Lineamientos de la Política Económica y Social del Partido y la Revolución: an Overview of Cuban Domestic Reform

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An Overview of Cuban Domestic Reform

International Immersion Program - Cuba
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The United States and Cuba shocked the international scene when, on December 17, 2014, they announced their intention to restore full diplomatic ties. After more than fifty years of hostility between the neighbors, both countries committed to address their grievances in the hopes of obtaining resolution over separation. The United States, in particular, agreed to ease its restrictions on travel, banking, and remittances, and significantly, in a later concession, to remove Cuba from its list of state sponsors of terrorism. While it seems unlikely that the United States Congress will fully remove the laws enforcing its embargo anytime soon, these recent events embody a substantial step forward in US-Cuba relations, as well as the latter’s shifts in international policy.

While restoring diplomatic relations will likely lead to changes on the island, solely focusing on the influence the US will have on the communist system would be misleading. Change has been happening. Raúl Castro has not followed in the footsteps of his brother. When crisis hit the island following the fall of the USSR, Fidel’s regime implemented severe austerity

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2 Id.
4 Renwick, *supra* note 1.
measures to cope with the ensuing economic contraction.\textsuperscript{5} This “Special Period” of the Revolution was marked by new rationing schedules, the cutting of gasoline and fuel supplies, and the reduction of factory work hours.\textsuperscript{6} Raúl, by contrast, has led the Cuban government to reform its communist system, all the while affirming a continued adherence to socialist ideology. Rather than attempting to weather the storm of economic crisis, Cuba is opening up.

Fifty-seven years into its Revolution, Cuba is evolving. Its interactions with the United States are indicative of this change, but they are only part of the story. To explore how Cuba has been changing even prior to resumption of diplomatic relations with the US, this paper will review some of the obstacles Cuba has faced in recent years and its attempts to reform in light of these challenges. In particular, this paper focuses on one particular endeavor to bring about reform: \textit{los Lineamientos de la Política Económica y Social Del Partido y la Revolución}.\textsuperscript{7} Put forward in 2011 by the Communist Party of Cuba (Party), these \textit{lineamientos} (guidelines) outline Party policy for sweeping reform in areas ranging from macroeconomic, social, to environmental policy. The next few pages will provide an overview of the \textit{lineamientos}, including the history leading up to their implementation and the substantive changes they reflect, and will conclude with reflections on their potential.

1. Previous Reforms

Cuba has faced numerous challenges in the years following the Revolution. Its economic ties with other communist countries, including its relationship with the USSR and membership in

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\item \textsuperscript{5}Louis A. Perez, Jr., Cuba’s Special Period, HISTORY OF CUBA, http://www.historyofcuba.com/history/havana/lperez2.htm.
\item \textsuperscript{6}Id.
\item \textsuperscript{7}Resolution on the Guidelines of the Economic and Social Policy of the Party and the Revolution
\end{itemize}
\end{flushright}
the Council for Mutual Economic Assistance (Comecon), enabled it to grow even after its Western ties were severed. The USSR’s financing of Cuba’s bilateral trade deficit, for example, insulated the island from international market pressures. But with the fall of the USSR, Cuba’s economic strategy had to change. It needed to become self-sufficient to stay afloat.

The opening pages of the *lineamientos* record recent attempts made by the Cuban government to resolve economic sluggishness and inefficiency. Even after having weathered the difficulties of the Special Period, the Cuban economy remained weak. The introduction notes that, in 2005, three years prior to Raúl Castro’s accession to the presidency, problems became readily apparent. These problems included deficits in Cuban balance of payments, bank retentions of overseas transfers, and overdue payables. In response, the Cuban government undertook a number of measures, the general overview of which are provided for in the introduction. To begin with, the Cuban State was reorganized in pursuit of greater institutional strength. Economic planning was adjusted to available resources, and growth, the diversification of exports, and the substitution of imports were given priority. Capital investment policy was revised, available foreign credit was relocated to those projects with the strongest impact on Cuba’s balance of payments, and the country’s foreign debt payments were rescheduled. There was also reform in the agricultural sector, including legislative action distributing fallow State-owned land to increase food output and to reduce food imports. Finally, the State embarked on a number of strategic industrial projects to further development.

The next few pages expand on some of the major reforms undertaken by the Cuban government:

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9 *Id.* at 8.
Ideology. At the foundation of these reforms is a general shift in ideology. Not from socialism to capitalism. Not from centralized planning to a market economy. The Cuban government repeatedly reaffirms its commitment to communism. This shift is more subtle. It is a shift to pragmatism to overcome some of the flaws in the socialist system, all the while avoiding a truly market approach. As Castro stated, “ideas chart the course, the reality of figures is decisive.”

One of Castro’s approaches has been to clarify the purpose and direction of the socialist experiment. In a 2010 speech, Castro asserted that there needed to be a change to “erroneous and unsustainable concepts about socialism that have been deeply rooted in broad sectors of the population over the years, as a result of the excessively paternalistic, idealistic, and egalitarian approach instituted by the Revolution in the interest of social justice.”

Rather, as he stated in his inaugural address, “[Cubans] must make efforts to find the ways and means to remove any deterrent to productive forces. In many respects, local initiative can be effective and viable.” This shift away from idealism and towards pragmatism is reflected in the reforms brought about by Raúl’s administration. Greater emphasis on personal accountability and rewards for higher productivity have set the foundation upon which market-type policies have been set.

Government. The government itself has been the target of reforms. In March of 2009, Castro purged Fidel’s economic cabinet, replacing it with “trusted military men” and “reform-minded technocrats.” Two months later, the head of the central bank was replaced following his resignation. In August of the same year, the National Assembly of People’s Power (National Assembly of People’s Power)
Assembly), the legislative body of the Cuban government, established the office of the Comptroller General of the Republic, which, according to Castro, would improve economic discipline and target corruption. 14 In removing entrenched powers from the government, Raúl’s administration set the course for greater reform and responsiveness to economic stagnation, even as it faced internal tension as the established old guard was supplanted by new, reform-minded administrators.

Agriculture. Raúl has publically classified food production as a top government priority and matter of national security. In a “return to the land,” the Cuban government promoted policies intended to increase domestic production of food.15 This process began in 2008, and included the decentralization of decision-making, the aforementioned leasing of fallow land, increases in prices paid to farmers, and the loosening of regulations preventing farmers from selling directly to consumers. Whereas the ministry of agriculture in Havana had previously decided which crops and livestock to produce, that authority was transferred to Cuba’s 169 municipalities.16 The Granma, a Cuban newspaper, also reported on the agricultural sector’s high costs, low productivity, and obstacles to income growth. It reflected on the bloated size of that sector, pointing to an excess of 89,000 administrative workers.17 With regards to land, emphasis has been placed on using idle land, rather than moving significantly towards privatization. Fifty-four percent of idle state land, according to Raúl’s report to the National Assembly, has been granted in usufruct, affecting around 100,000 people.18 In August of 2010, the government also

14 Id.
16 Id.
17 Id.
18 Id.
issued new rules authorizing small farmers and Cubans with small garden plots to sell directly to consumers.\(^{19}\)

**New Business.** Many of the reforms also created opportunities for new businesses. In September of 2009, for example, Cuba began to issue licenses to food vendors in various cities. By 2010, the government announced it would lay off more than 500,000 state workers and add 250,000 licenses for family businesses. Around 200,000 state jobs were switched over to cooperatives, leasing, and other alternative arrangements.\(^{20}\) The state also began, in January of 2011, to issue microcredits to leaseholders of farmland. Later that same year, the government announced that 120,000 people had leased land since 2008. It also noted that 180,000 people had taken out licenses to work for themselves and to rent space to new entrepreneurs since October of the previous year. State banks were given authority to issue microcredits to new entrepreneurs, and state bodies were permitted to transact with them. Stimulating private business as a means to stimulate economic growth deviates from the traditional socialist model, and has been a pragmatic policy of the current administration.

**Labor.** Finally, workers were also the target of a number of reforms. Under Raúl’s leadership, the cap on productivity related bonus payments was lifted, resulting in a new system tying income to productivity.\(^{21}\) Workers were also permitted to take on more work, with students allowed to work part time, and full-time workers to hold multiple jobs.\(^{22}\) Each of these changes amplified the opportunities given to Cuban workers, allowing them to increase their earnings and thereby achieve higher standards of living.

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20. *Id.*
22. *Id.*
This sampling of the reforms taken by Raul’s administration is not exhaustive. Nonetheless, it is indicative of the tenor of the overall change. Less centralized planning, more opportunities for new business owners and workers, and greater compensation for higher productivity, are examples of the type of reform the current administration has hoped would keep the socialist project alive.

2. Problems

“Today, more than ever, the economic battle is the main task and the focus of the ideological work of the cadres, because the sustainability and preservation of our social system depend on that.”

General de Ejército Raúl Castro Ruz

While notable, the reforms mentioned above have not effectively staved off economic distress. In an attempt to revive the economy, the Party put forward lineamientos, or guidelines, after which new law should be modeled. These, it writes, are in response to the current economic crisis facing the country.

Introductory material to the lineamientos provides a brief overview of international events and issues contributing to the weak economy. Recent economic, financial, energy, food, and environmental crises have greatly impacted undeveloped countries. On the global market Cuba, as an open economy, faces instability in the price and demand for its exports, as well as greater obstacles to obtaining foreign credit. Cuba incurred a net loss of $10.9 billion between 1997 and 2009 as a result of price variation in its exports and imports, and the purchasing power

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of Cuban exports deteriorated by 15%. Finally, the introduction asserts that the continued United States economic, commercial, and financial embargo has produced significant losses.\textsuperscript{24}

Domestic weaknesses were also highlighted. Weather events, including 16 hurricanes between 1998 and 2008, produced $20.564 billion dollars in losses. More notably, the introduction points out that inefficiency, a deterioration of its production base and infrastructure, and aging population account for some of its economic difficulties.\textsuperscript{25}

Not all news was negative. Following its accession to the \textit{Alianza Bolivariana para los Pueblos de Nuestra America} (ALBA)\textsuperscript{26} in 2004, Cuba’s revenue from its supply of services, in particular its health-care services to Venezuela, increased. Moreover, Cuba has expanded its trading and financial relations with foreign nations, principal among them being China, Vietnam, Russia, Angola, Iran, Brazil, and Algeria.\textsuperscript{27} Despite the inclusion of Cuba’s positive steps, these have not compensated for weaknesses in what has become a fledgling economy.

In this introduction, the Party makes one thing clear: there is a problem. The current Cuban economic model is not sustainable, and must be reformed to keep the country afloat. Previous reforms have not adequately addressed the country’s ills, and it is against this backdrop that it proposes the new \textit{lineamientos}.

3. Executing a Plan
   a. Commitment to Socialism

The reforms instituted by Raul’s administration have not cured the major problems plaguing the Cuban economy. Against this background, the Party’s Sixth Congress worked to

\textsuperscript{24} Resolution, supra note 8, at 7.
\textsuperscript{25} \textit{Id.}
\textsuperscript{26} Bolivarian Alliance for the Peoples of our Americas
\textsuperscript{27} Resolution, supra note 8, at 7.
create what are now the 313 lineamientos. In generating guidelines upon which to model the economy, politics, and social policy, the Party begins by strongly reasserting its continued commitment to the socialist model. It notes that “the economic system that will prevail in Cuba will continue to be based on the socialist ownership by the entire people,” and that it “will be governed by the socialist distribution principle ‘from each according to his/her capacity, and to each according to his/her contribution.’”  

While economic policy would be reformed, the new model would be built with an understanding that “only socialism is capable of overcoming difficulties and preserving the achievements of the Revolution” and that planning, and not a market approach, is the basis for the economic model. The continued dedication to socialist principles, according to the Party, will require the sustained promotion of an economic culture that is founded upon a principle of equal rights and opportunities for all Cuban citizens. This it distinguishes from egalitarianism, holding that work “must be remunerated in accordance to its quantity and quality.”

Having emphasized its commitment to continued socialism on the island, the Party puts forward short and long term goals. In the short-term, the Party hoped to tackle the Cuban deficit in balance of payments, substitute imports and maximize export earnings, and eliminate issues affecting economic efficiency, motivation to work, and income distribution. Importantly, it also aimed to create the necessary infrastructural and productive conditions to allow for greater development.

Long-term goals aimed towards sustainable development. These include food

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29 Id

30 Id.

31 Resolution, supra note 8, at 10.
and energy self-sufficiency, an efficient use of human potential, competition in the production of products, as well as a move towards increasing the number of products and services offered.\textsuperscript{32}

\begin{itemize}
  \item Formulating \textit{Lineamientos}
  \end{itemize}

With these goals in mind, the Party goes on to note that all of its endeavors are merely an expression of the will of the people as contained in the politics of the Party, the state, and the government.\textsuperscript{33} While this form of rhetoric is not uncommon in any political system, the communism for which Cuba is famous is not typically thought to accommodate the actual will of the people. Nonetheless, in May of 2011, a few days after the publication of the \textit{lineamientos}, the Party put forward another document, \textit{“Información sobre el resultado del Debate de los Lineamientos de la Política Económica y Social Del Partido y la Revolución”}, in which it lays out the process by which the \textit{lineamientos} were announced, debated, and modified.

The aforementioned document breaks down the period of consideration into three stages. The first stage was a discussion of the \textit{lineamientos} with the general public. This stage lasted from December of 2010 until February of 2011. In it, the original 291 \textit{lineamientos} were discussed in 163,079 meetings with 8,913,838 participants.\textsuperscript{35} This latter statistic includes those who attended meetings in their base organization, as well as at work, study, or community groups. The report also details that from those meetings, 781,644 opinions were produced, and of those, 395,000 were accepted and included in the reformulation of the \textit{lineamientos}. Of those that were not considered, 210,000 discussed issues of implementation, more than 65,000 expressed doubt or worries that would be clarified later in the process, 62,000 referred to issues

\begin{itemize}
  \item \textsuperscript{32} \textit{Id.}
  \item \textsuperscript{33} \textit{Id.}
  \item \textsuperscript{34} \textit{Information on the Result of the Debates over the Resolution on the Guidelines of the Economic and Social Policy of the Party and the Revolution}
  \item \textsuperscript{35} \textit{Información sobre el resultado del Debate de los Lineamientos de la Política Económica y Social Del Partido y la Revolución}, Cuba, Communist Party of Cuba (May 2011), 3.
\end{itemize}
already presented in different lineamientos, and finally, 50,000 either were not accepted or would be considered in future stages.\textsuperscript{36} One hundred percent of the original lineamientos were retained, but only 32\% were kept without any changes being made. Sixty-eight percent of the lineamientos were modified in some way or incorporated with other lineamientos. Thirty-six altogether new lineamientos were added. After all considerations were made, at the end of this stage the number of lineamentos had increased by twenty to 311.\textsuperscript{37}

The second stage involved Party delegates discussing the lineamientos in the provinces. This lasted for three days, from the 8\textsuperscript{th} to the 10\textsuperscript{th} of April, 2011. Upon receiving the 311 lineamientos from the previous stage, 978 delegates and 216 invited members organized into five commissions.\textsuperscript{38} The provincial delegations looked over and analyzed the changes made to the lineamientos as a result of the first stage. This resulted in the approval of 257 proposals covering 146 of the lineamientos to be presented before the Sixth Congress of the Party.\textsuperscript{39}

The final stage was the discussion by the five commissions before the Sixth Congress. Nine hundred eighty six delegates and ninety-seven invited members participated. This discussion resulted in 86 lineamientos being modified, reflecting 28\% of the total number. Two additional lineamientos were also added, resulting in the final total of 313.\textsuperscript{40}

Concluding its discussion of the process of formulating the lineamientos, the document puts forward that, because the lineamentos were the object of analysis during three periods, and that because the lineamientos reflect, in part, the 781,644 proposals springing from the first stage, they are an expression of the will of the people, as reflected in the politics of the Party, the

\textsuperscript{36} \textit{Id.}  
\textsuperscript{37} \textit{Id.}  
\textsuperscript{38} \textit{Id.}  
\textsuperscript{39} \textit{Id.}  
\textsuperscript{40} \textit{Id.}
state, and the government of Cuba.\footnote{Id.} The remainder of the report lists out each lineamiento, its original text, its final text, and a note on the changes it underwent.

The process laid out above is not what Americans might expect when they think of Cuban decision-making. Of note, the Party and its Sixth Congress are not directly members of the Cuban Government. The Sixth Congress is not the National Assembly, and these are guidelines rather than laws. Nonetheless, the three stages above, and in particular the detailed intake of information from the people in stage one, seem to indicate more direct participation in the government than otherwise supposed. Unfortunately, though, information is not included on the nature of these meetings. Nor is there more detailed disclosure on the substance of comments made by the people. Therefore, we do not know the range of comments any individual could make, the extent to which conversations were "guided," or any other factors that might be limiting. Whether public participation made a significant impact on the formulation of the lineamientos is unknown. But, it is nonetheless clear that the Party thought it important to disclose that public participation was part of creating the lineamientos.

4. Overview of the Lineamientos

There are 313 lineamientos. These cover topics ranging from economic management, to investment policy, to science and technology, to social and tourism policy. In this respect, they reflect a comprehensive overhaul of existing policy. Each lineamiento is aspirational, with very little said about the actual laws and methods that will be used to implement them. For example, lineamiento no. 55 reads:
“Progress will be made toward the establishment of a single currency on the basis of labor productivity and effective distribution and redistribution mechanisms. The complexity of this goal will require rigorous preparation and implementation, both objectively and subjectively.”

Of the many shifts in general Party policy, a few are particularly notable:

**Cooperatives.** One of the most notable shifts in the *lineamientos* is the shift away from purely state run enterprises and towards cooperatives. There are five *lineamientos* dedicated to cooperatives alone, with the first defining cooperatives as “a socialist form of joint ownership” and as “a business organization that owns its estates and represents a distinct legal person.” These cooperatives can enter into contractual relations with other entities, including other cooperatives, companies, and state and non-state organizations. Cooperatives can also determine employee income and distribution of its profits.

For those studying the Cuban economy, this shift towards the use of cooperatives, including in areas outside of agriculture, is one of the most significant, if not the most significant, change resulting from the reforms. Greater reliance on cooperatives is deviation from the central planning model and allows for a relatively significant amount of self-autonomy.

**Credit.** The *lineamientos* increase the amount of credit available to individuals and organizations. *Lineamiento* 52 states that the supply of credit available to individuals

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42 Translation from: http://www.cuba.cu/gobierno/documentos/2011/ing/l160711i.html
43 Resolution, supra note 8, at §§ 25-29.
44 Id., at §25.
45 Id., at §27.
46 Id., at §28.
for purchasing goods and services must “be increased and diversified,” taking into consideration security requirements, capacity to repay, monetary balance, and “planned macroeconomic indicators.”

With regard to organizations, lineamiento 53 charges banks to provide necessary services, including making credit available to non-state management organizations in support of their operation. The government should also consider the creation of capitalization accounts for equipment purchases and other similar business purposes.

**Homeownership.** In the lineamientos, the Party proposes “authorizing” and “facilitating” the sale and other transfers of houses among natural persons. It also calls for the simplification of “housing refurbishment, rehabilitation, construction, and lease, as well as for ownership transfers” to address public housing demands.

**Travel.** The lineamientos do not explicitly give rights to Cubans to travel abroad. But, they do state that “consideration shall be given to a policy that facilitates Cuban residents’ overseas travel as tourists.” While this measure is not purely economic, it is indicative of Cuba’s move towards opening to the Western, non-Communist world.

5. Implementation

The lineamientos may be ambitious, but they have no legal effect until they are turned into law by the National Assembly. Party policy is not law. The lineamientos note that legal

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47 Id. at § 52.
48 Id. at § 297.
49 Id. at § 265.
instruments will be used to establish the “legal and institutional framework” to support the aforementioned changes.\textsuperscript{50}

At their conclusion, the lineamientos provide for a basic procedure for implementation. They call on the state to oversee the implementation of these lineamiento by creating a government commission to organize, direct, and supervise implementation; by training the staff, agencies, and organizations, working on implementation; and by reporting on the process of implementation.\textsuperscript{51} The Party retains the responsibility of driving and demanding that the modernization process move forward.\textsuperscript{52} When the lineamientos were published, the Party stated that it anticipated that the laws implementing them would be passed by 2015.

6. Reception

The lineamientos received mixed reviews. For most, they were a continuation of the moderating policies of Raúl Castro’s administration. Opening up to the greater world, moving towards “market” type policies, irrespective of rhetoric to the contrary, seems to confirm that the Cuban socialist experiment is failing. A corrupt bureaucracy and black market resulting from a weak economy are no longer sustainable.\textsuperscript{53} The island needs capital, as well as increased productivity, necessitating this shift towards market principles. Some also consider this move to be staving off the inevitable. The Revolution has failed, and moderate reforms are its last efforts to stay alive.

\textsuperscript{50} Id. at 44.

\textsuperscript{51} Id.


There are, nonetheless, entrenched interests in the Cuban state opposed to the modernization process. The reforms are unpopular with ideological elites and leftist academics. The public debates surrounding the creation of the *lineamientos* were believed to be political strategy by Raúl’s administration. With public support, it might be easier for the reform factions within the Party to press the National Assembly to implement change.

General public expectations are also difficult to predict. Even though they were actively included in the initial stages, it is not clear how the public will react to the substantive changes. Implementation is a drawn out process, and despite the 2015 deadline, the exact timetable is unknown. Some believe that the *lineamientos* will stave off unrest, providing enough self-autonomy and possibility for upward mobility to satisfy the general public. Others are more skeptical. One local economist noted that managing the reform is crucial for the Cuban government if it is going to prevent civil unrest. Speaking anonymously, he said that “reforms are necessary but dangerous as they are bound to open people’s eyes and minds and lead them to demand further deregulation.”

Scaling back on certain restrictions, as for example, increasing the number of seats *paladars* can have from 20 to 50, may only lead citizens to ask why restrictions exist in the first place.

Conclusion

Recent discussions between the United States and Cuba are significant. The possibility of strengthening economic ties could bolster a fledgling Cuban economy. Journalists, academics, and bloggers are already commenting on the potential for economic and social change. And they

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54 Laverty, supra at 52.  
55 Frank, supra at 53.  
56 *Paladars* are privately owned and run restaurants in Cuba.  
57 Frank, supra at 53.
might be correct. But it would be a mistake to attribute all progress in Cuba to its US ties. Rather, the Cuban state under the leadership of Raúl Castro has combatted economic stagnation with a series of economic and political reforms, the most recent of which are the 313 lineamientos of the Communist Party. These reforms reflect a shift away from centralized planning, and create more opportunities for new businesses, cooperatives, access to credit, and reward for higher productivity. Moreover, they were enacted in a more “democratic” manner, having been evaluated by the general public before becoming Party policy. Perhaps this latter move was an effort to push against the old Communist guard, perhaps it really was intentioned to involve the Cuban people in the political process, or perhaps both. Under any of these scenarios, though, it is clear that Cuba is changing from within. Whether a full transition to a market economy will ever come to fruition is unknown. But at least it is clear that, for the time being, it is not just foreign nations and investors pressuring an obstinate Cuba to reform. Its weaknesses have been noted, a new direction has been charted, and unclear as its destination may be, Cuba is on its way.