

BTI 2016 | Cuba Country Report

	scale	score	rank	trend
Status Index	1-10	4.15	# 103 of 129	
Political Transformation	1-10	3.68	# 101 of 129	➔
Economic Transformation	1-10	4.61	# 90 of 129	➔
Management Index	1-10	4.12	# 91 of 129	

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	11.4	HDI	0.815	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.1	HDI rank of 187	44	Gini Index	-
Life expectancy	years	79.2	UN Education Index	0.743	Poverty ³	% -
Urban population	%	77.0	Gender inequality ²	0.350	Aid per capita \$	8.9

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Army General Raúl Castro (born 1931) has consolidated his rule as Cuba's president and undisputed leader. His course of administrative institutionalization, gradual economic reform and pragmatic foreign policy departs markedly from the legacy of his brother and predecessor in office, Fidel Castro. At the end of 2014, this new course was crowned by the historic announcement, made simultaneously by President Castro and U.S. President Barack Obama, that diplomatic relations between the countries were to be re-established.

In the eight years of Raúl Castro's tenure, the pace of the economic reform program has been slow and the results mixed. However, the reform process is institutionally enshrined and has a clear long-term perspective. At the beginning of 2015, Cuba's emerging private sector accounted for about half a million people, or 10% of Cuba's workforce. The decline of state provisions and the onset of market reforms have led to growing social inequalities. In agriculture, the lease of idle state land to private farmers, as well as a liberalization in the sale of private farmers' produce, have not yet led to a sustained rise in production. A new foreign investment law passed in 2014 initially failed to attract new international investors.

The medical services exports, family remittances and tourism remain Cuba's key hard-currency earners. Support from Venezuela, still high in 2014, is likely to decrease given Venezuela's severe economic crisis. On the other hand, the rapprochement with the U.S. and accompanying measures adopted by Obama, such as easing restrictions on travel and communications, will provide a strong stimulus to the Cuban economy.

A key challenge is to overcome the monetary dualism that is profoundly distorting the island's economy. At present, the rate between the hard-currency-pegged "convertible peso" (CUC) and the regular "Cuban peso" is 1:25, resulting in a median salary in the state economy of less than a dollar a day. The planned unification of the currencies is a high-risk operation that will affect the relative incomes of all Cubans and is likely to trigger inflation.

The government rejects any move towards multi-party democracy. Within the framework of a communist single-party system, Raúl Castro has pursued a “de-Fidelization” of the regime, re-emphasizing established institutions and rules-based procedures in contrast to Fidel Castro’s personalist leadership style. Raúl Castro’s current mandate as head of state runs until 2018, and he has confirmed that he would serve no longer than this. Cuba’s first vice president, 54-year-old Politburo member Miguel Díaz-Canel, is the most visible face of the new generation and is portrayed as designated successor.

Repression of dissidents has been low-key, mainly based on short-term detentions, avoiding show trials or long-term prison sentences. While the government has adopted a policy of de facto toleration of oppositional voices, it restricts their reach to broader audiences. Harassment or outright repression sets in when opposition actors try to take their demands to the streets.

The liberalization of travel regulations in 2013 has led to an unprecedented mobility of Cubans. While out-migration continues high, hundreds of thousands of Cubans are leaving and re-entering the island each year, fostering contacts to the emigrant community and nourishing petty trade. While the government has cracked down on the sale of second-hand clothes and reinforced customs controls, borders have become porous. In spite of Raúl Castro’s promise of more responsive official media, change has been slow. Internet access remains restricted and costly. However, e-mail, USB sticks and hard-disk drives spread digital content of all sorts underneath the radar of the state monopoly on mass media. Cuba’s Catholic Church has consolidated its position as interlocutor with the state authorities, and Raúl Castro explicitly thanked Pope Francis for his positive role in the negotiations with the U.S. government.

History and Characteristics of Transformation

Cuba retains a strong state and an authoritarian political regime, founded by Fidel Castro and his comrades as an outcome of revolutionary victory in January 1959. Both state and regime are stable. In this single-party political regime, the Communist Party vets in advance all National Assembly candidates and all candidates for appointments to top managerial, administrative, professional and elective posts. The government owns and operates all mass media.

In the late 1970s, Cuba made its transition to a “lawful” authoritarian regime. In 1975, the Communist Party held its first congress. In 1976, a new constitution - much in the mold of the socialist states of Eastern Europe and the Soviet Union - was enacted, which established the National Assembly and the institutional framework of the socialist state. The courts began treating criminal and civil cases in a more professional fashion. In 1976, multicandidate single-party elections also began for municipal offices. The economy became profoundly centralized and state-run, with small-scale farming remaining the only private sector, and international trade relations concentrated on the socialist countries, including high Soviet subsidies.

After 1989, Cuba fell into a profound economic crisis. A tough austerity program known as the “special period” began. As this failed to stop the economic decline, the Cuban government reluctantly adopted some market-oriented reforms, welcoming joint ventures, opening the country

to international tourism and authorizing free agricultural markets and limited self-employment, both under severe regulatory constraints. It legalized the circulation of the dollar and remittances from the Cuban diaspora, establishing state-run hard currency retail outlets to mop up these transfers. However, sugar production, hitherto Cuba's most important economic activity, collapsed from over 8 million metric tons per year to no more than 1.5 million today.

When Hugo Chávez came to power in oil-rich Venezuela, Cuba regained a generous external ally, and Fidel Castro returned to a course of economic recentralization and highly personalized political leadership. In a massive oil-for-doctors barter arrangement, export of healthcare services became Cuba's principal export, followed by tourist services.

As Raúl Castro took over from Fidel Castro in a gradual, managed transition beginning in 2006, he led a strategy of diversification of international trade partners and gradual market-oriented reform of the domestic economy. While these kept the economy stable, growth was modest. Moreover, the coexistence of two currencies is distorting all economic mechanisms; state companies remain utterly inefficient; and the reactivation of the economy has been highly uneven, leading to the emergence of profound social inequalities.

Historically, Cuba's "natural" market for almost all products is the United States. The Cuban Revolution of 1959 led to a sharp confrontation with the United States, including the rupture of diplomatic relations and a comprehensive sanctions regime, referred to as the "embargo" in the United States and the "blockade" in Cuba. The December 2014 announcement of Presidents Barack Obama and Raúl Castro to re-establish diplomatic relations marks an historic shift. It was accompanied by other measures, such as the announced easing of U.S. restrictions on travel and communications, including Internet services.

The bulk of the trade sanctions, however, remain in place, as the Helms-Burton Act of 1996 codified many of these into law, only removable by the U.S. Congress. However, a number of sanctions had already been suspended. For example, President Bush authorized the export of U.S. agricultural products to Cuba, and President Obama provided blanket authorization for unrestricted travel by Cuban-Americans. U.S. business interests pressure for an end to the Cuba sanctions. While it is unlikely that Congress will lift the embargo during Obama's term, the erosion of U.S. sanctions can be expected to continue, thereby shifting Cuba's position on the map of international business.

This change of U.S. Cuba policy comes against a backdrop of long-term political and demographic changes in the Cuban-American population, which has long been a decisive domestic factor in shaping U.S. policy. The Cuban-American population numbers 2 million, up from 1.2 million in 2000. The first generation of exiles most strongly identified with hard-line positions has become a minority, as almost half of today's Cuban-Americans are second-generation, born in the U.S., and more than 500,000 have arrived as immigrants since 1990. As polls show, this demographic trend goes hand in hand with increasing numbers of Cuban-Americans favoring moderate positions and a normalization of relations with Cuba.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state possesses and exercises a monopoly on the use of force throughout the entire territory. The last internal war ended in 1966. The last nonviolent public riot of significant size took place in the summer of 1994. Violent crime rates have risen since 1990, but remain low by world standards. Given the island nature of the state, there are no territorial borders to neighboring countries. The only obvious exception is the U.S. naval base on Guantánamo Bay, which is Cuban territory, but the monopoly on force there is exercised by the United States on the basis of a lease arrangement predating the Cuban Revolution. Cuba has a long-standing claim for the return of the base to Cuban sovereignty. However, this dispute has not to date surfaced as a major issue in Cuban-U.S. relations. Cuba has a defined maritime boundary with the United States, agreed upon in 1977, but the U.S. Senate never ratified that treaty. In December 2014, the U.S. President indicated his interest in settling Cuba's northern maritime borders with the United States and Mexico

Cuba is a racially heterogeneous society, but persons across the color spectrum fully identify as Cubans. The government and the Communist Party publicly acknowledge the persistence of some forms of racial discrimination. While the issue of citizenship is virtually uncontested with regard to residents of the island, the large-scale emigration since 1959 complicates the issue. With a population on the island of about 11 million, the two million Cuban-Americans residing in the U.S. present a sizeable community. Of these Cuban-Americans, 57% were born in the U.S.; 500,000 have come from the island since 1990. Twenty to twenty-five thousand people migrate to the United States every year, a few hundred to Spain and Israel, and smaller numbers elsewhere. The Cuban government considers all emigrants Cuban despite the acquisition of other citizenships by most of these emigrants. The adoption of U.S. citizenship by most émigrés represents a possible future complication; many of these individuals combine a sense of belonging to Cuba with antipathy for its present form of government, and some sympathy for the political and economic claims made by the United States. This may in the future raise challenging questions about émigré participation in political and social affairs (including issues such as dual citizenship). Under Spain's "grandchildren law," thousands of Cubans of Spanish origin have

Question
Score

Monopoly on the
use of force

10

State identity

9

acquired Spanish citizenship. Concerns about the rights in Cuba of Cuban-origin persons living abroad have been exacerbated because many of them, through remittances, have become significant investors in the rapidly changing Cuban economy.

The state is secular. Cuba was a secular society before the 1959 revolution. The Roman Catholic Church was disestablished in 1898, when the United States occupied Cuba. The syncretic Afro-Cuban Santería constitutes Cuba's most widespread religion, but is only marginally institutionalized and does not have a hierarchical nationwide organization. The state owns and operates all schools, health care institutions, cemeteries and similar social institutions. About a fifth of Cubans tell pollsters that they belong to a community of faith, and a majority expresses some religious belief. Religious persecution occurred in the 1960s, but has diminished over time. Through the revision of the 1992 constitution, lawful discrimination against religious believers was abolished, and the Communist Party no longer bans religious believers from its rank and file.

In recent years, particularly since Raúl Castro succeeded his brother Fidel as head of state, the government has sought increased contacts with the Catholic Church, whose public role has notably increased. This was highlighted in the church's mediating role in the 2010 release of political prisoners and again in the Pope's role as mediator in negotiations with the U.S. government in December 2014. While the government today does take greater account of the church's positions on social issues, it would at present be an overstatement to refer to the church as an influential political actor. Neither education nor gender and sexuality policies are subject to religious influence. However, in future scenarios of broader political transition, the Catholic Church can become a key actor.

The state has a differentiated administrative structure throughout the country, enabling it to extract and allocate resources. This structure includes a compulsory military service law as well as universal coverage of social services such as health care and education, though with deteriorating quality. However, the state's capacity is limited when it comes to economic matters. It has been unable to prevent the existence of a broad-based illegal economy as well as widespread workplace theft in the state sector, resulting in a weak legal culture in the economic sphere. Moreover, in the structural economic transformation started by Raúl Castro in September 2010, the state has not always been able to implement announced measures, be it for reasons of bureaucratic resistance or a lack of administrative capacity to deal with these new challenges. Income tax payments have been remarkably weak, and corruption has emerged as a serious problem. Several years of weak economic growth have further impaired the state's capacity to deliver public services, with deficiencies arising in several areas. In emergency situations, most notably the recurrent devastation from hurricanes, the state and military display a remarkable capacity to evacuate large numbers of people efficiently and to restore damaged public facilities.

No interference of
religious dogmas
10

Basic
administration
9

2 | Political Participation

Political participation takes place within an authoritarian brand of socialism, which allows the existence of only one party, the Communist Party of Cuba (PCC). There are no competitive democratic elections. The electoral law requires that the number of National Assembly candidates be equal to the number of seats. Electoral commissions chaired by Communist Party officers nominate candidates. The government exercises its monopoly power over the mass media before each election. Ballots for National Assembly elections that are cast blank or voided, or which contain votes for some but not all the candidates on official lists (the selective vote), are officially counted and reported, though there is no way of independently verifying such data. However, in the 2013 National Assembly election, the Communist Party relaxed its efforts to induce a vote for all candidates; therefore, the proportion of blank, void and selective voting rose to an all-time high of 23.5%. Despite some relaxation of policy toward dissidents, there is no suggestion yet of the introduction of pluralism in the electoral system.

Free and fair elections

1

No government official is elected democratically, including the members of the National Assembly. The National Assembly typically meets twice each year, each time for one to three days, though its commissions work for the week preceding each assembly meeting. Votes are ordinarily recorded as unanimous, though assembly commissions can question ministers and other high officials, and assembly discussions may cause the executive to amend or delay a bill. Municipal elections remain single-party, but by law, there are two candidates per post.

Effective power to govern

1

Where the constitution speaks of the right of assembly of “the working people” (Article 54), it notes at the same time that “social and mass organizations have all the facilities they need to carry out those activities.” In practice, the opportunity for bottom-up freedom of assembly outside of state-institutions or official organizations is extremely limited. The constitution defines the Communist Party as the leading force in state and society; as a result, the Communist Party sponsors mass organizations for workers, women, young people and so on, as well as professional organizations such as writers’ and journalists’ unions. A wide array of professional associations or organizations for specific purposes (culture, ecology, etc.) has been set up, but these lack real autonomy and are, with varying measures of flexibility, subordinated to the structures of party and state. Truly independent associations are not given legal status, and even where the existence of some has become de facto tolerated, they face narrow restrictions - to the extent that the term “independiente” is widely regarded as a synonym for “opposition.”

Association / assembly rights

3

Short-term detentions have become the principal mechanism to intimidate and harass opposition activists. Christian churches sponsor a number of civic groups. Social gatherings of subcultural groups are in principle tolerated, but state monitoring and harassment remain common. Assembly, even by dissidents, is largely tolerated as

long as it remains confined to private homes; the crucial step triggering state repression is when activists seek public spaces or take to the streets. In recent years, limited Internet access has created an opening for opposition critiques, most notably by blogger Yoani Sánchez. Notably, when Sánchez and fellow media activists moved on to publish an ambitious online forum from within the island, it was tolerated. However, they continue to suffer harassment when the state fears them carrying out – or reporting on – oppositional activities in public spaces. This was confirmed in December 2014, when performance artist Tania Bruguera sought to stage an open-mike event on the Plaza de la Revolución. In a pre-emptive move, the state apparatus detained not only her but also dissident media activists who sought to join the event.

Article 53 of the Cuban constitution grants citizens “freedom of speech and of the press in keeping with the objectives of socialist society.” These rights are then linked to the monopoly ownership and control over mass media television, radio and newspapers exercised by the state, Communist Party and official mass organizations. In the mid-1990s, the government authorized church-affiliated magazines that also address public issues, but within the constraints of censorship and limited circulation.

Since Raúl Castro’s call for reform and self-criticism, the margins of debate within state media have widened only gradually. There has been somewhat greater freedom of expression at university-sponsored conferences and workshops, and a greater scope for publication of critical views in magazines such as *Temas* or church-sponsored publications than was the case in previous years. The most important of these was “Espacio Laical,” which widened the scope of public debate and achieved much-expanded circulation thanks to email-based distribution. However, in a 2014 move to halt this trend, its principal editors had to quit their positions. More generally, no structural change regarding access to or use of media has been enacted. All criticism is limited to the articulation of overall loyalty to the political system as such.

The Internet’s corrosive effect on the state media monopoly is of increasing importance. Even if Internet access remains restricted, slow and costly, digital content is reaching a remarkably broad audience via e-mail, USB sticks and hard disk drives, which evade state censorship. This includes everything from an independent Cuban version of craigslist and an offline edition of Wikipedia to international movies. An independent blogging scene has gained worldwide visibility, and Cuba’s award-winning pioneer blogger, Yoani Sánchez, has become one of the most prominent opposition figures. In 2014, she moved on from blogging to publish a more ambitious digital forum. For a variety of nonconformist artists, the Internet also offers a forum with considerable international reach and consequence. A new informal digital press has greatly widened the scope of debate and information among intellectuals, professionals and citizens at large, though with precarious legality. Even the official newspaper, *Granma*, now posts comments on several of its stories. At times, these comments formulate vigorous criticism of government policy, as was the case in spring 2014 following the enactment of new foreign investment regulations.

Freedom of
expression

3

3 | Rule of Law

There is no separation of powers in the liberal sense. The constitution vests supreme power in the National Assembly, though this body is in fact subordinate to the power amalgam of the state executive, the Communist Party leadership and the armed forces. All these are headed by Raúl Castro as head of the Council of State and of the Council of Ministers, first chairman of the Communist Party, and supreme commander of the Armed Forces. Moreover, there is no clear separation of functions between state, government, party and military leadership. However, with the transfer of power from Fidel to Raúl Castro, leadership has become less based on the individual leader and more on institutions, with Raúl Castro monitoring and balancing interests rather than unilaterally imposing his personal ideas. The shift in policy-making from Fidel to Raúl includes a notable emphasis on and respect for rule-based procedures. The parallel government structures established under Fidel Castro in the “battle of ideas” campaign have been dismantled. While there are no meaningful checks and balances in the formal, liberal sense, under Raúl, policy-making informally includes a significantly higher degree of de facto checks and balances than under Fidel’s tenure.

Separation of powers
2

The judiciary is institutionally differentiated but not independent, as its decisions and doctrines are subordinate to political authority. The executive nominates Supreme Court justices, while the National Assembly elects them and may remove justices and other judges by simple majority. Judges nominally serve a life term. The constitution subordinates the Supreme Court to the National Assembly. No court may declare a law unconstitutional. However, the courts discharge their obligations adequately in most nonpolitical criminal and civil cases, and appeals are available. In 2013, the politically loaded court trial against iconoclastic punk rock singer Gorki Aguila showed a remarkable outcome as the dissident singer ended up with a 600-peso fine instead of a four-year prison term. However, the background to this decision is not transparent, and it is uncertain whether the judgment reflects the court’s decision-making competence or the will of the political leadership. Corruption in the courts is rare. Where courts are involved in the government’s anti-corruption drive, these proceedings are not open to the public.

Independent judiciary
2

As a rule, corrupt officeholders are severely prosecuted if their behavior goes beyond the margins of accepted petty corruption or the privileges normally accorded to leading cadres. Under the Raúl Castro presidency, and especially since 2010, prosecution of corrupt officials has escalated especially in sectors with international engagement (tourism and mining, for example). The newly empowered national auditor/controller’s office systematically inspects agencies and state enterprises. Prosecutions included corrupt officials from local to the highest national levels, in the political, economic and military sphere, as well as in the health and education sectors, two of Cuba’s showcase achievements. Cuba’s official press now covers the punishment of corrupt officials prominently.

Prosecution of office abuse
5

However, there is no real transparency in any of these cases. The lack of an independent mass media, normally operating opposition parties, watchdog organizations or independent courts and parliamentary commissions makes it impossible to determine the extent of corruption, the veracity of claims, or to what extent some functionaries remain immune to prosecution due to their position and connections. Some “corruption” trials may have in fact been the product of vendettas against officials who had fallen out of favor. In some cases, officials are removed from office without any reason provided, and conjecture and rumor as to the defendants’ (supposed or real) wrongdoing fills the information gap. The most notorious case was the dismissal of top cadres Carlos Lage and Felipe Pérez Roque, in 2009. While the two men were never given a formal trial, instances of corruption were cited as one of their unpardonable faults. However, the political overtones were so overwhelming that the corruption claim was considered no more than a distraction from the real political reasons for the dismissal. There was no prosecution beyond the sanctions pronounced within Communist Party structures, though figures who are in effect public officials should be held accountable by public courts.

In Cuba’s strong-state authoritarian regime, freedom of assembly and freedom of expression are severely curtailed, and, along with demands for civil rights, only tolerated as long as they do not challenge the political system. However, there is general equality before the law among citizens regardless of gender or ethnic background. Racial discrimination is outlawed, though Cubans of color are disproportionately present in the prison population. The number of persons imprisoned for “political crimes” is low, though short-term detentions of opposition and human rights activists have become more common. As part of the U.S.-Cuba agreement in December 2014 to re-establish diplomatic relations, Cuba freed 53 political prisoners. Official tolerance for the freedom of religion has continued to widen, especially toward the followers of the Catholic Church, while other faith groups report some ongoing discrimination against believers.

Civil rights are at times seriously violated, though the duration of such violations has shortened. The last major episode of official repression occurred in 2003. After Raúl Castro assumed the role of head of state in February 2008, Cuba signed two major U.N. human rights documents, though ratification is still pending. An important change is the strengthening of the norm against the death penalty. Both the executive and Cuba’s Supreme Court have confirmed that the absence of state- or judicially ordered executions in recent years stems, at least for the time being, from an explicit policy decision. The death penalty has not been enforced since 2003, yet only in 2010 did the Supreme Court publicly reverse a pending death penalty sentence to replace it with prison time. Since Fidel Castro’s retirement, major public awareness campaigns have been launched against discrimination based on sexual preference, largely led by Raúl Castro’s daughter Mariela Castro, who heads the National Center for Sexual Education (CENESEX). Police officers have received training to help prevent abuse against homosexuals.

Civil rights
4

4 | Stability of Democratic Institutions

There are no established democratic institutions in Cuba according to normative definitions. Looking ahead, elections are regularly held and could be opened to include a more pluralist array of candidates. The National Assembly's formally wide-ranging powers could help facilitate a democratic transition; the assembly can dismiss the entire Supreme Court, the Council of State and the Council of Ministers by simple majorities. The constitution's bill of rights, purged of its exceptional clauses, would conform well to the Universal Declaration on Human Rights. For a democratic order to evolve, the constitution's Article 5, which consecrates the Communist Party as the nation's vanguard and "guiding force in state and society," would need to be removed.

Performance of democratic institutions

1

Cuba is ruled by a state-socialist authoritarian regime whose leaders wish to keep it so. Only opposition groups openly support pluralist democratic procedures.

Commitment to democratic institutions

1

5 | Political and Social Integration

There is no political party system as such. The constitution's Article 5 mandates a single-party system that has proven remarkably resilient. The Communist Party is closely intertwined with the state apparatus and the armed forces. In line with its Marxist-Leninist mold, it does not allow factions.

Party system

1

The transfer of power to Raúl Castro has decreased the regime's single-leader focus and strengthened its institutions, namely the state, the military and the Communist Party of Cuba (PCC), which has about 800,000 members. The long-overdue Sixth PCC Congress was finally held in April 2011. Besides the retirement of Fidel Castro as first secretary of the Central Committee of the Communist Party, the main topic at the congress was the ratification of economic reforms.

Interest groups usually lack autonomy from the state and the possibility to openly articulate their demands to policymakers and to the broader public, as would be normal in a democratic context. Only the Roman Catholic Bishops' Conference and perhaps the Ecumenical Council of Protestant Churches are able to represent their specific social interests. The Catholic Church has been particularly successful regaining not only public recognition and the celebration of religious holidays but also physical property; reportedly 20 church and parish houses, expropriated after 1959, have been returned to the church.

Interest groups

3

Beyond the religious sphere, institutions truly independent of the state are small and weak.

State-controlled organizations serve an ambiguous function. They are top-down channels of communication as well as organizational frames for the co-optation and control of groups in society. At the same time, they also constitute a framework for societal feedback of interest groups and limited bottom-up participation within the system of state socialism, to which state policymakers at times effectively react (although mostly without admitting they are doing so). With the onset of reforms under Raúl Castro, this role has increased, and a number of these organizations are beginning to articulate the interests of their constituency more vocally than before. The officially sponsored labor confederation and peasants' association have at times resisted, mitigated or modified government policy. The emerging private sector in Cuba's economy has led to a new labor code, about whose writing the unions had their say, as well as other social groups. Reportedly, Raúl Castro's daughter Mariela opposed the final draft for not including adequate protection against discrimination on the grounds of sexual orientation. Scientific organizations and ecological associations have at times required state enterprises to modify tourism development plans that would have caused severe environmental damage. The writers' and journalists' unions have, amongst others, argued for improved access to the Internet. Historical preservationist associations outside Havana (the Office of the Historian in Havana protects the old city) have acted to protect historic buildings. Particularly noteworthy is Raúl Castro's public recognition, reflected in Cuba's mass media, of the increasing role of the Roman Catholic Church in societal affairs and as a mediator in the freeing of political prisoners. Opposition groups have existed since the early 1990s, but even when their existence is tolerated, they are not given legitimate venues to voice their concerns.

Cuba is ruled by an authoritarian regime. There are no reliable data available concerning Cuban citizens' approval of democracy.

Approval of
democracy
n/a

The level of trust between citizens in Cuba is almost impossible to ascertain. There are no reliable public opinion surveys that measure trust among Cuba's citizens. With the exception of dissident and faith-based organizations, cultural, environmental and social associations are not independent from the state, but usually seek to widen their permitted scope of influence within the existing political framework. Available evidence suggests that the economic crisis, the erosion of legitimacy of official institutions and growing social inequalities have contributed to a severe decline in interpersonal social trust. The two exceptions are family ties, the significance of which has greatly increased over the past 20 years, and religious communities, many of which have seen notable growth. In particular, the Afro-Cuban Santería religion relies on little institutionalization but rather on complex social networks, including religiously constructed kinship relations. Social capital built on the basis of family ties with emigrated relatives are becoming particularly visible in the emerging private sector, where many new small businesses are set up with money from abroad. Social

Social capital
4

capital is also built up in youth subcultures, but also around other subcultures such as the lesbian and gay communities, the blogger scene and others. It is too early to say whether the increased possibilities for cooperatives to operate businesses may also foster a culture of solidarity and support among their members.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Compared to the profound and deeply rooted inequalities in other Latin American societies, Cuban society after the 1959 revolution became highly inclusive – except for political criteria that excluded government opponents from social or administrative leadership positions, and the high levels of emigration of the former elites resulting from the political confrontation. Key social services such as health care and education became accessible to everyone regardless of income, race or gender, and housing reform greatly decreased the spatial segregation of society. However, new inequalities have surfaced following the economic crisis which started in 1989 and the introduction of monetary dualism (i.e., first the introduction of the dollar, and later of the convertible peso). Officially, published data on the Gini coefficient are calculated excluding the impact of hard currency, and thus deliberately miss a key element in society’s rapidly increasing inequalities.

Socioeconomic
barriers
6

The 2014 Human Development Index (HDI) ranks Cuba 44th, with a value of 0.815, second only to Chile among the Latin American countries. Though it has a rather low gross national income per capita, the country profits from an eroding but nevertheless still strong educational system. All Cuban data on income, however, is utterly misleading. The official rate used for statistics, which puts the Cuban peso at par with the dollar, is fictitious. In 2014, the monthly median salary in the state sector was about \$20, according to the state exchange office rate. At the same time, a wide spectrum of goods is provided by Cuba’s state-socialist economy for free or at extremely low prices (housing, subsidized food, healthcare and education), so that monetary income is not the key to access in the same way as elsewhere. As a result, most international measures of poverty – at least those referring to income per capita – tend to be misleading. As a consequence, official Cuban think tanks speak of a “population at risk” rather than of poverty. According to these sources, before the start of recent economic reforms, about one-fifth of Cubans were considered to be “at risk,” meaning they claimed a monthly income below \$4, grew no food and received no remittances. The majority of Cubans without significant access to dollars live in

hardship, even if health care and schooling are provided free of charge. There is high pressure for out-migration. Since 1990, about 500,000 Cubans have left the island.

Infant mortality is very low by global standards, and life expectancy is at European and North American levels. There is no social exclusion by race or gender, though some discrimination continues to exist. However, since the 1990s and particularly since 2010, economic reforms have enhanced social inequality notably. In addition, remittances from Cuban emigrants travel along family lines, and hence are clearly related to skin color. Access to remittance flows from relatives abroad has become one of the key social dividing lines. As remittances and other income can now be invested in business operations, these new inequalities are becoming structurally ingrained. Furthermore, subsidies are being gradually cut and prices made more market-oriented, implying more exclusion for those with low incomes. This has also begun to affect pensioners, which might become a group at risk of poverty if policymakers do not act to correct this issue. Moreover, Cuba's regional disparities increase as the new growth sectors largely concentrate in and around Havana, whereas much of the countryside is suffering from the decline of the sugar industry, with little new to compensate for it. Cuba's high domestic migration pressures from the provinces to the capital are contained by restrictive administrative means.

The state has achieved a relatively high level of formal gender equality, reflected in a score of 0.35 (or rank 66) in the UNDP Gender Inequality Index. The HDI values for female and male Cubans are not far apart. Female education enrollment is high. Gender hierarchies nevertheless persist, and women shoulder a much higher share of household and family care obligations than men – both tasks where the state provisions have decreased sharply over the past years, reinvigorating old gender inequalities.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	42644.2	64328.2	77149.7	-
GDP growth	%	11.2	2.4	2.7	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	1.9	2.5	3.2	-
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	47.5	13.8	5.2	-
Import growth	%	25.8	35.7	8.3	-
Current account balance	\$ M	-	-	-	-

Economic indicators		2005	2010	2013	2014
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	33.6	34.8	33.3	-
Public expnd. on education	% of GDP	10.6	12.8	-	-
Public expnd. on health	% of GDP	7.4	10.1	8.2	-
R&D expenditure	% of GDP	0.55	0.61	-	-
Military expenditure	% of GDP	3.9	3.3	3.5	-

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Until very recently, market-based competition had been limited to a pervasive informal market and a small yet lawful market economy that has evolved since the early 1990s. However, the economic reforms launched by the Raúl Castro government in 2010 have downsized the state's direct economic role and given a greater role to private sector and market forces, no matter how small and weak. This trend is presumably following the Chinese or Vietnamese state model. Small businesses, officially referred to as "self-employment," have grown in incidence and importance, above all in the services and agriculture sectors. In particular, posh accommodation and gastronomic services catering to tourists, foreigners and the newly rich have become the most visible sign-posts of Cuba's emergent private business sector. Market transactions between these businesses are lawful. Government taxation and regulation of this private economy remains severe. The monetary dualism of Cuba's economy distorts all market mechanisms. As long as state companies do their accounting on a fictitious 1:1 rate between the regular Cuban peso and the hard-currency-pegged convertible peso (which the state exchange offices trade at 1:25), market incentives cannot work effectively. The state has begun a change toward more market-reliant exchange rate policies for selected state enterprises. The principal financial challenge is the lack of an effective banking system, leading Cubans to rely on large-scale remittances to finance home and other large purchases.

Market-based
competition
3

Self-employed business owners can now hire employees outside their own family, which in effect changes the character of self-employment to what is essentially micro-business or small business. In agriculture, idle state land has been leased to private farmers, and the state's heavy influence over product marketing is gradually being reduced. However, it is still unclear how much autonomy the private sector will be allowed to attain. Since the mid-1990s, hard-currency shops have offered a wide array of consumer goods, but all are run by the state and prices are set by the state. As part of Raúl Castro's reforms, state stores also sell cell phones, computers and DVD players, and the private sale of residences and cars has been authorized. The state maintains rigid controls on foreign trade. As Cubans' travel has become easier and more frequent, customs controls have been stepped up, private shops selling imported second-hand clothes have been closed.

Although the reforms mark a watershed in Cuban economic policy, the market sector remains by all international standards limited and legally precarious, while state intervention remains strong. In addition, there remains little market-based competition in most product and service sectors. The lawful market economy in the upper echelons of tourism is in fact characterized by a tight oligopoly of a few foreign firms in joint ventures with the state. Genuine open-market policies able to spur growth in trade and investment are lacking, and the lack of competition stifles productivity growth.

The application of regulations lacks consistency and transparency. Despite reforms, state control of the labor market continues to spur a large informal sector. The state also maintains strict capital and exchange controls.

The state still holds a monopoly on many core sectors of the economy. Government concessions to foreign investors tend to be cartel-promoting – that is, they create and protect monopolies or oligopolies even in sectors (e.g., tourism) where world market structures would facilitate competition. The growth of market-oriented changes to favor small businesses has widened some areas of competition in petty services and agricultural sectors. In general, however, the government remains ambivalent. While the reformist economic discourse tends to embrace competition as a positive force for small and medium businesses, for sectors regarded as strategic, the government continues to regard monopolies as an ideal rather than as a problem. This was demonstrated by the recentralization of Internet service provision, withdrawing the license held by CITMATEL – an entity belonging to the Ministry of Science, Technology and Environment (CITMA) – and allowing the Cuban Telecommunications Enterprise (ETECSA) to take control of all operations formerly conducted by CITMA.

Anti-monopoly
policy
2

Foreign trade is largely in the hands of state enterprises or joint ventures with high state participation. In part because Cuba trades heavily with China and Venezuela, it still finds it easy to retain state monopolies in foreign trade. However, with respect to trade with China, trade is not only a state affair but is driven by Chinese entrepreneurial logic, which demands a certain amount of liberalization within Cuba in return. Due to Venezuela's economic crisis, the trade volume with this country is on the decline and the focus on the state-centric trade agreements within the framework of the Bolivarian Alternative for the Americas (ALBA) is gradually giving way to more diversified economic relations, also demanding more flexibility in foreign trade regulations.

Liberalization of
foreign trade
3

In the 1990s, the government granted discretion to state enterprises to manage foreign trade, and foreign firms managed their own transactions. While in 2004, the government reduced the number of state firms authorized to engage in foreign trade, centralized purchases and barred state firms from retaining foreign currency revenue, the situation has gradually been decentralized again under Raúl Castro's leadership, granting more autonomy to state companies. With the easing of travel regulations for Cuba, petty trade has greatly increased; while customs controls have been stepped up, this informal grass-roots liberalization of foreign trade by travelers has become a largely tolerated phenomenon with particular importance for second-hand cell phones and digital storage devices, including content of all sorts. This process will intensify as U.S. restrictions on travel by U.S. citizens and restrictions on communication companies are eased.

Foreign investment must be approved by the government, which exercises extensive control of economic activity. Cuba depends on the world market to export key products such as nickel, as well as services such as tourism and health care. China has become Cuba's most important new creditor. Since 1995, Cuba has been a member of the WTO.

The state owns all banks. There is no capital market. The Cuban banking sector is highly opaque. The central bank acts both as banking regulator and shareholder of much of the Cuban banking system, which includes eight commercial banks and a number of nonbanking financial institutions. The most important bank for international transactions, the Banco Financiero Internacional, does not publish its records or report to the national accounts system. The Cuban state operates banks in third countries, as for example the Havana International Bank, which is registered in London. Other banks are kept secret, under the argument that they could not otherwise fulfill their function of circumventing the U.S. embargo against Cuba. The banks also make up part of the Cuban regime's strategic currency reserves, to draw on in case of urgency. An informal and unlawful banking sector has developed offshore whereby Cubans receive large-scale remittances for home and other purchases.

Banking system
1

8 | Currency and Price Stability

Cuba's inflation rate has remained in the single digits since the mid-1990s. The Economist Intelligence Unit estimates 7.3% for 2014. Technically, the inflation rate is very difficult to estimate because it requires blending estimates for a hard-currency sector with the domestic-peso sector, both at unrealistic exchange rates. In addition, official inflation data as well as external estimates do not fully reflect the rising cost of living, as state services and provisions have decreased greatly in quality and quantity. The government's economic reform measures explicitly sought to counter inflationary pressures by downsizing state spending and cutting deficits. At the same time, as subsidies are cut and goods are removed from the ration system, a larger share of the consumer basket has to be acquired at market prices. While the creation of new businesses exerts downward pressure on some prices, in many cases these have led to an improved quality of services or products, resulting in some higher prices. For instance, as barbershops have been leased to their workers on the basis of self-employment, prices have gone up considerably.

Anti-inflation /
forex policy

4

Foreign exchange policy serves political purposes.

A key challenge for inflation control is the long-announced unification of Cuba's two currencies: the Cuban peso (CUP) and the hard-currency-fixed convertible peso (CUC). Neither is traded internationally. The Cuban government has announced it will eliminate the hard-currency-fixed CUC and make the CUP the country's single currency. The question seems less whether this will spark an inflationary process than to what extent this can be kept under control. Neither the timing nor the contours of the reform are clear. The exchange rate between the currencies is speculated to be somewhere between 1:7 or 1:10, in contrast to the current rate of 1:25 in the exchange houses and a formal 1:1 rate in state accounting. This move would make foreign exchange policy much more appropriate.

The process is designed to be gradual, starting with the state enterprises first, before being extended to the population and retail markets in general. Pilot projects in specific sectors and industries are already under way, and monetary unification no longer is a distant target but expected for 2015. The government will continue to try to contain inflation directly (by using price controls and regulating the limited areas of free-market activity) and indirectly (by controlling monetary emission), and it seems clearly aware of the inflationary risks of the monetary reform. This may be precisely the reason the measure has been postponed for so long.

In 1997, Cuba reformed its banking sector and the Banco Central de Cuba became the new central bank. It has no autonomy with respect to the state, however. The president of the central bank serves *ex officio* as a member of the Council of Ministers of Cuba.

The Cuban government is concerned with problems of macrostability. It sees this as a condition for regime and overall system stability, and the area is therefore guided by overriding political rather than economic principles. Reforms initiated in 2010 aimed at relieving pressure on the state's budget are to be seen against this background, and thus aimed at safeguarding the viability of the "Cuban way." Accordingly, there are no "autonomous" institutional safeguards for macrostability, which merely depends on the decisions of the government authorities. Budget management has been professional since the mid-1990s and the budget deficit as a percentage of GDP has ordinarily been 4% or below. Raúl Castro has rendered budget management less "populist" than was the case under Fidel Castro. Public debt has been estimated at about 35% of GDP in recent years.

Macrostability
5

Cuba last reported its "active" foreign debt, accumulated after it declared a default in the late 1980s, as \$13.9 billion in 2011. It no longer reports its "passive" debt from before the default, which economists estimate at \$8 billion. Unofficial estimates put Cuba's foreign debt at \$25 billion to \$30 billion. At the end of 2014, in an unusual step, the government said it had amassed \$10 billion of hard-currency reserves, presumably to bolster confidence ahead of the pending currency reform.

Cuba stopped servicing its international obligations in 1986. In 1992, it refused to pay Russia or any successor Soviet state the debt that it had accumulated with the Soviet Union; in 2013, Russia and Cuba agreed to settle the long-overdue Cuban debt to the Soviet Union. Cuba regularly renegotiates the debts that it has incurred for non-payment of trade credits. Over the past four years, Cuba restructured billions of dollars' worth of debt with China, Japanese commercial creditors, Mexico and Russia, obtaining substantial reductions in what it owed. One risk for Cuba is whether Venezuela's economic crisis – the result of the much lower international price of petroleum - will adversely impact Cuba's international payments circumstances.

9 | Private Property

Property rights in general remain weak, but have notably strengthened since the reforms initiated in 2010. In 2012, the government authorized the private sale and purchase of houses, apartments and cars. The government accords usufruct rights to those who till state land, and in 2012 strengthened these rights to some extent. However, the government adheres to socialist principles in organizing the state-controlled economy, and most means of production are owned by the state. Citizens may own land and productive capital for the purposes of farming and self-employment. The constitution explicitly subordinates the courts to the National Assembly of People's Power and the Council of State. Corruption remains pervasive, undermining equity and respect for the rule of law. Though courts play a role in settling disputes between Cuban companies and do so in a professional manner, they are insufficient protection in disputes between a firm and the Cuban government.

Property rights
3

There are no private Cuban companies in the usual sense, as private-sector entrepreneurs are still very much restricted in size and institutional foundation. Foreign private companies are usually allowed to operate as joint ventures with Cuban state firms or as exclusive enclaves; otherwise the state dominates the economic system. Reforms since 2010 have opened the economy to small-scale private businesses and cooperatives, generating self-reinforcing dynamics that could, in the medium term, lead to proper Cuban companies. Though a climate of “new entrepreneurship” has evolved since the implementation of these reforms, it is confined either to self-employment – including the hiring of non-relatives for the first time – or to some non-agrarian cooperatives engaged in pilot projects. Changes to agrarian law in 2012 strengthened the private rights of semi-private cooperatives. Handicrafts, fisheries and taxi cooperatives have also become lawful.

While there is no privatization as such for large state companies, the government has initiated the passage of state stores to the workers, mostly in the form of cooperatives, for a number of services such as barbershops or transportation. Employment in the state sector went down from 82% to 74% of the work force between 2006 and 2013. In the 26.2% non-state share, 4.6% corresponds to cooperatives, 8.6% to “self-employed” micro-businesses and 12% to employees in the private sector. While official discourse sees the private sector as key to absorbing the redundant workforce of the inefficient state sector, it still is severely constrained by regulations and state controls. To put it another way: Cuba’s new “market economy” is light years away from “communist capitalism” as implemented in China or Vietnam, though these countries may ultimately serve as models for a market economy that is only indirectly controlled.

Joint ventures between the state and international private firms operate in such sectors as tourism, mining, petroleum and natural gas under Article 15 of the 1992 constitution. Recently, the Special Economic Zone at the port of Mariel was inaugurated in order to attract new foreign capital in this enclave zone.

10 | Welfare Regime

Despite the profound economic crisis that has gripped the country since 1989, state social services have remained essentially in place. Cuba provides free health care and education, access to athletic facilities, subsidized day care. While Cuba’s social safety net is in many respects without equal when compared to other Latin American countries, its quality has been continuously deteriorating. Monetary social safety systems, such as unemployment compensation and the universal-coverage pension system, have suffered greatly from the loss of value of the Cuban peso in which they are paid, reducing the minimum pension to about \$4 per month. Queues have lengthened for healthcare provision, as the government now exports medical services to Venezuela and other countries, and the country serves as a health-tourism

Private enterprise
2

Social safety nets
6

destination. Cuban life expectancy remains comparable to European societies and Cuban fourth graders score in international mathematics tests at a level similar to that of East Asians. The quality of secondary education has eroded greatly, though, and a private system of afternoon schooling (“repasadores”) has emerged to the point that many by now see privately paid classes as indispensable for entering university careers.

The economic reform process has increased social inequalities substantially, as it involved a cut in state subsidies, the gradual elimination of rationing cards, a reduction in the number of state jobs and the implementation of market mechanisms as a means of allocating resources to a more significant degree than before. These policies have generated significant downward social mobility, however, while increasing individual vulnerability and societal inequality. Research shows that older persons, residents outside Havana and tourist enclaves, and non-whites have experienced a deterioration in their material circumstances over the past two decades, whereas younger people, Havana and tourist-enclave residents, and whites have gained significantly over the same period. In particular, access to dollars through remittances from relatives abroad has become a key factor driving inequality.

There is still considerable equality of opportunity in Cuba, though this has eroded dramatically in recent years. Following economic reforms, access to hard currency and family ties to emigrants have become absolutely decisive for well-being.

White-black differences are small with respect to access to primary education. In secondary education, hard-currency income already matters: As universities have become more selective, parents have begun hiring private tutors, a category that now exists as one of the authorized instances of self-employment. Women constitute a majority of students in most university degree programs, including medicine. However, gender inequalities exist in top political and managerial jobs, and racial inequalities appear in the professions. Among black Cubans, a sense of growing informal discrimination spreads. There is declining but residual discrimination against religious adherents in top political and managerial jobs. Discrimination with regard to sexual orientation has greatly decreased.

Equality of result has deteriorated, however.

The greater ease in receiving – and thus the increasing societal importance of – remittances from Cuban-Americans has skewed gains to whites and those who have retained family ties with emigrants. This has become a key source of unequal opportunity as remittances – in cash or in kind – can now be used as startup capital for self-employment business activities or to buy houses and apartments. Cuba’s nascent market reforms have the population starting from a highly unlevel playing field, which is likely to result in a social re-stratification along the lines of skin color and social pedigree.

Equal opportunity
6

A key limitation with regard to equality of opportunity is political loyalty. Open disapproval of the system is likely to severely affect upward mobility. This also comes into play with respect to market reforms, with the allocation of licenses and other state or administrative resources or privileges. Cadres of the party, state or military apparatus are widely seen to be in a highly favorable position to promote the business opportunities of their family or relatives.

11 | Economic Performance

According to the available data, gross domestic product per capita is at about the level of the mid-1980s, although inequality is today much higher. GDP growth rates have been in the range of 2% to 3% per year since the beginning of this decade; 2014 closed with a mere 1.4%. The prognosis of 4.0% for 2015 has become plausible due to the rapprochement between Cuba and the United States and the economic impulses that can be expected from it. That assumes, however, that relations will improve quickly and that the adverse impact of the Venezuelan economic crisis will be contained – both assumptions are problematic and uncertain. In addition, inflation is likely to rise as a consequence of the planned implementation of monetary reform.

Disguised unemployment is substantial; open unemployment levels are low, but the data on unemployment do not reflect labor realities. Underemployment is hidden in inflated payrolls of state companies, and their reform, if taken on in earnest, would lead to large-scale dismissals of state employees. Two-thirds of the newly lawfully self-employed have reported that they had had no prior job, which suggests either much higher unemployment rates than are openly admitted, or more likely, sustained engagement in illegal markets. Inflation rates remain in the single digits, but the price index has yet to take fully into account the new higher-priced self-employment activities. The budget shows a manageable annual deficit. Debt levels escalated in 2008/09, but have become better controlled since then.

12 | Sustainability

Environmentally sustainable growth receives sporadic consideration, yet in general, environmental policy lacks an autonomous institutional framework and is subordinate to economic growth. Environmental organizations have emerged but share the same lack of autonomy as other social groups, preventing them from exercising public watchdog functions. For decades, dam construction, poor soil management policies and Stakhanovite campaigns have damaged the environment. The deindustrialization process of the crisis since 1989 has reduced contamination associated with these industries. Accelerated tourism development, on the other hand, has compounded ecological damage around the cays in the Cuban archipelago. Public awareness and media coverage of environmental concerns have risen. Cuban

Output strength
5

Environmental
policy
5

scientists have succeeded in introducing some environmental reviews into tourism design projects. The Ministry of Science and Technology has been charged with looking after the environment. There is little public environmental accountability on the part of government agencies or licensed joint venture firms, although National Assembly commissions have occasionally posed questions regarding environmental risks and damages. The new port of Mariel, some 45 kilometers to the east of Havana, will reduce the environmental stress on the waters of Havana's bay.

Cuba has long spent a large fraction of its resources on education. However, despite international praise for its educational achievements, it has also been a worldwide example of low economic return for this vast investment. Particularly in the crisis since 1990, many highly educated Cubans sought work in tourism or other fields where they were overqualified but better paid. Many also emigrated, particularly the highly skilled. The export of health care and other services to Venezuela over the course of the past decade represents the country's first significant economic return on this investment.

Cuba has a large network of institutions of primary, secondary and tertiary education, as well as many research institutions. However, recent years have seen a notable overall decay in quality in almost all sectors of education, particularly within primary and secondary schools, indicating an erosion of Cuba's education system. Raúl Castro's downsizing of state expenditures and gratuities also includes a reduction in the admissions to Cuban universities and the closing of numerous facilities.

The marked increase in the failure rate in admissions tests for the University of Havana suggests a deterioration in the quality of secondary education in recent years. The rise in the number of private tutors, which have been lawful since 2010, may be a response to such a decline in quality, or to the increased income of wealthier Cubans, or to the very limited purchasing power of teacher salaries. The quality of most municipal universities and of all but a few provincial universities has been and remains poor.

The quality of the country's science and scientists in some fields (e.g., tropical medicine) is world-class, though many also fall below world standards. Cuba has invested huge (but undisclosed) sums in the development of biotechnology, and has developed very good applied science in the field; the transformation of such research into commercially useful products has been more halting, though this has improved in recent years. There is no private educational system, though private tutoring has been permitted since 2010.

Education policy /
R&D
7

Transformation Management

I. Level of Difficulty

As the present government represents a direct line to the revolutionary government that has governed for more than half a century, it is difficult to distinguish precisely what is the result of the current leadership's actions and what are structural constraints. The current leadership has found it very difficult to enact several of the reforms that leaders have announced publicly; it is difficult to tell how much is a structural constraint, including the inherited economic pathway, and how much is purely a disagreement in elite politics. However, Cuba remains constrained today by the sudden and catastrophic failure in the early 1990s of a development strategy built on the expectation of Soviet subsidies. Cuba is highly import-dependent for energy and industrial goods, and it remains vulnerable to hurricanes and the effects of climate change.

Structural
constraints

6

U.S. economic sanctions have been in place for a half century, denying Cuba access to its principal market. Over the years, however, many loopholes in the U.S. embargo have emerged, making the U.S. Cuba's prime food supplier. Moreover, the 17 December 2014 accords on the re-establishment of diplomatic relations went hand in hand with an easing of sanctions on communications and other sectors, and made a further erosion and eventual lifting of the embargo a realistic prospect. The early negotiations have proven difficult, however, and it is difficult to predict the lifting of U.S. constraints in 2015. To a significant extent, this change was brought about by political action by Cuba, namely the political moderation of Raúl compared to Fidel, a respectful foreign policy and careful diplomatic negotiating.

Cuba's geographical location and its prosperous diaspora in Florida have in part evolved from a constraint, given this diaspora's strong anti-Castro imprint and weight in U.S. politics, to become an asset as a source of remittances, communications and investment.

The Cuban population is highly skilled but poorly paid. Petty corruption and low work morale have become engrained and will take time to overcome. Out-migration has produced persistent patterns and become part of the mindset of young Cubans. There are no pandemics, nor extreme poverty.

Civil society was moderately strong before the 1959 revolution. The political regime after 1959 undercut the sector's autonomy and prohibited independent civil society institutions outside the churches, which remain weak today despite some resurgence in recent years. Most officially registered non-governmental organizations are mass organizations that the regime sponsors and controls. The same is true of professional associations. There is a vibrant cultural scene which, while embedded in or linked to state-controlled organizations, constantly negotiates its spaces of articulation and action, thus performing important societal functions.

Civil society traditions

7

Less than one-fifth of the population holds membership in religious organizations. About 5% of the population attends Roman Catholic mass at least once per week. Subcultural groups such as musicians and rappers have developed larger collective identities, though with low levels of institutionalization. An independent blogger scene has become a prominent pillar of civil society, with links both to open dissident groups and to actors within the established intellectual scene seeking more autonomy and wider margins of debate. However, these are comparatively recent developments, and do not yet constitute a tradition.

There are no manifest violent conflicts. Cuba's central cleavage is political rather than social, based on loyalty to the socialist system. Despite certain race-based inequalities and a clear under-representation of Afro-Cubans in the political and technocratic elite, there is neither politicized racial conflict nor a history of race-based violent incidents. With the transition of leadership from Fidel to Raúl Castro, draconic prison sentences for opposition activists have ended. Intimidation of government opponents is now mainly done through short-term detentions. Opposition activists have been allowed to leave and re-enter the island. Dissident online media have become de facto tolerated. Regime-sponsored violence targeted at human rights protestors, most notably the so-called Ladies in White who have marched in protest against abuses, has been used less, though has not yet been banned from the government's repressive repertoire. On two occasions, a significant number of political prisoners were released.

Conflict intensity

2

The government has significantly changed the vocabulary it uses to refer to the diaspora. Emigration in general is currently described in terms that range from neutral to positive, with harsh commentary now focused more narrowly on the visible leaders of anti-Castro Miami organizations.

There are no relevant opposition groups seeking the government's overthrow through the use of force.

II. Management Performance

14 | Steering Capability

Question
Score

Since 2010, the Raúl Castro government has embarked on a gradual, but very systematic process of economic reform, administrative institutionalization and foreign policy moderation. It is credible in setting and pursuing these strategic priorities. The decision to resume diplomatic relations with the U.S. came as part of this long-term strategy and after an 18-month negotiation process.

Prioritization
5

In economic policy, changes have been slow but steady. Reforms have retreated at times when encountering strong resistance but were never reversed in substance. Nor did the government turn to the kind of populist policies more common under Fidel Castro. The government seems to be determined to open spaces of economic liberty as a mid- to long-term strategic priority, as long as this does not jeopardize the maintenance of political control. Its most important long-term priority, however, remains sustaining the authoritarian regime.

The government has not implemented democratic reforms, although a number of market-oriented reforms have been implemented in recent years. It opened a small but growing private sector and authorized small businesses to hire non-relatives as employees. It welcomes foreign direct investment partnerships with state enterprises in selected sectors. It permits agricultural markets with goods sold at market prices. It has expanded opportunities to allocate use rights to till the soil on state farms. Its budget policies are generally prudent. It has cut back on state subsidies and services, and it raised the retirement age for pension eligibility by five years. The main driver of reform has been Raúl Castro and the core leadership around him, with the armed forces and the emerging technocratic-managerial elite playing a key role. However, in many ways the state reacts to social pressures, just as it implements economic measures in response to consumption needs and implements migration reform. The main resistance to reform has come from middle management within the bureaucracy. In part, however, resistance also reflects concerns in the population about the dismantling of the state sector, the reduction of subsidies, and feared loss of employment.

Implementation
4

The Raúl Castro administration has clearly learned from past failures of Cuba's socialist experience as well as from other countries. It has learned that the state-run economy is unsustainable if it is not reformed. It has learned that it cannot rely on perpetual bailouts from Venezuela nor any other country. It has learned that state farms work poorly. It has learned that small businesses are more agile than state enterprises. In 2012, it permitted the creation of a private real estate market. It has, importantly, also learned that a moderate and reliable foreign policy can strongly influence the international economic context, as it has been a key factor in convincing the United States to ease sanctions against the island. Moreover, it has learned that, for the country's long-term economic viability, and in particular, for the success of key development projects such as the Mariel port, an eventual lifting of the U.S. embargo is indispensable.

It has not innovated with regard to essential democratic rules and practices. Nevertheless, there has been learning as policies toward opposition and dissent have changed, largely jettisoning a practice of draconic prison terms. Opposition groups are today permitted to operate, if under duress, without immediate fear of being disbanded. Short-term detentions have become the most common mechanism of intimidation. The considerable de facto toleration of dissidents, as well as the acceptance and even the publication of the rise in nonconformist votes in elections, also indicates a kind of ongoing strategic learning concerning the stabilization of an authoritarian regime gradually allowing more pluralism into the societal environment. The migration reform removed the exit-permit requirement for those wishing to travel overseas, leaving in place only the need for a passport, and this signified significant learning with respect to Cuba's own society and diaspora.

15 | Resource Efficiency

With the transfer of power to Raúl Castro, bureaucratic rationality and respect for formally established institutions have improved. Increasing efficiency has become a key goal of the current reform process. The government thus acknowledges the often inefficient use of available resources, but so far it has had limited success in addressing the problem. The annual state budget is not balanced, but the deficit has generally remained below 4% of GDP. The financing of state enterprises has continued to depend on a "chain of non-payment," that is, the firms' failure to pay for what they purchase except on a delayed schedule of their own choosing. In the administration of state enterprises, monetary dualism, and in particular the largely fictitious rate of 1:1 between CUP and CUC, structurally conspires against an efficient use of resources. State enterprises often refuse to supply each other and hoard resources. While some attempt to create a more solid tax base has been made, the government's approach and results have remained ambiguous. The key to improving the efficient use of assets is the announced currency reform, whose

Policy learning
5

Efficient use of
assets
4

implementation had been postponed but which, in 2014, started with pilot projects. It can be expected to become effective in 2015.

The self-employment sector can and does set its own prices, but also operates under the burden of significant regulations and high tax rates, and it is also affected by the distortions of monetary dualism. Tax rates jump as soon as more than five employees are hired, as tax rates are set not by profits, income or revenues, but rather by the firm's number of employees. Cuba's historically large human capital investments, particularly in the health sector, have been turned into a key hard-currency earner through the export of medical services. Appointments to senior managerial, administrative and professional jobs are formally and explicitly made on the basis of political criteria. For top jobs, the Soviet-inherited nomenklatura system – the vetting of all senior appointees by the Communist Party – persists. Regulations are typically set centrally in Havana, taking insufficient account of local conditions and territorial variation. Prices for goods or services thus often underestimate the costs of transportation and storage.

The government tries to coordinate conflicting objectives, but effective and coherent policy coordination is hindered by bureaucratic inefficiencies and deliberate political calculus. The government has shown its ability to coordinate the use of resources to achieve political objectives, and the 2014 rapprochement with the U.S. illustrates the successful coordination of a key foreign policy issue with the long-term economic strategies of the country. The government, however, has frequently failed to coordinate between conflicting economic objectives. A key source of incoherence stems from the country's monetary dualism, which utterly distorts economic incentives. The delay in implementing the long-announced monetary reform speaks to the challenge this presents for the coordination of policies. The dual-currency system helps to explain the bankruptcy of the sugar industry between 1990 and 2002, as well as many other economic shortcomings. The chain of non-payment of enterprise liabilities also provides powerful incentives to eschew coordination. Raúl Castro has discontinued Fidel Castro's Stakhanovite campaigns, thus resulting in fewer economic disruptions. Macroeconomic coordination improved as a result of better monitoring and budget controls since 2010.

Policy
coordination

6

Government corruption has worsened substantially since 1990 due to a convergence of three forces: the opening of a hard-currency sector and limited market-based economy with significant levels of state intervention and weak legal base, the extraordinary discretion allowed to government officials in making micro-decisions, and the absence of independent institutions or media that could have a watchdog function and provide public transparency. Government prosecution of corrupt officials has increased under Raúl Castro's government. The auditor/controller office has been empowered to increase and improve oversight and reporting. However, this does not effectively curb the structural mechanisms that foster corruption, so the prosecution of individual cases remains somewhat arbitrary. Due to the lack of

Anti-corruption
policy

5

transparency of the process, it is impossible to tell to what extent corruption charges are substantive, politically motivated, or merely a product of personal vendetta.

To a certain degree, the state seeks to fight corruption with a firm hand, as illustrated in a series of anti-corruption pushes since 2010 involving state officials and/or foreign joint venture companies in several key areas ranging from the cigar, nickel and communications industries to food processing and civil aviation. Auditing of state spending and state enterprises also improved markedly. The media reports inconsistently on petty corruption that affects individual consumers in bakeries, cafeterias and other such establishments, and has no role in investigating higher-level corruption. There are no officeholder asset declarations or conflict-of-interest rules, and the procurement system is not transparent. Foreign-firm bids are confidential. In the anti-corruption drive, representatives of foreign companies were also prosecuted. The non-public nature and lack of transparency of these cases impacted negatively on international investors and trade partners.

16 | Consensus-Building

No important political actors are working to build a market-oriented democracy. The government and all legal political actors identify with the state-socialist system and reject the tenets of liberal democracy in all public statements. In turn, openly oppositional groups rhetorically embrace Western-style democracy; however, these groups remain small and maintain a minimal public presence. The Catholic Church has increasingly taken on a role as mediator, but keeps a low profile when it comes to explicit political articulation.

Consensus on goals
2

President Raúl Castro has enacted a variety of market-oriented measures. While official discourse denies building a market economy and insists on “updating socialism,” this clearly includes a structural reform of the economic system to include more market mechanisms. He has gone to great lengths to anchor this new course in a broad consensus of established institutions, including the promotion of a strategic reform document at the sixth Communist Party Congress, in 2011. The government’s quest for a broad intra-elite reform consensus also helps explain the slow pace of reform.

No significant political actors in government are propelling democratic reforms in the liberal sense, while many would favor certain liberalization measures within the established state-socialist order. But in the normative sense of the BTI, the ruling elite within the government, the Communist Party and the military are anti-democratic actors who have effectively prevented the democratization of the regime. Many within the establishment may harbor some ambivalence regarding the system and a potential democratic alternative, but these feelings are confined to private conversations. Only a few actors, such as the leaders of small opposition groups and

Anti-democratic
actors
1

leaders of religious denominations, seem actively committed to changing significant aspects of Cuban politics. However, how they would redesign the political system remains unclear.

After 1959, the revolutionary regime made it a core commitment to overcome the predominant social, ethnic, regional and gender cleavages. Its record is quite impressive in this regard, enhanced under Raul Castro's presidency by seeking to appoint more nonwhites and women to leadership posts while ending homophobic policies, although a considerable level of inequality along ethnic, territorial and gender lines persists. The key cleavage in Cuban society is political in nature, cutting along the many shades of adherence or opposition to the government and the structures it has created and continues to dominate. Since the government limits the reach and diffusion of opposition activities at a very early stage, it has in effect prevented any escalation into manifest and violent conflict.

The top political leadership has always emphasized the value of unity. It seeks to prevent the emergence of racial and regional cleavages through policies that mitigate racial and territorial differences, though economic reforms have increasingly been running contrary to these goals. As a result, social cleavages, in particular on the basis of skin color and social background, are re-emerging.

The state prohibits parties other than the Communist Party. It has a long tradition of deploying nationalist feeling against the U.S. government as a means of deepening social cohesion. While the December 2014 accords with the U.S. change the overall constellation of this crucial external conflict, anti-U.S. rhetoric will remain, however more moderately phrased, a key element of the regime's quest for domestic legitimation.

In the early 1990s, the Communist Party dropped its insistence on atheism and began to reduce religious discrimination in order to include religious believers in its consensus. Under Raúl Castro's tenure, relations with the Catholic Church have improved to the extent of evolving into some sort of tacit alliance, resulting in a preferential treatment of the church; other religious groups experience this as discrimination.

A key element of the structure of Cuba's social cleavages was "exported" through the large-scale emigration of the country's prerevolutionary upper and middle class in the wake of the revolution. As a result, socio-structural cleavages on the island remain comparatively low today. However, if one were to regard emigrants as part of the national conflict, the large-scale emigration has produced a profound social cleavage, as the conflicts between Cubans on the island and those in the diaspora will be difficult to reconcile. Still, the Cuban diaspora has changed considerably, as 500,000 Cubans have migrated to the U.S. since 1990, and more than a third of Cuban-Americans have already been born outside the island. In particular, these

Cleavage /
conflict
management
6

younger cohorts and second-generation migrants are much less entrenched in the historic conflict sparked in 1959, and more prone to pragmatic reconciliatory measures. The Raúl Castro government has changed its rhetoric toward the diaspora, targeting only those who lead anti-Castro organizations outside Cuba. This has lowered the intensity of conflict directed toward the diaspora as a whole, potentially easing prospects for the future.

The political leadership resists the notion of an independent civil society and instead fosters mass organizations, professional associations or other societal groupings that are eventually subordinate to the political structures. Although the scope of action available to such organizations differs, full autonomy is off the table. While the government is predominantly top-down, it does not ignore civil society altogether. The state uses state-sponsored mass organizations as well as professional associations to gauge public feeling, but the form and extent to which it takes these into account when deciding policy is opaque. These organizations are not given the means to act as genuine interest groups. The primary genuinely independent civil society entities are the churches and their associated groupings. Blogs and mailing list publications have led to the emergence of an informal press, which has become a tacitly accepted means of interest articulation, though only exceptionally does the government involve these actors actively in the political decision-making process.

Civil society
participation
3

The Raúl Castro government has an overarching discursive framework of correcting the country's course without taking explicit public responsibility for past errors. For the most part, the government does not acknowledge that it has committed injustices or victimized citizens. It claims that historical injustices are a legacy of its predecessors or the consequence of aggression against Cuba by the United States, domestic regime opponents or exiles. However, the general attitude has become much more favorable for processes of reconciliation, as the government has tacitly adopted a more reconciliatory discourse toward past enemies or victimized groups than in the past. This includes the attitude towards emigrants – long decried as “traitors” and “worms” – which has given way to a more sober and pragmatic relationship. In 2001, the government invited some former members of the Bay of Pigs exile brigade to revisit Cuba and honor their dead. A prominent process of reconciliation is under way with the Catholic Church, which ranges from symbolic gestures, such as the restitution of religious holidays, to the actual return of properties confiscated after the revolution. The government under Raúl Castro has clearly acknowledged abuses committed against homosexuals in the 1960s and 1970s. More implicitly, it has acknowledged excesses associated with the hard-line cultural policy of the 1970s. Cultural policy has turned to a de facto rehabilitation of many Cuban writers and artists, who are now being recognized for their work, even if they suffered discrimination or were forced into exile in the past for it. However, in no case has there been a formal process of apology, or of public consequences for the perpetrators.

Reconciliation
4

The historic rapprochement with the U.S. in December 2014 also is a strong signal for a more reconciliatory course. Though in principle a foreign policy issue, it strongly echoes into the domestic arena, which for decades has been profoundly shaped by the U.S.-Cuban confrontation.

17 | International Cooperation

Since the early 2000's, Cuba developed a close alliance with Venezuela, which included a large oil-for-doctors barter arrangement on highly beneficial terms for the island. Under Fidel Castro's tenure, the political impact of the alliance with Venezuela had been to delay the implementation of market reforms. Under Raúl Castro, support from Caracas is seen as unreliable in the long term, and it has not impeded either deliberate diversification of trade partners or the drive for gradual market reforms. Although support has been decreasing in recent years, Venezuelan oil not only covers the island's needs but in 2014, earned Cuba \$765 million through the re-export of excess Venezuelan oil. The Raúl Castro government effectively used Caracas's largesse to save on imports and actually achieve a healthy current account surplus of \$1 billion for 2014, essential to facing the upcoming challenge of monetary reform. In addition, the Cuba-Venezuela relationship has allowed the Cuban leadership to realize the country's capacity to export medical and other professional services for commercial, not just political, purposes. This discovery is being turned into a development strategy, as the export of services has been extended to third countries with no specific political bonds.

In order to become more independent from Venezuela, the Cuban government has intensified its relations with China, Brazil and other countries. China and Brazil support their companies' deals with Cuba through generous credit lines. On these terms, Brazilian companies have become the main partners for the construction of the new deepwater port at Mariel, 45 kilometers to the west of Havana, a key infrastructure project in Cuba's current development strategy.

The government cooperates with specific international donors on particular projects, as in the area of small-scale private-sector reform. Fidel Castro banned most European cooperation for political reasons, but some has been reopened bilaterally. A general resumption of cooperation with the EU, however, depends on the successful conclusion of a cooperation agreement that is currently being negotiated. Cuba is very cautious, and often resists political or economic advice provided by the West, as it fears political influence undermining the current political order. In the current economic reform process, Cuba has become more active in seeking advice from China, Vietnam and Latin American countries or institutions, though there is little transparency on the content and scope of these activities. It remains to be seen to what extent the 17 December rapprochement with the U.S. also will allow U.S. non-government actors to become more active as donors in Cuba.

Effective use of support

6

The government does not pursue reform policies aimed at establishing democracy and a market economy in the normative sense of the BTI. Under Raúl Castro's leadership, the Cuban government has increasingly presented itself as a credible and reliable partner in international affairs, culminating in the breakthrough in negotiations with the U.S. reached in December 2014. While the agreements were not linked to Cuba's domestic reform process, the prisoner releases that were part of the deal have been implemented as agreed upon. The high reliability Cuba showed in these negotiations will also foster international confidence in the long-term character of the current economic reform process.

Credibility
5

Cuba's diplomacy also proved a reliable partner when Cuba and Spain engaged in negotiations in 2010 over the release of Cuba's long-term political prisoners. Perhaps more importantly, the liberalization of travel for Cubans in 2013 was implemented without political backdoors. Since then, even the most vocal political opponents have been allowed to leave the island to meet U.S. and European government representatives and after this to return safely to the island.

Also, prior to December 2014, Cuba has been a professional partner both of the U.S. Coast Guard across the Straits of Florida and of the U.S. forces at their base near Guantánamo, based on an alignment of interests: The United States does not want Guantánamo prisoners to get out and Cuba does not want the prisoners to get in. Cuba also gained a high profile as mediator and host of the Colombian peace talks held in Havana.

Cuba is highly active in many regional organizations with Caribbean and Latin American countries. The Raúl Castro government sought and was admitted to the Rio Group. It has joined the Community of Latin American and Caribbean States (CELAC) and was elected to hold the pro tempore presidency of this group for 2013. It works well with the Caribbean Community (CARICOM), and provides extensive assistance to Caribbean island states in the areas of higher education and health care services, including a strong engagement in post-earthquake Haiti. It provides assistance in education or healthcare not only to Venezuela, its core political ally, but also to Brazil, Bolivia, Nicaragua, Ecuador, Paraguay and a number of Caribbean islands.

Regional
cooperation
7

The breakthrough agreement reached with the U.S. in December 2014 to restore diplomatic relations has greatly improved Cuba's relationship with its close and hugely important neighbor to the north. Normalization measures have eased travel for and remittances from Cuban-Americans (and, to a lesser extent, non-Cuban-origin U.S. citizens), and cooperation over migration issues, academic relations, disaster management and postal services has increased. However, the core of the U.S. embargo against Cuba remains in place, as it is codified in law and thus can only be lifted by the U.S. Congress, not by the president.

In 2009, the Organization of American States (OAS) lifted Cuba's suspension from the organization, but Cuba has not yet taken up its position. In January 2014, Cuban Foreign Minister Bruno Rodríguez Parrilla confirmed that Cuba would not return to the OAS. However, in December 2014, Raúl Castro confirmed his participation at the Summit of the Americas in Panama, essentially organized by the OAS, to which Cuba had been invited for the first time.

While highly active in regional associations, Cuba eschews commitments to regional norms regarding democracy and human rights.

Strategic Outlook

President Raúl Castro has enacted a peaceful political transition from his brother's highly personalist leadership style to a much more institutionalized, bureaucratic state-socialist regime. In the immediate future, the regime faces three key challenges:

1) Market reforms need to deepen in order to push the domestic economy, in particular as Venezuelan support will be decreasing. The pending monetary unification is necessary but a high-risk operation, as it will very likely trigger inflation. It is essential to keep this inflationary process under control. All economic measures - new opportunities for private business, downscaling the state sector, trimming state companies to become efficient, unifying the two currencies – will produce winners and losers. And they further increase social inequalities in a country where social equality and state welfare have been key sources of regime legitimacy.

2) The détente with Washington that crystallized in the December 2014 accords to resume diplomatic relations is likely to increase domestic pressures for liberalization. For decades, the single-party regime was legitimized as the expression of national unity against U.S. imperialism; political opponents were decried as a “fifth column” and “mercenaries” of the U.S.; spaces for debate and criticism were curtailed under the imperative to “keep the ranks closed.” As the image of the U.S. as Cuba's perennial enemy blurs, this line of legitimation will lose traction. Social actors on the island will likely demand more voice, access to information, and tolerance for plural discussion, as well as economic rights. The Cuban leadership will have to navigate a gradual opening of state-society relations or else resort to more manifest repression.

3) Members of the revolution's “historic generation” are in their eighties, and the regime has to engineer the generational transition of its leadership. As Raúl Castro has announced he will not continue as president beyond 2018, the question of the top leadership position will not surface until then. While he appointed Miguel Díaz-Canel, some 30 years younger, as his first vice president and presumptive successor, neither Díaz-Canel nor any other cadre can be seen to have a similarly uncontested leadership position as Fidel in the past or Raúl at present. While the amalgam of state, Communist Party and armed forces is likely to remain the backbone of the regime, intra-elite frictions and rivalries may increase.

Notwithstanding, in the short term, elite consensus seems sufficiently high to assume that the current process of state-controlled, gradual, top-down economic reform will continue to be the dominant policy line in coming years. The reform process initiated by Raúl Castro has been “worked through” the relevant institutions of state and party, making them structural goals rather than simply the expression of his personal preferences or short-term crisis management measures. Cuba's economic reforms are still woefully limited. Moreover, corruption has become a severe problem.

In this context, the demand for transparency will be a key concern if the consolidation of an “uncivil economy” is to be avoided. A more solid legal foundation for the new market actors and

for equality of access should be supported. International actors can and should contribute know-how and material support for credit or supply markets. Measures aimed at achieving a sustainable social security system and countering the erosion of quality in the education and healthcare systems are also needed. The substantial decline in state employment and subsidized welfare, combined with the new money-making options provided by the growing market sector, has already led to new dimensions of social inequality.

Much will depend on the ability of the reform process to bring tangible benefits in compensation for the loss of old securities. As the new market actors will depend on the state's goodwill, an alliance between the ruling state elite, the Communist Party, the military and the winners of the market-based reform process may become a feasible model enabling the retention of power. The great unknown is whether the people's reaction to this process will remain as passive as in the past. The high rate of emigration plus new business opportunities on the island certainly have a significant potential to divert energies from the disaffected away from political contestation.

As long as the government feels firmly in control, it is likely to continue a careful course of opening space for debate within official institutions, with exemplary yet occasional sanctions for those who cross the line. If these spaces for debate are fostered, and if the de facto toleration of oppositional voices extends, both could contribute to the eventual foundation of a more far-reaching democratization of the country at large. This could expand the options for nonconformist voting in National Assembly elections, perhaps by applying to these elections the same rule that already applies to municipal elections: two candidates per post. With regard to opposition groups, the state will seek to avoid heavy-handed repression that would cause international uproar, instead pursuing a strategy of authoritarian containment. The quest to expand citizen rights on the island, securing a more pluralist debate and access to information, will remain at the center of the political agenda.