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Cuba for Cubans? World-Systems Theory &
Contradictions in Cuban Development since 1990

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Sociology Honors Research

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Abstract: Not long ago, eighty-five percent of Cuban trade was conducted through the the Soviet Union's Council of Mutual Economic Assistance and the US maintained a strict economic embargo. Today, most Cuban trade is conducted with countries as diverse as Venezuela, China, and Canada, and despite the economic embargo, the US is the largest source of food for Cuba. The fall of the USSR in the early 90s forced Cuba into restructuring its trade, with widespread repercussions throughout Cuban economic, political and social systems and the ideology behind them. World-systems theory offers a theoretical framework that allows an understanding of the transition of Cuban society within an international, national, and ideological context. Contradictions in key areas of Cuban policy are specific manifestations of general contradictions in the capitalist world-economy.

Cuba is largest Caribbean island and home to eleven million people split evenly between male and female. Seventy-five percent of Cubans live in urban areas, including over two million in the capital of Havana (CIA, 2011). The racial composition is sixty-five percent white, ten percent black, and twenty-five percent mestizo or mulatto. The Cuban labor force consists of five million people, seventy-eight percent of which are employed by the state (CIA, 2011). Twenty percent of the labor force works in agriculture, and another twenty percent works in industry. The remaining sixty percent work in service sectors, including education, medicine, and tourism (CIA, 2011).

Cuba's 2010 gross domestic product (GDP) purchasing power parity (PPP) was valued at \$114 billion, with a per capita PPP of \$9,900. The service sector, primarily tourist and medical services, produced seventy-three percent of the GDP(PPP) (CIA, 2011). Four percent of the GDP(PPP) came from agricultural products like citrus and coffee, and twenty-three percent derived from industrial products like nickel, steel, pharmaceuticals, as well as agricultural products like sugar and tobacco that need industrial processing to be a finished product. Cuban exports, mostly nickel, medical or agricultural products destined for China, Canada, Spain or the Netherlands, totaled \$3.3 billion in 2010, while imports of oil, food, machinery, and chemicals primarily from Venezuela, China, Spain and US totaled \$10.2 billion (CIA, 2011).

Not long ago, the Soviet Union (USSR) was Cuba's largest trading partner, supplying eighty-five percent of Cuban imports and receiving the vast majority of Cuban exports in sugar, citrus, and nickel (Aponte-Garcia, 2009). The neoliberal restructuring of the USSR in the late 80s and early 90s forced Cuba into restructuring its trade, with widespread repercussions throughout Cuban economic, political and social systems and the ideology behind them. Twenty years later, the Cuban state continues to struggle with this transition. Contradictions in Cuban state policies since 1990 expose deeper contradictions within the fundamental structure of the capitalist world-system.

World-Systems Theory

Immanuel Wallerstein's world-systems theory examines the interaction between three global social facts: the capitalist world-economy, the states-system, and the dominant global culture. First is the capitalist world-economy, a large geographic zone with a division of labor unbounded by a political or cultural structure, that originated in sixteenth century Europe and Americas (Wallerstein, 2005). Capitalism, the structural prioritization of the endless accumulation of capital, constantly expands in order to maintain the cohesion of the world-

economy's division of labor and accumulate profit from the subordinate states-system. Capitalist economic priorities take precedence over the political priorities of individual states in the states-system.

The capitalist world-economy manifests itself globally in the division of labor between core and periphery production. Core production processes, like new technology and financing industries, are characterized by their profitability, benefiting from the quasi-monopolistic protection of a strong state (Wallerstein, 2005). Peripheral production processes, like textile manufacturing and natural resource exploitation, however, are defined by their competitiveness and location throughout many weak states. They are competitive processes because they do not have strong states to protect markets and ensure high profits.

Primary capital accumulators in the capitalist world-economy, multi-national corporations (MNCs), gradually grow larger as they increase in size through profitability from economies of scale, eventually decreasing slightly in size from rising administrative costs and risks (Wallerstein, 2005). MNCs in strong states are likely to reap the profitable, quasi-monopolistic benefits of internationally protected markets for a few decades at which time other producers enter the market and drive down profitability. The capitalist world-economy produces systemic economic trouble as protected industries lose profitability and they have to relocate, seeking lower costs of production. Semi-periphery countries use their relatively strong states to compete for the newest discarded core processes, attempting to maintain their relative position over other countries with only peripheral processes.

World-systems theory recognizes the second global social fact as the system of sovereign states that originated from the Peace of Westphalia in seventeenth century Europe. The Peace of Westphalia established rules for international relations that guaranteed autonomy between the countries involved. Modern sovereign states centralize power by creating a civil and military bureaucracy that legitimizes claims to boundaries, enabling subordination of regional powers to the state power structure (Wallerstein, 2005). Another characteristic of modern states are citizens, people with rights to actively and equally participate in the political process. The state also protects property rights, creating rules against confiscation and externalizing costs of waste, infrastructure, and resource replacement (Wallerstein, 2005). Property rights and cost externalization protect the profit accumulation of capitalist world-economy.

Strong states produce the conditions for a society to become a nation-state. A nation-state is the social creation of a mythology surrounding the state such as a long chronology and defining characteristics (Wallerstein, 2005), further strengthening its legitimacy and cohesion. Weak states formerly subjected to colonialism of strong nationalist states remain dependent on key core sectors in strong states, hindering economic development within the weak state and transforming it into a device for wealth accumulation.

A hegemony is a state that sets international guidelines, dominates the world-economy, influences and spreads global cultural patterns with the minimal use of its powerful military (Wallerstein, 2005). Hegemonic states offer stability necessary for capitalism to rapidly accumulate profits after a lengthy period of global war and instability that threatened major economic centers with subjugation to a political world-empire. Like quasi-monopolies, hegemonic states must always fail as their focus shifts from economic efficiency to its new political and military role. Rising powers eventually overtake the economic efficiency of the hegemonic power and shift the interstate balance (Wallerstein, 2005).

The final phenomena fundamental to world-systems theory is the global culture based on French Revolution values of naturally progressive political change and citizen responsibility for sovereignty (Wallerstein, 2005). Initially, conservative and liberal ideologies developed around different attitudes toward socially-induced political change and citizen inclusion. Conservatives stress caution in political change, believing the only people fit to enact such changes are those in charge of traditional hierarchical structures. Liberals, on the other hand, see social progression as inevitable and believe educated specialists should lead the constant reform of traditional hierarchies. The brief global revolution in 1848 encouraged the creation of radical ideas that critiqued the dominant ideologies' methods of social progress (Wallerstein, 2005). Anti-systemic movements pressing for inclusion of excluded groups as citizens arose from radical ideas of conscious and direct social action to progress society. While anti-systemic movements succeeded separately as workers', ethnic, and women's groups gained political power within their states, the rising production costs it produced in the capitalist world-economy led to its global expansion.

Upon realizing political power without achieving social change, anti-systemic movements delegitimized the liberal ideology that social progress was inevitable and beneficial (Wallerstein, 2005). New conservative and radical ideologies emerged through this freedom from liberal ideology. Radicals adopted the strategy of a movement of movements, working to unify different excluded groups and views into a single movement, while conservatives created neoliberalism (Wallerstein, 2005). Neoliberal ideology promoted the removal of inclusive policies won by workers, minority ethnicities and women that raise costs of production in order to increase current rates of profit accumulation. Regressive neoliberal policies worsen systemic contradictions not only by fighting inclusive state policies, but also through financial speculation and unilateral use of military strength, producing systemic economic crashes and uncontrollable violence (Wallerstein, 2005).

World-systems theory offers a theoretical framework that allows an understanding of the 90s Cuban transition within an international, national, and ideological context. International relations take place within the states-system, which is subordinated to the capitalist world-economy. Cuba's relationship with the USSR changed in the late 80s and early 90s because of neoliberal changes in the USSR's economic policy. The location of core and peripheral production processes largely shape international relations through dependency. Cuba was dependent on the USSR's core productive processes, and when Cuba lost the USSR as a trading partner, it resulted in economic crisis. MNCs, agents of the capitalist world-economy, are also increasingly important in international relations as they form powerful connections between states, and Cuba has greatly increased its ties to MNCs from a multitude of countries since the 90s.

The Cuban state is necessary to understanding the 90s transition. Cuba is a country that has developed a sense of nationhood largely defined by the quest for independence against the advances of a hegemonic US. The modern Cuban state arose as a civil and military bureaucracy during a revolutionary insurrection against US-backed President Fulgencio Batista starting in the rural East during the 50s. The resulting revolutionary Cuban state greatly expanded the Cuban citizenry and established a socialist state structure based upon the participation in the Communist Party.

The ideological context contained in world-systems theory is essential for analysis of the

90s Cuban transition. The Cuban state has its roots in a socialist anti-systemic movement from the 50s and 60s that challenged the dominant liberal ideology. The revolutionary Cuban state transformed Cuban economic and social system into a more egalitarian and inclusive society. Having successfully transformed the country, but not the world, Cuba now faces the ideological divide between radicalism or neoliberalism.

Pre-90s

In 1959, after years of armed rebellion across Cuba, a general strike brought the anti-systemic 26 of July Movement, headed by Fidel Castro, into power. Castro quickly reestablished diplomatic relations with the USSR and reformed agrarian land holdings (Pérez, Jr., 2011). Agrarian reform established the precedent of nationalization of foreign-owned property and expropriation of domestically-owned property. After US companies refused to refine oil from the USSR, the Cuban government nationalized their refineries. Nationalization spread to other large sectors of the Cuban economy, including banks and utilities (Aponte-Garcia, 2009). While some countries, like Canada and Spain, received compensation for their nationalized property, the US refused the Cuban government's offer, using its hegemonic power to establish a national trade embargo and orchestrate sanctions from the Organization of American States (OAS) (Aponte-Garcia, 2009).

Early trade deals with the USSR exchanging sugar for oil, machinery, and credits solidified sugar as the base of Cuban economic relations with the USSR. Cuban dependence on core production processes in the USSR led to Cuba adopting Soviet foreign and domestic policies (Aponte-Garcia, 2009). In 1968, not only did the Cuban government strengthen its ties to the USSR as it invaded Czechoslovakia, but it also carried out the expropriation of 57,000 small businesses, effectively completing the nationalization of the economy (Pérez, Jr., 2011).

During the 70s, Cuba's economy increasingly resembled the state-run, centrally-planned Soviet economy. In 1972, Cuba joined the Council of Mutual Economic Assistance (CMEA), the USSR's centrally-planned international trading bloc, which banned members from engaging in trade with countries outside of the CMEA (Aponte-Garcia, 2009). By the late 80s, economic problems had led the USSR to begin liberalizing through glasnost and perestroika. Cuba responded with Rectification, new policies combating corruption and improving productivity and efficiency without introducing neoliberal reforms to its political or economic systems (Aponte-Garcia, 2009).

Early 90s

In the early 90s, the USSR disbanded the CMEA. Due to internal and external pressure, most Communist leaders distanced themselves from Marxist-Leninist centralized economy, enacting neoliberal reforms to develop a market-oriented economy and increase ties to the United States. Cuba found itself increasingly isolated without military support or trading partners. In 1992, Russia reduced its supply of military training and supplies to Cuba to a cash-only basis (Pérez, Jr., 2011). No longer protected by the Soviet Union and denied access to major markets by strong Western states, Cuba was subjected to the full force of the international capitalist economy as a peripheral country without access to core products.

The United States used Cuba's isolation to strengthen its economic embargo and exert some control over Cuban trade during the transition. President George H.W. Bush issued an

executive order banning ships engaged in trade with Cuba from US ports. Later in 1992, US Congress passed the Toricelli Act which extended the port ban for six months after a ship's last visit to Cuba, banned US subsidiaries from trading with Cuba, authorized the President to withhold economic aid to all countries that provide aid to Cuba, and openly supported nonviolent regime change in Cuba (Pérez, Jr., 2011). Cuba found itself thrust into new unequal international relations with a global hegemony in control of core technology and finance sectors limiting Cuban industrialization and development. Expression of the hegemonic power of the US caused many businesses to withdraw from Cuba. Early in his first term, President Clinton enacted an executive order banning all travel and remittances to Cuba (Pérez, Jr., 2011). US policy was designed from a hegemonic perspective that saw an opportunity to deepen popular discontent in Cuba through economic isolation in order to induce political mobilization for neoliberal, pro-US regime change.

Unable to secure alternative access to core products and services, imports of oil, food, raw materials, spare parts, fertilizer, and feed declined significantly. Cuban industrial production decentralized and downsized with half of factories closing in the early 90s. Agricultural production in eleven of the top fifteen top agricultural commodities declined, and many sugar mills closed, ending a way of life for thousands of people. Cuts in production and employment led to the displacement of twenty percent of the population (Pérez, Jr., 2011). Hunger and sickness ravaged the Cuban population because shortages in food, feed, medicine and medical equipment limited the extent and quality of rations, healthcare, and education. Most consumer goods disappeared from state run stores and the scarcity of oil led to blackouts and the replacement of vehicle traffic with bicycles and animals. The Cuban government amassed a budget deficit of 30% of its GDP in 1993 due to efforts to preserve social gains in education, healthcare, nutrition and employment (Pérez, Jr., 2011).

During the early 90s it became impossible for Cubans to live their ordinary life. The Cuban economy shrank 40% from 1990 to 1993 (Pérez, Jr., 2011). Instances of individual dissent, such as graffiti, workplace theft and absenteeism, increased among the Cuban population. The informal economy expanded from \$2 billion in 1989 to \$14.5 billion in 1993 based on the resale of rations and embezzled resources. The growth of the informal economy contributed to the further devaluation of the peso and state salaries (Valdéz, 2002). The peso economy also experienced brain drain as skilled workers left the state economy in favor of economic opportunities through emigration, the informal economy, or the emerging tourist service sector.

The decline of the state run economy and rise of the informal economy signaled changing relations between the state and its citizens. Cubans began losing faith in the ability of the state to meet their needs. Cuban youth increasingly attempted to escape their uncertain future through emigration, suicide, and drug use (Pérez, Jr., 2011). Many young Cubans delayed getting marriage or parenthood causing marriage and birth rates to decline. Religious activity also revived among the Cuban populace in the early 90s signaling a loss of legitimacy for the state's atheist and socialist anti-systemic ideology. Cubans embraced many religions, including Judaism, Catholicism, Protestantism, and Santería, an Afro-Spiritualist religion (Pérez, Jr., 2011).

In order to retain people's loyalty during austerity measures, the government had to create a new strategy to mobilize the population. This new plan for mobilization, the Special Period in Peacetime, came from measures drawn-up in preparation for a potential war-time scenario.

Central to this strategy was the equal distribution of hardship to forge consensus, reduce inequality, and ensure that all received some of the scarce necessary goods (Valdéz, 2002). The government severely cut production across the economy and implemented new, reduced rations.

Nationalistic appeals to the notion of patria, or fatherland, was essential to maintaining consensus during the Special Period. The notion of patria has its roots in the late 1800s struggle for Cuban independence against the colonial Spanish and domestic annexationists who advocated becoming a US state (Pérez, Jr., 2011). Patria fostered a liberal sense of responsibility to create Cuban citizens in order to participate in and influence political changes within the country. Coupled with the notion of a “Free Cuba,” or Cuba Libre, patria formed the basis for the development of the Cuban nation-state. Appeals to patria during the early 90s legitimized sacrifice for the country and united Cubans behind a national goal to remain independent of foreign domination, particularly from the US.

While patria helped sustain consensus, it also restricted dialogue among the Cuban people since the government aligned itself so closely with the defense of patria that any critique of government policies could be skewed as an attack on the very idea of an independent Cuba. Simultaneously, however, the Cuban Communist Party decentralized party functions to local and regional organizations and introduced secret-ballot election of party officials. In 1992, the Cuban government adopted direct, secret-ballot election of provincial and national assembly members (Pérez, Jr., 2011). While limiting dialogue outside of governmental political structures, the Cuban government also worked to expand citizen participation in the existing political process through decentralization

While the Communist Party and Cuban government embraced limited political institutional decentralization, the government drew the line at economic decentralization. Government hardliners reaffirmed their commitment to anti-market principles in the early 90s (Pérez, Jr., 2011), marginalizing any pro-market reform Cubans participating the political process and eliminating public discussion of such reforms. Despite expanding citizen participation in the political system, the state restricted the discussion of reforms within the political process by making it clear that the state-run economy was non-negotiable.

The Cuban economy, however, needed systemic reforms if it was going to provide Cuban citizens with their needs. Cuban trade was structured around natural resource exports and an increasing dependence on imports (Monreal, 2002). This dependence on imports of core products, while manageable under the CMEA, in the capitalist world-economy created an extreme imbalance of payments. Further exacerbating the imbalance of payments in the early 90s was an increase in the price of oil coupled with a decrease in the price of sugar (Pérez, Jr., 2011), one of Cuba's main peripheral production processes. Cuba's imbalance of payments and the international economic conditions reflect the significant value of access to core production in stabilizing an economy.

The early 90s crisis necessitated reintegrating the Cuban economy within the capitalist world-economy and seeking new sources of core products and services, such as technology and finance. The Cuban government reversed its attitude toward foreign investment, openly courting foreign investors to participate in joint ventures or contractual associations with profit sharing (Pérez Villanueva, 1998). In order to better attract foreign investors, the government began to formally decentralize some aspects of the domestic economy. One such move during the Fourth Communist Party Congress in 1991 was to re-legalize private services and establish limited

property rights (Pérez, Jr., 2011). This signaled to the actors in the capitalist world-economy that the Cuban state was beginning to recognize liberal standards for states, including the protection of property.

European, Canadian, Latin American, and post-Communist MNCs took advantage of this opening, investing primarily in tourist, mining, and agricultural sectors of the Cuban economy. The government allocated scarce resources to the development of these sectors, attracting foreign capital and managers and promoting infrastructure development (Monreal, 2002). Cuba also found international support in its fight against hegemonic US policies that attempted to set the conditions for Cuban international relations. Many nations spoke out against the Toricelli Act because it violated their own national sovereignty by applying US law to subsidiaries of US companies regardless of their national location (Pérez, Jr., 2011).

Mid 90s

In 1993, the Cuban government legalized the possession and limited use of foreign currency among the Cuban citizenry. This greatly expanded the opportunities for investment in Cuba and further allayed fears of nationalization and expropriation. Remittances of US Dollars (USD) increased substantially, despite US limitations on the amount remitted and high fees on money transfers to Cuba. Most remittances to Cuba are sent through mulas, reliable, regionally-based money smugglers (Eckstein, 2004). Remittances from states with core production processes are becoming an increasingly important source of funding for developing countries without preferential access to core funding services. Rising remittances signaled the beginnings of new relations based on transnational bonding between Cuba and its diaspora.

The Cuban state encouraged travel between US and Cuba and lifted all restrictions on emigration to the US in 1994. The subsequent wave of Cuban emigration overwhelmed the US, and President Clinton reversed the long-standing policy of automatic asylum for Cuban refugees, establishing a naval blockade off of Cuba's northern coast (Pérez, Jr., 2011). Over 21,000 Cubans left Cuba in makeshift rafts and boats during the first month of the blockade as it greatly reduced the distance Cubans had to travel in order to enter US custody; US ships were twelve miles away from the Cuban coast, as opposed to the Florida shores ninety miles away. The US and Cuba signed an immigration pact shortly after establishing a US immigration quota of 20,000 Cubans per year in exchange for the Cuban government reinstating immigration laws and curbing illicit emigration, their first treaty since the early 60s (Pérez, Jr., 2011).

New economic issues arose from the introduction of foreign currency to the Cuban economy. Remittances fueled liquidity and the growth of the informal economy, resulting in inflation and erratic informal conversion rates between pesos and USD ranging from twenty pesos to the dollar to 130 pesos to the dollar (Eckstein, 2004). The introduction of USD fractured the formal state economy, already under pressure from a competitive informal economy based on USD, into profitable enterprises with access to foreign USD flows, concentrated primarily in tourist, mining and agricultural sectors, and state-run subsidized enterprises with access to Cuban pesos only.

The government reinforced its commitment to liberal values with neoliberal austerity measures reorganizing and reducing the state ministries in order to reduce the cost of administration. State subsidies and salaries were cut (Valdéz, 2002). Technocrats, while still a minority in the cabinet, were allowed to increase their presence (Corrales, 2004). By 1995,

new bank accounts, stores, taxes, and currency exchange houses catered to possessors of USD, while granting the state limited access to the USD pouring into the Cuban population through remittances.

Dollarization of the economy and the reorganization of state structures were signals of a generally increasing liberalization of government policies. During the mid-90s, the government ended the state monopoly on employment, production and distribution. A private formal economy developed in over 160 sectors, involving more than 200,000 individuals (Pérez, Jr., 2011). Government banks created loans for self-financing. Eighty percent of state land was redistributed to co-ops and private farmers (Pérez Villanueva, 1998). Some private farmers experienced increased autonomous wealth and created more than 300 farmers' markets, but many co-ops suffered from centrally-planned distribution, prices and production plans as well as state restrictions on membership and farm inputs such as fertilizers, pesticides, fuel and equipment (Corrales, 2004).

Public dissatisfaction over falling living standards produced over fifty dissident groups representing around 1,000 members during the mid-90s. Cuban citizens increasingly looked to participate and shape political processes alternative to the existing state structure. Anti-government protests occurred in 1993 and 1994, and also in 1994, Cuban youth rioted in Malécon (Pérez, Jr., 2011). By 1995, small press groups united into the Independent Press Bureau of Cuba (Otero & O'Bryan, 2002). The government, however, remained intolerant of political opposition. The state publicly questioned the legitimacy of dissident groups with ties to the US, a damaging charge fed by the Toricelli Act and public mistrust of the US.

The reforms of the mid-90s integrated the Cuban economy into the capitalist world-economy enough to recover economic growth, the goal of a capitalist economy. Key to this integration into the capitalist world-economy was the 1995 Foreign Investment Act (FIA). FIA legalized profit repatriation and tax exemptions for foreign companies investing in Cuba (Aponte-Garcia, 2009), neoliberal reforms designed to reduce the cost of production for MNCs. Cooperation between the Cuban government and MNCs from sixty nations resulted in 400 joint ventures in thirty-five economic sectors, including tourism, mining, pharmaceuticals, and medical equipment (Pérez, Jr., 2011). Both production and consumption expanded and the state began reducing its trade deficit.

Economic growth recovery, however, came at a huge cost to Cuban society. Forty percent of the population had no access to remittances or the profitable dollar sectors of the Cuban economy, while dollar access for the other sixty percent was mostly erratic. White Cubans in Havana benefited most from remittances, reestablishing urban and racial inequalities (Eckstein, 2004). Socio-economic inequality increased due to the accumulation of foreign currency. Unequal access to USD allowed some Cubans to earn an income twenty-five times the amount of other Cubans in the late 90s (Pérez, Jr., 2011). In a return to pre-1959 social conditions, Cubans were banned once again from patronizing hotels and beaches reserved for wealthy tourists.

Rising inequality from neoliberal reforms eroded the morality of the Cuban peso economy and revolutionary value system, while erratic USD access prevented the solidification of a bourgeois class independent of the state (Eckstein, 2004). Only a small number of Cubans maintained regular access to USD, and the state was in the position to regulate who had access to positions the dollar economy, encouraging loyalty to the government. Interest in education

dropped among both the Cuban government and population when the Minister of Higher Education reduced the number of students admitted to universities (Pérez, Jr., 2011). Teacher morale dropped, and Cubans increasingly left their studies or low-paying jobs in the peso economy for higher-paying positions in the formal or informal dollar economies.

Late 90s

In 1996, US Congress passed the Helms-Burton Act, pressuring foreign institutions and individuals engaged in business with US property in Cuba nationalized in 1960. The Helms-Burton Act permanently extended the embargo until a non-Castro-led government began reforms including clear steps toward organizing multi-party elections and returning nationalized US property (Pérez, Jr., 2011). The Helms-Burton Act enshrined into law the full scale of US hegemonic interests in the future development of Cuba. US-Cuban relations could not resist improving after reaching a new rock-bottom with the Helms-Burton Act.

By the late 90s, the conditions were right for the Cuban state to begin improving its relationship with the US. Pragmatic neoliberal reforms committed Cuba to integration into the capitalist world-economy, and the recovery of growth in the mid-90s signaled the Cuban economy's compatibility with capitalism. In 1998, the US and Cuban Coast Guards began communication and cooperation on anti-drug trafficking measures and air traffic was reestablished between the two countries. President Clinton authorized cultural and educational travel programs, setting a daily spending limit of \$167 for tourists and legalizing quarterly remittances of \$300 (Pérez, Jr., 2011). By 2000, the US had legalized limited commercial food exports to Cuba catering to the interests of multi-national agribusiness producers of corn, wheat, soybeans, wheat, and livestock located within mid-western states.

The Cuban government continued neoliberal reforms, primarily focused on reducing the cost of its political structure, in the late 90s. In 1997, the Fifth Party Congress expressed support for the reforms of the 90s and reduced the number of central committee members (Pérez, Jr., 2011). The Cuban military faced significant cuts during the 90s as well, with an eighty-four percent decrease in military personnel between 1989 and 1999 (Corrales, 2004). The Cuban government created free trade zones in two tourism hot-spots on the northern coast, Havana and Mariel (Pérez, Jr., 2011), and enacted a program of improving the efficiency of state enterprises through decentralization of management and increased access to technology (Aponte-Garcia, 2009). The Pope's visit in 1998 was another example of the Cuban state fortifying its liberalizing image. Also beginning in the late 90s, peso to USD conversions stabilized at around 20-25 pesos to one USD and MNCs received the first contracts to explore oil fields off of the north coast (Pérez, Jr., 2011).

While Cuba continued neoliberal reforms in the late 90s, new reforms deliberately failed to have the intensity or breadth of the mid 90s reforms. Hardliners in the government pushed for developing existing state enterprises over potential business deals with MNCs (Corrales, 2004). Despite the economic rebound, economic and industrial capacity were still below 1989 levels, and Cuban exports were largely dependent on exploitation of natural resources. By 1999, sugar, minerals, tobacco, and fish consisted of 82.6% of exports. Tourism, the fastest-growing economic sector, was also dependent on natural resource exploitation (Monreal, 2002). Most tourist resorts were constructed on fragile coastal ecosystems because of their natural beauty.

Substantial restrictions were left on the partially liberalized domestic private economy

because reforms slowed after the recovery of economic growth. The government did not enact price reforms addressing the dual currency economy, and participation in the decentralized private economy peaked at around ten percent of the workforce, then declined (Corrales, 2004). The state maintained tight control over access to the most profitable economic sectors, those with access to foreign capital and management, while the small, domestic private economy was subject to limited property rights due to selectively enforced anti-profiteering legislation (Corrales, 2004). Some overly-profitable paladores, small restaurants operating out of homes, came under bureaucratic attack from the government, increasing regulation to the point of forcing many paladores to close.

Heavy-handed government regulation through fees, registration and taxes discouraged entrepreneurs from starting state-registered small businesses and stimulated growth in the informal economy. Selective enforcement of laws provided the government with a degree of control over the informal economy. In 1997, the state increased repression of entrepreneurs skirting the laws, disbanding many prosperous markets and small businesses (Pérez, Jr., 2011). By repressing individual ways of living, the government reinforced its cultivation of a small number of state-sponsored profiteers, encouraging party loyalty (Corrales, 2004).

Similarly, the Cuban government repressed independent political activity during the late 90s. Following the scheduling of the first national meeting of the Cuban Council in 1996, the government arrested dissident leaders and worked to remove dissident groups' public presence (Otero & O'Bryan, 2002). The state cracked-down on independent media, and, in 1999, National Assembly Law 88 criminalized collaboration with the US in any anti-government activities (Pérez, Jr., 2011).

Early 00s

Around the turn of the millennium, Cuba's economic strategy was yielding uneven progress and erratic growth. Tourism and mining industries received the most foreign investment, and GDP growth rates from this time ranged from just over one percent in 1998 and 2003 to more than five percent in 2000 (Pérez, Jr., 2011). The number of joint ventures between the Cuban state and MNCs stabilized with very little growth (Aponte-Garcia, 2009). On September 11, 2001 Osama bin Laden's terrorist attack involving flying hijacked commercial airliners into the World Trade Center and the Pentagon greatly damaged global economic growth and peripheral sectors, like tourism, especially. In the face of these economic difficulties, changes in the Cuban cabinet ended with conservative loyalists filling positions rather than reform-minded technocrats (Corrales, 2004).

Agricultural production in Cuba was also hit hard by the economic downturn. Sugar production halved from 4.5 million tons in 1996 to 2.2 million tons in 2003 (Pérez, Jr., 2011). The collapse of the sugar industry called into question the basis of the Cuban economy and resulted in a lack of loans needed to keep the struggling economy functioning. In 2002, the government closed half of its sugar mills, releasing 100,000 workers. This move was a response to economic adversity and not a neoliberal reform because these workers did not necessarily save the state money; they were guaranteed wages, schooling, or land from the government as a condition of their firing (Pérez, Jr., 2011). A few mills were preserved for the tourist sector as museums of a vanishing lifestyle and some former mills were slated for reforestation programs. Most land from the mills was sold or leased to domestic entrepreneurs with the purpose of

diversifying and decentralizing agriculture (Pérez, Jr., 2011).

Cuba faced not only economic pressure from the capitalist world-system during the early 00s, but also hegemonic political pressure from the US following the election of President George W. Bush in 2000. The state of Florida was crucial to President Bush's election, and the conservative Cuban exile community exerted new influence on the President. In 2002, President Bush reiterated hostility toward the Cuban government; the US expelled Cuban diplomats and began to assist dissidents openly (Pérez, Jr., 2011). In response to the renewed hostility and a weakened USD, the Cuban Central Bank reduced the role of USD in local transactions, banning the use of US coins in retail and ending the use of USD as the currency of internal exchange between state enterprises (Pérez, Jr., 2011).

In protest to the open support the US was lending to dissident groups, the Cuban government officially restricted US diplomats' movement. The US diplomats then hosted meetings for dissident groups in Havana (Pérez, Jr., 2011). In 2003, seventy-five Cuban activists were arrested for conspiracy and collaboration with the US, producing sanctions from the EU. President Bush suspended cultural and education programs, made boat and air travel suspicious, and heavily restricted travel and remittances (Pérez, Jr., 2011).

Travel and remittance privileges were limited to only those with nuclear family ties to Cuba. The new policy reduced travel to a total of two weeks every three years, with a spending limit of \$50 per day (Pérez, Jr., 2011). The new regulations divided the Cuban-American community. Migrants who arrived in the US before 1980, while consisting of forty percent of the Cuban-American population, made up seventy percent of Cuban-American voters (Pérez, Jr., 2011). Having migrated for social rather than economic reasons, the pre-80 migrant community largely supported the new restrictions on travel and remittances. Not only did recent Cuban migrants not support the policy change, but the new restrictions were renounced by everyone from Fidel Castro, to Cuban Catholic Bishops and dissidents (Pérez, Jr., 2011).

While the US increased its political hostility, it also increased trading ties with Cuba. The economic ties established between Cuba and the US are characterized by the flow of peripheral products from the US to Cuba in exchange for hard currency. Cuban imports of food from the US increased from \$30 million in 2001 to \$257 million in 2003 (Pérez, Jr., 2011). US imports were the largest source of food, totaling twenty-five percent of food imports, making the US Cuba's fifth-largest trading partner. US travel to Cuba also remained significant with 210,000 travelers in 2003 (Pérez, Jr., 2011). Cuba was moving away from using USD, however, and when the Cuban Central Bank required all cash transactions to be made in a new, convertible peso, they imposed a ten percent exchange fee on USD, with no exchange fees on other currencies (Pérez, Jr., 2011).

Renewed economic ties between Cuba and other post-communist countries contributed to the minimal success of the Cuban economy under new global pressures. Russia strengthened its economic and diplomatic ties to Cuba through credit and plans to expand cooperation in agriculture, manufacturing, science and tourism (Pérez, Jr., 2011). China substantially increased its loans to, and investment in, Cuba from \$775 million in 2005 to \$3 billion in 2008. After a series of hurricanes in 2008, China provided valuable foreign aid and humanitarian assistance (Pérez, Jr., 2011).

Also challenging US hegemony in Cuba was a deepening divide between the US and Latin America. Populist, progressive governments that rejected neoliberal US foreign policies

and embraced socialist Cuban domestic policies came to power in Venezuela, Bolivia, Ecuador, and Chile (Aponte-Garcia, 2009). More Latin American governments advocated for Cuban reintegration into the Organization of American States (OAS), but the notion was rejected by the US and its allies in OAS (Pérez, Jr., 2011). Cuba found an alternative regional integration program in the Bolivarian Alternative (ALBA). ALBA was created in 2005 when Cuba and Venezuela signed the first Strategic Agreement, establishing fair and solidarity cooperation on trade, investment, energy, health and education (Aponte-Garcia, 2009). Venezuela agreed to provide the oil to fulfill a majority of Cuba's energy needs at preferential prices in exchange for the services of Cuban educational and medical personnel. In addition to Cuba and Venezuela, other members of ALBA include Bolivia, Honduras, Nicaragua, St. Vincent and the Grenadines, and Dominica (Aponte-Garcia, 2009). ALBA can be seen as a movement of movements to the extent each member represents an anti-systemic movement.

Tourism also emerged as a profitable base for the Cuban economy. Earnings from tourism totaled \$2.4 billion in 2008, up from \$530 million in 1993. By the late 00s, Cuba was the fifth most popular Latin American tourist destination, responsible for half of Cuba's foreign exchange earnings and 100,000 direct jobs (Pérez, Jr., 2011). While a necessary replacement for the loss of the sugar industry as the base of the Cuban economy, tourism was still a peripheral process. Cuba's weak position within the capitalist world-economy did not allow Cuba to advance into the semi-periphery by developing a core industry as the basis of the economy.

Late 00s

After experiencing a life-threatening illness in 2006, Fidel Castro transferred power of the civil bureaucracy to his brother Raúl Castro, head of the military bureaucracy, officially stepping-down from his positions of power in 2008 (Pérez, Jr., 2011). Raúl Castro quickly adopted the rhetoric of change and enacted largely symbolic reforms. Although few Cubans could afford access to them, he lifted restrictions on tourist facilities and some consumer goods (Pérez, Jr., 2011).

Castro also sought to renew diplomatic relations with the US, a move rebuffed by President Bush. In 2008, Cuba signed UN Covenants on Civil and Political Rights and Economic, Social, and Cultural Rights, which ensure political rights, civil freedom and the rights to employment, fair wages, social security, education, and high standards of physical and mental health (Pérez, Jr., 2011). EU relations began to warm after the Catholic Church negotiated the release of around sixty political prisoners (BBC News, 2010a).

Relations with the US improved with the election of President Barack Obama in 2008. President Obama revised the US strategy for hegemony in Cuba, increasing ties between US and Cuban citizens in order to promote liberal ideology and encourage neoliberal reforms. The Freedom to Travel to Cuba Act lifted President Bush's restrictions on travel and remittances, and, in 2011, the US renewed cultural and educational programs, expanded air routes, and raised quarterly limits on remittances to Cuba (BBC News, 2011a). Improvements in US-Cuban relations hit a snag when a US citizen arrested in Cuba was charged with spying (BBC News, 2011b). Former President Jimmy Carter, however, visited Cuba shortly afterwards in an attempt to improve relations between the two countries, meeting with government and religious leaders as well as dissident groups (Associated Press, 2011).

After nearly two decades of reforms, Cuban citizens still faced significant social and

economic problems. The combination of a high life expectancy and low fertility rates produced an aging population (Pérez, Jr., 2011). The vast number of young emigrants that saw no future in Cuba exacerbated the aging of the population. Projections into 2025 predict that twenty-six percent of the population will be aged over sixty (Pérez, Jr., 2011).

The global economic crisis in 2008, caused by speculative neoliberal policies in core financial industries, damaged the Cuban economy through declines in its key tourism and nickel industries. Foreign investment rates stagnated between eight and nine percent of GDP, and Cuba accumulated a large foreign trade deficit (Pérez, Jr., 2011). In 2008, Cuban exports valued only \$4 billion, with eighty percent of foreign trade taking the form of imports (Pérez, Jr., 2011). Sixty percent of food was imported in 2008, rising to seventy percent by 2010 (Mirhoff, 2010a).

The multi-currency economy resulted in a large portion of Cubans unable to earn a living from their wages. Despite requiring new convertible pesos for all cash transactions since 2004, the state continued to pay workers in the old, undervalued pesos (Pérez, Jr., 2011). The gap between wages and cost of living encouraged workplace theft and corruption, which fueled the high-priced informal economy.

The government responded to these problems with more neoliberal policies. In 2008, the state reorganized its wage and salary structure, abandoning wage equality in the peso economy (Pérez, Jr., 2011). The Cuban cabinet was again consolidated and reorganized, this time incorporating more senior military officials into civil administrative positions (Pérez, Jr., 2011). The military officials have more business experience than the political allies Fidel Castro appointed as cabinet members. The military has been in charge of managing the government's side of many joint ventures in the key tourism industry and others. Shortly after the formation of the new cabinet, the government announced austerity measures to lay-off nearly one million of the five million state employees. Local workers committees, however, have been reluctant to recommend cutting their own jobs (BBC News, 2011c).

The state implemented redistribution of undeveloped state agricultural land with the belief that decentralization of agriculture would boost domestic food production. In 2010, plots of farmland were redistributed to 100,000 Cubans (Mirhoff, 2010a), with the state-sponsored distribution method of on-farm produce stands promoted over the farmers markets that were deemed too susceptible to profit accumulation in the late 90s. Also in 2010, the government published a booklet outlining the newest neoliberal policy reforms aimed at expanding the domestic private sector and foreign investment (Mirhoff, 2010b).

“Guidelines for Economic and Social Policies” emphasized public-private coordination and rejected explicitly the principle of wealth concentration (Mirhoff, 2010b). The new policies, however, were designed to stimulate the growth of domestic private economy, which necessarily results in wealth accumulation. The government permitted selling real estate and hiring employees. A new, scaled tax system incorporated not only sales, payroll, and social security taxes, but also business deductions for raw materials and transportation (Mirhoff, 2010b). Following upon the new policy to increase the private sector by 250,000, the government issued 75,000 self-employment licenses in early 2011 (Mirhoff, 2011).

The Future of Cuban Development

Cuban development since 1990 reveals contradictions in individual economic, social and political policy areas, as well as deeper contradictions in the evolution of the state's general

development strategies. Key to the Cuban state's social policy during the 90s and 00s was the encouragement of emigration for subsequent remittances. The peripheral-based Cuban economy is dependent on core financial services, and remittances are increasingly relied upon as a source of finance because other financial services from the core remain closed. Encouraging emigration, however, has negative effects on Cuban society as well. Emigration deprives the domestic Cuban economy and society of individuals with education or skills, especially youth who would otherwise support Cuban economic and social welfare for decades.

Alternatively, the Cuban government could discourage emigration and remittances. Depriving the Cuban economy of remittances would slow already shaky economic growth, while prohibiting emigration would increase domestic dissent from citizens disappointed with the state's handling of economic and political reforms. Increased dissent would add further pressure on the government to reform its political and economic structures.

Faced with two social policy options, both of them contradictory, the Cuban state must choose between encouraging or discouraging emigration and remittances. I predict that the government will continue to encourage emigration and remittances in the future in order to alleviate domestic social pressure to reform. As a result, the Cuban state will be able to continue the gradual pace of economic and political reforms. Another consequence will be the aging of the Cuban population, which will place additional pressures on the recovering Cuban economy as more elderly leave the economy and require social security.

The Cuban state's domestic economic policy is also contradictory. For much of the 90s and 00s, the government simultaneously promoted neoliberal reforms designed to stimulate the domestic private economy while espousing a radically anti-liberal rejection of wealth accumulation and market forces. This contradictory economic policy stems from the reform of Cuban economic policy from the late 80s and early 90s.

When the USSR began implementing neoliberal reforms to its economy, the Cuban government responded with Rectification, abandoning economic liberalization completely in order to focus on improving state-run enterprises. The contradictions from this policy revealed themselves in the rise of the liberal informal economy and the international isolation of the early 90s economic crisis.

An important decision the Cuban government must make is whether to develop the state or the private economy. Because nearly eighty percent of the labor force is employed by the government, state enterprises will continue to receive government support. The private economy, however, will continue to grow at the expense of participation in the state economy, with its development ultimately taking priority over the state economy. Consequently, sooner rather than later, the Cuban government will adopt a liberal faith in market forces and embrace wealth accumulation. With the creation of a liberal economy, economic inequality will increase. While some Cubans will grow rich from reform policies, many others will lose the social safety net previously guaranteed by the state.

During the 90s and 00s, state-sponsored political reform largely centered around policies designed to increase citizen participation in political processes without reforming existing political structures. The rise of dissident groups and the erosion of faith in the state to meet citizens' needs, evidenced by increased emigration and revived religious belief structures, made it clear that political restructuring was necessary in order to build legitimacy and engage more citizens in the political process.

Political reform, however, is not without its own contradictions in the Cuban context. It is likely that any future liberalization of Cuban political structure will be aided by direct US intervention. While the US could resign itself to a passive approach to Cuban political restructuring, relying on liberal economic reforms to spur liberal political reforms, the hegemonic choice is always to intervene directly. Direct US intervention in political restructuring in Cuba would ensure more rapid liberalization and greater compatibility with the capitalist world-economy. However, it might also increase chances of political radicalization later. Depending on the Cuban public's reaction to US interference, the political structure could end up less legitimate than the previous structure, alienating even more Cubans from the political process.

When the Cuban political structure undergoes further change, it will either liberalize or radicalize. Political liberalization would benefit Cuban economic liberalization by promoting further integration into the capitalist world-economy. If liberalization is co-opted by the hegemonic interests of the US, however, it could provoke a radical anti-liberal restructuring of political processes justified as a defense of patria. On the other hand, radical restructuring of the Cuban political system that emphasizes active citizen participation is likely to become a barrier to further integration into the capitalist world-economy.

Given these contradictions in the Cuban state's economic, social, and political policies of the 90s and 00s, the government's general development strategy over the past twenty years must also be seen as contradictory. During the Special Period in the early 90s, the government still emphasized social development over economic development, continuing development policies it had held for most of the three previous decades. The state maintained social services like education, healthcare, and food rations to the best of its ability despite the abrupt loss of trade and the ensuing depression. The contradiction in this policy is that despite maintaining egalitarian living standards during the early 90s crisis, those living standards fell in proportion to the decline of the economy. Shortages of essential goods during this time forced the government to adopt policies that exposed the Cuban economy to the capitalist world-economy.

Since the mid-90s, the Cuban state emphasized economic integration into the capitalist world-economy over egalitarian social development. The USSR switched priorities much more swiftly and completely in the late 80s, yet both Cuban and Soviet policy changes have produced the same general results in both societies. Both economies recovered growth after offering their human and natural resources to the capitalist world-economy, and both societies underwent significant differentiation in living standards as socio-economic inequality rose.

The future of Cuba will develop very differently depending on the government's future prioritization of economic and social policies. While it is possible the state could reverse its priorities and favor social development, it is unlikely this will happen soon. The militarization of the Cuban cabinet following the transfer of power to Raul Castro signals that the government is positioning itself to enforce potentially unpopular neoliberal policies. Many military officials gained influential business experience through state-sponsored joint ventures with MNCs, another important indicator of the future prioritization of economic development.

More probable than the prioritization of social development over economic development is the continued integration of Cuba into the capitalist world-economy. Cuba's extreme dependence on cultural and natural resources unavailable on the island makes this highly probable. As in the 70s when Cuba's dependence on the core products and services of the USSR

caused integration with the USSR's anti-liberal policies, so Cuba's dependence today on the core products and services of the capitalist world-economy leaves it little choice other than to adopt the liberal policies demanded of it.

The one alternative Cuba has to liberal integration into the capitalist world-economy is integration with economic structures based around socialist policies, like ALBA. Within ALBA, Cuba engages in trade independent of liberal market principles, similar to trade in CMEA during the 70s and 80s. A major difference between ALBA and CMEA is their level of access to core production processes. While CMEA was structured around the core products and services available to the powerful USSR, ALBA relies on pooling the much more limited core products and services available to a small number of Latin American and Caribbean member countries. ALBA remains, however, a significant deterrent to full integration within the capitalist world-economy to the extent that Cuba pursues development within this alternative economic structure.

Contradictions in key areas of Cuban policy like economic, political and social development are specific manifestations of general contradictions in the capitalist world-economy. The capitalist world-economy's global division of labor ensures that individual states prioritize economic development over social development. Social development is seen merely as a hindrance to capital accumulation within the capitalist world-economy. Neoliberal policies that cut social programs that increase the cost of production best reflect this perspective. The contradictions of social programs' subjugation to endless economic development are the greatest threat ever posed to humanity, manifested in catastrophic levels of inequality and environmental damage.

Countries that attempt to enact anti-liberal social policy, prioritizing social interests over economic interests, are coerced into conformity through dependence on core production and services in the US and EU. Dependency on core production processes leads to the dependent state integrating with the economic and social systems that support those core production processes. Because core products and services are profitable and supported by the capitalist world-economy, economic integration with the systems supporting core products and services must eventually lead to integration of the liberal values of the capitalist world-economy. Even countries within the core find it increasingly difficult to prioritize social programs when their core industries' profitability is threatened by competition from the semi-periphery of the world-system.

Semi-peripheral countries, like Brazil and India, with a mix of core and peripheral production processes can support regional economic structures alternative to the capitalist world-economy for a limited time. Liberal core countries, however, provide stronger state support for the profitability of core production processes. Through bilateral and multilateral trade and currency deals, they can often hobble the development of alternative regional economic structures. As with the USSR in the late 80s and early 90s, the increasingly dependent semi-peripheral country then integrates with the dominant liberal capitalist world-system on the latter's terms.

Economic prioritization over social policies and dependence on core production processes expose the futility of state structures in defending the interests of its citizens against exploitative economic practices. This contradiction in the capitalist world-economy is critical because it exposes the illusion of liberal ideology's faith in market-induced, "naturally" progressive social change. Awareness of the limits to social progress that the states-system

imposes is essential to overcoming liberal ideology with a radically emancipatory ideology.

The remedy for exploitative and contradictory economic practices that cause climate change and global inequality is not found in the liberal states-system. The only alternative to the destructive contradictions in the capitalist world-system is for humanity to collectively shed the liberal belief in passive, state-determined political change by uniting anti-systemic movements in the active social creation of a sustainable society. A sustainable society actively invents social relations that remove the contradictions of the capitalist world-economy by reestablishing humanity's position within nature.

Few populations are as socialized to anti-systemic values as the Cuban people, however, the liberalization of Cuban society is rapidly threatening the advances of radical ideology. While Cubans have historically relied on the state to provide a decent standard of living, the socialist Cuban state's failure to combat issues with equitable social development in the long term may have broken the Cuban population's liberal faith in a state structure that advances social change at the necessary rate. Cuban citizens are among the most prepared for a social revolution that sweeps the capitalist world-economy from power, having lived the lessons of their own social revolution that reversed many capitalist contradictions for a few decades. Until much more of the rest of the world is as prepared as the Cuban population to abandon liberal ideology and invent a socially and environmentally sustainable socialist society, however, the contradictions of the capitalist world-economy will continue to manifest themselves in the development of the Cuban state.

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