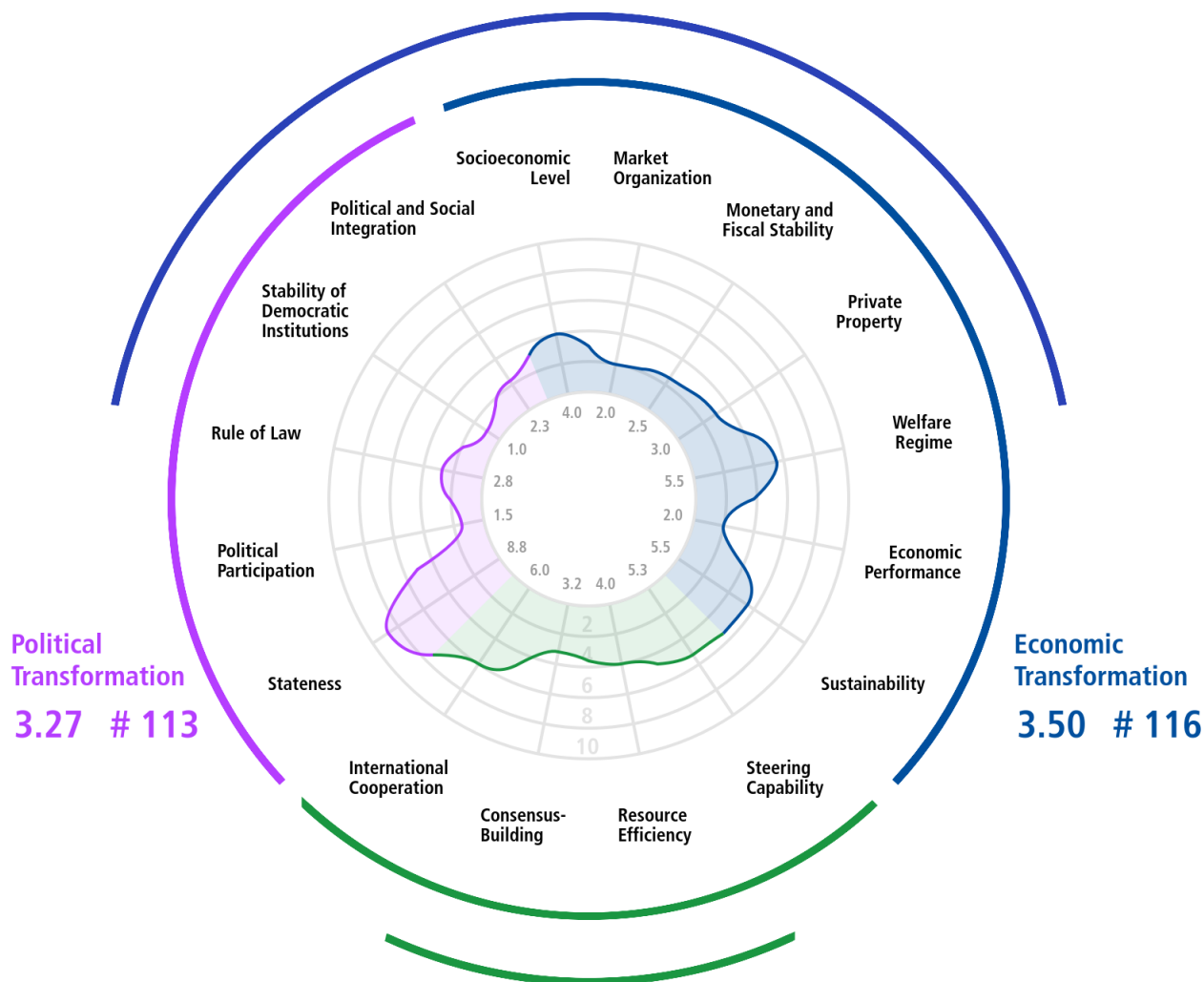


Cuba

Status Index

3.38 # 116

on 1-10 scale out of 137



Political Transformation
3.27 # 113

Economic Transformation
3.50 # 116

Governance Index

4.05 # 94

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	11.2	HDI	0.764	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	-0.4	HDI rank of 189	83	Gini Index	-
Life expectancy	years	73.7	UN Education Index	0.818	Poverty ³	% -
Urban population	%	77.4	Gender inequality ²	0.303	Aid per capita \$	13.5

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

In 2022, Cuba witnessed its largest-ever wave of emigration, with over 300,000 Cubans making their way to the United States, while thousands more sought refuge in Europe or Latin America. This mass exodus reflects a multifaceted crisis gripping the nation. Firstly, Cuba grappled with a profound economic downturn, exacerbated by the devastating impact of the COVID-19 pandemic on its tourism industry. Additionally, the country faced a challenging international environment characterized by harsh U.S. sanctions. Internally, Cuba's economy was plagued by deep-rooted structural problems and an incoherent, sluggish reform process.

This massive outflow of people also stems from a deep-seated social and political crisis, exemplified by widespread street protests that erupted on July 11, 2021. These demonstrations were swiftly and brutally suppressed, leading many protest leaders and social media activists to flee the island. Meanwhile, hundreds of ordinary protesters received disproportionately long jail sentences, undermining the government's promise of a "socialist rule of law." As a result, frustration and resignation have permeated society, with the government's ability to quell dissent without instituting meaningful policy changes or providing avenues for expressing grievances further eroding people's hope for change or improvement within Cuba.

The emigration of 2022 was further fueled by the unique opportunity Cubans had to cross into the United States via Mexico, where they were granted legal residency after one year. However, in January 2023, the Biden administration terminated this policy. Instead of deporting undocumented Cubans, the United States will admit tens of thousands on legal visas in the coming years. While this shift may stabilize the political situation by serving as a safety valve for discontent, it is likely to hinder Cuba's economic development, as it will attract primarily young, well-educated professionals.

The economic situation is dire, with shortages of all kinds and soaring prices impacting everyday life. The monetary reform implemented in January 2021 failed to establish the Cuban peso as the sole currency, resulting in an estimated 500% inflation in 2021 and 200% in 2022. This has eroded savings, devalued salaries and eroded trust in the national currency. To mitigate these challenges, the government introduced a new dollar-pegged currency, the “moneda libremente convertible” (MLC), effectively dollarizing a significant portion of the Cuban economy.

Despite the economic difficulties, domestic economic reforms are gradually progressing. In 2021, small, medium and microenterprises were officially recognized, and by the end of 2022, more than 6,000 of these businesses were registered. Import opportunities also opened up for the private sector. Additionally, daily blackouts, which plagued the country in 2021 and 2022, came to an end with the introduction of Turkish power ships to compensate for Cuba’s outdated power infrastructure. In November 2022, President Díaz-Canel’s diplomatic visits to Algeria, Russia, Türkiye and China resulted in some rescheduling of Cuba’s debt and demonstrated continued international support. Nonetheless, Cuba’s economic relations with Western nations remain strained due to outstanding trade and debt arrears. The Trump administration’s tightening of U.S. sanctions, including designating Cuba as a “state sponsor of terrorism,” severed most regular Western banking services for the country. The Biden administration has not reversed these measures.

History and Characteristics of Transformation

The political structure of the country is still deeply influenced by the 1959 revolution, which ushered in a Communist Party regime and a state-controlled economy in the Caribbean island nation. This political continuity has persisted as leadership changed hands from Fidel to Raúl Castro in 2006 and subsequently to Miguel Díaz-Canel in 2018. The 2019 constitutional reform further affirmed the Communist Party’s role as the “leading force in the state and society.” The armed forces that emerged from the 1959 revolution continue to play a pivotal role in the regime, occupying key positions within the state, party and economy.

Following the collapse of the Soviet Union, socialist Cuba faced a profound crisis in the 1990s, from which it has not fully recovered, despite occasional periods of growth. In 2006, an incremental economic reform agenda was initiated. However, progress has been notably slow and marked by inconsistency. While this approach has helped maintain stability among political elites, it has not led to significant economic dynamism. The monetary reform implemented in January 2021 did not strengthen the Cuban peso; instead, it triggered an inflationary process that eroded trust in the national currency and effectively led to a dollarization of much of the economy.

Post-revolutionary Cuba has always been highly dependent on the international context, from its dependence on the Soviet Union in its first three decades to its alliance with oil-rich Venezuela in the 2000s. While Cuba today maintains diversified international relations, it lacks a benefactor capable of providing substantial subsidies or credit lines to sustain the socialist model. Relations

with the United States, Cuba's nearest neighbor and natural trading partner, have been strained by an economic embargo and long-standing hostilities dating back to the early days of the revolution. The struggle against U.S. imperialism has framed Cuba's domestic politics, creating a "besieged fortress" mentality that discourages dissent and encourages unity. There was a brief window of opportunity for change when Raúl Castro and U.S. President Barack Obama restored diplomatic relations in December 2014, but hard-liners in both Havana and Washington ultimately prevailed. Following Trump's election in 2016, the United States's Cuba policy reverted to a more aggressive Cold War stance.

The Cuban Revolution initially achieved remarkable social equality, though it is essential to acknowledge the emigration of hundreds of thousands of upper and upper-middle class Cubans to the United States, forming a politically influential immigrant community there. Within the island, state employment served as a key avenue for social advancement, particularly for the lower classes. However, starting in the early 1990s, a decline in state salaries reversed this trend. Economic necessity compelled the government to permit the existence of parallel hard-currency retail channels. This began in 1993 with the legalization of the U.S. dollar, which was subsequently replaced by the dollar-pegged "convertible peso" (CUC) and, most recently, the also dollar-pegged "MLC. This dual currency system created a significant divide between those with access to hard-currency channels, often through remittances or employment in tourism, and those reliant on government salaries paid in devalued Cuban pesos. Consequently, structural social inequalities have become more pronounced. These new inequalities also mirror the pre-revolutionary social hierarchies on the island, as the predominantly "white" emigrant community's remittances disproportionately benefit Cuba's "white" population, leaving Afro-Cubans structurally disadvantaged. Given that the political system is founded on the promise of social justice and equality, these inequalities are politically sensitive, contributing to a lack of elite consensus on a comprehensive economic reform agenda.

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

Administrative and security institutions are present throughout the country, and there are no armed groups outside the state's control. The nationwide street protests of July 2021 were dispelled quickly, similar to the 1994 riots in Havana. Moreover, violent crime rates remain very low. Cuba cooperates with the United States and other countries on drug trafficking interdiction and punishes drug traffickers harshly.

The Cuban state's monopoly on the use of force remains uncontested in 99% of its territory, encompassing 100% of the population. However, the one piece of territory where the Cuban state does not hold sovereign control is the U.S. naval base in Guantánamo Bay.

Cubans share a strong sense of national identity (cubanidad) across racial, social and political lines. Identification with the Cuban nation goes beyond the confines of the nation-state and extends – at least to some extent – to the Cuban diaspora. No particular group is denied access to citizenship. It is only with respect to emigrants that rights to citizenship – including questions of dual citizenship – emerge.

This is particularly important given the long history and ongoing trends of high emigration, as more than 10% of Cuba's population currently resides abroad. Cuba's 1976 constitution did not acknowledge dual citizenship. However, a 2019 constitutional reform eliminated the ban on Cubans acquiring a second citizenship. Nevertheless, when in Cuban territory, they are considered solely Cuban citizens. The majority of emigrants reside in the United States, where many have obtained U.S. citizenship. Nonetheless, to enter Cuba, they have to present a Cuban passport, and to return to the United States, they must switch to their U.S. passport or permanent residency ID. Some emigrants view this practice as illegitimate. On average, approximately 250,000 to 300,000 "Cuban-Americans" visit Cuba annually over the past decade.

Question
Score

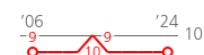
Monopoly on the
use of force

10



State identity

9



In recent years, approximately 150,000 Cubans acquired Spanish citizenship through Spain's so-called grandchildren's law (*Ley de Nietos*), many without ever leaving the island. The 2013 migration law in Cuba has facilitated the repatriation of emigrants. Over 20,000 Cuban emigrants have used this law to obtain dual citizenship, although the majority of them continue to primarily reside overseas. These processes give rise to concerns regarding the rights and responsibilities of emigrants and dual citizens in relation to their home country.

There are two potential problems concerning state identity that could arise. First, Cuban emigrants to the United States might put "dual citizenship" on the agenda, which poses questions of national sovereignty. Second, the rejection of dual citizenship was an inward-directed concept of the nation-state and part of the equality promise of the revolution. The possibility of acquiring a second citizenship through any of the above ways is marked by structural inequalities that revive old ethnic-social cleavages, favoring Cuba's "white" population, as most Afro-Cubans are not eligible for Spanish citizenship, which depends on Spanish ancestry.

In 1992, the government changed its status to that of a secular state. The impact of Cuba's multiple religious communities on public policy is limited to the religious sphere. However, in recent years, a new *modus vivendi* has emerged in which the government has sought unspoken agreements, particularly with the Catholic Church. The Catholic Church has played a significant intermediary role in securing the release of political prisoners; Pope Francis was instrumental in facilitating the reconciliation between the United States and Cuba during the Obama administration. In exchange for the moderate and stabilizing political role it is playing, the Cuban government has shown greater regard for the core interests of the church. Meanwhile, relations with the increasing number of Protestant churches, predominantly Pentecostal, are more strained.

The political influence of religious groups became evident during the debate on the constitutional reform project in 2018/2019 and the subsequent referendum on a new family code in 2022. These religious groups were given the opportunity to express their opposition to the proposed legalization of same-sex marriage in a manner that previous government policies had not allowed. Eventually, the government relented and removed the proposal from the constitution's draft. They then conducted a separate referendum on the progressive family code proposal, which received clear majority approval from the votes cast (although abstentions reached a new high).

No interference of religious dogmas

10

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1

The administrative structure's capacity to provide basic public services throughout Cuba has declined over the years. Judicial and law enforcement authorities are present throughout the country's territory. Education and health care are free, though their quality has recently declined significantly. Cuba maintains a universal pension system; however, inflation has led to pensions losing most of their former purchasing power. A rationing-card system provides a basic set of foodstuffs for the entire population at subsidized prices, though far below what is needed for monthly consumption.

Public administration services, such as tax collection or the issuing of documents, are universal but sluggish and cumbersome. Deficient material resources and a lack of technological development plague public administration. Qualified public service personnel are lost to more appealing job prospects in the private sector or to outmigration due to low state wages. Meanwhile, those remaining in state administration grapple with painfully low work morale and pervasive petty corruption. The shortcomings in the state's service provision were further exacerbated by the migration of over 300,000 Cubans in 2022.

The state has in principle maintained its monopoly on education and health services, but some private and informal alternatives have emerged as complements. In education, this is primarily tutoring, as well as private instruction in foreign languages and music. In the health sector, medication that has become hard to find in state pharmacies arrives from abroad and contributes to the black market. In both sectors, petty bribery has become common. The public transport system (urban, provincial and interstate) lacks vehicles, maintenance and fuel. As a result, it is rather unreliable, infrequent and overwhelmed. Private, collective taxis fill in some gaps, but the high fuel prices and shortages also affect this sector. In the water supply, shortages, rationing and interruptions have become frequent. In March 2023, state sources reported 400,000 Cubans with deficits in water supply; real figures are likely to be higher. Consequently, most Cubans have installed water tanks on their roofs to store water. However, these are affected by frequent power outages, which have been frequent and prolonged over the past few years (with a peak during the summer and fall of 2022), due to an antiquated and poorly maintained electrical system and major fuel shortages.

The COVID-19 pandemic strongly affected the economy, as tourism – the main source of foreign revenue – came to a standstill and lockdowns affected the state's provision of services. Office hours of public service providers were reduced; universities and schools adopted distance learning modes with a significant loss of quality. The public health system came close to collapse when the delta wave hit the island in summer 2021; oxygen production broke down, resulting in avoidable deaths. At the same time, Cuba successfully developed effective homegrown COVID-19 vaccines, and, in the second half of 2021, an efficient vaccination campaign got under way that resulted in Cuba having one of the world's highest vaccination rates.

The economic crisis and the failed monetary reform of January 2021 only worsened the challenges already faced by an under-resourced administrative system.

Basic administration

6



1

2 | Political Participation

Cuba is a single-party system that rejects pluripartidism and does not hold competitive, free and fair elections.

Within the single-party system, elections for the National Assembly are regularly held, and the National Assembly in turn elects the executive. The process to nominate candidates includes effective screening mechanisms that prevent any candidate from running without official approval. However, citizens have the option to abstain from voting, cast blank or null votes, or selectively vote for candidates – contrary to the Communist Party’s expectation to vote for the entire list of candidates. Voting is not mandatory, but there is strong mobilization and social pressure to participate; turnout has decreased in recent years. In the March 2023 elections, over 24% of the Cuban electorate chose to abstain, 6.2% of votes cast were left blank, and 3.5% were declared invalid – clear signs of disapproval. Nevertheless, two-thirds of eligible citizens still took part. However, among these participants, 27.9% did not adhere to the official line, opting instead to selectively vote for individual candidates. When all votes are combined, only 49.4% of the electorate – less than the symbolically significant 50% – fully followed the Party’s directives.

At the municipal level, the electoral law requires multi-candidate – albeit single-party – elections. While there have been discussions to adopt this system for national elections as well, it has not been implemented thus far.

In a tightly controlled society and state, including a one-party system, political decision-makers have no restraints on their power to govern other than their capacity to do so. However, as outlined under “Free and fair elections,” they are not democratically elected but instead control all nomination processes. In national parliamentary elections, all official candidates win. There are no social or political actors who could defy the power of the Communist Party of Cuba (Partido Comunista de Cuba, PCC).

The constitution grants association and assembly rights only “in accordance with the goals of the socialist society.” In practice, these rights are subject to severe government restrictions. Independent civic groups form and gather but are not permitted to acquire legal status or take to the streets. When they do seek such public action, they are typically dispersed, and the protagonists are arrested (although usually quickly released). In late 2020, a public protest by about 300 artists and intellectuals calling for greater freedom of expression in front of the Ministry of Culture was tolerated, and a delegation of the protesters was admitted into the ministry to talk with authorities. The dialogue broke down quickly, and the state offered no other meaningful forums in which discontent could be voiced.

Free and fair elections



Effective power to govern



Association / assembly rights



State security quickly and heavily reined in the July 11, 2021, street protests that erupted all over the island. Many protest leaders were pushed to emigrate, while hundreds of other participants received severe jail sentences, up to 30 years. These measures did not fail to deter further protests. However, the most discontented Cubans have since protested by leaving the island in the largest exodus since the 1959 revolution.

There is an array of academic, cultural, and professional societies that are usually referred to as “non-governmental associations.” These associations are not independent but ultimately subordinated to state and/or party authority. However, they tend to struggle for relative degrees of autonomy in order to articulate some of their constituency’s interests.

The Catholic and Christian churches, along with some other religious institutions, have a legal standing that is not organically subordinated to state and party structures. This grants them the right to associate and assemble freely, but solely within the confines of their own spiritual spaces.

The Cuban constitution (Article 53) guarantees freedom of speech and of the press, but within the condition of “keeping with the objectives of socialist society.” However, in practice, this translates to a lack of press freedom.

While in private settings or at the street level, Cubans tend to express a wide range of opinions, freedom of expression in public settings is subject to government restrictions. In the run-up to the 2022 referendum on a new family code, public dissent on specific issues, such as the same-sex marriage clause, was tolerated. However, opponents of the government’s draft had only extremely exceptional access to state media and no access to street demonstrations.

An emergent digital press and widely popular social media, however, have become key alternatives through which all types of non-government opinions are expressed and circulated, effectively eroding the state monopoly on mass media. While this is largely tolerated by authorities, independent journalists or social media activists often face restrictions and intimidation. Several digital media sites are blocked, and independent journalists experience harassment and defamation by state media. After the repression of the July 11, 2021 protests, many prominent social media activists were compelled to leave the island.

Among the officially authorized publications, the TEMAS journal is the leading forum for intellectual debates, which can be critical but always stay within government boundaries. More traditionally, the Catholic Church has a number of religious and lay publications.

Freedom of
expression

2

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3 | Rule of Law

The constitution defines the Communist Party as the “guiding force” in state and society. The formal separation of institutional powers is thus ultimately subordinate to the Cuban Communist Party’s politburo, the supreme instance of power. Hence, there is no institutionalized system of checks and balances in a liberal, multiparty democratic sense.

The National Assembly (parliament) rarely amends legislation, and only in minor ways. Occasionally, its committees question ministers and agency directors. In 2022, a referendum was held on a new family code, but this was exceptional and not heralded as the introduction of such an instrument of decision-making in the regular political process.

The courts operate under civil law traditions; however, when it comes to political topics, they have no autonomy.

The judiciary is institutionally differentiated but not independent, as its decisions and doctrines ultimately rest with the Communist Party. It is part of an authoritarian single-party system in which the constitution designates the Communist Party as the “guiding force in state and society.” The lack of judicial independence was underscored when, in the wake of the July 11, 2021 protests, state leadership demanded severe sentences against protesters. The courts did not challenge this “orientation” but handed down outrageously harsh sentences as demanded.

The executive nominates Supreme Court justices, while the National Assembly elects them and may remove justices and other judges by a simple majority. Judges nominally serve a life term. The constitution subordinates the Supreme Court to the National Assembly. Only the National Assembly can declare laws or rules unconstitutional. Supreme Court justices and lower-level judges may be removed by a vote from the Council of State.

The courts follow rules of procedure for civil and criminal cases and apply the laws in a manner typical of a traditional civil law system – that is, by applying the law to a particular case. They may rule fairly only on non-political topics, holding mid-level administrators and state-owned enterprises accountable for legal violations.

Harsh penalties are applied to crimes involving acts of violence. In civil and family-related cases, the Supreme Court affirms 85% of the decisions rendered by courts of appeal, but this also means that, in a minority of cases, the appeal succeeds. The rate of appeal success in other jurisdictions is unclear.

Separation of powers

1

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Independent judiciary

2

'06 '24 10



Under Raúl Castro’s leadership, the long-dormant Comptroller General’s Office was reinvigorated and began to carry out audits systematically. In conducting these audits, it relies on the backing of the highest political authorities. However, there is no transparency regarding any of the cases. Additionally, civilian oversight does not apply to the military or the large military-controlled business complex GAESA. The head of GAESA, Army General and politburo member López-Calleja, was Raúl Castro’s son-in-law and the most influential figure behind the scenes of Cuban politics, clearly shielded from scrutiny. Since his surprising death in 2022, rumors of significant corruption within GAESA have circulated, but so far, no admissions or public disclosures of dismissals or other consequences have been made.

At times, cadres have been removed on the grounds of wrongdoing or corruption but without a trial or any details made public. This makes it impossible to determine the extent to which these dismissals were motivated by anti-corruption concerns or by other political agendas.

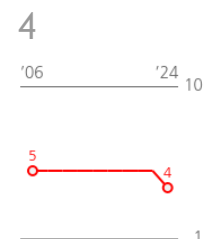
Civil rights and the rule of law are subordinated to the single-party system and granted only in accordance with its framework. In this context, civic rights do not comply with liberal standards. Equal access to justice and due process are a sham in precisely those cases where they should be guaranteed – in politically relevant cases of “citizens against the state” – while otherwise they apply in principle. State repression is largely pre-emptive; where repression is manifest, it typically includes harassment and low-level physical violence. In response to the July 11, 2021 protests, the government used police to rein in the riots and plainclothes security agents equipped with wooden rods and metal bars. In one incident, one person was shot dead by security forces.

The 2018 constitutional reform and President Díaz-Canel continue to emphasize the nation as a “state of law” within the parameters of the socialist political system. However, when faced with the July protests, it failed to live up to this claim, as evinced by the use of irregular forces in repressing the protests and in the trials against protesters that followed.

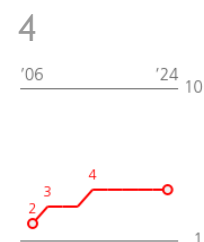
Violent crime is increasing but still low in comparison to other nations in the region. The fundamental rights to life and physical integrity of the citizenry are much better protected than in most other countries.

Citizen protection against arbitrary arrest is seriously deficient. Short-term arrests have become the government’s routine intimidation tactic for dissidents, but long-term jail sentences have been re-introduced since the July protests. When and where the state acts repressively, it does not exceed the boundaries of respecting life. Political opponents do not fear assassinations or being “disappeared.” Prison conditions are harsh, but there is no evidence of systematic torture.

Prosecution of office abuse



Civil rights



While the 1959 revolution abolished all forms of institutionalized racism, some discrimination based on “skin color” persists. Similarly, significant progress has been made in the pursuit of equal rights for women, but gender biases continue to permeate social practices and power structures. In the last decade, Cuba has made substantial advancements in safeguarding the rights of LGBTQ+ citizens, including the recognition of same-sex marriage and transgender rights. These civil rights achievements were officially codified in a new family code in 2022, which is perhaps the most progressive in the Americas. Faith-based discrimination, which was prevalent for many decades following the revolution, has largely been overcome, except in cases where it is associated with political anti-system attitudes.

4 | Stability of Democratic Institutions

There are no functioning democratic institutions in Cuba, according to the BTI definition of “democratic.” Moreover, Cuba does not have a multiparty system. The Communist Party claims to govern on behalf of the majority, and, under its definition, the political system is governed democratically. However, there is no independent or reliable way to discern this majority, and there is growing evidence of widespread political discontent.

The political system is differentiated in its institutional setup, features a strong sense of bureaucratic rationality, and is present throughout the country’s territory.

Cuba does not have democratic institutions, according to the BTI definition of “democratic.”

It is unclear whether the small number of opposition groups and dissidents share the BTI’s concept of democracy. Rhetorically, most do, but this has never been put to the test in real politics. The Trump presidency in the United States has fueled intransigent and potentially illiberal positions in the opposition camp.

5 | Political and Social Integration

Cuba is a one-party (Communist) state and system, and the Communist Party’s guiding role in state and society is anchored in the constitution. The Communist Party has a strong national presence and maintains a functioning bureaucratic apparatus. The party is interwoven with the state, military and security apparatus, and it sponsors and controls the key mass organizations for workers, youth, women, farmers and professional associations. It operates within an authoritarian system in which top-down management is stronger than its function to provide societal feedback to government policies (although the latter also exists to some degree). It is impossible to say how stable or socially rooted the Communist Party would be if it faced electoral competition.

Performance of democratic institutions



Commitment to democratic institutions



Party system



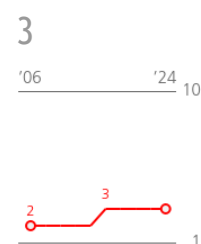
In recent years, more women have been included in the Central Committee and the Political Bureau. Efforts have also been made to increase the representation of Afro-Cuban individuals and younger members. The appointment of Miguel Díaz-Canel as the successor to Raúl Castro as chairman in 2021 indicates a significant generational shift not only in the presidency of the state but also in the top leadership of the Communist Party. However, Díaz-Canel does not possess supreme power in the same manner as Raúl or Fidel. Instead, his authority appears to be highly contingent on the power dynamics within the politburo and the top military.

The constitution enshrines the Communist Party as the “guiding force” in the state and society. Consequently, most societal entities operate under the aegis of the Communist Party. The labor confederation, women’s federation, smallholder farmers’ association, committees for the defense of the revolution organized by neighborhood blocks, and youth and student associations at various educational levels are the largest of these mass organizations. While they do advocate for some of the interests of their constituencies, they are ultimately controlled by the Communist Party. Although party leaders do not officially use the term “transmission belts” (associated with Leninism), they perceive these organizations as performing that function. Similarly, a variety of professional associations exist, which to some extent represent the interests of their members but also answer to and are under the control of the party leadership. Over the years, the smallholder farmers’ association (ANAP) has been fairly successful in lobbying for its members. Among the professional associations, the Union of Writers and Artists (UNEAC) has been the most outspoken. In terms of interest groups operating independently of the Communist Party, there is no coordination among them.

There are a few organizations that fall outside of this scheme. The most important is the Catholic Church, which has been given space for publications of limited circulation and has been allowed to host a small-business training program for entrepreneurs. On various occasions, the Catholic Church played a mediating role, such as in the release of political prisoners in 2010. But mostly, the Catholic and other churches seek to lobby on their own behalf. Moreover, they have become vocal about their conservative positions on gender issues, particularly in the run-up to the 2019 constitutional reform and the 2022 referendum on a new family code.

The absence of independent societal articulation and potential mediators between the state and society has become particularly clear in the protests on July 11, 2021. During these protests, the state harshly suppressed the mobilization without creating any significant platform for meaningful dialogue, where discontent could be expressed in a more institutionalized manner.

Interest groups



There is not enough evidence to answer this question. No independent surveys on the approval of democratic norms are allowed in Cuba. While traditionally, elections were ratification processes in which more than 90% of citizens followed the orientations handed down from the Communist Party leadership, abstentions and non-conforming votes have steadily risen. In the 2023 parliamentary elections, only 49.4% of the electorate fully followed the party line (see “Effective power to govern”). This implies some degree of nonconformity or discontent, but it is unclear how far this translates into approval of democratic norms. In the 2022 referendum on the new family code, abstentions ascended to more than 25% – more than 5% of cast ballots were declared invalid. While of the valid votes, 66.8% voted in favor of the government proposal, only around 47% of the eligible citizenry voted “yes,” although the state leadership had framed doing so as a civic duty of loyalty to the revolution and socialism. Again, it would be far-fetched to take the nonconformity expressed in these data as an approval of democratic norms and procedures.

Approval of
democracy

n/a

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n/a _____ 1

The issue of social capital remains highly ambivalent. Family relations have emerged as key social units, but in general, social capital is severely impaired by the corrosive effects of aggressive state control and the profound economic and social crisis, as well as mass outmigration.

Social capital

3

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Solidarity is a key concept and tenet of the revolution. In everyday life, Cubans – especially family, friends, and neighbors – have a tradition of helping each other organize access to goods and services, whether in formal, informal or black-market settings. However, this does not necessarily translate into a high degree of mutual trust. Since the Special Period in the early 1990s, when most Cubans hit rock bottom financially, a number of spaces and relationships have emerged in which social capital and, to a certain extent, trust have re-emerged.

4 _____ 3 _____ 1

There are three main spaces in which social capital has emerged and become important. First, transnational family ties with Cuban émigrés in the diaspora, many of whom support their family members on the island through remittances – in money or in kind – and through joint intra-family investments, as in the case of many bed and breakfasts and other small businesses. Second, many religious and faith-based communities have created social networks of their own and with their transnational counterparts in other countries; this includes strong links of elective kinship in the syncretistic religions of Afro-Cuban origin, such as the Santería. Within these religious spaces, spiritual comfort goes hand in hand with material help. Third, in the private sector, whether legal or informal, small-business owners are networking with each other, even though they are also competitors.

There has long been a strong basis for in-group mutual support, predating the 1959 revolution and continuing thereafter. Apart from religious communities, in-group mutual support has also been organized along national or regional migration backgrounds. Some of these support networks have experienced a resurgence in recent years. The restaurants in Havana’s Chinatown serve as an example of this, as

do the small Jewish community organizations that reach out to donors abroad and Cubans of Spanish descent who have rediscovered their origins and applied for Spanish citizenship. All of these groups rely on and strengthen the social capital of their shared in-group, which is founded on ethnic, national and cultural ties.

On the downside, petty theft has become widespread, with corrosive effects on trust. The massive outmigration – more than 300,000 Cubans were admitted to the United States alone in 2022 – has further deteriorated the social fabric and social capital of Cuban society.

II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality have grown since the end of the Soviet economic support for and subsidies to Cuba. However, standard methods of international comparison have limited value in the Cuban context. Cuba's Office of National Statistics does not provide meaningful income-based measurements.

The monetary reform of January 2021 has failed to eliminate multiple currencies in operation within the Cuban economy. As inflation has risen drastically, the discrepancy has grown between individuals with access to stable currency and those who heavily rely on the devalued peso. Although the government established a distinct retail network of shops accepting hard currency, the situation has become dire for those individuals who must sustain themselves on peso salaries or pensions.

At the beginning of 2023, the rate at the state's exchange houses climbed to 120 pesos for the dollar (and black-market as high as 175). This leaves peso salaries in the state sector, on average, below \$50 a month. However, taken in isolation, this data is misleading. Housing costs in Cuba are very low, and education and health care are free and universal. While the state has cut back on its former welfare state ambitions, the food ration card system remains in place, though it fails to cover daily needs. Non-monetary achievements have traditionally explained Cuba's relatively high ranking in the Human Development Index; however, in 2021, Cuba declined from 73rd to 83rd place out of 191 countries.

COVID-19 had a devastating impact on the Cuban economy as tourism came to a standstill and remittances declined. While the pandemic has receded, living conditions remain low as food, medicine and other basic goods suffer from critical shortages. Prior to the pandemic, unofficial estimates stated that about one-fifth to one-third of Cubans were "vulnerable" or "at risk of poverty"; although there are no reliable data, it is evident that this situation has significantly worsened. The year 2022

Question
Score

Socioeconomic
barriers

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marked the largest outmigration in Cuban history, with 300,000 people emigrating alone to the United States, plus large numbers also leaving for Europe or Latin America.

Having access to hard-currency income has become the key factor behind the widening gap in income and living standards, with the most significant contribution coming from remittances sent by the Cuban diaspora. The majority of Cubans living abroad are phenotypically “white,” so remittances – largely transferred within family lines – primarily benefit white households on the island. With an annual total of around \$3 billion, remittances play a role in perpetuating social and racial stratification within society. As remittances serve as the primary source of capital for starting a private business, social and racial inequality becomes deeply ingrained in the structure. Official Gini coefficient calculations, which only consider peso incomes, are therefore meaningless in a society affected by a dual-currency gap.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	103428.0	107352.0	-	-
GDP growth	%	-0.2	-10.9	1.3	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	1.2	1.4	1.5	1.4
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-4.6	-20.5	-9.1	-
Import growth	%	-2.9	-7.6	-4.7	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-

Economic indicators		2019	2020	2021	2022
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	32.2	38.8	33.8	-
Public education spending	% of GDP	9.0	11.5	-	-
Public health spending	% of GDP	9.9	11.4	-	-
R&D expenditure	% of GDP	0.6	0.5	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In Cuba's socialist economic order, the state continues to own and operate all large enterprises. Limited market opportunities have been expanded since the mid-1990s and especially since Raúl Castro embarked on a gradual economic reform process in 2010. Although his successor, Miguel Díaz-Canel, has continued this course, reforms have been marked by an incoherent back and forth between liberalizing steps and restrictive measures. But the legal framework for the emerging market sector was greatly enhanced by the legalization of small, medium and microenterprises (referred to as MYPYMEs in Cuba) in 2021, marking a significant step forward from previous "self-employment" possibilities. However, many restrictions remain, including a cap on the number of employees (max. 100). More than 100 offices are barred for private activities, and all import or export operations must go through state intermediaries. There is a thriving black market, and much of the labor force is informal (or moonlighting in addition to formal state employment). Cross-border labor only operates exceptionally, as in the prominent case of a joint venture with a foreign company using an Indian labor force to construct luxury hotels in Havana.

COVID-19 sent Cuba's economy spiraling downward. The monetary reform of January 1, 2021, failed to make Cuba's economy more coherent around a single national currency. The circulation of the dollar-pegged so-called convertible peso (CUC) was stopped, but its place was largely taken by a newly introduced, dollar-pegged, bank card-only currency called moneda libremente convertible (MLC). Additionally, outright euro- and dollarization have strongly increased as the Cuban peso (CUP) suffered a highly inflationary process estimated at around 500% for the

Market
organization

3

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year, devaluing CUP-denominated savings and earnings. State-owned enterprises continue to be largely inefficient, and large sectors of the population cannot afford the high prices on formal and informal markets.

Tax policies and other regulations are designed to prevent the accumulation of even moderate wealth, which hinders the sector's dynamism. In principle, Cuba welcomes FDI, but the negotiation process and actual operation can be slow and tedious. For the most part, FDI must be in partnership with Cuban state-owned enterprises, and the labor force must be hired through a Cuban state hiring company. Additionally, a growing portion of foreign investment comes not from Western companies but from countries considered politically friendly, with limited transparency in their business operations.

The Cuban Armed Forces' holding company, GAESA, is the largest player in the Cuban economy. It operates primarily in dollarized sectors, such as tourism, and is neither accountable to the Ministry of Economy nor subject to market competition. GAESA, under the leadership of General and politburo member Luis Alberto Rodríguez López-Calleja, who is also the son-in-law of Raúl Castro, became extremely influential. Despite his mostly behind-the-scenes role, López-Calleja was arguably the most powerful political figure. His unexpected death in 2022 has presented an opportunity to gradually limit the military's economic involvement. However, current indications suggest that the sector's autonomy and internal regulations will largely persist.

The government does not view state monopolies as negative but rather as in sync with the planning logic of state socialism. Monopolistic or oligopolistic structures hence dominate most sectors of the economy. Cuba is also not part of the International Competition Network (ICN). The state barely polices its own enterprises, although the courts at times try and convict abusive administrators. The government also sees the value of monopolies in luring foreign firms to invest. Particularly strongly shielded from competition or even civilian institutional oversight has been the vast GAESA business holding. Under the 20-year-long tenure of Raúl Castro's son-in-law, General López-Calleja, it expanded to become the dominant force in the tourist sector and is behind the lion's share of new hotel constructions in Havana. López-Calleja's premature death in mid-2022 opens the possibility for a reorganization or even dismantling of this conglomerate, but so far no action has transcended.

Anti-monopoly rules are only implemented in the small private business sector to prevent what the government deems "enrichment." In contrast, in granting self-employment licenses in the private sector, the government seems to foster competition as a means to prevent any one entrepreneur from becoming too influential in the market. At the same time, in the past, the government sought to prevent this sector from becoming big enough to compete with state-owned enterprises. For instance, private bed and breakfasts have been allowed since the capacity of state-owned hotels proved insufficient to cope with the boom in tourism.

Competition policy

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Only in rather exceptional cases have bed and breakfasts been allowed to develop into real hotels, so that the higher-priced state sector for tourist accommodation remains shielded from private competition.

In the past, only state-owned enterprises and foreign firms in joint venture with state-owned enterprises were authorized to engage in foreign trade. In 2020, regulations were changed to also allow small, private businesses to engage in import and export activities. By 2022, the procedures had become relatively easy, even if they had to do so through state-run intermediaries. As a result, a growing number of private import business operations have emerged that go beyond the long-standing practice of petty imports by Cubans traveling abroad. Additionally, Cuban-Americans visiting the island have also been a large source of imported goods.

Cuba's economy is structurally dependent on international trade. It serves as a notable exporter of services, including tourism and medical services, as well as certain goods such as nickel, biotechnology, light-manufactured products and agricultural products. In addition, Cuba imports a diverse range of manufactured products and also a significant portion of the food consumed within the island.

Cuba has been subject to a comprehensive U.S. embargo for decades, which cuts Cuba off from its closest and most natural market. In addition, the Trump administration put Cuba on the list of "state sponsors of terrorism" – a move that has had highly disruptive consequences for all kinds of financial transactions.

Already during the Obama administration, European banks engaged in Cuba were repeatedly subjected to billion-dollar fines for violating U.S. sanctions. Consequently, many banks have ceased doing business with Cuba, which has exacerbated the burden on foreign trade with the island.

The other main constraint on international trade is Cuba's limited domestic production and productivity. Cuban tariff rates are low – the simple average MFN applied tariff was 4.4% in 2021 – but non-tariff constraints on trade are extremely high.

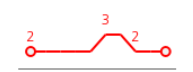
Cuba has a poorly developed banking system. Individual checking and savings accounts are not widely available. The proliferation of hard-currency stores, where customers use debit cards denominated in dollars, has led many Cubans to open dollar accounts at Cuban banks. The monetary reform and resulting inflation, estimated at over 500%, have eroded bank savings denominated in pesos and undermined trust in the peso as a currency.

Only state banks are authorized. There is no capital market, although the state issues some bonds to finance the deficit and compels state-owned enterprises to purchase them. Starting in 2014, state banks have been obligated to purchase bonds from the Republic of Cuba that are issued to finance the government's national budget deficit.

Liberalization of foreign trade

2

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Banking system

1

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There are several types of loans available, most of which tend to be allocated to building maintenance and repair, as well as to the agricultural sector, rather than the small private business sector. Therefore, start-up capital for the private sector primarily comes from family members abroad. Since the majority of émigrés and remittance receivers in Cuba are phenotypically “white,” Afro-Cubans are largely excluded from the opportunities of the emerging private sector.

8 | Monetary and fiscal stability

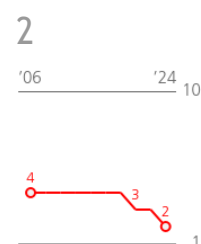
There is no independent central bank in Cuba. The monetary reform of January 2021 was a deliberate inflationary push that, in line with an estimated 500% inflation, was accompanied by a fivefold increase in state salaries. Government data put inflation at 77%, but economists on the island widely agree that the rising costs of living are not adequately reflected in the official inflation figures. In 2022, inflation continued at lower levels, with the most reliable estimates putting it at 200%, while official data speak of 31%. The peso-to-dollar exchange rate serves as a useful proxy. At the beginning of the reform, it was fixed at 25:1, but had to be stepped up to 120:1 at the state-run exchange houses (and reached 175:1 at the informal market) by the end of 2022. Cuba’s economy is more dollarized/euroized than ever before, and confidence in the Cuban peso has fallen to a new low and will be difficult to restore. Price caps and controls drive produce to informal markets where prices are higher.

To offset the effects of COVID-19, the country adopted a countercyclical, expansive fiscal policy at the cost of increasing the fiscal deficit. In 2020, Cuba lost about half of its foreign exchange revenues, and recovery has been slow. For 2020, the fiscal deficit reached an estimated 18% to 20% of GDP, almost tripling the figure from the previous year. In 2021, the deficit equaled 11.7% of GDP, according to government statistics. The state financed the deficit by issuing Republic of Cuba bonds that Cuban banks were obliged to purchase. This, however, has created a financial bubble in Cuba’s banking sector. (There is no data transparency on public debt.) Given the political imperative to maintain social cohesion, considerable subsidies will be maintained, even at the expense of an ongoing fiscal deficit.

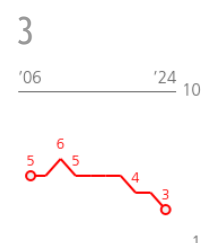
Cuba last reported its foreign debt at \$19.6 billion in 2019. The November 2022 trip by President Díaz-Canel to Algeria, Russia, Türkiye and China resulted in some debt rescheduling and new trade and credit arrangements, according to government declarations. However, arrears in trade credits with Western partners have accumulated and become a major problem for Cuban foreign trade. The country’s reserves are typically held confidentially, but according to semi-official data, they amounted to \$11.5 billion in 2019 and were estimated to have decreased by \$2.5 billion, or 22%, through 2021.

Cuba is not a member of international financial institutions such as the IMF, World Bank or IDB. While there is cooperation with the CAF Development Bank of Latin America, this cooperation has not yet yielded large-scale credits.

Monetary stability



Fiscal stability



9 | Private Property

Property rights in Cuba are weak. Private property (beyond “personal” property) was not given constitutional standing until the 2019 constitutional reform. Legislation legitimizing small and medium businesses was finally passed in 2021. Prior to this, the private sector was considered merely “self-employment,” without the full legal standing of private business. Houses used as restaurants or bed and breakfasts had to be personal property and therefore were not considered a “means of production.”

After 1959, the revolutionary government confiscated all large businesses without proper compensation. Individuals were able to keep no more than one urban home plus one in the countryside. All rental properties became state property. Over the years, Cubans who rented expropriated homes were able to become the owners of these homes. Smallholder farmers retained their property.

Although, in principle, the law respects personal property, there have been restrictions on what owners can do with it. The reform measures initiated by Raúl Castro have created real estate and automobile markets. Only Cubans residing in Cuba can purchase or sell real estate. Over the past few years, many Cubans living abroad and foreigners have bought properties in the name of a relative or friend.

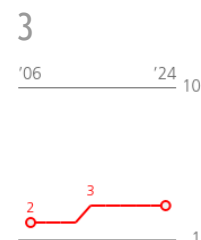
A recent reform allowed for the lease of idle state land for agricultural production. Initially, the leases were for 10 years only, though they were renewable. At the end of this period, everything built on the land would belong to the state. The time frame has since been extended, but the concept of leasing rather than property ownership remains.

The government can grant and revoke licenses for self-employment – this also applies to authorizations for foreign companies interested in investing in Cuba.

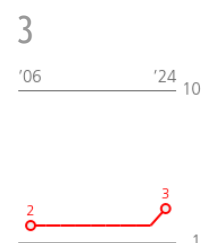
State-owned enterprises dominate all major economic sectors. Foreign firms may partner with state-owned enterprises, but foreign investment remains modest outside of tourism, oil and mining. Mixed foreign and state-owned enterprises are closely regulated and may face arbitrary state action.

The domestic private sector remains limited to modest enterprises. The constitutional reform passed in 2019 gives the private sector constitutional standing. In mid-2021, a law on small, medium, and microenterprises (MYPYMEs, in Cuban parlance) was passed; by year-end 2022, more than 6,000 such businesses were registered. In addition, there are about 500,000 “self-employed” according to the hitherto existing legislation, which set much narrower limits and largely consist of single-person or family operations in services or crafts. To this, a vast network of informal and black-market activities should be added, which employ hundreds of thousands of people, though not necessarily in full-time jobs.

Property rights



Private enterprise



In 2020, registered private sector actors were given the right to engage in import and export activities through state intermediaries. Additionally, a number of wholesale markets opened.

The government may set price caps for private services or revoke state-issued licenses for self-employment at will – and has occasionally done so publicly – to deter behavior that it disapproves of.

10 | Welfare Regime

In the socialist model, the most fundamental social safety net resides in full employment in the state economy, combined with pensions for the elderly, which in principle gives everybody the means to sustain a dignified living. This is complemented by free, universal health and education services – the two social flagship achievements of the Cuban revolution. In addition, the ration card system provides basic food supplies at subsidized prices to the entire population as a form of “unconditional basic income” in kind.

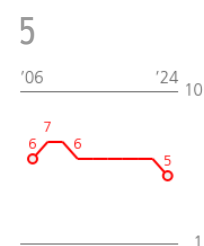
Over the past three decades, these mechanisms have been severely eroded. State salaries and pensions have lost much of their purchasing power. More than three million working-age Cubans are neither employed by the state nor seek state employment. The peso-based retail circuit is characterized by shortages of all kinds. In markets where prices are determined by supply and demand, prices have skyrocketed.

The monetary reform in January 2021 triggered a 500% inflation, which has worsened these problems. The number of Cubans facing precarious living conditions or at risk of poverty has significantly increased. Certain social policies aimed at vulnerable populations have been introduced on an ad hoc basis. Family ties – to both family abroad and on the island – have emerged as a vital factor in determining the survival of Cubans during this crisis. Additionally, other forms of social capital, including church affiliations and strong relationships with friends and neighbors, also hold significance.

Health and education services remain in place, although their quality has significantly declined. Those who can afford it are increasingly hiring private tutors for afternoon classes to prepare for higher education entry exams. Many people have poor housing conditions; however, housing costs are extremely low, so Cubans do not face forced evictions. Havana is also experiencing continued migration pressure from the provinces, leading to the emergence of informal settlements on the outskirts.

Health care standards have declined. During the pandemic, Cuba’s biotech sector proved its worth in the successful development of two homegrown COVID-19 vaccines. However, all other material resources and medications are severely lacking. At the height of the Delta wave, the medical oxygen plant collapsed, resulting in a

Social safety nets



traumatic lack of oxygen in hospitals. Due to low state wages, a significant share of medical staff has switched professions or run a private business (e.g., renting out rooms) on the side. International medical missions provide opportunities to earn higher salaries. Nonetheless, life expectancy at birth remains one of the highest in Latin America.

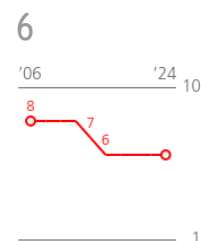
Cuba achieved significant equality of opportunity by the 1980s, overcoming much of the profound class, gender and race inequalities that dominated pre-1959 Cuba. The law clearly prohibits race or gender discrimination. Territorial differences were also mitigated by the 1980s. Since the end of Soviet subsidies in 1990, social inequalities have been re-emerging and clearly mirror racial divisions. Family remittances from the Cuban diaspora disproportionately benefit phenotypically white Cubans. With the economic reform process under Raúl Castro, inequalities have become ingrained. The shortages in peso shops contrast with the expanded network of well-stocked hard-currency stores and have made the inequalities based on access to the U.S. dollar bitterly felt. Remittances have become the key source of investment capital for opening private sector businesses, clearly disadvantaging Afro-Cubans. This is creating a profound structural re-stratification of Cuban society.

The same inequalities have played out in the mass emigration wave since the end of 2021. Only individuals with family abroad or the ability to sell property could afford the costs of around \$10,000 for the land route to the United States. Likewise, the January 2023 change in U.S. policy closing the land route but opening up new regular visa facilities, which require a financial sponsor in the United States, will primarily benefit Cubans who already have family there.

Access to most public offices does not reveal discrimination along race, class or gender lines, but rather in terms of political loyalty. In the military's leadership positions, women are still exceptional. In the (largely powerless) National Assembly, the state deliberately seeks to ensure adequate representation of Afro-Cubans and women.

Religious discrimination in university access, once prevalent, has been reduced. The government's substantial reduction in university enrollment seems to have negatively affected individuals from lower-income families. According to the World Development Indicators (WDI), the literacy rate stands at 99.8%, while the female-to-male enrollment ratio is 1.0 for both primary and secondary schools and 1.4 for tertiary education. The gross enrollment ratios for the three levels are 102.9, 100.3, and 41.4, respectively. The World Bank reports a female labor force participation rate of 37.7% in 2021, although it is likely higher as many women work in the informal labor market, which is not accurately accounted for.

Equal opportunity



11 | Economic Performance

After the steep fall in GDP during the COVID-19 pandemic, recovery has been painstakingly slow. According to official data, the Cuban economy contracted by 11% in 2020. However, growth has been anemic, reaching only 1.3% in 2021 and a reported 2.0% in 2022. Additionally, projected growth for 2023 has been downgraded to a mere 3%, which will leave the country well below pre-pandemic levels.

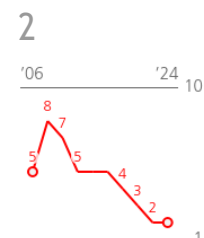
Cuban national accounts do not follow the near-universal methodology. Non-state economists typically assume double-counting in official statistics for GDP and therefore subtract 1% to 2% from the official growth rates. Since there is zero population growth, GDP per capita data exhibit the same trends as general GDP data.

Even before the pandemic, Cuba was affected by the economic collapse of its strategic ally, Venezuela; the cessation of large-scale medical missions to Brazil and Ecuador; and the tightening of U.S. sanctions during the Trump administration. The designation of Cuba as a “state sponsor of terrorism,” which prohibits the island from accessing most regular Western banking services, had a particularly negative impact (a measure that the Biden administration has not yet reversed). In the aftermath of the pandemic and the conflict in Ukraine, the expenses associated with importing food and other goods have skyrocketed, and Russian tourism to the island has come to a halt.

These external factors exacerbate the deep structural issues of Cuba’s state-led domestic economy. Raúl Castro has advocated for gradual reform, and in principle, Díaz-Canel continues along this path. However, the implementation of reforms remains slow and inconsistent, failing to achieve sustained economic vitality. Agricultural production has been especially disappointing, resulting in a significant portion of imports consisting of food products (up to 80%). Cuban manufacturing plants largely rely on outdated technology, and years of neglect in maintenance have further exacerbated the problem. In 2022, this issue became particularly evident through a series of accidents and failures in power plants, leading to an approximately 40% reduction in the country’s installed energy-generating capacity, as well as widespread blackouts.

The January 2021 monetary reform was a deliberate inflationary push that was accompanied by a fivefold increase in state salaries and pensions to compensate for it. This roughly aligns with independent estimates of 500% or more inflation for the year, which sharply contrasts with the official government data that cites inflation at 77% for 2021, which itself is at odds with the much higher salary hikes. The official data reflects the inadequacy of measuring inflation solely through official state-set prices, as it does not account for prices in legal or illegal private markets, which constitute the majority of consumption. The official data for 2022 reported inflation at 31%, less than half of the previous year, but it is highly improbable that this

Output strength



accurately portrays the situation. Alternatively, the most reliable international estimates peg inflation at 200%. The exchange rate between the Cuban and U.S. currencies can be used as an indicator: at the onset of the ill-fated 2021 monetary reform, it was fixed at 25:1, but it had to be adjusted to 120:1 at state-run exchange houses and reached 175:1 in the informal market by 2022 – a sevenfold increase within two years. Consequently, the Cuban economy has experienced an unprecedented level of dollarization/euroization, while confidence in the Cuban peso has plummeted to a new low.

Official unemployment data (reported as 2.8% for 2021) are irrelevant because few individuals formally register as unemployed. More meaningful are the 2020 data, which indicate that 36% of the Cuban workforce neither formally hold employment nor seek it. A majority of these individuals earn a living through informal market work or transactions. Since wages are suppressed, the loss of formal employment does not have the same impact on income as in other countries. Underemployment is prevalent in the state sector. Throughout the pandemic, the formal private sector experienced a decline in employment, as many self-employed individuals surrendered their licenses due to the absence of tourists and income. However, this trend has largely reversed by the end of 2022.

12 | Sustainability

The government takes environmental concerns into account but typically subordinates them to economic and political considerations. The Ministry of Science and the Environment is responsible for providing a framework for environmental assessment and intervening whenever environmental concerns are relevant to a project. Its effectiveness varies, and it frequently fails to prevent environmentally harmful projects.

Serious effects of environmental damage have been observed on the water supply. Some of these effects are related to climate change (lower rainfall), while others result from the overexploitation of aquifers. The water supply to the population is frequently impacted by antiquated and leaking pipes.

Cuba has a low carbon footprint, which is not the result of effective environmental policies but rather of low consumption levels and the collapse of a significant portion of the country's industrial sector. Currently, Cuba's outdated power plants generate only about 60% of their installed capacity. This shortfall in electricity generation is not fully compensated by renewable energy sources; instead, fossil fuel-based ships from a Turkish company are utilized. The country's long-term energy plans do envision an increase in renewable energy, but the implementation of these plans is contingent upon securing funding. While tax policies do not play a significant role in addressing ecological concerns, the introduction of increased tariffs for electricity could potentially lead to reduced consumption.

Environmental
policy

5

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The sudden decline in tourist arrivals, the prohibition on U.S. cruise ships, and depleted state coffers have halted the plan to transform the bay of Havana into a recreational rather than industrial harbor.

Waste management is also a significant problem. Garbage collection is inadequate and results in the accumulation of waste in urban areas and rivers, leading to increased risks of dengue outbreaks. Furthermore, the population lacks proper awareness regarding the necessity of proper waste management, recycling and disposal.

Laws regulating the protection of animals are in place.

Education has been a major priority for the revolutionary government. There is universal, free education from kindergarten through primary, secondary and higher education. There are no private schools, except for some private daycare facilities. While the U.N. Education Index ranks Cuba as having among the highest levels of education in the region, with a score of 0.818 just after Argentina (0.868) and Chile (0.829), there has been a severe decline in the quality of primary, secondary and tertiary education since the 1990s. Low state wages have led to an exodus of qualified staff from education and research to better-paying sectors, such as tourism, while many others have simply emigrated.

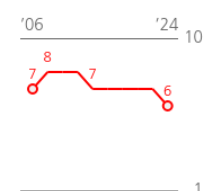
Since 2019, a number of the research facilities in Havana's biotech cluster have gained more autonomy in determining the allocation of their funds. Their value was demonstrated through the successful creation of two domestically produced COVID-19 vaccines, which led to a significant boost in income for their scientific personnel.

The hard currency squeeze in recent years has affected R&D investments. However, Cuba's medical infrastructure has been able to develop two COVID-19 vaccines that were used in nationwide vaccination campaigns and partly exported. Although the commercial benefits for the country were limited and WHO recognition is still pending, the successful vaccine development earned Cuba's biotech research much international respect.

Even as the level of digitalization improves over time, the country's education system remains far from international standards in the use of digital technologies. Moreover, except for some prioritized sectors, R&D investments are insufficient to keep up with the pace of technological innovation. That is despite Cuba being the heaviest investor in research and development in the region, according to the most recent World Bank figures, which recorded R&D expenditures as 0.5% of GDP in 2020, compared to 0.6% in 2019.

Education policy /
R&D

6



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Governance

I. Level of Difficulty

In Cuba, it is difficult to distinguish the current political leadership from many of the country's structural constraints. With over six decades of political continuity, a significant portion of what is considered “structural” is the outcome of transformations that have occurred since the Cuban revolution. President Díaz-Canel, who assumed office in 2018, emphasizes that his tenure is entirely in line with the historical leadership of Fidel and Raúl Castro.

Having said this, President Díaz-Canel inherited a stagnant and inefficient economy that suffers from severe and long-term underinvestment in infrastructure and maintenance, profound monetary distortions, low levels of productivity, excessive reliance on a handful of products and services, and the fallout from the COVID-19 pandemic, which brought international tourism – the island's main economic activity – to a standstill for two years. Cuba's lack of economic diversification and productivity has been a long-term, partly external and partly self-induced, structural constraint.

The conflict with the United States is a key external structural constraint. Since the early 1960s, the U.S. trade embargo has severed Cuba's connection to its nearest and natural market for almost all products and services. According to U.S. law and regulations, all economic transactions between the United States and Cuba remain prohibited unless authorized by the U.S. Treasury Department. U.S. sanctions also greatly impact Cuba's relations with third countries, as demonstrated in recent years by the severe U.S. penalties imposed on European banks for violating U.S. sanctions. President Trump further tightened sanctions, and Cuba was additionally placed on the U.S. list of “state sponsors of terrorism,” effectively cutting off the island from regular Western banking services. The Biden administration, thus far, has not reversed this decision.

Another external structural constraint is the Cuban émigré community in the United States, whose leaders largely align with hard-line U.S. policies against the island's government. However, this community also serves as an asset due to the estimated annual (pre-pandemic) inflow of over \$3 billion in remittances.

Cuba has a well-educated labor force, but the work incentives and wages within the state sector are very weak. The government's aversion to the creation of private wealth is akin to a structural constraint. It is not only due to ideological stubbornness but also the result of a political culture and social structure shaped over six decades.

Structural
constraints

7

'06 '24 10



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Cuba is periodically hit by hurricanes, which cause varying levels of damage. Climate change has exacerbated droughts, which have affected Cuban agriculture in recent years, and the intensity of tropical storms is predicted to increase.

Cuba had been relatively free of tropical infectious diseases for an extended period of time; however, dengue and zika have resurfaced as significant health concerns. The island was struck by the delta variant of the COVID-19 pandemic before its vaccination campaign could take effect, resulting in a significant number of fatalities. Like other nations reliant on tourism, Cuba has experienced a profoundly disruptive economic downturn due to the pandemic.

After 1959, the Cuban revolutionary process eliminated most independent forms of civil society organizations, as well as the independent media. In their place, the official state-sponsored media, trade unions and mass organizations emerged. The mass organizations encompass the Committees for the Defense of the Revolution (organized at a neighborhood level), the Union of Cuban Workers, the Cuban Federation of Women, the Union of Cuban Youth, and the Association of Small Farmers.

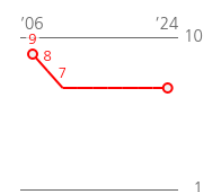
There is a wide array of professional associations, even if they are not independent and respond to the Communist Party or state institutions. They are a key part of what civic life can mean in the context of a single-party state. The Writers and Artists Union is an important forum in which the limits of what can be said and discussed in Cuba are contested. Intellectual magazines, such as “Temas,” and the debates it organizes provide forums for intellectual civic engagement. Some scientific associations, groups of intellectuals and emerging bottom-up digital media groups serve as examples of evolving civil society entities. Independent media have partly come to play the role of de facto political opposition. The government considers many of these as counter-revolutionary activities funded from abroad that are aimed at toppling the regime.

In addition, many artists are known for taking a critical look at the current state of politics in their work. Although most artists work individually, many are connected to each other via social and professional ties, as well as social media. The activities and reactions of the state to the San Isidrio Movement and the N27 movement are examples of this.

In Cuba, civil society could be partially conceived of in terms of networks rather than associations. The LGBTQ+ community has actively engaged in civil society despite lacking organizational autonomy and independence. Similarly, Afro-Cuban activists also have networks aiming to affect society and politics. With the large emigrant community and ongoing outmigration, transnational social ties and civil society activities – largely facilitated through digital media – have become an essential part of Cuban public life.

Civil society traditions

7



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Social trust is challenging to evaluate. There is evidence of involvement in public affairs by the Roman Catholic Church, Afro-Cuban religions and evangelical communities of faith. These groups played a significant role in the discussions surrounding the constitutional reform in 2018 and 2019, as well as the referendum on the new family code in 2022, in which religious groups campaigned strongly against the legalization of same-sex marriage.

Incidents of political violence are rare. However, the nationwide street protests of July 11, 2021, shook the island. While they were mostly nonviolent, in some cases, police cars were overturned and stones were thrown. The state was quick to rein in the protests through police action, but also with plainclothes security agents swinging wooden bats and metal bars. One protester was shot dead by the police. In the wake of the protests, hundreds of participants were sentenced to long prison terms.

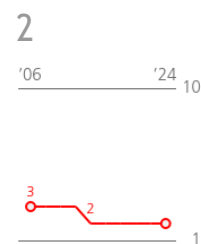
Criminal violence remains very low, although growing poverty and inequality are provoking an increase in assaults and robberies.

Social class is reappearing and is creating social cleavages, particularly in urban areas like Havana. This is causing frustration and anger in a society that was socialized to value equality. Racial inequality, specifically, has risen since the 1990s. Up to this point, no one on the island has politicized the potentially significant social divide based on race. Nevertheless, Frustration is growing among Afro-Cubans who are impoverished or part of the working class.

Religious discrimination was once severe but has been largely overcome. In 1991, the Communist Party statutes removed atheism as a condition for party membership. Religious and faith-based groups compete with each other but do not have a tradition of resorting to violence.

Among the émigré community, class attitudes go hand-in-hand with racial prejudices and strong overtones of political revenge. During the Trump era, a younger, social media-savvy cohort of radicalized voices gained much prominence. Its toxic rhetoric not only bashes the Communist Party and government but also calls for boycotts against all intellectuals and artists on the island who do not fully break with the regime and its institutions.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Since the 1989 crisis, the Cuban government's strategic priority has been to maintain the socialist system and the established political order. It has achieved this despite numerous challenges, including U.S. sanctions, economic crisis and mass emigration. Moreover, it successfully managed to orchestrate the transition of political leadership first from Fidel to Raúl Castro and then from Raúl Castro to a younger successor without causing fissures among the political elite or social unrest in the streets.

Another key priority is providing basic food provisions and services, such as health care and education, to the population. Health and education services have deteriorated in quality but are still provided universally and without charge. During the COVID-19 pandemic, Cuba prioritized the development of its own vaccines and executed a comprehensive vaccination campaign, directing its scarce resources toward this effort. The economic repercussions of the pandemic have rendered many developmental objectives unattainable in the foreseeable future.

In 2006, when Raúl Castro took office, one of his priorities was to formulate an agenda of gradual economic reform and to have it approved by the institutions of bureaucratic socialism. This process took longer than expected, but strategic guideline documents (Lineamientos de La Política Económica y Social del Partido y La Revolución) with a first set of reform measures were approved at the 2011 and 2016 party congresses – including permission of an incipient, though controlled, private sector – and became institutionalized in the constitutional reform approved in 2019. This process was endorsed by his successor, Miguel Díaz-Canel. Implementation, however, is slow and incomplete. This is largely due to political tensions within the political structures and because the state's strategic capacity to organize, implement and administer economic policies has considerably eroded. The overall goal is to guarantee the “continuity and irreversibility of socialism.”

Cuba's economy has been centrally planned since the early 1960s, and the government presents an annual budget and a plan for approval by the National Assembly. Set production goals are often not met, and plans are frequently subordinate to shorter-term problem-solving and crisis management.

The constitutional reform of 2019 was the outcome of a deliberate process of top-down design, public consultation and eventual approval in a national referendum. A similar systematic process occurred with the new family code, which was approved by referendum in 2022. However, economic policy priorities, including the

Question
Score

Prioritization

6

'06 '24 10



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restoration of economic growth, improvement of wages and attraction of significant FDI, have not been achieved. The failure of the monetary reform introduced in January 2021, which was declared a key economic priority of the government, clearly demonstrated the limitations of the state's strategic capacity to systematically organize such complex policies.

The government has proved effective in its primary political goals of defending national sovereignty and maintaining regime stability, despite facing an economic crisis and experiencing a leadership transition from Fidel and Raúl Castro to a younger group of cadres. However, it has struggled to achieve its stated economic policy objectives and implement the reform agenda outlined in the guideline documents established during Raúl Castro's term and endorsed by his successor. Although the long-awaited monetary and exchange rate reform was eventually implemented in January 2021, it did not achieve its primary aims. Instead of reinstating the Cuban peso as the sole national currency, a new dual currency system was introduced. The convertible peso (CUC) was phased out, but a parallel hard-currency retail circuit was expanded, supported by a new bank card-only currency called moneda libremente convertible (MLC), which is pegged to the U.S. dollar. This reform resulted in an inflationary process that eroded trust in the peso and led to the widespread dollarization of a significant portion of the economy.

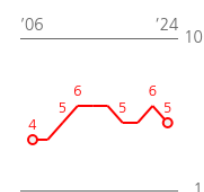
After being on the agenda for many years, small, medium and micro businesses were eventually legalized in 2021. Since 2016, many other reform objectives, such as increasing the efficiency of state-owned companies, have been largely paralyzed. The half-hearted lease of idle land to farmers has resulted in little to no improvement in agricultural production. The re-imposition of price controls contradicts measures implemented to stimulate production. The policies aimed at creating a non-state sector large enough to absorb the excess workforce from the inefficient state sector have not been implemented coherently. The planned transition from a social security system based on universal coverage (e.g., ration cards) to one targeting the needy has not been implemented. The expansion of the cooperative sector has been rudimentary.

Beyond the economic sphere, the government of Miguel Díaz-Canel has been effective in implementing the reform of the country's constitution in 2019 and passing a new progressive family code in 2022, both approved by nationwide referendums.

In principle, the Cuban government learns from past political experiences, as well as from foreign examples. A key historic lesson has been the collapse of the socialist systems in the Soviet Union and Eastern Europe, with the understanding being that: a) reforms are risky and therefore need to be kept at the minimum necessary to sustain the system; and b) preserving elite cohesion is paramount for regime stability. These lessons explain the slow, incoherent stop-and-go process of economic reform since 1989.

Implementation

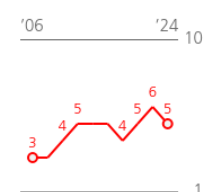
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Policy learning

5



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Díaz-Canel's government has learned from Raúl Castro's ability to keep the regime afloat that political stability is more important than economic growth. This also includes the lesson that all reforms must be gradual. The one exception was the decision to implement the long-postponed monetary reform on January 1, 2021; its failure will reinforce the slow-moving gradualist orientation of the government, even if it fails to produce sufficient economic dynamism. At the same time, Díaz-Canel has understood that technological modernization is imperative and, from China's experience, that digital media can be compatible with sustained Communist Party rule and be an important source of revenue. Under his tenure, residential and especially mobile internet access has become widely available, with the services rolled out producing a major source of revenue for the state.

The government's policy approach is top-down. Popular consultations – as in the constitutional reform process of 2018/19 or the 2022 family code referendum – are severely limited in their scope and controlled from above. The latter was the result of a learning exercise, as it had originally been planned for the constitutional reform but was later dropped after sensing widespread discontent about the introduction of same-sex marriage. It was then left for a separate referendum that could be more specifically prepared. The government relies on a range of monitoring activities to sense and inform itself of popular perceptions, though these activities are nontransparent and arguably not fully reliable.

The handling of the July 11, 2021 street protests resembled the approach taken by the government during the May 5, 1994 riots in Havana. Heavy-handed repression was followed by a wide opening of emigration possibilities as a safety valve, and no new public forums were provided for dialogue.

In economic policy, the Cuban leadership has always shown a significant reluctance to draw serious lessons from the negative experiences with state-run socialist economies, both domestically and globally. It is particularly notable how little economic learning appears to occur from the Chinese and Vietnamese cases of economic reform under the rule of the Communist Party. In sectors such as sugarcane and other forms of agriculture, for example, there has been minimal substantive change, despite the fact that harvests have been reaching new lows.

15 | Resource Efficiency

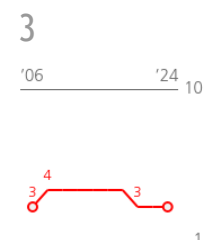
Cuba's principal advantage in terms of resource utilization is that only a small fraction of the nation's resources are allocated to luxury consumption or transferred to Swiss bank accounts and similar destinations. However, the government efficiently utilizes only a portion of the available human, financial and organizational resources, as political considerations take precedence over efficiency. This is particularly evident in the case of administrative personnel, as the Communist Party screens all senior appointments to government offices, state-owned enterprises, hospitals, universities and other institutions. Furthermore, the state sector's exceedingly low wages have prompted a significant number of qualified individuals to seek employment with higher remuneration in the tourism industry or the private sector, thereby undermining the efficiency of public administration and state-run services. In addition to this internal brain drain, many of Cuba's highly educated and dynamic citizens find the material rewards and career prospects on the island to be inadequate, leading to a substantial net emigration rate. In 2022, this trend reached its peak, with over 300,000 Cubans emigrating to the United States and thousands more relocating to other countries, constituting the largest wave of emigration in Cuban history.

There is no transparent budget planning or implementation. Since 2016, Cuba has been running a chronic fiscal deficit, which was exacerbated in the wake of the COVID-19 pandemic.

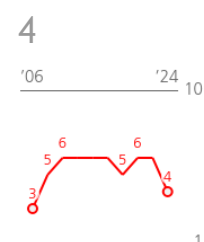
Concerning organizational resources, socialist Cuba has long been known for its impressive accomplishments in education but has similarly been unable to achieve economic growth from its human capital investment. Only in this century has the government been able to export professional services, although only through state-owned enterprises, or to commercialize some of its biotechnology accomplishments, albeit on a modest scale. Medical brigades sent abroad to combat Ebola in Africa and, more recently, outbreaks of COVID-19 in three dozen countries have not only been a diplomatic success but also a source of hard-currency revenues. The successful development of COVID-19 vaccines is a truly remarkable achievement, benefiting from the substantial investments made in the biotech sector in the past.

The process of pro-market economic change, authorized in the 2011 VI Party Congress, improved the government's capacity to coordinate some conflicting objectives. However, this never evolved into a coherently implemented policy program and has instead suffered from an endless stop-and-go dynamic. The monetary and exchange rate reform implemented on January 1, 2021, failed to achieve its goals of establishing a coherent monetary system for the country. While market reforms advanced with the legalization of small, medium and micro-enterprises, the state's price-setting policies are stymieing growth in the agricultural sector. The large business sector controlled by the Cuban military's entrepreneurial arm, GAESA, operates largely outside of the regular economic policy framework.

Efficient use of assets



Policy coordination



The primary concerns of the political leadership are centered around maintaining stability within the regime and ensuring unity among the elite. However, these priorities often undermine the effective and consistent execution of the proposed initiatives. From a political standpoint, the considerable surge of emigration in 2022 can be viewed as a mechanism to alleviate political discontent. Nevertheless, this significant loss of essential human resources has dire consequences for both the country's economic and social progress.

Production and service managers practice hoarding to ensure that they have the necessary inputs for their work – that is, they over-demand and store such inputs, creating large inventories and spot scarcities elsewhere in the economy. Underpayment also characterizes much of the Cuban economy. Both hoarding and underpayments are manifestations of what happens when coordination is impaired.

Corruption has been less of a problem in Cuba than in other Latin American, Caribbean and former communist countries. Nevertheless, government corruption has become an issue due to a convergence of a number of forces: the opening of a hard-currency sector under state control; external trade and investment without transparency or proper public accounting, most prominently in the case of the military-run business conglomerate GAESA; limited market-based economy openings with a weak legal base; widespread petty corruption in everyday life, which creates a mentality that rules are to be broken; and the absence of independent institutions or media that could act as a watchdog and ensure transparency.

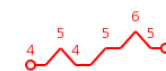
Corruption has primarily emerged in sectors that have embraced market activities, especially in tourism, foreign trade operations, joint ventures and some entities that export professional services. However, the assessment of the extent and nature of corruption is challenging due to the lack of transparency in judicial processes and the absence of independent media reporting. For example, there are rumors suggesting that the military holding company GAESA may have facilitated corruption, but there is no evidence to support such claims. Moreover, the lack of transparency makes it impossible to ascertain the validity of corruption charges, determine if they are politically motivated, or simply a result of personal animosity.

Under Raúl Castro's tenure, the Comptroller General was empowered to pursue corruption cases wherever the evidence warranted it, including cases against powerful officials. There are no indications that this has changed under Díaz-Canel's leadership – but also none that, under his tenure, the Comptroller General has brought forward any cases.

Anti-corruption
policy

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16 | Consensus-Building

The Cuban government adheres to a concept of “people’s democracy,” which is fundamentally different from the concept of democracy used in the BTI. Political leaders do have a rhetoric of railing against false unanimity or calling for a franker debate, but this never crosses the line of questioning single-party rule or allowing competitive elections. The constitutional reform adopted in 2019 promises to modernize state functions and clarify the division of functions, which could strengthen a sui generis system of checks and balances. The 2022 referendum on a new family code was a remarkable exercise in direct democracy – even if the No side was not allowed any public campaigning, the outcome was more uncertain than in any previous election since 1959. However, there are no indications that this practice will be routinized. Discontent with the political system seems widespread, but it is impossible to provide data or assess the real extent of it – and even less so to what extent society adheres to liberal democratic norms.

Nascent civil society organizations and a bottom-up digital media sphere appear to be more devoted to liberal democratic objectives, just like the opposition groups. Despite this, several of these alternative organizations, including the Roman Catholic Church, do not exhibit democratic principles internally. The extent to which the opposition groups genuinely embrace democracy has yet to be assessed.

The emigrant community, which has become very present in the public sphere due to transnational social media, is marked by a vociferous anti-communist discourse. Its Trump-inspired Manichean worldview, while endorsing the democracy vs. dictatorship scheme, is largely illiberal and intolerant. Any transition scheme will find the politically and economically powerful Miami-based émigré community hard to integrate into any consensus-building that is not by its own dictate.

There is a consensus among the ruling elite that socialism has to integrate some kind of market elements. However, there is no consensus as to how far this should go. The Communist Party congresses of 2011 and 2016 and the constitutional reform of 2019 endorsed an economic system in which the state retains a central role, including as the owner of the key means of production. There is also a consensus to prevent the uncontrolled accumulation of private wealth. The private sector was initially conceived of as comprising “self-employed” workers, and only in 2021 have small- and medium-sized enterprises been properly legalized. “Market economy” is not a term that would be accepted by the present government.

Opposition groups, by and large, support a much bolder version of a market economy, but they have never been put to the test on how they would steer any such transition course. The Catholic Archdiocese of Havana sponsors entrepreneurial training for people interested in launching small businesses through a program called “Cuba Emprende.” The emigrant community, for the most part, strongly advocates for a market economy with low to minimal state interference.

Consensus on goals

3

'06 _____ '24 10



In the normative sense used by 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 country. Reformers within the regime seek to promote more dynamic and coherent economic reforms and create wider spaces for debate, including, at times, more autonomy for civil society actors, a more plural media and greater ideological tolerance. However, a transition to a multiparty, liberal democracy is unwelcome to anybody acting within the established political structures. Given the structural tensions between Cuba and the U.S. government, as well as the existing property and human rights claims of the Cuban-American community in the United States, reformers fear abrupt regime change no less than hard-liners.

At present, outspoken democratic reformers can be found outside of the state and party structures, within certain civil society groups, emerging independent media outlets, artists and small explicitly political opposition groups. When discontent took to the streets on July 11, 2021, it manifested as an unorganized protest lacking a specific set of demands but rather serving as a desperate plea for some form of change. The state responded with a heavy-handed approach, swiftly dispersing the protests and refusing to engage in any political dialogue or offer reform possibilities. Meanwhile, the state has maintained its controlled economic reform process, progressing gradually.

The artists and independent journalists who loosely belong to the N27 movement defied established norms by means of their strong social media savvy, organizational skills and transnational ties. However, after the state's refusal to engage in meaningful dialogue, the initiative eventually petered out, and many of its spokespersons left the island.

One of the aims and accomplishments of the 1959 revolution was to narrow socioeconomic divides between social classes, racial groups, regions, and urban and rural areas. Although these accomplishments are eroding and social and racial inequalities are returning, they are not yet structurally ingrained social cleavages, as they were before 1959. The government has made it a policy to provide Afro-Cubans and women with adequate representation in the institutions of the state and the Communist Party.

There has been a constant attempt by the government to downplay the growing racial inequalities and racism on the island. These are sensitive issues for a government that has prided itself on having created an egalitarian society. Given the rise of racial inequalities and the frustration that many Afro-Cubans feel about this, race could become an explosive issue in the future.

An obvious divide is not social but political, as the alignment – or lack thereof – with the government and the Communist Party cuts through society. In recent years, this polarization has intensified, particularly due to the severe economic crisis and the government's failure to offer solutions or engage in meaningful dialogue with the

Anti-democratic actors

1

'06 _____ '24 10

1

Year	Score
2006	1
2024	1

Cleavage / conflict management

5

'06 _____ '24 10

4 5 6 5

Year	Score
2006	4
2007	5
2008	6
2024	5

population. Additionally, polarizing rhetoric disseminated through social media has played a role in exacerbating this divide. This was exemplified by the street protests in July 2021, which aimed to express dissatisfaction with the government and were met with swift and severe repression.

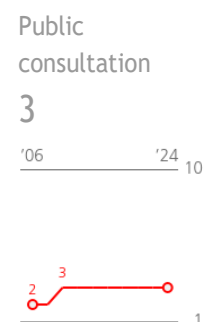
If one counts the Cuban diaspora as part of Cuban society, there is a significant social divide between the approximately two million individuals of Cuban descent living abroad and the 11 million Cubans residing on the island. The government has taken on a more conciliatory stance toward emigrants. Since the 2013 migration reform, which simplified travel for Cubans, the distinction between travel, extended stays abroad and emigration has become less clear. This, too, serves as a means for the government to handle potential political and social conflicts, utilizing travel and emigration as a release valve.

On the island, organization based on race remains prohibited by law for social, economic and political institutions. However, a number of associations based on national, ethnic, religious and identity exist, engaging in a wide range of activities and reflecting the various migrant groups that have come to Cuba over the centuries.

In Cuba, civic, economic and professional interest associations are not independent of the state but are subordinated to the guidance of the Communist Party. However, although they are embedded in a vertical top-down logic, associations (some more than others) articulate some of the interests of their constituencies and sometimes express discontent in a carefully managed fashion. Though these are not civil society organizations in the full sense of the term, their struggles for autonomy and attempts to represent the interests of their members are relevant for state-society relations.

The political leadership responds to these organizations; political leaders attend and speak at their events, and their concerns are listened to. This representation and participation come in a strictly controlled form, managed by the state and party hierarchies. Open protest or acts of defiance are rare and dealt with swiftly and at times harshly, as in the July 11, 2021, public street protests. When subcultures emerge that could encourage public protests, the typical state strategy is twofold: to set limits and enforce these limits in exemplary cases, and to open up institutional channels of state-controlled public participation. The Agency for Cuban Rap Music is an example of such a co-optation strategy. A similar divide-and-rule policy was adopted in response to the public protests by artists in November 2020. After an initial attempt, the government backtracked on dialogue and opened no forum to channel discontent. In the July 11 street protests, it resorted to repression, followed by allowing emigration as a safety valve, but no political reform or dialogue.

Beyond this pattern of state-controlled institutions, few organizations are formalized and represent substantial interests. Digital platforms have emerged, which have become important forums for contestation. While the state tolerates this to some degree, independent journalists are time and again subject to public defamation and harassment. The government does not see independent media as a legitimate actor in public life.



The political leadership maintains communication channels with, and is moderately responsive to, communities of faith. In particular, the Catholic Church has become an important mediator for the government. The government has permitted Caritas – the church’s charitable organization – to significantly expand its humanitarian and aid work on the island.

In the constitutional reform process in 2018/19 and the 2022 referendum on the family code, individuals were permitted to express their opposition to the proposed legalization of same-sex marriage. Although religious organizations actively voiced their objections to the proposed code, campaigning for the “No” option was not permitted.

Generally, the leadership does not address historic acts of injustice or initiate a process of reconciliation. Nonetheless, there are a few positive signs.

The government has adopted a reconciliatory tone toward the Cuban diaspora. It distinguishes between Cubans abroad, who are recognized as part of the Cuban nation and permitted to visit Cuba on a Cuban passport, and a minority of political activists whom the government denounces. Until the Trump administration stepped up restrictions in 2020, Cuban-Americans sent an estimated \$3 billion in remittances each year to Cuba, and Cuban-Americans made up the second-largest group of visitors to Cuba after Canadian tourists.

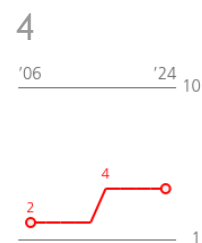
Government policy toward homosexuals has changed substantially. In the 1960s and 1970s, homosexual men were sent to labor camps; however, in the past decade, Cuba has emerged as a strong domestic and international defender of LGBTQ+ rights. The family code adopted in 2022 is considered one of the most progressive worldwide.

The hardline cultural policy of the 1970s has been discussed in Cuba’s cultural institutions. No formal excuse has been provided, and no former bureaucrats have been sanctioned for their abuse of power. However, symbolic measures to rehabilitate the victims of these repressive policies have had an effective reconciliatory effect.

Given how the U.S.-Cuban conflict had translated into domestic confrontation within Cuba over the decades, Cuba’s rapprochement with the United States under President Obama was a significant step, not only in international affairs but also toward domestic reconciliation. Even if the U.S. Trump administration has done away with this spirit, the historic steps in normalizing relations have had a lasting effect on Cuban society, which could be revived during Biden’s presidency.

On the downside, the government’s violent repression of the July 11 street protests and the long jail sentences for mostly nonviolent protesters have created new acts of injustice that have fueled a new political polarization on and off the island. They also revived memories of past perceived injustices that remain unresolved. At the same time, the willingness to engage in any process of reconciliation has declined on both sides.

Reconciliation



17 | International Cooperation

In general terms, Cuba's political leadership has pursued a development agenda centered around piecemeal reforms aimed at establishing a reformed model of socialist economic development – particularly to legitimize and stabilize the existing political order. To achieve this, the government seeks international support while avoiding any conditions tied to it. Western donors are often regarded with suspicion, as they are perceived to be pursuing a covert agenda aimed at undermining the government.

Since the pandemic-induced crisis, the government has been seeking international cooperation with non-Western governments, as highlighted in President Díaz-Canel's November 2022 trip to Algeria, Russia, Türkiye and China. Turkish power ships have become the key savior in the country's current energy crisis. However, this is more of a short- and medium-term patch than part of a long-term development strategy.

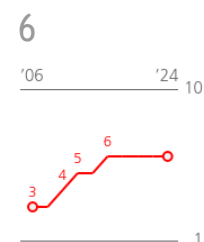
Russia and China, according to reports, have agreed to reschedule some of Cuba's accrued debt and have pledged improved relations. This "friend-shoring" coincides with their mutual assurance of rejecting U.S. sanctions. In the case of Moscow, Cuba largely endorses Russia's position on the Ukraine war. Relations with Venezuela remain a top priority for Havana, even though the volume of oil shipments from Caracas has significantly decreased; they are still crucial for the island's energy needs.

In the past, China has provided little "development assistance," but it is a key trading partner. Politically, China is a strong external example for the viability and superiority of Communist Party rule. However, Havana is far from following the Chinese – or Vietnamese – path of economic reform, neither systemic nor sectoral, including in agriculture.

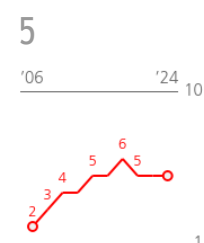
Assistance from the European Union has been low-key, focusing on hurricane relief and food security programs. Since 2014, this support has expanded to include economic and social modernization, but with modest funding. In 2016, a Political Dialogue and Cooperation Agreement was signed. Assistance from individual European governments has also been modest.

Cuba complies with the rules set by the international and regional organizations to which it belongs. It has been strongly committed to organizations that do not include the United States or the Global North, and which do not interfere in domestic politics, such as the Group of 77 + China, of which it assumed the pro tempore presidency in January 2023. Despite an invitation to return to the Organization of American States in 2009, Cuba declined, refusing to accept the Democracy Charter, which has become the organization's constitutional bedrock. Cuba does not accept the jurisdiction of the Inter-American Human Rights Commission or that of the Inter-American Courts of Human Rights.

Effective use of support



Credibility



Cuba tends to be a reliable partner in the agreements it initiates and is known for its high level of professionalism when cooperating with international organizations such as the WHO. Cuba has also responded to numerous global crises, including the recent COVID-19 pandemic, when it sent medical brigades to three dozen countries, including most prominently Italy. Cuban COVID-19 vaccines were also exported to a number of countries.

Cuba has systematically defaulted on its international debt obligations in 1960, 1986 and several times over the decades that followed. The economic downturn of recent years led to new arrears in debt service.

Cuba signed nuclear nonproliferation agreements after the collapse of the Soviet Union and anti-terrorist UN conventions after September 2001. Cuba has never supplied “blue helmets” to United Nations peacekeeping missions. It has been generally uncooperative with regard to civil human rights, labor standards and similar conventions while being a vocal advocate of social human rights, such as access to health and education. Cuba has repeatedly been elected a member of the U.N. Human Rights Council, where it uses the argument of national sovereignty to reject international insistence on respect for liberal human rights.

Cuba is a member of the Community of Latin American and Caribbean States (CELAC), although this organization has lost much of its previous relevance. Cuba participates in the Ibero-American Summits and the EU-LAC summit process while also being a member of the Association of Caribbean States. Venezuela is a significant political ally in international politics, and Cuba maintains cordial relations with Mexico following López Obrador’s assumption of power.

Cuba maintains diplomatic relations with all its neighbors, including the United States since 2015. Political relations with Latin American countries vary depending on ideological orientations and junctures. The 2022 electoral victories of Lula da Silva in Brazil and Gustavo Petro in Colombia raise hopes of improved relations with both countries.

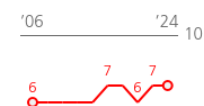
Despite an invitation to return to the Organization of American States in 2009, Cuba declined, refusing to accept the “Democracy Charter,” which has become the organization’s constitutional bedrock. Cuba does not accept the jurisdiction of the Inter-American Human Rights Commission or that of the Inter-American Courts of Human Rights.

Cooperation with Caribbean island governments is, in general, excellent. Cuba has provided disaster relief support to many countries in the circum-Caribbean and has supported the fight against the COVID-19 pandemic with medical personnel.

Cuba cooperates with the United States on various matters, such as migration, search and rescue missions, drug trafficking and scientific cooperation, among others. Although this cooperation experienced setbacks during the Trump administration, it

Regional
cooperation

7



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has not been completely discontinued. Under the Biden administration, regular consular services have been reinstated at the U.S. embassy in Havana, and negotiations have taken place regarding a migration agreement. This agreement includes the repatriation of undocumented Cuban migrants from the United States to Cuba.

Strategic Outlook

The international outcry in response to the harsh government crackdown on the July 11, 2021 street protests quickly dashed any hopes of an easy resumption of engagement policies with the Biden administration. Nevertheless, the significant wave of emigration that followed also highlighted the costs of destabilization in Cuba for the United States. The subsequent negotiations in January 2023, which led to a new migration agreement, aimed to curb undocumented immigration while increasing the allocation of legal visas for Cubans. This agreement could serve as a starting point for further policy adjustments regarding remittances, travel, and even potentially removing Cuba from the list of state sponsors of terrorism. Historically, U.S. policy toward Cuba has been heavily influenced by electoral considerations in the pivotal swing state of Florida. However, with Florida now leaning toward being a “red state” with a consistent Republican vote, a Democratic administration may be less constrained by the fear of alienating the Cuban-American vote.

The European Union entered into a Political Dialogue and Cooperation Agreement (PDCA) with Cuba in November 2017. While this agreement established stable communication channels, progress in political dialogue has been sluggish due to Cuba’s resistance to liberal civic rights and any perceived interference in its domestic affairs. Nonetheless, opportunities for collaboration with Western governments and non-governmental entities may arise in supporting Cuba’s economic reform agenda, social protection programs or efforts to transition to cleaner energy sources. Given Cuba’s financial challenges, such initiatives may necessitate external financing. However, both the United States and Europe will face challenges in providing such financing should the Cuban state engage in repressive activities like those seen during the July 11 protests, as they need to justify their engagement policies in the face of critics who accuse them of supporting a dictatorship. Based on past experiences, releasing prisoners detained during the July 11 protests could be a meaningful gesture to foster goodwill and elicit reciprocal responses.

Cuba’s ongoing deep crisis has had a dampening effect on its already modest economic relationships. The recovery of the tourism sector following the COVID-19 pandemic has been slower in Cuba compared to other countries in the region, and Cuba’s mounting unpaid debt has had adverse effects on trade and investment. The uncertainties surrounding political stability and future U.S. policies, including sanctions targeting third-country companies dealing with Cuba, further contribute to a cautious outlook for business ventures. Nevertheless, Cuba’s medical and biotech sector, which has recently excelled in developing two homegrown COVID-19 vaccines, presents an attractive opportunity for cooperation.

Cuba appears to be pursuing a unique strategy of “friend-shoring” by strengthening ties with non-Western countries such as China and Russia, as well as seeking new trade and investment partners in Türkiye, Algeria and Indonesia. In addition to its enduring alliance with Venezuela, the electoral victories of leaders like Lula in Brazil and Petro in Colombia offer the potential for renewed cooperation and integration within Latin America. It remains unclear whether this will result in

well-compensated Cuban medical missions, as was the case during Lula's earlier administration, but Latin American nations are likely to provide diplomatic support for Havana. Encouraging Cuba's inclusion in regional cooperation schemes or institutions could be a productive approach, and the CAF Development Bank of Latin America could play a pivotal role in supporting Cuba's economic reform process.