Cuba, they do not benefit from any added trade, since they are constantly detained and monitored for “so-called illegal activity” by the Cuban government.<sup>141</sup> Only a few of the population in Group E2 benefit from the new ideology, namely the CANF members.

#### **8.1.4 The Helms-Burton Act**

The Cuban Liberty and Democratic Solidarity Act also known as the Helms-Burton Act was ratified by President Bill Clinton in March 1996. This act “enforces penalties on foreign companies conducting business in Cuba, it also permits United States citizens to sue foreign investors who use property that the Cuban government took from America, and denies them entrance into the United States.”<sup>142</sup> This bill was lobbied by the CANF, and was obviously created to do even more damage to the Cuban economy when combined with the embargo, which was previously discussed.

Neither Groups A1 and A2 or B1 and B2 benefit from this event. Not only does it limit the foreign businesses that interact and trade with Cuba, but it also allows the United States to directly support opponents to the Castro regime within Cuba itself.<sup>143</sup> In essence, this new bill is an extension of the embargo that already exists between the United States and Cuba; it is a significant tightening of the screws. This bill also harms the C1 Group in that they too lose valuable resources from trading partners lost. This loss is significantly offset by the allowances of remittances from the United States to Cuba, the additional income, and dollars no

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<sup>140</sup> [http://en.wikipedia.org/wiki/Cuban\\_liberation\\_movement](http://en.wikipedia.org/wiki/Cuban_liberation_movement) and <http://www.mlc.acultura.org.ve/>

<sup>141</sup> Fernandez (2001) chapter 5 and <http://libcom.org/library/cuba-anarchism-history-of-movement-fernandez>

<sup>142</sup> <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html> and [http://en.wikipedia.org/wiki/Helms-Burton\\_Act](http://en.wikipedia.org/wiki/Helms-Burton_Act)

<sup>143</sup> <http://thomas.loc.gov/cgi-bin/query/z?c104:H.R.927.ENR>: found in Sec. 109

less are a huge benefit for the population.<sup>144</sup> The C2 Group also benefits in that it is able to visit and send money to family members in Cuba, which was severely limited previously.<sup>145</sup>

The D1 and D2 Groups were again able to benefit the most from the passing of this new bill. D2 was the main reason for why this bill was passed in the first place considering they make up the CANF. D1 also was now able to receive remittances as well as funds from the United States government, as mentioned previously as long as they were publically opposing the Cuban government then they would be supported. Likewise, E1 and E2 Groups benefited, with the exception of the MLC's they too were supported in their struggle against the Castro regime.

### **8.1.5 Pope John Paul II visit to Cuba**

In January 1998, Pope John Paul II became the first pontiff to visit Cuba. During his visit, he delivered messages of hope, both for believers and non-believers alike, avocations of peace and transition/change (counter to communism), and finally opposition of the embargo by the United States.<sup>146</sup> Aside from the message opposing the embargo, the Pope's words were in essence opposing the current regime. Not only did they seek to inspire resistance, they also delivered a message of persistence in pushing for change.

Even though Fidel Castro permitted the Pope's visit, which provided him some favor with the people of Cuba, the costs far outweighed the benefits considering his inspirational speeches/message. Not only were the Cubans influenced by the papal visit, the party members themselves were as well. This fact was probably the most worrisome of all and was the reason behind the "depopification campaign," which had a goal of reducing the impact of the Pope's

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<sup>144</sup> Ibid Sec. 112

<sup>145</sup> Ibid Sec. 112 and [http://en.wikipedia.org/wiki/Helms-Burton\\_Act](http://en.wikipedia.org/wiki/Helms-Burton_Act)

<sup>146</sup> <http://www.cnn.com/SPECIALS/1998/cuba.pope/>

message. During this period, “the regime blocked all other messages, while focusing their own propaganda.”<sup>147</sup>

That being said, Group A1 and A2 not only suffered from this encouragement by the Pope, but also with self-confliction, considering the fact that Catholicism is the most practiced religion on the island.<sup>148</sup> Groups B1 and B2 were also negatively impacted by the papal visit in terms of their support for the current regime. This event really forced these groups to, at the very least, consider a different economic and governmental ideology, one more in line with their religious beliefs. Furthermore, they both helped create and participate in the political “depopification campaign” in order to attempt to reinforce the communist ideology,<sup>149</sup> only compounding the disagreement in their belief systems.

Group C1 benefited from these messages of hope and peace, helping to encouraging them to keep struggling and stay optimistic. They also were able to reaffirmed their religious beliefs, considering that this was the first visit of any pontiff by the Catholic church. Groups D1 and D2 also benefited for this very reason, but also through the messages of resistance. This visit helped them to keep their crusade for change alive, and internationally highlighted their struggle against the communist regime. The same can be said regarding Groups E1 and E2, with the addition of the request for clemency by the Pope himself regarding the opponents of the regime who had been imprisoned.

### **8.1.6 The Rise of Hugo Chavez and Venezuela**

When leftist President Hugo Chavez first took office in 1999, he almost immediately took to “socializing” Venezuela. Through his “*Plan Bolivar*” he halted the planned privatization of both the petroleum and aluminum industries,

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<sup>147</sup> Roberts, Betancourt, Greiner, Scheaffer (1999) p. 26

<sup>148</sup> [http://en.wikipedia.org/wiki/Religion\\_in\\_Cuba](http://en.wikipedia.org/wiki/Religion_in_Cuba)

<sup>149</sup> Roberts, Betancourt, Greiner, Scheaffer (1999) p. 26

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furthermore he used the military to feed and give care to the poor of Venezuela.<sup>150</sup> He also aligned himself with Fidel Castro, and the Cuban “*revolucion*,” encouraging trade between the countries and providing Cuba with petroleum below the market cost.

This foreign event was extremely beneficial to both Groups A1 and B1, as it helped in alleviating the energy problems that were facing Cuba at the time. Moreover, his leftist policies and tremendous support from the Venezuelan masses (a majority of which are impoverished) helped A1 and B1 Groups confidence in dealing with the people by providing a fellow brother in arms if you will, as well as an example of how the current regimes policies were being to some extent adopted by another Latin American country. However, the alleviation of the energy problems was still the dominant positive influence on these groups.

The indifferent Groups C1 and C2 were not really affected one way or another by the addition of this new ally. Even though Cuba’s energy needs were taken care of the majority of people in this group do not depend as much on petroleum and instead rely more on human and animal labor to fulfill the requirements for agricultural production. The D1 and E1 Groups also did not benefit from this new Chavez support for this very reason, and in fact were pursued even harder by the Cuban government due to the addition of resources that were previously dedicated to energy production.<sup>151</sup>

### 8.1.7 9/11 and the United States Counter Terrorism Campaign

After September 11<sup>th</sup> 2001, the United States began a crackdown on so called “terrorist regimes” by invading Afghanistan and then later Iraq. In addition to these military operations, significant changes were made to the United States security and international policies. These changes increased security funding and

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<sup>150</sup> [http://en.wikipedia.org/wiki/Plan\\_Bolivar\\_2000](http://en.wikipedia.org/wiki/Plan_Bolivar_2000)

<sup>151</sup> Carlos Nino: *Policies and Stability: Opposition Prospects and Programs* <http://myinsight.globalinsight.com/servlet/cats?filterID=1089&serviceID=4078&typeID=34614&pageContent=report&pageType=ALL>

even introduced the *Department of Homeland Security*, who now coordinate with *Immigration and Naturalization Services*, or INS to combat illegal immigration.

These events actually positively affected Groups A1, A2, and some of B1 and B2 in that the DHS and INS organizations helped prevent Cuban dissidents from reaching the United States, allowing the regime to appropriately deal with the revolting Cubans. In some ways it actually added to their power and control over the population. It negatively affected some of the B1 and B2 Groups in that they were added to watch lists, and in some cases even expelled from the United States.<sup>152</sup>

Groups C1 and D1 suffered similar fates, the increased border security by the United States made it much harder to escape, and if they were caught, guaranteed them prison sentences.<sup>153</sup> However, D1 and D2 were both aided by United States governments policy to pursue terrorists or anyone harboring or assisting terrorists in anyway. To some extent, this policy furnished the CANF and other Cuban liberation groups with more swaying power in terms of the United States government. This was due in part to the suspected links between Cuba and FARC or *Fuerzas Armadas Revolucionarias de Colombia*.<sup>154</sup> Group E1 and E2 however, do not enjoy these benefits, partially because of some of the group's links, namely, CANF to terrorist activity.<sup>155</sup>

### 8.1.8 European Union's Reaction to Treatment of Dissidents in Cuba

The European Union's international relations have consistently tried to encourage human rights and basic freedoms when dealing with non-democratic

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<sup>152</sup> 14 Cuban diplomats were expelled from the United States by White house and State department officials <http://query.nytimes.com/gst/fullpage.html?res=9B02E0DA1F3FF936A25756C0A9659C8B63>

<sup>153</sup> Returned Refugees Say Cuba, Defying Pact, Retaliates <http://query.nytimes.com/gst/fullpage.html?res=9B05E1DD1639F933A25750C0A960958260>

<sup>154</sup> Sauter and Carafano (2005) p. 431

<sup>155</sup> [http://www.nytimes.com/2007/04/20/world/americas/20posada.html?\\_r=1&hp&oref=slogin](http://www.nytimes.com/2007/04/20/world/americas/20posada.html?_r=1&hp&oref=slogin) and <http://www.nytimes.com/library/world/americas/071298cuba-plot.html>



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regimes. In terms of the EU's view, Cuba has committed many unjustifiable acts against humanity in terms of its treatment of dissidents. This especially came to light in 2003 when Cuba executed by firing squad three dissidents who attempted to hijack a ferry and flee to the United States, and imprisoned 75 others for their political beliefs.<sup>156</sup> Not only was this action condemned by the EU member states, a resolution was also passed effectively stopping "the procedure to consider the admission of Cuba into the Africa-Pacific-Caribbean (ACP) Cotonou Agreement."<sup>157</sup> This erosion of relations between the EU and Cuba not only set international affairs back, but also eliminated Cuba's possibilities of accessing tariff free markets as well as receiving financial aid from a pool of approximately 13 billion dollars.<sup>158</sup>

The consequences of this event were extremely negative in terms of the A1, A2, and B1, B2 Groups. Not only were they denied access to potential revenues through trade, they also took a step backwards in the process of international relations with the European Union. Both of these factors when combined with the removal of aid packages proved to be quite negative for the economy of Cuba. Additionally, the so-called negative press regarding the capital punishment of dissidents only increased support for their opposition.

This increase in international support for the opposition helped to fuel groups D1, D2 and E1, E2 strengths. In addition to the current United States position regarding the Castro regime, the EU's reaction towards Cuban repression provided a second platform for the resistance. This also increased their willingness to stand up against the regime, in that they know the media will cover their cases and sentences.

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<sup>156</sup> <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html>

<sup>157</sup> Brenner and Roy (2008) p. 254

<sup>158</sup> Betancourt (2004) p. 23

### **8.1.9 The Emergence of a Democratically Elected Left in Latin America**

The addition of other leftist leaders throughout several Latin American countries is further improving Cuban economic and governmental reach and scope. As previously noted, the affects of Hugo Chavez's rise to power in Venezuela were very positive for the Cuban regime, most notably in the energy sector of the economy. Now with the addition of Evo Morales the president of Bolivia, Cristina Fernández de Kirchner of Argentina, Tabaré Vázquez of Uruguay, Fernando Lugo of Paraguay, Michelle Bachelet of Chile, Rafael Correa of Ecuador, and Luiz Inácio Lula da Silva of Brazil, Latin America is heading towards a majority of leftist political views. This is obviously beneficial to Cuba in that it is more in line with its ideology, even considering the democratic process of electing the presidents.

Both Groups A1, A2 and B1, B2 are strengthened by the addition of the new Latin American trading partners. Not only does this provide more potential income to Cuba, it also gives the current Cuban regime some added credibility, both foreign and domestically speaking. These new revenues and trading partners also benefit C1 in terms of the increase in products available to them as well as larger markets with which work. The swing towards a leftist majority in South America, and to some extent opposition of the United States helps to provide the Cuban regime more international support and leverage against the trade embargo.

This move towards leftism and support of the Castro regime by other Latin American countries is a strong setback to both Groups D1, D2 and E1, E2. Specifically, the D2 and E2 Groups are left with fewer allies in terms of their campaign for change. Not only are their positions weakened by this, but also their opponents and the Cuban government is greatly strengthened by it.

## **8.2 Total Affect of Foreign/International Events on the Population Groups**

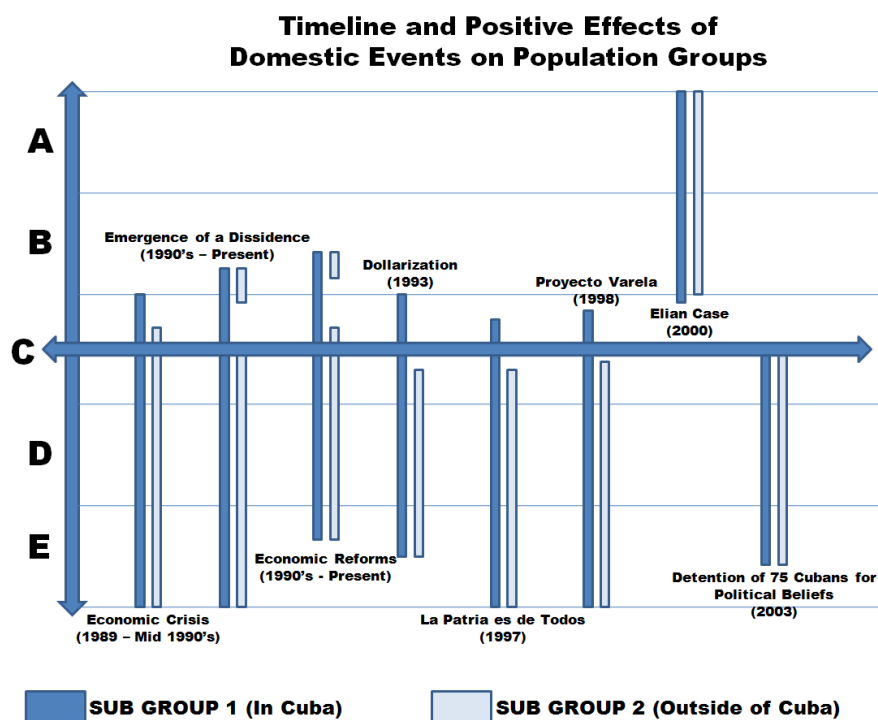
All of these key foreign/international events had a significant influence on the different Cuban population groups. However, according to the analysis, also depicted in the chart above, there seems to be a slight advantage of the C, D, and E

Groups. Internationally speaking, transition seems to be favored by most if not all nations, with the exception of a few Latin American leftist countries, most notably Venezuela, Bolivia, and Ecuador. Even with the support of these key South American countries, population Groups A and B still seem to be at a disadvantage in terms of support of their ideology. Additionally, several of these events have given the opponents living in Cuba the courage, to openly criticize the Castro regime, regardless of the consequences. The opponents of the current regime currently living outside of Cuba also have an advantage in terms of international public support for transition and change.

## 9. Affects of Domestic Events on the Population Groups

Similar to the analysis regarding the foreign events and their impacts on the different population groups, an analysis must now be done on the domestic events and how they influence Cuban sentiment in terms of favoring or disfavoring transition and change. Considering the limited media available to the public, as well as the secretive nature of the Cuban government, an examination of domestic events and their affects on the feelings of the people are a natural progression in the research process. As stated earlier, the information available regarding domestic events is rather subjective and difficult to substantiate, therefore a combination of sources were used in order to develop the most likely scenario in terms of the Cuban population groups. The following analysis of the most influential domestic events can be seen in the illustration below.

Chart 9



### 9.1.1 Cuba's Economic Crisis in the Early 1990's

Brought on primarily by the collapse of the Soviet Union, the economic crisis faced by Cuba in the early 1990's was severe, forcing the regime to face food

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shortages, fuel shortages, and a collapse of its primary industries, namely agriculture (specifically sugar) and mineral mining.<sup>159</sup> Furthermore, the regime's stability was considerably shaken as the fall of the communist empire in Europe created internal doubts of whether or not the "*revolucion*" could survive.<sup>160</sup> Even almost 20 years later, the Cuban economy has yet to reach its previous levels of GDP, only achieving 42.5 percent of its Soviet Union era GDP in 2004.<sup>161</sup>

Obviously, this economic crisis weakened the establishment; even the higher-level party members felt the economic pain. Cuban population Groups A1, A2 and B1, B2 suffered the most in terms of public support of their views. Moreover, the resulting lowered confidence rate boosted the opposition's position against the Castro regime. This economic crisis made it clear to the public that changes are needed and forces the Cuban government to take responsive actions to prevent the crisis from deteriorating even further.<sup>162</sup>

Considering the ramifications of this crisis in terms of public sentiment towards the Castro regime, population Groups D1, D2 and E1, E2 grew in their domestic as well as international support. This gain outweighs the hardships that were faced by these groups, who were most affected by this economic crisis. Group C1 was also positively affected by this domestic event in that the media illuminated their plight at the time.<sup>163</sup>

This economic crisis was one of the main causes for the two following domestic events, the rise of dissidence, and the resulting economic reforms, which both had far-reaching influences on the Cuban population group's sentiments towards the regime as well as the political climate within Cuba itself.

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<sup>159</sup> Carmelo Mesa-Lago (2000) p. 289

<sup>160</sup> [http://en.wikipedia.org/wiki/Economy\\_of\\_Cuba](http://en.wikipedia.org/wiki/Economy_of_Cuba)

<sup>161</sup> Ibid

<sup>162</sup> Carmelo Mesa-Lago (2000) p. 264

<sup>163</sup> [http://www.iht.com/articles/1991/09/26/liz\\_.php](http://www.iht.com/articles/1991/09/26/liz_.php)

### 9.1.2 The Emergence of a Large Cuban Dissident Movement

Throughout the Castro regime there have been several distinct dissident movements, some even including mass exoduses of Cubans trying to reach the United States at any cost, others more open opposition to the establishment, and finally actual upheaval and rebellion.<sup>164</sup> As previously discussed all of these historical events helped to shape the way Cuba is today. Governmental policies and reactions were empirically based, usually responding with force to any opposition.<sup>165</sup> However, the early 1990's dissident movement is different from the previous one for several reasons. Not only has the Soviet Union collapsed, a destructive piece of evidence against Castro ideology, but the economy of Cuba lay in ruin. As a result of central planning methods and heavy reliance on the Soviet Union, Cuba's economy was severely crippled, as mentioned previously in the economic analysis. This led to a major depression in which food rationing, and even starvation took place.<sup>166</sup> This dissident movement was different in that it was based primarily on survival, there simply was not enough resources available to feed the Cuban people.<sup>167</sup>

This domestic strife significantly reduced the power of the Castro regime. Moreover, the fact that violence was used to silence the resistance only enflamed the hostility towards the regime. This dissident movement negatively affected Groups A1, A2, and B1, B2, and provided more reason for the C1 Group to migrate further towards the D1 and even E1 Groups. Conversely, this violent response by the government ironically drove more Cubans further down the line in terms of the opposition groups, D1 and E1. Thus triggering a snowball effect of dissidence and civic upheaval. As mentioned earlier, this forced the Castro regime to implement

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<sup>164</sup> <http://query.nytimes.com/gst/fullpage.html?res=9C0CEoDD1F38F936A25752C1A966958260> Costa Rican President Urges Cuba to Liberalize

<sup>165</sup> <http://query.nytimes.com/gst/fullpage.html?res=9E0CE2DE1F30F93BA15756C0A964958260> story of Yndamiro Restano and his residence and resulting imprisonment

<sup>166</sup> Cardoso and Helwege (1992) p. 80

<sup>167</sup> <http://www.fiu.edu/~fcf/carnavalcincodeagosto.html> "El Maleconazo" Uprising

economic and policy changes towards the masses. As evident by the chart above these events were devastating in terms of the erosion of power.

### 9.1.3 Cuban Economic Reforms

After mounting discontent in the 1990's, the Castro regime was forced to implement market orientated reforms in order to soothe the economic woes. This was the "seventh shift in economic organization and fourth in development strategy ...the ideological pendulum has moved farther to the market than ever before."<sup>168</sup> This significant swing in policy is considered by some to be the end of the "*revolution*" and perhaps even socialism. The introduction of ownership, self-employment, changes in economic planning, financing, and finally a development strategy all are acknowledgments of failure in the current policy.<sup>169</sup> The introduction of tourism as a mainstay of the Cuban economy also occurred during this time. Since the sugar and mining industries had virtually collapsed tourism was a natural resource that had not yet been fully utilized.

As mentioned earlier, these political and governmental changes were all done in response to the turmoil and upheaval that was growing rapidly. This was an obvious victory for proponents of transition and change within the Cuban population. Groups A1, A2 and B1, B2 both had to relinquish a portion of their power to the opposition, benefiting the D1, D2, and E1, E2 Groups. Furthermore, these changes were considered goals met for some Cuban resistance groups. As mentioned in the foreign events analysis, during this time the CANF was pushing the United States to tighten the screws, in order to extinguish the Castro Regime.

Cuban population Group C1 also benefited from these changes. Now ownership, and self employment were allowed, providing many more opportunities and resources. The changes in development strategy and planning benefited the Cubans in this group, who to some extent were able to experience

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<sup>168</sup> Carmelo Mesa-Lago (2000) p. 289

<sup>169</sup> Ibid p. 310

mild forms of foreign direct investment and international trade. All of these political changes were aimed at increasing the overall welfare of the Cuban population, and since the majority of them can be classified as in the C Group, they were the most positively influence by this domestic event.

#### **9.1.4 1993 Dollarization**

Related to these reforms, the introduction and acceptance of dollars within the Cuban economy also significantly changed the overall sentiment towards the regime among the Cuban population. Considering the vast affects of this domestic event, it is necessary examine the affects it had on the Cuban population groups. The allowance of dollars and a fixed exchange rate of 25 Cuban pesos to 1 dollar created a major change within Cuban society. In combination with the introduction of tourism, as well as the United States allowance of remittances to Cuba, this dollarization event significantly shifted power down from party officials to average Cubans.<sup>170</sup> Moreover, it placed more financial power in the hands of Cubans who had family members or friends living outside of Cuba, which included a majority of opponents to the regime.

Considering the consequences of this radical move, the large shifting of power downwards in terms of the Cuban population model illustrated previously becomes evident. Not only have Groups A1, A2 and B1, B2 succumb to what amounts to be another political setback in the "*revolucion*," they have also allowed for funding of the opposition within Cuban borders. This change helped the indifferent groups of people, or C1 and C2, allowing them to send and receive dollars from friends and family abroad. Dollars from tourists or as payment for work preferred, provides the groups members with a much needed increase in earnings.

One issue that is important to consider regarding the topic of Dollarization is the fact that some of the opposition members were now receiving more money than

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<sup>170</sup> Archibald R. and M. Ritter (2004) p. 52



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the actual party members were being paid. Considering the high exchange rate from dollars to pesos, this issue became a focus of the regime, who through various methods tried to prevent this from occurring.<sup>171</sup>

Just as an update to this domestic event, Cuba announced the ban of the use of dollars in 2004. The regime goes on to state that the Cuban people who are receiving remittances from abroad should now request foreign currencies instead.<sup>172</sup> This in reality does not have much effect on what is already happening. Not only is this policy change a symbolic form of resistance against the United States, but it is in reality useless as long as currency exchange markets freely exist.

#### **9.1.5 “*La Patria es de Todos*” or “The Homeland Belongs to Us All”**

The blatant and public opposition of the Castro regime by Vladimiro Roca, Felix Bonne, Rene Gomez, and Marta Beatriz Roque and their authoring of “*La Patria es de Todos*” and their resulting imprisonment without trial until 2002 is a domestic event that both shocked and motivated the Cuban opposition within and outside of Cuba.<sup>173</sup> This document represented the Cuban oppositions views and “response to the comments of the party to the program for the fifth party congress ...strongly criticizing the lack of freedoms and the fact that under the pretext of maintaining unity important decisions were taken without consulting the citizens.”<sup>174</sup> This domestic event was the first time a truly analytical document was challenging specific ideological points regarding the Castro regime and was putting forth several potential transitions that might help homogenize government policy and actions.<sup>175</sup>

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<sup>171</sup> Betancourt (2004) p. 30

<sup>172</sup> Timeline of Cuban Events <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html>

<sup>173</sup> Suchlicki (2002) p. 256

<sup>174</sup> Betancourt (2004) p. 37

<sup>175</sup> Actual document: *La Patria es de Todos* : <http://www.cubanet.org/CNews/y97/jul97/07adoc1.htm>

Again, this very public opposition to the establishment was another setback in terms of the powers of both the A1, A2 and B1, B2 population groups. Additionally, the Cuban government's response to this non-violent act of defiance, or imprisonment without a trial for five years was another blow to the Cuban regime in terms of further pushing people towards the opposition. In terms of the C1 and C2 Group this did exactly that, drawing them closer to a position of opposition.

Groups D1, D2 and E1, E2 on the other hand were strengthened by this open act of defiance. Furthermore, the international media that reported this event helped to highlight the classic struggle of oppression and resistance further.<sup>176</sup> Aside from the members that were imprisoned, the overall affect was significantly positive.

#### **9.1.6 "Proyecto Varela" Proposal of Democratic Changes to the Cuban Policy**

The "*Proyecto Varela*" was a proposed law promoting democratic changes to the Cuban governmental policies. Oswaldo Paya, a member of the CLM or Group D1 headed the project which collected over 11,200 signatures of Cuban citizens with their identification numbers. The proposal included changes ranging from freedom of speech and freedom of the press to freedom to start private businesses.<sup>177</sup> The controversial project relied on a loophole within the Cuban constitution, which allows citizens to propose laws if over 10,000 citizens signed them. Because of this proposal's oppositional nature, it created quite a controversy in Cubans at home and abroad. In response to this proposal, the Cuban government created a counterproposal basically closing the loophole that the *Proyecto Varela* relied on with a supposed 99 percent approval rating among

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<sup>176</sup> News Article highlighting their plight <http://news.bbc.co.uk/2/hi/americas/297278.stm>

<sup>177</sup> Founder of the Varela Project: <http://www.oswaldopaya.org/es/varela-project/> and [http://en.wikipedia.org/wiki/Proyecto\\_Varela#cite\\_note-10](http://en.wikipedia.org/wiki/Proyecto_Varela#cite_note-10)

Cubans.<sup>178</sup> In addition to this, they also imprisoned several members of the project with some sentences ranging from a few months to over 25 years.

Again this act of public defiance further eroded the power of Groups A1, A2 and B1, B2. *Proyecto Varela* drew a response that in essence not only closed the constitutional loophole, but also assured socialist ideology perseverance. The imprisonment of the Cuban dissidents who participated in the project also drew international outrage, further corroding the credibility of the regime.

Groups D1, D2 and E1, E2 were further helped by this project of resistance. The government's reaction only increased the impact this had on the Cuban populations groups, forcing them to resort to "crackdown" tactics, which included imprisonment. The international media also helped to raise awareness regarding the CLM, and Oswaldo Paya cause of peaceful political change.

#### **9.1.7 The Elian Gonzalez Event**

The famous custody battle between the Cuban American family and the Cuban father of a young boy whose mother had died trying to take him to the United States was an incredibly influential event. The tragic story of Elian Gonzalez who had survived, but had lost his mother attempting to escape from Cuba, was a rallying point for the Cuban Regime as well as its opponents both domestic and foreign. The highly publicized (both in the United States as well as in Cuba) stand-off and ensuing custody battle between Elian's father and his Cuban American relatives in Miami was used as a propaganda tool by both the regime as well as the Castro opponents, specifically the CANF.<sup>179</sup> The outcome, or return of Elian to Cuba, was considered a success for the Cuban regime. Furthermore, the consequent propaganda surrounding the event was very effectively employed by Castro and his regime and helped to revive ideological values held by the

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<sup>178</sup> Silvia Pedraza (2007) p. 281 and <http://news.bbc.co.uk/2/hi/americas/2069057.stm>

<sup>179</sup> Bernard S. Mayer (2004) p. 102

government. This event had a distinct flavor of “*David and Goliath*,” and helped to boost the sense of pride and nationalism within Cuba.

This event was an obvious win for the A1, A2 and B1, B2 Groups. It exemplified that, especially through the continued propaganda, Elian preferred to live in Cuba’s socialist system rather than in the United States capitalist democracy. The A1 and A2 Groups used this domestic event as a rallying point to encourage other Cubans patriotism and sense of national pride in the Castro regime. The B1 and B2 Groups were only too happy to display their support and loyalty to the party. Group C1 was only affected in terms of their migration towards support of the party.

On the contrary, the opposition, especially foreign, D2 and E2 suffered a significant defeat. Worse still was the fact that this was an extremely public loss drawing the attention of media from around the world.

#### **9.1.8 Crackdown and Detention of 75 and Execution of 3 Cubans in 2003**

On March 18<sup>th</sup> 2003, the day before the U.S. invasion of Iraq, the Cuban government arrested “80 people for their political beliefs. The government also searches homes, seizing personal papers and electronic equipment ...75 are tried and convicted on treason charges. Denied lawyers before the start of the trial, the defendants are tried in courtrooms closed to all but immediate family members. Foreign diplomats and reporters are barred from the proceedings. The sentences range from six to 28 years in prison and average over 19 years.”<sup>180</sup> This domestic event not only demonstrated blatant disregard for human rights, but also was an unsuccessful attempt at hiding the crackdown on dissidents behind the looming United States war/invasion of Iraq. As discussed previously in the foreign/international events and their influences on the Cuban population, this event caused the breakdown of talks concerning the EU and Cuban agreement to join the Africa-Pacific-Caribbean (ACP) Cotonou Agreement.

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<sup>180</sup> <http://www.pbs.org/wgbh/amex/castro/timeline/timeline2.html>

This crackdown was Castro's regime's attempt to further rid and publically discourage dissidence in Cuba. Not only was this unsuccessful in terms of reducing the opposition, it also financially injured the Cuban economy as well as further reduced credibility of the regime. Groups A1, A2 and B1, B2 might have rid themselves of some opponents for however long their prison sentences happened to be, but in return increased the credibility of their opposition. Group C1 was partially affected by this in that it may have pushed some of their members to move more towards D1, but was also harmed by the resulting loss of trade and aid from the EU and the Cotonou Agreement.

Other than the members arrested, groups D1 and E1 were strengthened by this event. The resulting migration from C1 in combination with the international media and the breakdown of talks between the EU and Cuba regarding the Cotonou Agreement further increased their standing with the international community.

## **9.2 Total Affect of Domestic Events on the Population Groups**

All of these domestic events that took place helped to shape the sentiments of the Cuban people in terms of their views towards the Castro regime. As illustrated by the graph above, there is an overlying trend of the degradation of support for the current establishment, particularly in terms of its tactics on dealing with dissidents and credibility. With the exception of the Elian Gonzalez case, the Castro regime has only really lost public support and sentiment in the key domestic events. Although some of the research and publications are biased, the reduction of Cuban sentiment towards the Castro regime still seems to hold true.

## 10. Potential Transitional Changes within Cuba Considering Public Sentiment

### 10.1 Introduction and Overview of Stakeholders' Sentiments towards Change

Before introducing the potential transitions that might take place within Cuba considering the stakeholders' different sentiments towards change, it is important to first mention the difficulty in analyzing the sometimes-biased information. As mentioned previously this examination of events both foreign and domestic, was based on a wide array of information and sources. A goal of objectivity was paramount throughout the paper. That being said, the following summation of Cuban and non-Cuban stakeholder sentiments in terms of their support for or opposition to the socialist/communist Castro regime is a personal view of how the stakeholders are expected to react based on all the research conducted.

Based on the previous analyses of the foreign and domestic events and their influence on the Cuban people themselves, a trend of opposition and resistance can be found. Granted given that the size of the population Groups in A and B will not likely change, at least in the short-term or while the Castro regime remains in power, there still seems to be a migration of Cubans into the C Groups as well as towards the D and E Groups. As evident by the very first chart describing the makeup of the different population groups, the slightly skewed bell curve on the right side of chart one, reflects this migration. Additionally, the consistently growing exodus from Cuba to the United States seems to reflect these findings.<sup>181</sup> Furthermore, the research of Churchill Roberts, Ernesto Betancourt, Guilermo Grenier, and Richard Scheaffer for the United States Agency for International Development measuring Cuban public opinion also seems to indicate that there are a growing number of dissatisfied and disillusioned Cubans. In terms of the Cuban

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<sup>181</sup> Article on Cuban methods for escape: [http://www.economist.com/displayStory.cfm?story\\_id=11546110](http://www.economist.com/displayStory.cfm?story_id=11546110)

American sentiments, the strength of the CANF seems to also exemplify their strong opposition towards the Castro regime.

In terms of foreign stakeholders in Cuba, namely foreign countries, there seems to be some change from the traditional historic positions held in relation to the perception of the Castro regime. As mentioned earlier, with the leftist progression of governments in Latin America, there appears to be added support for Cuba and the "*revolucion*." This is most notable in Venezuela, Bolivia, and Ecuador with the election of Hugo Chavez, Evo Morales, and Rafael Correa specifically. In terms of the other Latin countries, their leftist views are not as extreme and therefore would not influence a change as these three countries would. The United States, of course with its historical presence and even control of Cuba, seems to be consistent with its previous policies towards the Castro regime. The other main country stakeholders, Canada, Spain, Italy, and the Netherlands also appear to be in agreement with their previous positions on the Castro regime. The two countries' stakeholders that also must be considered due to their impact on Cuba currently and historically are Russia and China.

For the purposes of this paper, the polar positions of the United States and Venezuela will be used during the following analysis regarding the potential transitional changes within Cuba. This is done in order to simplify the actual research results and provide for a more easily understood description of transitional elements within Cuba. Furthermore, the industrial stakeholders will also be excluded from the analysis. This is done not only because of the lack of information but also because it would be extremely difficult to separate their influences from those of the foreign governments. Moreover, the government's responses as well as actions would to some extent be the result of, or at least influenced by, the different industries lobbying power within their home countries.

Therefore, the following potential transitional changes will be analyzed by the breakdown of the Cuban population groups, or the largest most important stakeholder. This will be followed by the breakdown of the foreign countries (The

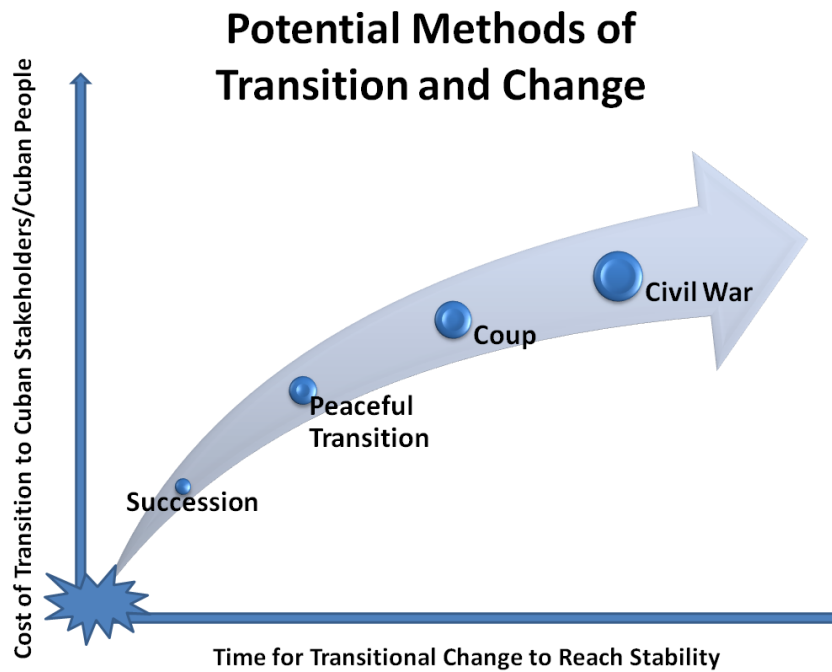
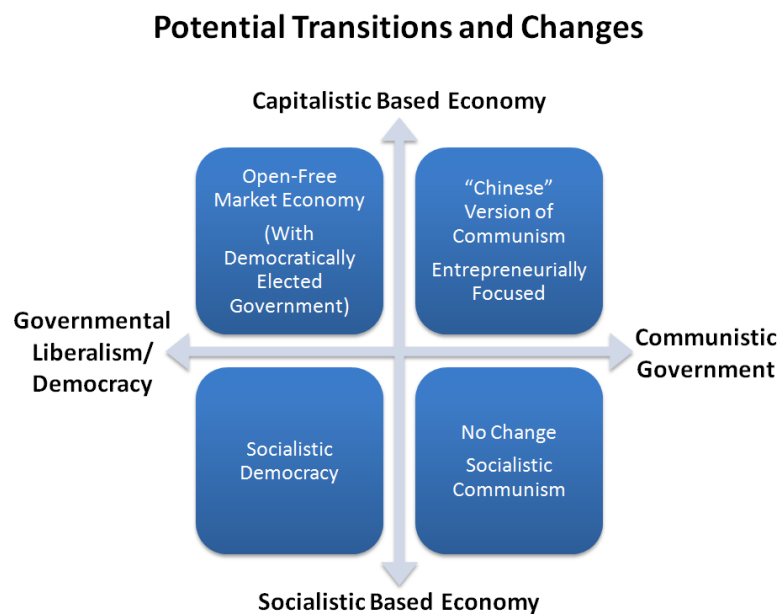
United States and Venezuela), as the second largest stakeholder groups. An examination of the most likely transitional changes will be cross referenced with the way the stakeholders might react, providing an image of the political climate in each case. This analysis keeps the stakeholder sentiments in mind in order to achieve a more realistic result.

The first most obvious potential transitional change would be the extension of the Castro regime, or no real change at all. This would mean a successor would take the place of Fidel/Raul Castro. Similarly, a peaceful transition could also occur whereby the people put a new government into place. The next potential change could be the result of a coup, which could result in either another dictatorship succession (not chosen by the current regime), or an actual transition (peacefully or violently/civil war). Somewhat related to this change in power is the potential for a United States intervention. Just as there could be U.S. intervention, there could also be Venezuelan intervention, or both. However, it is rather unlikely for an international intervention to take place without a catalyst.

In all these cases, four basic transitional changes can take place, the first being no change, or a progression to another dictator. The next being an update in the communistic/socialistic policies similar to China's version of communism. This could also occur under a new dictatorship but for this analytical process the two will remain separate. Thirdly, a transition to a socialistic democracy could occur. This would in some respects be similar to the Norwegian economic and governmental structure. However, judging from Cuba's history it would be expected to be more socialistic in its nature. Finally, the fourth potential Cuban transition is the change to a free-open market economy with a democratically elected government, similar to that of the United States.

Both the methods as well as the transitional changes themselves are illustrated in charts four and five below. The time scale as well as cost scale on the methods chart, as well as the different axes on the matrix chart are especially noteworthy.



Chart 10Chart 11

## **11. Methods, Changes, and Stakeholders Views Towards Them**

### **11.1.1 Succession**

It is important to mention, no changes will likely take place until the deaths of both Fidel and Raul Castro. That being said, the most calm and to some extent stable transition will be that of succession. In this change, there would most likely be no economic and governmental change aside from the new dictator. This change would be the first choice for both the A1, A2, and B1, B2 Cuban population Groups. It would also be favored by the leftist Latin American countries. This change would not however, be favored by the D1, D2 and E1, E2 Groups. Neither the United States nor the EU would like this scenario. Considering the current Cuban sentiment towards the Castro regime, this change could be potentially dangerous for slipping down the line to a coup or even civil war. In fact, if this were to be the future change for the Cuban government, it would only be a matter of time before it did slide down the line. A transition to a “Chinese” style of communism might however be a viable option in this case. Not only would it help to significantly boost the economy by introducing more capitalistic policies, it might also be considered as the change big enough to cause the lifting of the United States embargo. In the case of the other scenarios, coup and civil war, especially violent ones, the United States would most likely intervene. Complicating this is the fact that the Venezuelan military might also try to intervene creating somewhat of a power struggle. If this struggle was to occur, the UN and NATO would most likely come in to the equation.

### **11.1.2 Peaceful Transition**

The best possible scenario would be a peaceful transition. In this case, the regime would peacefully relinquish control, and a democratically elected government would take over. If this were to happen, an open market economy or a socialistic economy would be the most probable outcomes. However, considering Cuba’s history and communistic/socialistic past, a socialistic economy would most likely be selected within the new democracy. This change would still involve the

United States due to its historical precedence over Cuba and large Cuban refugee population. Considering the recent trends in international relations, specifically in terms of the leftist Latin American governments response to the United States and vice versa,<sup>182</sup> Venezuela would most likely participate in this transition as well. As long as democratic freedoms are in place, this might not be too bad. However, if foul play arises then the situation will get much more complicated. It would be too speculative to comment on what might occur if that happened.

This transition would be favored by the D1, D2, and E1, E2 Cuban population Groups. Considering the fact that this transition's most likely outcome would be a free and open market economy, along with a democratically elected government, this seems to be favored by not only the dissidents in the United States but also the Cubans at home.<sup>183</sup> The A1, A2 and B1, B2 Groups would find it difficult to accept defeat, and would probably encourage at a very minimum more socialistic economic reforms.

### **11.1.3 A Coup**

If a coup were to take place, the key factor would probably be violence. If there were violence, not only would the recovery and stability take much longer to achieve, but the international community would also intervene. Again considering the historical precedence along with the significant population of Cuban refugees the United States would be expected to intervene. In this scenario, a lot would depend on the coup leader, and what type of economic and governmental system he or she might put in place. If this system was to be an even tighter dictatorship, than it would only be a matter of time before this too was changed. But if, on the other hand, it adopted the Chinese version of communism, or even a more socialistic version of a democracy their might be a chance.

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<sup>182</sup> Article relating to of troubles in Bolivia: <http://www.cnn.com/2008/WORLD/americas/09/20/bolivia.talks/>

<sup>183</sup> Roberts, Betancourt, Greiner, Scheaffer (1999) p. 46

This scenario would most likely result in the rise to power of the Cuban population Group B1 or B2. A coup leader would not be from population Group A for the simple fact that they are already in control. If this did occur from an A Group member, then it would be an obvious internal power struggle. This scenario might also happen if E or D were able to organize together and form a united front. Otherwise, they would not stand a good chance of succeeding, without foreign backing. In either scenario, the leader who was able to convince the C Group, who has the largest population, to back them would have a significant advantage.

#### **11.1.4 Civil War**

This scenario is the worst of all. This transition would take the longest to achieve stability and would cost the most in terms of resources and probably lives. Intervention would be virtually guaranteed not only by the United States, but also by Venezuela and even the UN and NATO. None of the Cuban population groups would favor this transition, with the potential exception of the E Group. Considering the E Group's radical views, they might be willing to accept the consequences of a civil war if that was the way they could achieve their goals. This transition could include any of the potential economic and governmental changes. This would all depend on how the civil war plays out, and which and to what extent do the foreign countries intervene.

### **11.2 Overall Cuban Sentiments toward Transition/System**

As stated earlier, it is difficult to gauge Cuban sentiments, especially towards the Castro and the communistic regime. That being said, considering the growing numbers of dissidents/refugees in the United States the answer seems to be an overwhelming opposition to the existing Cuban regime. Furthermore, their position towards democracy and an open free market economy seems to be favorable. Based on the information and culmination of research, as well as domestic acts of resistance (within Cuba), in particular, "*La Patria es de Todos*" and the *Proyecto Varela*, open free market economic policies and a democratically elected

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government does seem to be the desired outcome of any transition by the Cuban people.

## 12. Transitioning to a Market Economy: Critical Areas of Focus

### 12.1 Previous Transitional Issues in Other Countries

Before describing the critical areas of focus when transitioning to a market economy, it is important to first consider the previous transitions of other sometimes-similar countries. The examination of the transitions in China and the USSR for example, are great resources for developing a plan of action and timeline for transition. Cuba's transitional issues will be similar to those of the former Soviet Union and other Communist bloc nations. The transitions of "one price systems – the distorted price system that prevailed under communism – to a market price system," "the creation of markets and institutional infrastructure that underlies it," and the "privatization of property which had previously belonged to the state" are all significant challenges that these nations confronted when moving towards open free market economies.<sup>184</sup> As Joseph Stiglitz describes, the creation of a "new kind of entrepreneurship... and new enterprises to help redeploy the resources that had previously been so inefficiently used" is something that not only the government has to facilitate, but also the actual population must learn or understand in order for these transitions to take place. This issue in particular is much easier said than done, considering the previous regimes ideologies, and their stance against this nuance of free open markets. In particular, the population does not truly understand these concepts.

Another very crucial element in the transitioning process has to do with the "speed of reform." This issue was highlighted by the fiasco and corruption packed transition of the Former Soviet Union, and in particular its privatization of State resources. This "Shock Therapy" endorsed by the United States Treasury and IMF was a total disaster and is a great example of how not to transition.<sup>185</sup> China's

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<sup>184</sup> Stiglitz (2003) p. 140

<sup>185</sup> Ibid p. 140

“gradualist approach” and order in which transitions took place and subsequent success is a great example of how to perform governmental transition. One very positive aspect of Cuba and its similarity to China has to do with its tendencies to be an agricultural society. The sugar plantations dominated Cuba’s economy until the collapse of the Soviet Union. This is important because China’s successful transition was to some extent due to this very fact. “It was neither gradualism nor experimentation, but rather China’s economic structure, that proved so felicitous to reform. China began reform as a peasant agricultural society, EEFSU (Eastern Europe and the Former Soviet Union) as a urban and over industrialized ... In Gershenkron’s famous phrase, China had the advantage of backwardness.”<sup>186</sup>

## **12.2 Cuba’s Critical areas of Focus in the Transition Process**

### **12.2.1 Preliminary Transitional Elements**

Considering Cuba’s current standings among the international community, specifically the United States, a significant amount of work is needed to be done regarding the change of this status. This would not only help to get Cuba grants and funds from these countries but would also be the first step in the transitioning process. One of these key changes that must be done is the allowance of international observing to take place, or transparency. This change would drastically improve relations with the United States as well as the European Union. International agencies and organizations such as the World Bank, International Monetary Fund (IMF), Inter-American Development Bank (IADB), Organization of American States (OAS) and the United Nations (UN) will also play significant roles in the transformation process. These agencies and organizations will not only help to fund the transformation but also help the interim Cuban government to make changes, in terms of recommendations in both policy and organization. Additionally, the Helms-Burton Act “provides the basis for the US government,

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<sup>186</sup> Sachs and Woo (1994) p. 102

through its directors at these agencies to request that planning for assistance to a transition government in Cuba.”<sup>187</sup>

Cuba must become a member of a number of these agencies before aid and other transitional help is given, this is particularly true of OAS and IADB membership. Cuba is technically currently a member of the OAS, but on paper alone and does not participate in, or is included in any form of OAS work due to the *Eighth meeting of Consultation of Ministers of Foreign Affairs in 1962*.<sup>188</sup> Joining these multi-lateral organizations requires a large amount of bureaucratic work to be done, and a considerable amount of time.<sup>189</sup> Considering the importance of timing in any transformational process, this preliminary work is vital to any future Cuban transformation.

### **12.2.2 Low-income and Poor Cuban Population**

Considering the fact that this transition process towards democracy and open free market economic policies is being made in order to benefit the Cuban people, it is important not to forget them in this process, specifically the poor. “Few people doubt that the poor, or particular groups of the poor, are adversely affected by certain adjustment measures.”<sup>190</sup> That being said, a critical element to a successful transition is the inclusion of policies and even organizations/institutions whose sole purpose is to safeguard the poor in combination with constant vigilance and quick alterations in policy to avoid this pitfall. Transitional policy makers have the responsibility to deal with not only “whether to adjust, but how to adjust in a manner that minimizes the negative impact on poverty, or, even better, that

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<sup>187</sup> Betancourt (2004) p. 68

<sup>188</sup> <http://www.oas.org/documents/eng/memberstates.asp>

<sup>189</sup> IADB Charter and <http://www.iadb.org/aboutus/VI/borrowing.cfm?language=English>

<sup>190</sup> Nelson (1984) p. 983



transform plans for alleviating poverty into a strategy for attaining sustainable economic growth.”<sup>191</sup>

### **12.2.3 Urgent Need for Cuban Infrastructure**

The state of current Cuban infrastructure is not fully known due to the secrecy of the Castro regime, but it is considered dilapidated by international standards.<sup>192</sup> In order for any transition to be successful, the core economic sectors must be maintained and improved. Moreover, anything related to these key economic sectors must focus on the ports, railways, roads, and communication networks/systems. These are just a few of these types of related infrastructures improvements needed. Considering the nature of Cuba’s economic make up, or dependence on the sugar and tourism industries, basic infrastructure plays a key role. Improvements in infrastructure are very costly endeavors. This type of work would require the help of the agencies mentioned above, the high costs of such works are further increased considering Cuba’s natural resources and location, or the fact that it is a relatively small island.

### **12.2.4 Monetary System**

Cuba’s transition would undoubtedly affect the monetary system. Prior to 2004, United States dollars were allowed, and had a fixed exchange rate of 25 Cuban pesos to one dollar. However since then, aside from the Cuban peso, only foreign currencies were allowed. During a transition process, anything that facilitates the foreign direct investment and interests of business in Cuba has a positive effect. As such, the adoption of US dollars as the currency in Cuba could have a very positive outcome, similar to that of Ecuador. This change in the monetary system could be made temporary until Cuba was able to achieve a specific level of GDP, and then the revalued Cuban peso could be re-introduced.

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<sup>191</sup> Graham (1994) p. 4

<sup>192</sup> DeRouen and Bellamy (2008) p. 193

### **12.2.5 Privatization**

In light of the lessons learned in both the former Soviet Union and China, the privatization of certain state assets, those who do not affect the security and welfare of the Cuban people, could be gradually undertaken. With the help of both international agencies as well as foreign and domestic investors, a re-organization of Cuban assets would be very beneficial in terms of increasing efficiency and effectiveness thereby increasing overall Cuban wealth. This aided privatization would encourage Cuban entrepreneurs to create businesses within and outside of Cuba, further increasing GDP.

### **12.2.6 State and Social Changes**

As mentioned before, many changes in State policy would be needed. This process should be done as democratically as possible allowing the Cuban population to choose the extent of reforms. Allowing the Cuban people to make governmental changes is an enormous social change. This change might not come easy to the people who have been under rule of a communist system for their entire lives. That being said, programs educating the people regarding the new systems should be employed to allow them to make knowledgeable decisions regarding public and international policies.

### 13. Conclusion

As outlined in the previous sections, Cuba has experienced a long and complicated history of control. The country was controlled first by the Spanish following their discovery of the island of Cuba. The United States, who although assisted the Cubans in their efforts to win their independence from Spain but ultimately sought to impose measures that benefited the US, was the next nation to control Cuba. And lastly, Cuba has been under the rule of a number of dictators, the most significant of which was and is Fidel Castro. Castro has controlled the country for the last four and half decades. His policies have significantly affected the country's relationship with both the United States and the Soviet Union. The US embargo of Cuban goods and services and Cuba's subsequent reliance on the Soviet Union for its economic survival have played a key role on the sentiments of the Cuban stakeholders.

As a result of its complicated history, which contributed significantly to the development of its economic sectors and policies, Cuba's economy remains dependent upon a limited number of sectors, the most important of which is its sugar industry. Both the United States and the Soviet Union have contributed to Cuba's dependence on the sugar sector. For many, the fall of the Soviet Union was expected to cause the collapse of the Cuban economy. However, Castro was able to implement reforms that prevented this occurrence. Nevertheless, for Cuba to transition from a communist system to a democracy and to capture the growth potential of its various economic sectors, it would require significant investment in infrastructure to attract new investment to the Cuban economy.

Given the history and the composition of the economy, Cuba's stakeholders have been affected by both international and domestic events. Further, as has been demonstrated in the document, these stakeholders can be divided into a variety of groups that range from radically opposing the Castro regime to radically supporting it. With the recent transfer of power from Fidel Castro to his brother Raul, there is much speculation as to the future of Cuba and its transition. Various

scenarios can be envisioned that include everything from civil war to the transition to a democratic system. Each stakeholder group has a different perspective as to the likelihood of these possibilities as well as the potential impact on them.

Based on the analysis, obviously a peaceful transition would be in the country's best interest. The international community favors a transition to a liberalized economy. However, given the radical stakeholders in Group D2 and E2, a coup could occur, especially in light of the recent move to the Left by neighboring countries like Venezuela, Bolivia and Ecuador.

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