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INSTITUTIONAL REFORM AND SOCIAL POLICIES IN POST-COVID CUBA: AN AGENDA FOR COOPERATION

Bert Hoffmann, *Lead Researcher at the German Institute for Global and Area Studies and Professor at Freie Universität Berlin, Germany*

SIX YEARS OF THE CUBA-EU COOPERATION AGREEMENT: A CHANGED ENVIRONMENT

Cuba and the European signed the Political Dialogue and Cooperation Agreement (PDCA) in December 2016. In many ways it has been a very long six years. Four years of Trump's US government disrupted the world and, with regard to Cuba, abruptly cut short the normalisation process begun under the Obama administration. Instead, the US embargo has been tightened. Moreover, a shrill rhetoric has returned, as much from Republicans in Washington as from the Cuban-American community in Miami, that casts long shadows over any ideas of dialogue and reconciliation.

At the same time the Cuban economy has gone from bad to worse. The COVID-19 pandemic brought international tourism to a standstill and led to dramatic disruptions of the island's economic and social life. Hopes for increased political tolerance in the post-Castro era have not been fulfilled. When popular frustration erupted in street protests on July 11th 2021, the state responded heavy-handedly. Hundreds were put on trial and given often draconic jail sentences. As plane traffic resumed, emigration soared.

Hopes that the Biden administration would return to a policy of engagement have not materialised, even if in May 2022 Washington lifted some restrictions on travel, remittances and immigration. Russia's war on Ukraine spells further bad news for the Cuban economy: the cancellation of transatlantic flights from Russia has brought Russian tourism to a standstill; rising international prices of grain, energy and other products will further deepen Cuba's hard currency crunch; while Russia's capacity for investments, soft credit and assistance will be impaired.

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CUBA'S NEW SOCIAL POLICY AGENDA

In Cuba, as in so many other parts of the world, the pandemic has placed social policy high on the agenda of policymakers. In the “good old days” of Cuban socialism, the revolutionary leaders preferred to speak about “social accomplishments” (*conquistas sociales*) rather than social policies. Health and education were the banners that brought international recognition to Cuba’s development model. Many core social policies in other countries, such as assisting the poor and unemployment benefits, were seen as typical of capitalism. There was no need for them in socialism: the state economy would provide full employment and everybody was expected to be able to lead a modest but dignified life on their salaries or, if retired, their pensions.

However, this seems a distant past. Cuba’s socio-economic model was in crisis long before the pandemic hit. The all-dominant state sector of the economy that was the great mechanism of social integration and equality went into reverse in the crisis of the early 1990s that followed the demise of the Soviet Union. As the Cuban peso (CUP) lost value, so did peso-based salaries; on the eve of the COVID-19 pandemic, the peso stood at 1:25 to the US dollar, distorting all economic relations. Access to hard currency from remittances sent by emigrated family members, tourism work and other means became a key dividing line in Cuban society, opening **new social inequality gaps**.

Adding to the Cuban economy’s woes are the pandemic-induced collapse of international tourism hitting Cuba’s leading industry, lockdown measures weighing on domestic economic activity, and emigrant remittances decreasing due to US sanctions and reduced travel. As a result, the economy contracted sharply. Meanwhile, the state’s foreign currency crunch has reduced import capacity, making 2021 a disastrous year for Cuban agriculture. According to **government reports** production fell below planned output in 32 out of 37 sectors. For the population this translates into severe shortages of food and other basic consumer goods. Prices on formal and informal markets have sky-rocketed. Inflation has gone up and people’s living standards down.

As a result, social issues have come urgently to the fore. Cuba today is facing a social policy agenda in which longstanding problems combine with new ones. Within the framework of the “Foro Europa-Cuba” Jean Monnet research network, experts from Europe as well as Cuba provide thorough analyses of different aspects of this agenda in the volume *Social Policies and Institutional Reform* (ed. Bert Hoffmann; published by Verlag Barbara Budrich, 2021). The topics range from housing to food security, from changes in the institutional and regulatory framework of the economy to the overarching legal context provided by the constitutional reform of 2019, steering readers and interested actors through the necessary agenda of reform and cooperation. Before we highlight some of these fields, a potential overarching framework for EU-Cuba cooperation in times of heightened political polarisation will be proposed.

FINDING COMMON GROUND: THE UN'S SUSTAINABLE DEVELOPMENT GOALS AS A FRAMEWORK FOR COOPERATION

The Political Dialogue and Cooperation Agreement Cuba and the European Union signed those long six years ago remains in place. However, few would say it has lived up the hopes once held for it. The context has become much more adverse since both partners heralded it as a breakthrough agreement, overcoming the decades-long stalemate of the EU’s so-called “common position”.

However, even under current conditions there are areas where political dialogue and cooperation could play a positive role. Given the revived ideological confrontation between the “Western” industrialised democracies and non-liberal forms of government, it seems necessary to re-think the fundamentals of EU cooperation with Cuba. Perhaps the broadest and most promising conceptual mindset can be found in the United Nations Sustainable Development Goals (SDGs), as goals to which both the EU and Cuba subscribe.

In the opening chapter to the mentioned volume on *Social Policies and Institutional Reform* **Laurence Whitehead** makes the case for using the UN’s SDGs as a framework for thinking about a meaningful dialogue between Europe and the government in Havana on the island’s specific social policy dilemmas and the role external actors could play in overcoming them. He identifies six major policy areas: healthcare, food security, transportation, housing, education

and employment. All are addressed by the Sustainable Development Goals and all are essential aspects of Cuba's current social policy challenges. As they also raise specific questions about effective governance they could form part of both the political dialogue and the cooperation elements of the EU-Cuba agreement.

SECURING SUSTAINABILITY AND EMPLOYMENT: COOPERATION FOR ECONOMIC REFORM

The SDGs' emphasis on sustainability extends to the financial sustainability of the provision of social services. This will not be possible without the economy returning to a growth path, in line with SDG 8, which seeks to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". For Cuba this raises the thorny question of the low efficiency of the economy's large state sector, the slow-moving reform towards more market mechanisms and opening to non-state actors, as well as the monetary tensions that have resulted in a painful inflationary process and a de facto multiple-currency system.

Under Raúl Castro the Cuban government sketched out a reform agenda which, while emphasising the state's central role in the economy, includes a broad range of reforms with potentially far-reaching implications. Implementation, however, has been painstakingly slow, uneven and at times contradictory. However, the economic fallout from the COVID pandemic has made reform inevitable, including the long postponed monetary reform of January 2021 and the creation of a legal basis for micro, small and medium-sized enterprises (in Cuba called MYPYMEs). What could in principle be a breakthrough reform, so far remains of limited impact in practice. Not only do numerous regulations restrain the dynamic growth of the sector, but the collapse of tourism plus the depressed purchasing power of the Cuban people makes for a tough business environment for any new private initiative. Nevertheless, Cuba has been moving from an essentially state-run, centralist economy to one in which state and private actors are learning to co-exist, albeit uneasily.

In the past, the EU and a range of its member countries have sought to accompany the reform dynamics on the island via cooperation projects. The Foro Europa-Cuba network addressed a number of the topics regarding **cooperation for economic reform** in its first year, in pre-pandemic times. While the economic prospects have become much bleaker since, the need for improved economic performance, and with it reform, seems more urgent than before. The pursuit of SDG 8 hence opens up a wide range of potential cooperation activities in line with the EU-Cuba cooperation agreement of December 2016. These include means of fomenting the emergent private sector; assisting with the reform of the state sector of the economy and the need to provide alternative employment and income possibilities for its excess workforce, along with coherent assistance systems for the unemployed; and scope for assessing the issues raised by the monetary reform or providing training to workers obliged to adapt to new functions and challenges.

FOOD SECURITY

Since the early days of the Cuban revolution, the ration card system (*la libreta*) has been a key element of social policy, guaranteeing a base level of foodstuffs and other goods to the entire population at highly subsidised prices. Bypassing market mechanisms, emphasis was not on quality, attractive packaging or consumer's individual wishes, but on socially equalising across-the-board distribution unmediated by income or wealth. The scheme was based on two core assumptions: that the state would have the funds to subsidise such a large share of domestic as well as imported production; and that society was largely homogeneous, in accordance with socialist parameters of very limited income differentials.

Today, neither assumption holds. Soviet subsidies are long gone, while the Venezuelan largesse that helped sustain the system in the early 2000s has declined due to the South American oil-producing country's own crisis. During his tenure, Raúl Castro repeatedly stressed that the country can only consume as much as it produces, and that gratis services and subsidies will therefore need to be reduced. Second, society has become heterogeneous, with wide gaps in purchasing power between those who participate in the dollarised sectors of the economy – via work in tourism, receiving remittances, the black market, or other means – and those that essentially have to get by on the devalued peso salaries and pensions. While for

the latter the *libreta* rations are essential, those with better incomes who are not in dire need also receive an equal share of subsidised foodstuffs.

Hence, the economic reform agenda put forward under Raúl Castro's tenure included the switch to targeted social assistance schemes that concentrate state subsidies on those in need rather than the across-the-board subsidies of the ration card system. Meanwhile, reviving agricultural production would mean offering the producers more attractive prices not only on the agricultural markets but also for the large share of their produce they have to sell to the state.

However, implementation was repeatedly put off due to the social and political uncertainties associated with such a step. In the profound post-pandemic crisis these uncertainties have only grown. In the wake of the 2021 monetary reform, prices for *libreta* products were raised in line with salary hikes but the system itself was not touched. To keep inflation at bay, the state tends to resort to price caps on the markets, which are at odds with the incentives for producers and fuel the expanding black market.

While Cuba still has a state-run distribution system of foodstuffs in place to prevent widespread hunger and malnutrition (in line with SDG 2 “Zero hunger”), the quantity and quality of nutrition have become a problem for increasingly large sectors of the population. At the height of the pandemic onslaught in 2021, nations like Russia and Mexico sent food shipments to Havana, while the World Food Programme has been active in Cuba for many years, supporting programmes targeted at schoolchildren, pregnant and breastfeeding women and elderly people.

Both the pandemic and the economic fall-out from Russia's war in Ukraine have dramatically increased the costs of food imports and have shown the risks of import-dependency. A long-term perspective on food security hence involves increased domestic food production, improved cooling chains for food preservation, and other similar measures. To achieve this, a stepped-up incentive structure for producers will be required, but so will investment. Providing the incentives is a task for the Cuban government, but finance could be supported by credit and investment from European initiatives, both private and public.

Meanwhile, the economic viability of Cuba's rural sectors could be enhanced by promoting de-centralised energy production via bio-mass, wind and solar. Such decentralisation would require both a change in the government's policy approaches as well as investments in wind turbines, solar panels and electrical grid infrastructure. Europe could be a key partner in this undertaking, which could provide opportunities for qualified employment that would put to work Cuba's investments in higher education; make living in Cuba's rural areas more attractive and thereby help counter rural-urban migration pressures; and, eventually, result in higher food production and availability in rural Cuba as well as in the cities.

HEALTHCARE COOPERATION: COVID-19 VACCINATIONS AND MEDICAL PRODUCTS

Cuba's healthcare system has been a source of particular pride for the revolutionary government. Indeed, the universal, cost-free coverage, expansion of hospitals to all the country's provinces and family doctor system that covers the nation's 11 million inhabitants are achievements without parallel in Latin America. At the same time the health system is not exempt from the profound crisis the island is undergoing. The devaluation of salaries has led many qualified workers to abandon the sector, investments in maintenance and modernisation have fallen below the needed levels, and as the pandemic has deepened the country's chronic hard-currency crunch, severe shortages have affected many medicines with drastic effects on the quality of the healthcare the system can provide.

The COVID-19 pandemic put Cuba's health system to the test. Initially, Cuba was successful at controlling the spread of the virus, at least until June 2021. In the early months of the pandemic, Cuba sent medical brigades to assist dozens of countries in coping with the disease, including to Bergamo in Italy's rich Lombardy province, where hospitals were overwhelmed by a dramatic onslaught of COVID.

Cuba's biotech sector achieved the truly extraordinary feat of developing two anti-COVID vaccines with remarkable efficacy, but neither had been mass produced or widely administered when the Delta strain reached the island in the summer of 2021. The effect on Cuba's ageing population was devastating. Hospitals were overrun. The near-collapse of the system and the dramatic lack of oxygen took a severe toll among the ill. Simply put, Cuba's vaccines came a few months late. When they did become widely available, they proved highly successful,

allowing for the immunisation of the population without depending on imported vaccines. The mass vaccination campaign saw more than 87% of the total population fully vaccinated as of April 2022, one of the highest rates in the world.

The bio-tech sector is a rare island of efficiency and high tech in Cuba's largely moribund industrial landscape. It is simply remarkable that within a short period of time and despite the limitations of the island's dire economic situation and the US embargo, Cuba's scientists were successful in developing anti-COVID vaccines – a task beyond most of the West's powerful pharma companies. Both of Cuba's vaccines, “Abdala” and “Soberana” are so-called *conjugate vaccines*, like those used against meningitis and typhoid around the world for many years, including for children. Compared to the mRNA vaccines of Biontech/Pfizer and Moderna this is “old school” technology – but with the great advantage of easy storage and application, as well as a long-standing record of showing little side effects. There has been some debate about the high efficacy rates in the published data from phase III trials and data transparency may be an issue, but the Cuban vaccines stood the test of real life: when the vaccination campaign eventually got under way the efficacy shown in the preceding tests was confirmed, province by province, and it effectively brought the spread of the pandemic under control.

Both Cuba's experience in sending medical staff abroad and its COVID-19 vaccines present opportunities for EU-Cuba cooperation. The WHO successfully worked with Cuban medical brigades during the 2014 Ebola outbreak in West Africa and Cuban medical teams contributed to the fight against the COVID pandemic in more than a dozen countries, including the Anglophone Caribbean. In the quest to achieve SDG 3 “Good health and wellbeing”, there are many ways Cuba's medical services could become a helpful part of triangular arrangements between the EU, Cuba and third countries.

A [Turin-based study of Cuba's Soberana Plus vaccine](#) included Italian volunteers to find out how the Cuban booster shot performed with people vaccinated with other types of vaccines. More recently, a [contract was signed for an Italian company](#) to complete the final production phases of the Soberana-02 vaccine, specifically for use in children. This may help overcome what has been the crucial bottle-neck for the Cuban vaccines on the global market: the lack of WHO approval. While getting certification for the European market seems a long shot, Cuban vaccines produced in Italy may be successfully exported to countries beyond the EU and in the Global South. Given their easy storage and application requirements they could be a useful addition to the portfolio of vaccines in the EU's global health promotion strategy.

POLITICAL DIALOGUE: INSTITUTIONAL TRANSFORMATION AND THE PROMISE OF A “STATE OF LAW”

The 2016 agreement between Cuba and the European Union explicitly includes “Political Dialogue”. Given the opposing ideological viewpoints, the repressive response to the July 11th 2021 street protests, and the Cuban government's longstanding policy of decrying unwelcome initiatives as intrusions on the country's national sovereignty, such dialogue is a high-wire act.

However, the successful pursuit of any of the Sustainable Development Goals, be it “zero hunger” (2), “quality education” (4), “clean water and sanitation” (6) or the reduction of inequalities (2), will be impossible without adequate, effective governance structures. Moreover, SDG 16 “Peace, justice and strong institutions” explicitly addresses the institutional (i.e. political) structures. While continuing to defend the political order of state socialism and single-party rule, the Cuban government sees the need for institutional transformation. The Constitutional reform process is the clearest sign of this, but there are many others, from the updating of economic legislation to the proposed reform of the family code – including the fact that the latter's approval will be decided on by popular referendum, a novelty in Cuban politics.

After Fidel Castro's long, highly personalist tenure, Raúl Castro sought to strengthen the institutions of Cuban socialism. His successor, Miguel Díaz-Canel, has not only pledged continuity in this regard but has also emphatically spoken of Cuba as a “socialist state of law” (*Estado socialista de derecho*). In a liberal conception of democracy, the rule of law is incompatible with single-party rule by a Communist Party which the Constitution declares to be the “guiding force” in state and society, thus denying the institutional autonomy of the judicial branch of power. Nevertheless, in the Cuban context the *Estado de derecho* holds the promise of an institutionalised bureaucracy guided by the written principles of legal norms which should be above any decisions of a supreme Commander-in-Chief or Politburo.

To be sure, the reality does not live up to such promises. The extremely long jail sentences handed down to participants in the July 11th protests seem clearly to be much more repressive political signals of deterrence than the consequence of the sober application of the law. But even then, the political promise of an *Estado de derecho* is important – just as the Helsinki Accords were with regard to the socialist states in Eastern Europe during the Cold War. It is the yardstick by which the Cuban government itself has asked to be measured and, minus the adjective, an *Estado de derecho* could be a shared reference point in the dialogue between the European Union and Cuba.

RECOMMENDATIONS

To promote an agenda of cooperation and dialogue between the EU and Cuba, as called for in the PDCA signed in December 2016, and to bypass the ideological blockades that stem from the partners' clearly different political systems and worldviews, the ***UN's Sustainable Development Goals seem to provide the most adequate overarching framework*** the two partners share. While the SDGs concentrate on substantive areas such as healthcare, food security, transportation, housing, education and employment, they also raise questions of effective governance. As such, they fit both the political dialogue and the cooperation parts of the EU-Cuba agreement.

Cuba needs to import medicine and inputs for producing medicine domestically, and the EU could include such deliveries in ***triangular cooperation arrangements with Cuban medical services*** between the EU, Cuba and third countries, thus promoting SDG 3 “Good health and wellbeing” on the island and beyond. Moreover, ***cooperation in the production, certification and distribution of Cuban-made COVID-19 vaccines*** could be a useful addition to the portfolio of vaccines in the EU's global health promotion strategy.

Cuba's economic reform seems crucial to accomplish “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (SDG 8). Europe has an array of instruments to ***assist an economic reform process and to foster employment*** including means to foment the emergent private sector; assisting the reform of the state sector of the economy and developing alternative employment for its excess workforce; and training for administrative personnel obliged to adapt to new functions and challenges.

Any long-term perspective on food security involves increasing Cuba's domestic food production as well as improved transportation logistics and cooling chains for food preservation. Providing coherent incentives for producers is the Cuban government's task; but in line with the “zero hunger” goal of SDG 2, ***the EU could support such measures aimed at improved food security via credit and investment from both private and public sources.***

As a shared aspiration of both EU values and official Cuban discourse, the ***concept of a state of law (Estado de derecho)*** can be used ***as a yardstick for political dialogue*** with Cuba even if it comes with the adjective “socialist” and the context of a constitution which defines the Communist Party as the “superior ruling political force in society”. While practice may be found wanting, in line with SDG 16 “Peace, justice and strong institutions”, the commitment to the principle of the rule of law is crucial and may provide a constructive setting for advancing discussions on the thorny issue of human rights.

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