



Cuba Transition  
Project



**INTERNATIONAL ORGANIZATIONS  
AND  
POST-CASTRO CUBA**

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# Cuba Transition Project – CTP

The Cuba Transition Project, at the Institute for Cuban and Cuban-American Studies (ICCAS), University of Miami, is an important and timely project to study and make recommendations for the reconstruction of Cuba once the post-Castro transition begins in earnest. The transitions in Central and Eastern Europe, Nicaragua, and Spain are being analyzed and lessons drawn for the future of Cuba. The project began in January 2002 and is funded by a grant from the U.S. Agency for International Development.

## Programs and Activities

- The CTP is publishing original research, with practical alternative recommendations on various specific aspects of the transition process, commissioned and written for the CTP by ICCAS Staff and U.S. and foreign scholars with expertise on Cuba.
- The CTP is developing four key databases:
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## **Executive Summary**

This is a discussion paper on the assistance that may be required from various international organizations to support the Cuban transition after Cuban President Fidel Castro's demise. It is assumed that a transition government replaces the present regime that is committed to restoring democratic rule and a market economy and that it has attained the minimum legitimacy required to rule the country in pursuit of such objectives. While other contextual situations for the transition exist, it is impossible to approach this assignment under a multiplicity of scenarios. Therefore, the paper is written as a mere suggestion to be submitted to whatever transitional authority emerges to provide a starting point or agenda to define the assistance required from international organizations for the transition.

One point made by Anders Aslund<sup>1</sup> on the Soviet bloc transitions will be kept in mind throughout the paper:

*The central drama of post-communist economic transformation has been an intense struggle between liberal reformers, who wanted to build a normal democracy and market economy, and rent-seeking businessmen and officials, who desired to make money at the expense of the state and society in transition.<sup>2</sup>*

The truth is that the transition in Cuba will have to face a similar struggle. Because the Special Period<sup>3</sup> that started after the collapse of the Soviet Union constitutes a transition from the old Stalinist system that prevailed in Cuba at that time while retaining a single party system, *nomenklatura* insiders have taken advantage of the Special Period to create a rent-seeking managerial oligarchy that controls state enterprises through decentralized management and in partnership with foreign investors in mixed ownership enterprises. This insider oligarchy will resist any effort to move towards a free-market economy, not to mention democratic rule.

Surprisingly, these regime insiders have the support of a group of

retired U.S. generals who support a succession, rather than a transition, under the leadership of Raúl Castro. Fortunately, they may not prevail. The dissidence has taken advantage of some hesitation in the repression as well as increasing international recognition and support to expand from the initial human rights groups into independent journalists, libraries, professional associations, agricultural cooperatives, and labor unions. They have done so despite being denied freedom of expression and rights of assembly and association. Cuba's emergent civil society cannot be ignored. It is a force to be reckoned with in Cuba's future.

Fortunately, just as the research for this monograph was beginning, the World Bank released its comprehensive report on the decade of experience with transition in the former Soviet Bloc.<sup>4</sup> The lessons of those transitions are relevant to the Cuban situation, although they require adaptation to its peculiarities. The Cuban context faces one important peculiarity: the existence of a Cuban Diaspora that owns 30,000 U.S. enterprises with yearly sales of \$24 billion and, with Castro still in power, has become the most important net source of foreign exchange for the island. None of the other former members of the Soviet Bloc, except, perhaps, Armenia has faced a similar situation.<sup>5</sup>

The World Bank found that the most successful way to attain economic success was to privatize while encouraging competitive new enterprises and discouraging continuation of former state enterprises that are prone to corruption, asset stripping, tunneling, and rent-seeking practices. The World Bank's approach requires privatization combined with financial discipline and encouragement of new enterprises. In addition to providing a solid base for the rule of competitive democracies in Eastern Europe, it also provides the transition model for Cuba. The first section of this monograph summarizes and reinforces the findings of the World Bank report and, where relevant, the monograph supports them with findings from other reports. The second section attempts to fit the Cuban situation into the paradigm resulting from the lessons of 10 years of transition in the former Soviet Bloc. Finally, section three outlines the assistance program that Cuba will require from various international organizations. Two subsequent matrices link the elements of the assistance program with potential international aid sources.

This paper assumes that a consultative group on Cuba will be formed. The paper also assumes that the World Bank will take on the responsibil-

ity for coordinating the assistance effort through the consultative group on Cuba as a consequence of its rich experience in assisting systemic transitions. Since Cuba is not a member of the International Monetary Fund (IMF), the World Bank, or the Inter-American Development Bank (IDB), preparatory work should be started before the actual transition starts to cut the time lag in securing access to urgent financial resources for Cuba's reconstruction.

## **Lessons from Soviet Bloc Transitions**

### ***Parallel Political and Economic Transitions***

Transition processes are grouped in the World Bank report into four categories according to the political systems under which they were undertaken.<sup>6</sup> *Competitive democracies* have maintained an extensive range of civil liberties and a high level of political rights to compete in multiparty democratic elections. *Concentrated political regimes* conduct multiparty elections, but for some time they have either curtailed full rights or limited political competition through constraints on civil liberties. *Non-competitive political regimes* constrain entry of potential opposition parties into the political process and sharply restrict political participation by placing few limitations on their executives branches. *War-torn regimes* have had to face internal or external violence during the transition period, causing severe strains on the respective states.

Recognizing that no two countries are identical, this paper considers mostly experiences related to competitive democracies, a group that includes the Czech Republic, Slovenia, Hungary, Poland, Lithuania, Estonia, and Latvia. From the political point of view, competitive democracies is the most desirable group to consider as a model under which to undertake the post-Castro transition, and the group also includes the countries most successful in their economic transitions. In the post-Castro transition, political rights must prevail, a multiparty democratic system is imperative, and civil liberties must be guaranteed under the rule of law. Competitive democracies generate substantial contestability and a high government turnover, but contrary to usual assumptions, this has not prevented them from attaining significant systemic reform and high rates of economic growth. Therefore, as a group, they offer a model that is most consistent with the desired outcome of the Cuban transition.

Conversely, the reform that has taken place in Cuba under the Special Period underway at present falls broadly under the third group, non-competitive political regimes. The Cuban Communist Party retains a monopoly of political activity, and the executive branch reigns supreme over the other two branches of government. In the absence of competition and transparency, an oligarchy of insiders rules Cuba. These insiders originate from the *nomenklatura* who have taken over control of state enterprises

or state representation in mixed joint ventures with foreign investors. The regime has already arranged for a succession of this system under Raúl Castro with the support of retired American generals, though the experience of the former Soviet Bloc states has shown that this type of situation is conducive to lack of competition and to corruption and results in asset stripping, tunneling, increasing economic inequality, and economic stagnation.

### ***Role of New Enterprises vs. Control by Oligarchs and Insiders***

The creation of new enterprises has been central to the synergy between the political systems and economic reform and growth in the competitive democracies. In a circular effect, the resulting broader inclusion of stakeholders in society reinforces the bases of democratic rule and provides a form of insurance against a return to past static practices.

Opening access to new entrants into the economic and, therefore, the political system, leads to a tendency to wean enterprise management from the previous regime and remove oligarchy from the rent-seeking arrangements to which they became addicted under state interventionism. A key factor pushing for this competitive enterprise environment has been “the pull of European accession” that strengthened the need to attain both democratic rule and market competition.<sup>8</sup> A similar pull, but with much smaller economic benefits, will be generated in the case of Cuba by the possibility of access to the American Free Trade Agreement (Libre Comercio de las Américas — ALCA), with its contingent demand for democratic rule explicitly required in the Democratic Charter approved on September 11, 2001 in Lima, Peru. Access, however, will entail a substantial effort for Cuban enterprises, since the country is not a full member of any of the sub regional integration agreements already existing in the hemisphere, and Cuba’s plants are still saddled with obsolete Soviet technology.

The key finding in this report on the lessons learned from transition in the former Soviet Bloc is this: not only is it necessary to pursue policies that encourage the privatization of state enterprises but also to encourage the emergence of new small enterprises until they cross a critical threshold set, on an empirical basis, at 40 percent in employment

and value-added.<sup>9</sup> Ample evidence attests to a correlation between reliance on small and medium-sized enterprises — instead of state enterprises, whether restructured or not — in attaining higher levels of growth.

During the initial decline in output resulting from the systemic transition, the Countries in Southeastern Europe and the Baltics (CSB), which include all the competitive democracies, show a smaller cumulative output decline in the initial recession (22.6 percent) and a shorter duration of the recession (3.8 years) than the Commonwealth of Independent States (CIS) where the other political modalities prevailed with a larger (50.5 percent) average decline and a longer average duration (6.5 years). Obviously, the policies pursued in the CSB countries result in a shorter and more moderate initial recession.<sup>10</sup> Since Cuba has undertaken some economic reforms already, mostly to decentralize enterprise management and reduce budgetary subsidies, the transition recession may be even shorter and milder. However, if chaos and conflict prevail, Cuba may fall under the war-torn category of transitions, and the transition may take longer and be deeper. Other indicators show that the comparison is equally favorable to the group where competitive democracies prevailed. Real gross domestic product (GDP) growth over the decade, growth in the private sector share of economic activity, and growth in exports are all essential factors in a successful transition effort.

<b>Indicator</b>	<b>CSB</b>	<b>CIS</b>
Real GDP 2000 (1990=100)	106.5	62.7
Private sector growth in percent of		
GDP (1990-1999)	11 to 68	10 to 50
Export Growth in percent (1993-1998)	8.8	3.2

Accepting that intact transfers of experiences are not feasible among countries, this summary information reveals that whoever is in charge of the Cuban transition in the post-Castro era should look at competitive democracies for a model to follow and then choose with the pertinent adaptations. They should ask how it was done, what policies were involved, and what institutional changes were necessary? A lot more is involved than a mere change in macroeconomic policy or lip service statements about the changed role of the state. A complicated carpentry, including societal and bureaucratic attitudes, has to be dismantled, and a new carpentry has to be designed and installed.

That complex task requires not only external assistance from international organizations but, further, a sense of ownership from an understanding and committed domestic leadership. International organizations cannot lead such an effort; rather, national leaders must realize that such a transformation is essential to meet the needs and aspirations of the Cuban people.

### ***Transition Policy Environment***

According to the broad consensus that emerges from this decade of World Bank transition experience, it is agreed that — with adaptations to individual circumstances — reforms should include:

- macroeconomic stabilization,
- price and trade liberalization,
- the imposition of hard budget constraints on banks and enterprises,
- an enabling environment for private sector development,
- a reform of the tax system and restructuring of public expenditure,
- legal and judicial reform, and
- reform of public sector institutions.<sup>12</sup>

Decisions on sequencing are somewhat flexible, but one of the first tasks of the national counterpart must be to work out with the consultative group a timetable for these multiple reforms, some of which will have to precede others or be undertaken in a well coordinated parallel effort. The preparatory task force, discussed in greater detail in section three, could assume the task of preparing a tentative scheduling sequence to be submitted to transition authorities for review and approval. This will require a multi-week joint planning session using a computerized PERT<sup>13</sup> program to manage implementation coordination and monitoring.

Success in the transition, according to the lessons learned, means being able to generate economic growth. This success, in turn, is dependent on creating an environment conducive to generating new enterprises in addition to a process of privatization of state enterprises. The pursuit of policies of financial discipline in dealing with old enterprises, privatized or not, and of encouragement of the entry of new enterprises to

create a competitive market are both necessary. This goal is more complex than a mere privatization effort, and the time dimension is crucial for its success.

No magic formulas offer instant reforms, and regressive forces within the system may be at work to undermine, for selfish reasons, the required discipline. Both old regime insiders, who are in control of former state enterprises, and some newcomers, can be expected to resist being deprived of the rents and subsidies that prevailed in the previous regime.

Within the group of competitive democracies, in countries such as the Czech Republic, Hungary, Lithuania, and Poland, the growth of total employment and value-added attributed to small enterprises, which are considered a proxy of new enterprises, was high. They now account for more than 50 percent of employment and for between 55 and 65 percent of value-added. Meanwhile, in concentrated or non-competitive political regimes such as Russia, Kazakhstan, and the Ukraine, the share of new enterprise employment has stayed below 20 percent and valued-added between 20 and 30 percent.<sup>14</sup>

Differences in financial discipline and encouragement policies as well as the political origin of the respective transition regimes have caused this distinction. Political institutions in competitive democracies emerged from roundtable negotiations among broadly representative popular fronts and a wide range of other organized interests. This, together with the links with Western and Northern Europe and the pull of potential access to the European Union, produced a combination of endogenous and exogenous variables creating the climate for consensus on necessary reforms. It is this paper's assumption that a similar combination of variables will prevail during the Cuban transition. The process of interaction between the political system and economic policies and institutions is too complex to discuss in this brief summary; the reader is referred to the full World Bank report for that discussion and to my book, *De la Patria de Uno a la Patria de Todos*, for a discussion of political, legal, and institutional changes required in Cuba during the transition.

Financial discipline involves imposing hard budget constraints on enterprises, providing exit mechanisms for insolvent enterprises, monitoring and influencing managerial behavior to reward efficient

stewardship of assets and to discourage tunneling and theft, increasing product market competition, transferring social assets from enterprises to local governments, and using the social safety net as a cushion for displaced workers and other losers from reform.<sup>15</sup>

Of these, only the transfer of social assets does not apply in general, since in Cuba social services have remained basically a state responsibility at the national or local level, although some enterprises, such as Sherritt, have assumed some responsibilities for those services.

As to encouragement, it involves creating a favorable climate for domestic and foreign investors, including “establishing secure property and contract rights, providing basic infrastructure, reducing excessive marginal tax rates, simplifying regulatory and licensing procedures, and developing a competitive and efficient banking system.”<sup>16</sup> In the Cuban case, encouragement may also require specific consideration of the unique situation resulting from the existence of an overseas Cuban community that is already the largest source of net foreign exchange revenues and could make a significant contribution to the process of establishing new small and medium enterprises.

### ***Lessons from Political Transition in Eastern Europe***

The process of political transition in Eastern Europe offers interesting lessons that apply to the post-Castro transition in Cuba. Here it is feasible only to present a broad outline. Studies made of those transitions revealed that they started before the collapse of the Soviet Bloc and that the factors influencing the shape they took can be expected to be present in the case of Cuba.<sup>17</sup> Three factors influenced that process: the history of each country, the communist political system, and the conjuncture that resulted in the transition. Of these, history and conjuncture led to variations in outcomes, while the communist system led to commonality of outcomes due to its impact on the behavior of political elites.

The important common factors to consider in terms of the political system include: 1) The application of Leninist principles of political rule resulted in weak autonomous political associations because people became accustomed to receiving orders from the *nomenklatura* in the party apparatus, which spurred an atrophy of the initiative to seek protection for group’s interests through advocacy associations; and, 2) The

party, through the *nomenklatura* and the monopoly of power granted by the system, was the only organization with capacity to act. Waller concludes that these factors explain, among other things, the continuation of the role of the party beyond the end of its monopoly power.<sup>18</sup> These two characteristics are also present in Cuba and are likely to lead to similar outcomes.

A distinction is made of three phases of the transition process: the heroic act of defying the monopoly of the party, the actual moment of transfer of power when the Soviet Bloc collapsed, and the period beyond the first election.<sup>19</sup> For purposes of this paper, we will consider only the first two.

In East Germany, autonomous groups emerged with the support of churches and centered around issues related to the environment. In Poland, the issues related mostly to nationalist responses to the Soviet presence and labor issues promoted by Solidarity and the Catholic Church. Czechoslovakia saw a general challenge to the system by intellectuals under the Prague Spring movement that was crushed by the Soviet invasion of 1968. In Hungary, the roots went back to the 1956 uprising. In general, these were initiatives outside the control of the party monopoly that somehow were tolerated although in the face of various degrees of repressive actions. The Cuban dissidence since 1990 and the beginning of the Special Period has had results similar to those in Eastern Europe.

Although subordinated to parties in diverse ways, research centers enjoyed some autonomy in developing ideas and proposals related to national problems and possible reforms to solve them. A similar emergence of research centers has taken place in Cuba, leading to incidents such as the Raúl Castro's 1996 attack on the Center for the Study of the Americas, (CEA), which ended in its eventual dissolution and the dismissal and harassment of Dr. Miriam Grass of the Political Science Group at the School of History and Philosophy at Havana University for her monograph "*El Sistema de Gobierno Cubano: Control vs. Autonomía.*"

In the second phase of the Eastern European transition, the work of more autonomous groups that had been leading a precarious existence suddenly acquired legitimacy and provided the seeds for political parties and political leaders such as Lech Walesa in Poland and Vaclav Havel in Czchecoslovakia. The communist party was able to survive in most cases

under a diversity of names and without the monopoly of power it had enjoyed up to that time. The management of the transition was undertaken by ad hoc, temporary institutional arrangements in roundtables. Previous dissident groups, elements from the party, and, in some cases, members of the military, agreed on the steps to facilitate an orderly and peaceful transition. In most cases, the resulting transition governments incorporated representatives of the groups that had composed the roundtables until elections brought authorities elected by the people to power.

In general, the outcome of these roundtables falls under four categories:

- negotiation of the transfer,
- formal abolition of the party's monopoly power,
- passing of laws legalizing political associations, and
- establishment of an electoral process and the holding of a free election.<sup>20</sup>

This is the best analogy available to the political process that Cuba would face during the first phase of the post-Castro transition.

### ***The Role of Labor Unions***

One would think that labor unions would enjoy a privileged status and significant power in a system that is supposed to be based on the working class. This is not the case, however, because Cuban society is politically dominated by the party, and policy is set from above. Labor unions in capitalist societies emerged in response to the need to represent the working class in defense of their interests against employers. In Communist societies, by contrast, the role of the labor unions is to act as a conveyor belt for transmission of party directives to the working class. They are just another mass mobilization instrument of the party. The notion of autonomous labor unions representing the interests of the working class and demanding their rights is anathema for the *nomenklatura*. Labor leaders learn to behave accordingly.

The experience of the Eastern European countries in the atrophy of this representational role of the interests of workers is revealing. With exception of Solidarity, which emerged in response to nationalist anti-Soviet feelings more than exclusively labor issues, the labor unions in

most of these countries came down as part of the collapse of the Communist regimes. The unions enjoy a significant membership but do not seem to have acquired the more aggressive behavioral stance of unions in traditional capitalistic societies. Therefore, with the exception of Poland and Yugoslavia, workers have not played a significant role in gaining ownership shares in privatized enterprises, nor have they played a decisive role in the political process. In fact, even Solidarity in Poland has seen its political influence decline. A new leadership will probably emerge free of the behavioral atrophy caused by the overpowering domination the party exerted on the previous labor leadership.<sup>21</sup>

The case of Cuba is different. Labor unions were prominent and influential in the vigorous civic society that prevailed before Castro. Cuban labor union membership was equal to that of Brazil in absolute numbers, while Cuba had 10 percent of Brazil's population. The leadership included many members of the old communist party, the Popular Socialist Party (Partido Socialista Popular – PSP), which had been granted control of labor unions by Batista in 1940 in exchange for their supporting his presidential candidacy. Afterwards, they were displaced by anti-communist leaders under the presidencies of Ramón Grau San Martín and Carlos Prío Socarrás. Castro restored control of the labor federation to the old PSP as part of his alliance with the Soviet Union. However, PSP labor leaders were used to representing labor before employers, and their patterns of behavior were totally different from what the traditional Communist party in power expected from its union leaders. With time, the old leaders have retired or passed away, and today the Cuban labor unions are as submissive as were those of most of Eastern Europe. In a survey of Cuban public opinion among recent arrivals to the United States, 97 percent reported that being a member of a labor union did not provide them any benefits.<sup>22</sup> It will be interesting to see if, in the absence of party control, behaviors consistent with the culture of previous labor leaders in defense of workers' demands and interests will reappear earlier in Cuba's transition than in Eastern Europe.

### ***Privatization as the Central Process of the Transition***

The above lessons from the transitions in the former Soviet Bloc also include those related to the various privatization processes. One signifi-

cant finding from the political process is that behavior of party *nomenklatura* is not expected to change until there is a change in property relations.<sup>23</sup> As to the lessons from the various privatization efforts, experiences are not clustered as clearly as in relation to other issues. Learning from those experiences will require a precise matching of context and objectives.

The recent World Bank report reaches conclusions less favorable to the use of the voucher systems and the Mass Privatization Programs (MPP) than earlier studies of the Eastern Bloc experience in privatization. However, it recognizes that these methods could be considered in the context of additional criteria beyond economic growth. In fact, the change in perception of the success of privatization efforts since the mid-1990s led the World Bank to commission an evaluation of those efforts with special emphasis on Russia, Poland, and the Czech Republic. Evaluation findings are less categoric than some critic's comments, primarily due to the lack of workable alternatives offered by the critics; and, second, the initial objective was to depoliticize enterprise management, while improved corporate governance was added *ex post facto*. Two important lessons emerge, though: it is necessary to create an institutional framework to protect the public interest before undertaking mass privatization, and the quality of the resulting corporate governance must be one of the objectives of privatization.<sup>24</sup>

Although mass privatization should be addressed in light of the experience in Eastern Europe and the Soviet Bloc, it is still worth considering as an option in view of the lack of valid alternatives but blending it with other approaches. Privatization was an answer to a two-fold question. Although enterprises were state-owned, their control was in the hands of managers — or in the case of Poland, the workers — leading to asset stripping and tunneling. Second, it was necessary to depoliticize the enterprise sector quickly.<sup>25</sup> These conditions are likely to be present in Cuba.

It is advisable to consider MPPs as an option, taking into account the relevance to Cuba of the three basic objectives they pursue:

- getting the general population involved in the process of economic transformation,
- attaining some degree of distributive equity by making everyone

- an owner of part of the national productive capacity, and
- quickly privatizing a large number of firms and productive assets to deepen the roots of market forces and competition in the economic environment.<sup>26</sup>

Based on the experience of countries such as Russia, Poland, Hungary, the Czech Republic, and Lithuania in undertaking a voucher process or MPP, measures should be included to prevent difficulties those countries experienced.

The lessons learned about privatization indicate that success in the next phase — the pursuit of economic growth — is contingent on the quality of the corporate governance that prevails under the new ownership.<sup>27</sup> That quality is heavily influenced by whether that ownership is diffuse or concentrated and whether the selection of investors was made by auctions or transparent tenders instead of through purely administrative actions, which make insider deals more feasible. It was also found that selection of foreign investors to take over related industries provides the most favorable results, although this is applicable in limited instances and may generate resistance and some negative political repercussions due to nationalistic feelings, a factor of great weight in Cuba.

To avoid asset stripping and tunneling that deplete assets to the detriment of minority stockholders, institutions must oversee enterprises in the privatization stage. Worker enterprise management has resulted too frequently in depletion of pay and benefits and in decreasing the investment capacity of the enterprise. The use of investment funds in the mass privatization scheme in the Czech Republic failed to attain its objectives in some cases due to lack of managerial competence and an interlocking relationship with the banks that held the enterprises' debts.

Finally, a comment is necessary on the issue of restitution, which is closely related to privatization. The Aslund report discusses restitution in East Germany and reveals that the impact on economic growth was extremely negative. The main reason was that a legalistic notion of justice prevailed while ensuring that economic growth was given a lower priority. As a result of complicated legal issues going back to Nazi Germany, “some 2 million claims were presented, clogging the courts for years and stopping thousands of construction projects and enterprises because of uncertain legal claims.”<sup>28</sup> Besides the moral and justice motivations that substantiate including restitution in a privatization effort,

the process should not interfere with the ability to restore production and economic growth. This will be critical in the case of Cuba.

In summary, without excluding the mass privatization option in the Cuban case, the following agenda is suggested by the World Bank experience:

- Privatization should be part of an overall strategy of discipline and encouragement.
- Small enterprises should be sold quickly and directly to new owners.
- Medium-sized and large enterprises should target sales to strategic outside investors. In doing this, they should give due consideration to the many mixed-enterprises the present regime has already established with foreign partners.
- Investor protection should be enshrined in the legal system and enforced, covering rules to protect minority stockholders; rules against insider dealings and conflicts of interest; creditor surveillance, accounting, auditing, and disclosure standards; and takeover, insolvency, and collateral legislation.
- Privatization should be accompanied by increasing competition and enforcement of competition policy.
- The cash flow and property rights of the state should be clarified when the state continues as partial owner.
- Divesting enterprises in natural monopoly or oligopoly sectors should include provisions for regulatory supervision.<sup>29</sup>

## Applying Transition Lessons to Cuba

The transition started in Cuba before the collapse of the Soviet Bloc and was given a tremendous push by the Special Period that resulted. As long ago as the 1980 Mariel exodus, the regime was forced to introduce economic reforms that were the start of an economic opening. The dissident movement started in the mid and late 1970s is the seed of the political opening feeding an incipient civil society. *Glasnost* and *perestroika* challenged Castro's Stalinism, which had already regressed into harsher totalitarian rule in response to the initial threat posed by the dissidence and the farmer's markets of the early 1980s.

The Special Period in the early 1990s forced an initial economic

opening that Castro started to halt as soon as the worst period of economic collapse had passed. Cuba's Special Period was not a transition to a competitive democracy with a free market. Instead, the regime moved to a non-competitive political regime, insisting on perpetuating one party rule under Castro. The most significant economic change, the legalization of tenure of dollars, has perpetuated economy dirigisme along with an opening to foreign investment and decentralized management of state enterprises.

In order to make itself more attractive to foreign investment, and perhaps even to gain access to economic assistance from the European Union, the regime kept repression at a lower level, reducing harassment of opponents and reserving harsher reprisals and imprisonment for harsher violations. The result has been that opposition to the regime has expanded: the dissidence movement has bloomed from human rights denunciation to independent journalists, libraries, professional associations, labor unions, and agricultural cooperatives despite denial of universal rights of assembly and association, which are formally recognized in the Cuban Constitution. The result in political terms is similar to the experience the World Bank reported in the case of the CIS: a non-competitive political regime.

The economic results have also been similar to those found by the World Bank in the CIS. An oligarchy from within the Cuban nomenklatura has emerged as rent-seeking insiders who control state enterprises under decentralized management and in partnership with foreign investors. Perhaps the largest and most influential, Business Administration Group, S.A. (Grupo de Administración de Empresas S.A – GAESA), is centered in the Ministry of the Armed Forces (Ministerio de las Fuerzas Armadas – MINFAR) and is headed by General Julio Casas Regueiro, with Raúl Castro's son-in-law as general manager. Basic Industries Minister, Marcos Portal, married to a niece of Raúl and Fidel Castro, is described as a power to be dealt with in the succession promoted by the regime.<sup>30</sup>

These rent-seeking managers are trying to increase internal enterprise efficiency with the introduction of modern management methods, such as quality control, in a nationwide effort called Perfeccionamiento Empresarial<sup>31</sup> (Enterprise Enhancement). This is a pointless exercise because economic efficiency at the micro or enterprise level, besides

being hindered by external dis-economies, is made meaningless at the macro level by a context in which prices are set administratively. New entrepreneurs have no free access, and market allocation of capital to ensure a competitive market environment does not exist. A similar situation that led Aslund to reach the conclusion that a privatization effort is essential to ensure a successful transition to a market economy.<sup>32</sup>

The insiders' oligarchy within Cuba's current regime has access to dollars and shows manifestations of the same corrupt practices identified within the non-competitive political regimes in the CIS, such as asset stripping, tunneling, and blocking of reforms, that may threaten their privileged status. The regime even established a new Ministry of Audit and Control in 2001 to cope with fraud. Castro's high-handed decision against the practice of accounting in Cuba, including banning it for years from university curricula, severely hurt the profession. In the last few years, an effort to restore it as an integral part of enterprise management has been underway, but it has had limited success. In fact, it is the main reason the majority of enterprises have not qualified for the process of Perfeccionamiento Empresarial. At the annual meeting on its accomplishments for 2001, the Ministry of Finance and Prices reported that only 180 out of 382 accounting and internal control systems submitted for approval under the Perfeccionamiento Empresarial program were considered satisfactory; 202 were rejected.<sup>33</sup> Insider managers are not interested in improving accounting records that could reveal asset stripping and tunneling actions related to their corrupt practices.

## ***The Cuban Political Transition***

At some point in the Cuban transition process, the need will emerge to create a forum similar to the roundtables that emerged in Eastern Europe. No method exists to predict what will generate the need for such an instrument. Possibilities include a health problems or the passing of Castro, a policy split between insiders favoring more economic liberalization to calm popular unrest and hardliners advocating harsher repression to deter that unrest, or a *coup d'état* by younger unknown elements in the armed forces.

The roundtable in Cuba will have to include representatives of the

four groups of stakeholders mentioned above. In the Cuban case, the main difference will be the presence of representatives of overseas Cubans. However, it will have to address issues such as the freeing of political prisoners and the abolition of mass organizations, such as the Committees for the Defense of the Revolution, that have become associated with regime repression. In the survey of Cuban public opinion undertaken in 1999 by the University of Florida, interviews of over 1,000 recent arrivals revealed that the Communist Party had a most hated rating of 77 percent and the Committees for the Defense of the Revolution of 71 percent.<sup>34</sup> The repressive agencies are equally unpopular, and the problem of their abolition will have to be contemplated in light of the public order situation at the time. The roundtable will have to take into account such levels of unpopularity with the opposition at the time of transition not only in the determination of its composition but also in the priorities of its agenda for action. The Organization of American States (OAS), with ample participation of overseas and national Cuban lawyers and through its Inter-American Commissions of Human Rights and the regional body of jurists, could provide assistance to deal with the actions required from the roundtable in restoring the rule of law.

Then, there is the issue of calling for elections. United States Agency for International Development (USAID) commissioned an elaborate International Federation of Electoral Systems (IFES) study of this issue that could be made available to the roundtable. The OAS has ample experience in supervising elections, so it can be called upon to provide technical assistance in this respect.

As to the overall creation of the roundtable itself, the experience of countries such as the Czech Republic and Poland could be extremely useful. They benefited from the lessons of the Spanish transition at the time of Franco's death. When transitions were taking place in Eastern Europe, "Madrid became the Mecca for transition actors from Eastern Europe with visits by figures such as Havel, Roman, Mazowiecki, and Yeltsin to talk to Spanish political leaders."<sup>35</sup> The European Union or the respective national assistance programs would certainly be happy, when the time comes, to facilitate access for Cuban roundtable leaders to the experiences of those who worked in European transitions, including, of course, the Spanish.

## ***Privatization as the Central Transition Process***

The transition to a post-Castro regime should be defined as a process of moving from a non-competitive political regime to a competitive political regime, centered on a process of privatization that allows for the emergence of new enterprises as quickly as possible to provide the overwhelming majority of employment and value-added. As stakeholders in the post-Castro Cuba to be built through this transition effort, the following groups should be represented in the roundtable and transition government, which means their interest and aspirations should be recognized:

- all Cuban citizens residing on the island;
- insiders from the *nomenklatura* of the current regime and its supporters who are willing to accept the end of the party monopoly of power;
- dissidents, victims of regime repression, and oppositionists in general; and
- overseas Cubans willing to continue to be engaged in Cuba, particularly in the reconstruction of Cuba's economy.

It is suggested that the roundtable or the transition government request advice from the World Bank on how to set up a privatization scheme to attain in as short a period of time as possible the transfer of ownership of the nation's productive capacity to private owners. The scheme will have to satisfy certain criteria. Citizens should be able to acquire a share of their workplaces in the case of small enterprises. The agricultural cooperatives – Basic Units of Production Cooperative (Unidades Básicas de Producción Cooperativa – UBPC) and others — should be sold to their members, offering special credit facilities if necessary. Medium-sized enterprises should be placed in the market to be acquired by management and workers or sold to the highest bidder. Large enterprises, already in joint ventures, should be privatized following transparent bidding processes, but nothing is to be given for free.

Consideration should be given to allotting additional rights for acquisition of enterprises to: i) those whose properties were confiscated without compensation, whether foreign or national; ii) those who were victims of regime repression; and, iii) those who were sent to fight overseas by the regime and did not get any assistance in reintegrating to Cuban

society at the end of their internationalist service.

In view of the Eastern Europe experience, the mechanisms of how to do that should be left to the technical expertise of the advisory team. It is evident that a preparatory phase will be required:

- to strengthen the ability of the banking system to provide effective lending and supervision for new and restructured enterprises;
- to establish open access procedures for the creation of new enterprises; and,
- to enforce hard financial discipline to eliminate rents and subsidies.

As the experience in Eastern Europe reveals, privatization should be the central process of the transition effort in Cuba. Substantial technical and financial assistance will be required to undertake the design and implementation of that Cuban privatization effort. That effort should include transitory measures to reinforce governmental institutional capacity in order to avoid, to the extent possible, asset stripping and tunneling. In order to ensure that production is activated and not paralyzed by the complex process involved, enterprise governance should be included as a specific objective of the privatization effort. This, in turn, should be considered in the agenda for assistance from international organizations as a priority topic. If at all possible, work should be started by the suggested preparatory work task force or working group.

### ***Assistance to Reform National Policies***

Cuba will require massive technical assistance to transform the present non-competitive political regime's economic policies and institutions into those of a competitive democracy. This will involve changes in macroeconomic, monetary, banking, and fiscal policies. Learning from the experience of previous transitions,<sup>36</sup> due attention will be necessary to the parallel changes required in institutions, in sociological and organizational terms. Additionally, training will be needed for cadres of people to form the new public administration and emerging private sector. These individuals will need to change their behaviors in order to work in the new competitive environment.

This effort will involve the largest component of the international

organization assistance that Cuba will require. This will be increasingly true as the assistance is directed at sectors such as private banking, trade and services, not to mention agriculture and small and medium-sized enterprise, all of which face serious market distortions in the current Cuban economic environment. The assistance for fiscal and monetary policy and stabilization will have to be requested from the IMF. The assistance for other policies related to structural adjustment as well as other sectoral efforts is usually split among the World Bank, IDB, the European Union, and national efforts. Assistance will have to be one of the first assignments for the joint staff working in preparation of the consultative group meeting.

Here, the role of overseas Cubans could be critical to transition success thanks to a felicitous convergence of the Eastern Europe experience and unique conditions peculiar to the Cuban situation. One of the lessons from the successful transitions linked new enterprises with levels of economic growth, while shortening the recession caused by the initial systemic changes. Cuba has access to a rich source of entrepreneurs for small and medium-sized enterprises, which are usually ignored by multinational corporations, yet have been found to be the biggest source of employment and value added.

The ongoing impact of remittances in the Cuban Balance of Payments reflect the importance of entrepreneurship. Pedro Monreal estimates the flows of remittances to be around \$500 million per year and recognizes that some may represent investments to facilitate family reunification. Writing in the magazine *Encuentro*, Monreal, the staffer of the CEA who was attacked by Raúl Castro in 1996, suggests that encouraging investments by overseas Cubans “could be one of the most efficient ways of obtaining access to investment resources.”<sup>37</sup>

Overseas Cubans can be more than a mere source of investment capital. As important as capital is, overseas Cubans can also be a significant source of entrepreneurship, technological, managerial, and marketing know-how. To realize the magnitude of that potential, it is worth considering the summary information from the 1997 U.S. Economic Census<sup>38</sup> bearing in mind that this refers only to domestic U.S. enterprises and does not include the many Cuban-owned enterprises in countries such as Venezuela, Spain, Mexico, and South and Central America, nor the thousands of Cuban managers and technical staffers working throughout the

world in multinational corporations.

According to this census, the United States has 125,273 Cuban-owned firms, of which 89,682, or around 70 percent, are located in Florida. For purposes of our study, we will limit ourselves to firms with paid employees, of which there are 30,203 nationally and, again, around 70 percent, or 21,033, are located in Florida. If only a fraction of the owners of these firms can be encouraged either to enter into partnerships with relatives or friends still left in Cuba with some experience as self-employed entrepreneurs or to make direct investments in totally new enterprises, Cuba could experience a much more significant recovery than if they are ignored, or, even worse, discouraged from participating in the transition.

The actions required to attract these potential stakeholders in a successful transition should be part of an ad hoc survey of the Transition Project. They will involve the regular legal guarantees of respect for the rule of law and prompt court proceedings that are accepted as essential requirements of any development policy based on market economies, since they are of equal motivational impact for foreign and domestic investors. They will also require some specific recognition or participation in the round table to give them assurances that they will be heard and treated fairly.

## US CUBAN ENTERPRISES WITH PAID EMPLOYEES

Industry Group (SIC)	Firms (Number)	Sales and receipts (\$1,000)	Employees
Agricultural, Forestry and Fishing services	306	115,133	1,567
Mineral industries	10	4,416	37
Construction industries, subdividers, and developers	2,985	2,453,231	15,706
Manufacturing	1,411	2,396,536	21,064
Transport, Communication, and Utilities	1,954	1,043,697	9,042
Wholesale Trade	2,512	7,498,145	17,590
Retail Trade	6,080	4,477,661	35,979
Finance, Insurance, and Real Estate industry	1,732	873,541	5,565
Service industries	12,520	4,753,582	67,039
Not classified	718	257,252	2,839
<b>TOTAL</b>	<b>30,203</b>	<b>23,837,193</b>	<b>176, 428</b>

Source: *1997 US Economic Census*

Overseas Cuban entrepreneurs represent a most powerful source of know-how and resources that, if properly encouraged to participate in the Cuban reconstruction, could make the Cuban case an exceptional success story in transitions.

## **Outline of International Assistance Program**

The assistance program required from international agencies in the Cuban transition should be started in the pre-transition period. This has already been commented in a previous paper.<sup>39</sup> In essence, it is suggested that the U.S. Government, as the largest contributor to the IMF, the World Bank, and the IDB, request that these agencies form a preparatory working group or task force to start formulating a tentative program of assistance to Cuba during the transition. This request must be made by the U.S. Department of Treasury and the related costs financed through a grant from USAID. Since the present Cuban government is not an active member of any of these organizations, they cannot formally object to such a request.

At present, the Inter-American Dialogue is promoting cooperation between these agencies and the present Cuban government through a grant from the Ford Foundation. This cooperation is heavily influenced by the whims of the present Cuban government, which allows or denies the participants from these agencies entrance to Cuba depending on the willingness of the Dialogue to submit to Cuban vetoes on whom they may contact in other activities. For example, the project was suspended when the Dialogue invited Cuban-American National Foundation (CANF) President Jorge Mas Santos to address one of its meetings. Under such a coercive atmosphere, it is unlikely that any serious research work, much less related to a post-Castro Cuba, can be undertaken.

Castro expressed a basic philosophical disagreement with the World Bank and the IMF during his speech at the Monterrey Summit on March 22, 2002 when he said that “their prestige is below zero” and accused them of promoting genocidal policies. Castro rejects both neoliberalism and globalization, two basic tenets of the policies of these agencies. Therefore, under present unofficial arrangements, the staffers from these agencies going to Cuba may be mere props for Cuban propaganda efforts. If they do any planning for assistance, they may have to renounce the principles that guide the stabilization and structural adjustment efforts of their agencies. In either case, what they are doing does not advance preparation for transition assistance.

## ***Preparatory Work Before Transition Assistance***

Even under expedited procedures, it takes a year from the moment a country decides to apply for membership in these agencies to the moment disbursements start.<sup>40</sup> Therefore, it would be advisable to consider other organizational options for these agencies to start the preparatory work required so that the time frame is collapsed as much as is feasible. The Helms-Burton legislation, under Section 202(e), provides the basis for the U.S. government, through its directors at these agencies, to request that planning for assistance to a transition government in Cuba be started by creating a joint preparatory working group or task force. If the statutes or policies of these agencies forbid using their financial resources in any work related to non-member countries, USAID can provide a grant to sustain such efforts.

The results of the preparatory work should be tentative plans contingent on the decisions to be made, at the proper time, by the authorities that emerge in a transition government in Cuba. The setting up of a flexible rollover plan, properly sequenced in a computerized PERT system, should be one of the basic outputs of the preparatory stage.

## ***Emergency Assistance***

The first task that will require attention is the emergency assistance necessary to restore — from whatever their deteriorated state is — ports, highways, railroads, bridges, telecommunications, and power generation. In this stage, supplies of food, medicines, and spare parts will also be required to compensate for shortages in domestic output or imports.<sup>41</sup> The World Food Program may also have to be involved, but, since Cuba is a United Nations member, and Cuba is at present a recipient of food assistance, it is not feasible for that agency to participate before an actual transition starts. Depending on the level progress attained in preparatory work, USAID and other country donors are likely to have to provide financing for initial emergency assistance. The World Bank could schedule rapid disbursement of Balance of Payment adjustment loans to reach effectiveness or disbursement stage as early as possible. Emergency social fund programs to alleviate poverty and generate employment will

be essential as well. The IDB would also need to schedule emergency program loans, preferably jointly with the World Bank and other donors for early disbursement. The transition government should proceed to finalize access to the Cotonú Agreement and to establish the framework agreement for cooperation with the European Union, if they are still pending at the moment of the transition.

Assistance will be required to set up the roundtable for transition preparation. This work could be requested from the European Union, at the proper time, or from the Czech, Hungarian, or Polish governments as well as from Spain. If at all feasible, work should start during the preparatory stage. Cuba will also need assistance from the OAS in meeting democracy and human rights requirements as demanded by the Democratic Charter approved on September 11, 2001 in Lima, Perú.

### ***Monetary Stabilization***

In these endeavors, the main focus will be necessary changes in monetary and fiscal policies to move toward a market economy as well as to secure the financial assistance to ensure currency and price stability while undertaking structural reforms. The IMF is the leading agency in such efforts, and membership in this organization is also a prerequisite for being a member of the World Bank. The IMF is the source of financing for stabilization agreements and also provides assistance in the formulation and administration of fiscal policies including tax, customs, and budget and of monetary policies including establishing an independent central bank as well as bank supervision regulations and agency. It also assists in restructuring foreign debt, developing policies and procedures for conducting transparent open market operations, organizing an efficient payments clearance system among commercial banks, and regulating the operations of the exchange market.

The Paris Club could play a role in helping the transition government deal with the foreign debt. The debt with the West, except the United States was reported in Carmelo Mesa-Lago's presentation to the Association for the Study of the Cuban Economy in 2001 to reach \$11 billion.<sup>42</sup> Cuba also has a large debt with the former Soviet Union that was surrogated to Russia and that Cuba has rejected. Failure to solve this disagreement is one of the factors preventing progress in Cuba's efforts

to reach an agreement with the Paris Club.

Parallel to these efforts and complementing them to attain sound macroeconomic management would be those related to structural adjustment. The World Bank is usually the leading institution providing the policy and financial assistance related to the structural adjustment of an economy at the macroeconomic level, an effort that, in the case of Cuba, will have enormous ramifications. The IDB, as the leading source of international financial assistance in the hemisphere, should share this effort with the World Bank. This means that Cuba will also have to join this agency, of which it has never been a member, and IDB membership requires the country to be a member of the OAS, in which Cuba's present government is suspended. So, the transition government will have to rejoin the OAS first.

### ***Structural Adjustment***

In line with the lessons of transition in Eastern Europe, the central focus of the structural adjustment will be attainment of a successful privatization that provides the framework for encouraging the emergence of a competitive market in which new enterprises flourish. It must satisfy the aspirations of all stakeholders previously identified in the future of Cuba: the people at large, those around Castro who are at present willing to join the future, the dissidents, and the overseas Cubans.

Structural adjustment will also require new policies to ensure financial and market discipline and encourage entrance of new enterprises as discussed in Section One of this paper. In targeting poverty pockets and unemployment, complementary loans to a social emergency fund, which must be created, would be necessary. Assistance to social emergency funds usually involves other sources of financial assistance beyond the international lending organizations, including the European Union and country programs.

### ***Productive and Social Sectors***

At this stage, some assistance will overlap. Structural adjustment efforts will require, depending on the situation prevailing in the country at that time, that assistance be provided to cope with both productive and

sectoral problems facing the country. The IDB and the World Bank have developed many joint efforts in these areas in the hemisphere and the transition government will have to draw upon their joint experience. Therefore, both the World Bank and the IDB would be the leading lending institutions providing both technical assistance for policy guidance and financing for sectoral, productive, and social rehabilitations or restructuring necessary to attain the required goals.

### ***State Reform***

Parallel to the policy changes of the transitions in Eastern Europe must be a massive reorganization of the public sector as well as of the legislative and judicial apparatus along with retraining cadres in both the public and private sector. A new organizational culture will have to replace the one associated with the present regime, as happened in Singapore after independence and was discussed.<sup>43</sup>

Finally, a meeting of a consultative group should be convened to mobilize resources from external donors willing to participate in assisting the country as well as private sector international banks. Cuba would be likely to attract many donors interested in participating in its reconstruction. As mentioned before, the World Bank, due to the wealth of experience it has accumulated on systemic transitions, would be the logical agency to prepare and manage the consultative group. However, the transition government may prefer the IDB, the largest source of financial assistance in the hemisphere.

A matrix has been prepared indicating the outline of the reform effort required in the Transitional Assistance Program and the potential role of the various international actors to provide a map of all potential participants in the provision of assistance to the transition government in this extraordinary undertaking. Institutional assistance for state reform and training activities should be scheduled parallel to or preceding the proposed assistance for policy reforms. This will ensure that organizational structure and culture change accompany the desired policy changes

### ***The Role of the Cuban Nation***

In the end, however, all of the international assistance must comple-

ment the national effort. The responsibility for the future of Cuba will fall upon the shoulders of the Cuban people and its transition government. The proposals considered here represent a synthesis of the lessons learned by others in similar efforts at systemic transitions from command economies and totalitarian rule into market economies and democratic rule.

These examples cannot be transferred intact; they merely provide useful guidance about the experience of other nations facing similar challenges. It will be up to Cuban society to free the creative capacity of the citizens already organized in a vigorous civil society and implement an effective and committed state leadership that will ensure success. International agency assistance is a necessary but not sufficient condition for success.

The potential for success is there, but it will require a new spirit to ensure that in this new century, Cuba learns from the lessons of the past two centuries and takes the road of tolerance and hard work that will provide its people with the freedom, peace, and prosperity it hopes for and deserves.

<i>TRANSITION ASSISTANCE PROGRAM ELEMENT</i>	<i>IMF</i>	<i>WORLD BANK</i>	<i>IDB</i>	<i>OAS</i>	<i>UN</i>	<i>EUROPEAN UNION</i>	<i>COUNTRY AGENCIES</i>
EMERGENCY AID							United States requests, USAID finances
Pre-transition planning	Participates	Leads task force	Participates	World Food Program	May participate	USAID/Federal Emergency Management Authority (FEMA)	
Infrastructure rebuilding and food, drugs, and parts needs		Loan/ Rapid disbursement	Loan/ Rapid disbursement				Czech Republic, Poland, Hungary, and Spain may help set roundtable
Roundtable		Cuba rejoins, requires IMF membership	Cuba rejoins and assists on Democratic Charter	Cuba applies to join, requires OAS membership	Cuba joins Cotonou and framework		
STABILIZATION			Participates and may provide loans for financial system restructuring	Participates and may provide loans for financial system restructuring		United Nations Development Program (UNDP) or Economic Commission for Latin America (Comisión Económica Para América Latina – CEPAL) may participate in advice work	Czech Republic, Hungary, Lithuania, and Estonia may share their privatization experiences
		Leads policy and management reform T/A, advice provide short term financing and debt rescheduling with Paris Club				May participate under Cotonou or Framework Agreements	
STRUCTURAL ADJUSTMENT		Leads advice work based on transition experience and provides structural adjustment loans	Leads or shares design advice and financing			May participate	European countries may participate
Advice on privatization policy, discipline, and encouragement		Participates in reference to issues of stability					
Social emergency fund created							

<b>TRANSITION ASSISTANCE PROGRAM ELEMENT</b>	<b>IMF</b>	<b>WORLD BANK</b>	<b>IDB</b>	<b>OAS</b>	<b>UN</b>	<b>EUROPEAN UNION</b>	<b>COUNTRY AGENCIES</b>
PRODUCTIVE SECTORS	Assistance in restructuring under a privatized market economy, including advice and lending for infrastructure, agriculture, small and medium enterprises, mining, and domestic and foreign trade, among others	May provide advice on banking reorganization and regulation	Provides sectoral adjustment and loans — alone or jointly with IDB and others	Provides sectoral loans, alone or jointly with World Bank and others	May provide assistance through UNDP, CEPAL or UN agencies	May provide assistance under Cotonou or Framework Agreements	Each country agency will select areas for their participation
SOCIAL SECTORS	Assistance in restructuring, in accordance with a market economy, provision of health, education, and housing, among others	Similar role to the one on productive sector reform	Similar role to the one on productive sector reform	Similar role to the one on productive sector reform	Similar role to the one on productive sector reform	Similar role to the one on productive sector reform	Similar role to the one on productive sector reform
STATE REFORM	Consistent with above policy revamping assistance for a massive change in public sector organizational structure and culture, including executive, legislative, and judicial branches	May provide assistance in fiscal policy formulation and management	Assistance in modernization of the state and the judiciary	May take lead in assistance modernization of the state, the legislature, and the judiciary	May provide assistance in human rights, legal reform, with Democratic Charter and elections	May provide assistance through UNDP and CEPAL	USAID can provide assistance through the Cotonou or Framework Agreements
	Organization of consultative group meeting to ensure effort coordination and pledges of resources.	Shall participate	Should lead due to transition experience	Shall participate, lead alternative	Shall participate	Shall participate	Shall participate as required, including private banks and NGOs

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## Notes

<sup>1</sup>Anders Aslund, 2002, *Building Capitalism: The Transformation of the Former Soviet Bloc*, Cambridge, UK: Cambridge University Press.

<sup>2</sup>Aslund 2002, 4.

<sup>3</sup>Special Period was the label for a program initially conceived for a war situation in which Cuba's links with the Soviet Union would be cut by a U.S. blockade. When the Soviet Union collapsed, the set of autarchy oriented measures were reformulated to address the loss of subsidies and sources of supply

<sup>4</sup>The World Bank, 2002, *Transition: The First Ten Years, Analysis and Lessons for Eastern Europe and the Former Soviet Union*, Washington, D.C.: World Bank.

<sup>5</sup>Lev M. Freinkman, 2001, "Role of the Diasporas in Transition Economies: Lessons from Armenia," Proceedings of the 2001 Annual Conference of the Association for the Study of the Cuban Economy, *Cuba in Transition*, 11: 332-342.

<sup>6</sup>The World Bank 2002.

<sup>7</sup>Center for Defense Information, 2002, Strategic Forecasting, *Succession Plan in Place for a Post-Castro Cuba*. Available at [www.uscubasecurity.org](http://www.uscubasecurity.org). This succession option has been advocated by some retired U.S. generals, such as Wilhelm, Asketon, and McCaffrey, all associated with the CDI who have traveled on various occasions to meet with the Castro brothers.

<sup>8</sup>The World Bank 2002, 107.

<sup>9</sup>The World Bank 2002, 42.

<sup>10</sup>The World Bank 2002, 6.

<sup>11</sup>The World Bank 2002, 4-7.

<sup>12</sup>The World Bank 2002, 14.

<sup>13</sup>A planning and evaluation management tool used initially for the program of the Polaris submarine. PERT later on became a management tool that could be applied to any complex project management situation. Eventually, computerized software was designed to implement PERT. I used it in the World Bank program of modernization of the state in Ecuador.

<sup>14</sup>The World Bank 2002, xviii.

<sup>15</sup>Ernesto F. Betancourt, 2001, *De la Patria de Uno a la Patria de Todos*, Miami: Ediciones Universal.

<sup>16</sup>The World Bank 2002, xxix-xxxii.

<sup>17</sup>Michael Waller, 1994, "Groups, Parties, and Political Change in Eastern Europe from 1977," in *Democratization in Eastern Europe*, Geoffrey Pridham and Tuu Vanhanen, eds. London: Routledge, 38-61.

<sup>18</sup>Waller 1994, 45.

<sup>19</sup>Waller 1994, 45-58.

<sup>20</sup>Waller 1994, 53.

<sup>21</sup>Waller 1994, 42, 58-59.

<sup>22</sup>Churchill Roberts, Ernesto Betancourt, Guillermo Grenier, and Richard Schaeffer, 1999, *Measuring Cuban Public Opinion: Project Report*. Gainesville, Fla.: University of Florida, 98.

<sup>23</sup>Waller 1994, 45

<sup>24</sup>John Nellis, 2002, *The World Bank, Privatization, and Enterprise Reform in Transition Economies: A Retrospective Analysis*, Washington, D.C.: Center for Global Development, The World Bank.

<sup>25</sup>Paul Hare, Judy Batt, and Saul Estrin, Eds, 1999, *Reconstituting the Market: The political economy of microeconomic transformation*, Amsterdam: Overseas Publishers Association, 14-15.

<sup>26</sup>Betancourt 2001, 21.

<sup>27</sup>The World Bank 2002, 71-72.

<sup>28</sup>Aslund 2002, 259.

<sup>29</sup>The World Bank 2002, 79-80.

<sup>30</sup>Center for Defense Information 2002.

<sup>31</sup>A process of management reforms to improve the efficiency of state enterprises.

<sup>32</sup>Aslund 2002, 261.

<sup>33</sup>*Granma*, 2002, “Balance Anual del Ministerio de Finanzas y Precios,” March 16.

<sup>34</sup>Roberts et al 1999.

<sup>35</sup>Geoffrey Pridham, 1994, “Democratic Transitions in Theory and Practice,” in *Democratization in Eastern Europe*, Geoffrey Pridham and Tatu Vanhanen, Eds., London: Routledge, 29.

<sup>36</sup>Barbara Nunberg, 1999, *The State After Communism: Administrative Transition in Central and Eastern Europe*, Washington, D.C.: The World Bank Regional and Sectoral Studies.

<sup>37</sup>Pedro Monreal, 1999, “Las remesas familiares en la economía cubana,” *Encuentro*, 14 (Fall): 61.

<sup>38</sup>U.S. Bureau of the Census. 1997 *Economic Census: Minority - and Women-owned Businesses*, available at <http://www.census.gov/csd/mwb/>

<sup>39</sup>Ernesto F Betancourt, 2000, “Selected Technical Assistance Needs for Democratic and Institutional Transformation During the Cuban Transition,” in *Studies in Comparative International Development*, 34 (Winter)4: 60-61.

<sup>40</sup>Carlos N. Quijano, 1994, “The Role of International Organizations in Cuba’s Transition,” paper presented at the Cuba Transition Workshop, sponsored jointly by Shaw, Pittman, Pott, and Thowbridge and the Association for the Study of the Cuban Economy, (ASCE).

<sup>41</sup>Betancourt 2000, 49.

<sup>42</sup>Carmelo Mesa-Lago, 2002, “The Cuban Economy in 1999-2001: Evaluation of Performance and Debate on the Future,” in *Cuba in Transition*, 11: 4.

<sup>43</sup>Betancourt 2000, 70.



## About the Author

**Ernesto F. Betancourt** has a long career as a consultant in state reform in Latin America and the Caribbean, as well as on issues related to the Cuban revolution. Among his most recent consulting assignments are a survey of the Inter-American Development Bank's (IDB) Modernization of the State Program and an evaluation of the impact of institutional factors in 32 IDB projects. For the United Nations Development Program, he led an evaluation of its Management Development Program in Latin America and the Caribbean. For the World Bank he acted as consultant during the whole project cycle of the loan to Ecuador for Modernization of the State. He has been an institutional advisor in multi-agency projects related to emergency or social investment management funds in all countries in Central America. He has undertaken many other assignments, having worked in most countries in the region. He was Coordinator of the Department of Economic Affairs at the Organization of American States (OAS) for eight years and Director of Finance and Budget for another eight years at the OAS.

Mr. Betancourt represented Castro in Washington during the insurrection against Batista and later became Director of the Bank of Foreign Trade and the Exchange Stabilization Fund of the National Bank of Cuba. He was the first director and organizer of Radio Martí, the Voice of America (VOA) radio station directed to Cuba.

He has written reports and monographs on Cuba, including *De la Patria de Uno a la Patria de Todos*, published in book form by Editorial Universal (2001) and the Prologue for *Narcotráfico y Tareas Revolucionarias , El Concepto Cubano*, authored by Norberto Fuentes and released by Editorial Universal in 2002. He is the author of *Revolutionary Strategy: A Handbook for Practitioners*, Transaction Publishers, 1991. In addition to writing many reports on missions undertaken, he wrote "A New Approach to Develop Institutional Infrastructure" published in the Summer 1997 issue of *Studies in Comparative International Development*.

He is a graduate of the Graduate School of Public and International Affairs at the University of Pittsburgh.

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