

José Antonio Alonso

Professor of Applied Economics, Complutense University of Madrid

Since the start of the 1990s and the socialist bloc's collapse, Cuba has striven to redefine the country's economic model and reset its system of external relations. Numerous changes have been made over those three decades, but no satisfactory pathway has been found to guide the economy's future progress or to correct its recurring tendency towards macroeconomic imbalances, and no precise vision of the destination has been created. The most substantial reforms remain pending, while many of those carried out have had limited effect due to their fragmentary or incomplete design.

Of course, there are many reasons why this is no easy task. The country's changing surroundings, its peculiar place on the geostrategic map and the rigidities of its inherited economic and political model all partly explain why advances are soon followed by setbacks, experiments are abandoned and frequent changes of course go unexplained. But these difficulties aside the entire process has been conditioned by a lack of clarity (or consistency) about the sequence of the reforms and a calculated imprecision around the destination scenario towards which the changes are meant to lead. In each period of time, this imprecision has its own nuances.

In the first stage – the last years of Fidel Castro's rule – amid conditions of extreme vulnerability for the Cuban population, the reforms were understood as an inevitable but transitory evil. Fidel Castro himself emphasised that they would be reversed as soon as the economy recovered. Needless to say, improvisation and fruitless changes of direction were frequent at this stage. Pushing through reform processes is difficult enough when public officials identify with the change; when they try to prevent it, the task is all the more difficult. Even so, the need at that time to rebuild the battered foreign sector forced two strategic reforms to be adopted that remain in place today: the commitment to developing the tourism sector and the (partial) opening up to foreign investment. But it was known that these measures were insufficient and that Cuba would need to find new international partners and define a new economic model. Fidel Castro's 1995 visit to China and Vietnam, among other countries, may be read as part of this process of searching for reference points.

The way out of this particular labyrinth was provided by Hugo Chavez's unexpected ascent to the presidency of Venezuela, which held some of the world's largest oil reserves. The fraternal relations established between the two governments enabled the Cuban economy's operating model to be redefined, leaving it dependent on international relations as preferential as they were unsustainable in the medium term. Two new variables entered the equation: on the one hand, access to a strategic resource – oil – in clearly favourable conditions; and on the other, the international profitability of Cuba's professional capital, especially in the fields of medicine, education and telecommunications. Venezuelan support led Cuban foreign policy to turn more decidedly towards the Latin American region, while allowing the reform process to be slowed down and postponing (or setting aside) change processes that, although unavoidable, might produce costs or uncertainties that there was no intention to incur.

The reform effort was stepped up in the first phase of Raúl Castro's government, raising hopes that the Cuban economy was finally in a decisive and perhaps irreversible phase of change. The reforms were made in a very difficult context – with the economy on the verge of financial bankruptcy – and were accompanied by a stark review of the mistakes of the past, both of which made the endeavour more credible. However, the reformist impetus faded as the economy stabilised and decisions had to be made in more delicate and strategic areas, where uncertainty (and fear) was greater. In the second phase of Raúl Castro's government continuity was clearly favoured and the list of reforms undertaken was much reduced.

For the first time the conditions allowed a coordinated narrative on the reform process to be defined, and the sixth Congress of the Communist Party in 2016 approved the *Guidelines of the Economic and Social Policy of the Party and the Revolution for the period 2016–2021*. More than technical, this is a political document that outlines the aspirations that should guide the reform efforts. This first document was followed by others with a similar tone and focus such as the *Conceptualization of the Cuban Economic and Social Model of Socialist Development* and the bases of the *National Economic and Social Development Plan for 2030*. Only limited criteria of theoretical consistency and practical viability were applied to these documents, so while useful for internal debate, they did not contribute much in terms of effectively clarifying the reforms' destination or precise pathway.

Finally, Díaz-Canel's ascent to the presidency has not invigorated the rather flat, parsimonious tone that has characterised the reforms in recent years. Nevertheless, the signs are mixed: alongside recognisable advances there have also been backward steps that are difficult to understand and outdated measures have been reintroduced that are unlikely have any effect in the present. The anxieties caused by an increasingly adverse international environment, a global economic slowdown, a strategic partner in decline and an increasingly hostile powerful neighbour seem to favour those advocating an inward economic turn over those promoting a renewed reforming thrust.

Among the assets of the new phase are undoubtedly the normality with which the leadership changed hands, which also involved major genera-

tional change, and the successful process of consultation and approval of a new constitutional framework that grants legal recognition to many of the measures adopted in the reform process. The liabilities include the inability, for the time being, to face up to the reforms that are required to promote a path towards continuously increasing productivity and the doubtful effects of some of the economic measures adopted in recent months.

To promote the first of the mentioned objectives, it seems necessary for economic actors (both national and international) to have more freedom to act autonomously and to dissolve the web of perverse incentives (among them, the dual currency) that affect economic allocation processes. To progress along this path will require a certain boldness, not only to overcome internal resistance to the reform – clearly apparent in the governing party's complex bureaucracy – but also to gain the international (and financial) support needed to make the adjustment process viable.

Many analysts believe that once the adjustment has been made the Cuban economy has great prospects for recovering in a relatively short period of time. The problem is handling the costs of the adjustment before this growth emerges in an economy that is notably fragile, has little financial room for manoeuvre and large sectors of whose population have low purchasing power. Access to international finance is thus essential to making the process governable, but the Cuban authorities do not appear to be exploring this possibility, or preparing for potentially tricky international negotiations.

In sum, a stocktake of these last three decades of Cuban economic crisis reveals that, regardless of the mood of the period, a common desire persists to put off basic structural reforms in favour of an exhausting pathway of partial and fragmentary reforms, whose success – in terms of improved growth figures and living conditions for the people – has been limited. It is hoped that attracting foreign investment will free policymakers from the need to take structural decisions that are seen as costly (including to the political support of those obliged to take them). But this providential contribution from abroad has yet to arrive (and the future prospects of it appear doubtful), while the costs of repeatedly avoiding those decisions have increased over time.

It is in this context that the European Union decided to support the Jean Monnet Network, which brings researchers together from Europe and Cuba to work on Cuba's current predicament and the prospects of more active and profitable relations with the European Union. The network also seeks to establish collaborative, understanding relationships between the academic communities on both sides to encourage a more shared vision of existing problems and promote the exchange of methodologies and analytical approaches. *Cooperation between the EU and Cuba for economic and productive reform: The challenges of economic reform in Cuba* is the fruit of these efforts. It is a volume that seeks to unite diverse and complementary contributions on the challenges of the Cuban economic situation, the experience gained in the reform so far and some tentative ideas for possible future actions.

In addition to this introduction, this volume contains six other chapters. The first, by José Antonio Alonso and Pavel Vidal, analyses the costs of the sequence of fragmented reforms that have dominated the Cuban economy's recent history. The authors believe that this approach of continual stop-gap solutions not only hinders the dynamic capacities of the reform, it also fuels the recurrent worsening of macroeconomic imbalances, meaning repeated periods of stabilisation are required. The Cuban economy seems therefore to have fallen into a trap from which it is struggling to escape: the way the reforms are implemented leads to episodes of instability, and the repeated stabilisation therapies force the reforms to slow down. The solution the authors propose for breaking out of this vicious circle is to embark on an integrated and coherent reform process, with the swift application of substantial measures, including modifying the exchange rate regime.

Chapters 2, 3 and 4 examine three strategic sectors of the Cuban economy. The first, by Elisa Botella, looks at the agricultural sector. Despite the reforms undertaken in the Cuban countryside, little progress has been made in terms of the sector's productivity or the country's levels of self-sufficiency. However, the outlook for the Cuban countryside today is very different from that of a decade and a half ago. The changes relate not only to property regimes, but also to the representative value of certain forms of agrarian production as social models. Focussing on the latter, the author attempts to place the agrarian question in Cuba within a long-term framework that connects the land reforms of developmentalism with the new agrarian question in the global era. The chapter explores the long process of land reform (1959–present) in Cuba, seeking to understand if it is a paradigmatic and alternative case in its regional context, which obliges the author to consider the interactions between the state and the Cuban peasants' movement that have kept land claims on the political agenda since the revolution began.

Chapter 3, by Mario Raúl de la Peña, David Martín-Barroso, Jacobo Núñez, Juan A. Núñez-Serrano, Jaime Turrión and Javier Velázquez, makes a comparative analysis of the competitive situation of the Cuban tourism sector in relation to its Caribbean environment. They define a methodological framework for analysing competitiveness based on the behaviour of international tourism flows and the construction of a counterfactual based on that information. The results suggest that Cuba's competitive position is relatively good, especially when compared with the countries that follow the same tourism model. The work also shows that a major shift is underway in the Cuban tourism mix towards the international average, making it less dependent on traditional sun and beach tourism, which may create greater potential for future development of the island's tourism sector.

Finally, chapter 4, by Emilio Cerdá, Diego Rodríguez and Miguel Sebastián, makes a comparative study of the patterns of primary energy supply in Cuba and Spain between 1990 and 2016, using data from the International Energy Agency. The key features of each of Cuba's energy sources are set out, and the fundamental changes in the Spanish energy sector since 1990 are highlighted, within the European Union framework. Then, eight energy indicators that are central in the international literature are calculated for the two countries and their evolution over the period is compared. The aim is to provide relevant factual infor-

mation for diagnosing the sector in the two countries and to inspire appropriate policy changes in the energy field. The chapter ends by presenting each country's energy targets and plans for 2030, along with some evaluative conclusions.

The third section is formed of two chapters examining future challenges. Chapter 5, written by Luis M. Barboza Arias, Roberto F. Erazo Castro, Sandra Madiedo Ruiz, Cipriano Quirós Romero and Keynor Ruiz Mejías, aims to analyse the validity and prospects for the “collaborative economy” in Cuba. Given the novelty of this category and the plurality of activities it covers, the authors take time to define its characteristics and to analyse what determines people's use of collaborative platforms. As statistical information for Cuba was impossible to obtain, the analysis of the factors that determine their use is made using Spanish data. An assumption is therefore made that, despite the differences between the two countries, explanatory factors may be identified that are also relevant for Cuba. The chapter examines the regulatory responses to this type of activity in two Latin American countries – Ecuador and Costa Rica – and gives brief consideration to the passenger transport sector in Cuba where, despite its fledgling development, a set of local platforms have emerged that compete with each other. Finally, in light of the experiences and analyses presented, a reflection is made on how to tackle the design of regulatory responses in these fields, which may be of use for future decisions by the Cuban authorities.

Finally, the last chapter, by Jordi Bacaria and Eloi Serrano, looks at the prospects for the Political Dialogue and Cooperation Agreement (PDCA) signed in 2016 between Cuba and the European Union (EU) in the light of the most recent reform process in the Cuban economy. As the authors point out, the EU's proposal for cooperation with Cuba aims to accompany “the process of updating the economy and society in Cuba”. It is therefore important to understand how international cooperation can stimulate and support a process that is by necessity fundamentally endogenous. The cooperation framework places particular importance on the multilateral aspects of trade and Cuba's international projection, with particular emphasis on the modernisation of the Cuban economy. This will depend not only on the reforms undertaken in Cuba, but also on its capacity to insert its economy into the new global trade flows, which are based on value chains, and the importance of foreign direct investment.

This volume's engagement with the relevant issues in the relationship between Cuba's economic reforms and its framework of relations with the EU is by no means exhaustive. A second volume will help complete the perspective. But the six chapters presented here contain enough interesting material to demonstrate that joint academic endeavour can help better understand the Cuban economy's complex situation and shed light on some of the parameters that will frame future reform decisions.

