



From the ASCE president

Dear Members,

Thirteen years ago in 1999 soon after returning from my first trip to Cuba as a graduate student in Latin American Studies at Tulane University, I came across a series of unique volumes entitled “Cuba in Transition” while rummaging through Tulane’s library.

What I found therein were deep reflections and original analyses of the strange and contradictory transformation that had been taking place in Cuba’s society and economy during the previous decade.

The papers published there had a particular resonance with me as I was myself then trying to make sense of the socioeconomic reality I had experienced in Cuba. Along with most of you, I’m still trying to do this thirteen years later.

After that fortuitous discovery I made it a yearly priority to attend ASCE’s annual conference. And although I was often one of the youngest and few non-Cuban attendees, I found that my own ethnographic, sociological work carried out on the island was enthusiastically received by the other attendees.

This enthusiasm and professional encouragement was manifest through my being awarded one of the first Jorge Pérez-López student prizes in 2001 as well as by being elected to the ASCE board of directors for two consecutive terms (2004-06 and 2006-08). Given this background, it was quite an honor for me to have been elected ASCE’s 14th president this past summer.



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In assuming the presidency, I am acutely aware of the more than two decades of professional commitment and personal sacrifice that have built the foundation of this venerable scholarly organization. I fully intend to continue this tradition of academic excellence with the help of the newly elected board, the president ex-officio Rafael Romeu, the treasurer Geni Gómez, the incoming secretary Stephen Kimmerling, and other committee chairs such as Joaquín Pujol, Jorge Pérez-López, and Enrique Pumar.

I am especially excited to continue the innovative work of expanding ASCE's membership and conference attendees to include a new generation of scholars both from the island and across the globe so that the organization continues to be strong and relevant at this key moment of economic change in Cuba.

Very sincerely,

Ted Henken, President

Renew your Membership

Dear Members,

Renew your memberships now

I hope everyone is well. It was a pleasure seeing all of you at the conference. For those who have not yet had a chance, we are attaching the membership form to the following page to encourage your renewals. Of course, you may also renew your membership [online](#) so as to avoid the extra steps in mailing in a check and filling out the form (<http://www.ascecuba.org/payments/>).

Conference videos and pictures

Below, you will also find an article by Paul Meo summarizing our recent conference for those members that could not attend. We have also added a YouTube video set to music with pictures from the conference as well. Visit [ASCE's youtube page](#) to see the photographs and keep checking our homepage and social media for updates.

<http://www.youtube.com/watch?v=0DRkqP-OTgc&feature=g-upl>

We have also uploaded a video of Professor Jorge Domínguez delivering the Ernesto Betancourt Keynote Address to the ASCE [Vimeo page](#) (given that it allows longer videos).

Here is the link: <http://vimeo.com/50761418>.



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Summary financial report (thanks to Geni Gómez for providing the September treasurer's report):

The financial results of our 2012 conference show a net loss of \$2,622, which is about 10 percent less than in 2011, and significantly less than in prior years. We remind our members that a natural part of ASCE's accounting of the conference will include losses that reflect the subsidies our membership provides to students, the disadvantaged and the press. In addition to lowering the expenditure related to these efforts, we were able to increase our support for students this year (offered support for over six students, though last minute cancelations led to lower participation) and Cuba based scholars. In addition, this year we hired professional photographer, in addition to the generous efforts of Joaquin Pujol and Juan Romagosa, whom helped also document the conference through photos.

ASCE ended the month of September with 18% higher cash balances relative to this time last year. We expect to get an additional amount of about \$3,000 once the expenses charged to our travel fund (\$3,133.85) get reimbursed by the Christopher Reynolds Foundation and the Cuba Study Group.

Upcoming Activities

Looking Ahead, ASCE will present three conferences in 2012-13. The first will be a seminar by Andy Wolfe at the conference of government economists in Washington, DC in November. The second will also be in November at Georgetown University – co-sponsored by Eusebio Mujal-León and will focus on what the recent Chávez victory in Venezuela means for the Cuban economy, the third will be the spring Carlos Díaz-Alejandro lecture, which will be organized in New York, by a committee led by Stephen Kimmerling. Finally, ASCE will present its annual session on the Cuban Economy at the annual meetings of the American Economic Association in San Diego.

REMINDER: Please send your submissions to present a paper at the ASCE session of the American Economic Association Annual Meetings to be held in January 2013 in San Diego to Luis Locay (mambises@bellsouth.net).

We look forward to engaging with all of our members throughout the year.

Best regards,

Rafael Romeu, *Ex-Officio* President



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- A) Regular member \$90
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Questions?
Contact us:
asce@ascecuba.org

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Total enclosed: _____

Please make check to "ASCE" and send registration form to:
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Use any major credit card via Paypal by going to our website
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* Membership in ASCE is renewed on an annual basis and runs from July 1, 2012 – June 30, 2013.
[†] Hardcopies of "Cuba in Transition" volumes are available for \$80 in ASCE's website www.ascecuba.org.
Starting with the 21st volume, members are entitled to a free CD/DVD version of the Annual Proceedings.



Summary of the 22nd Annual Meetings

The Association for the Study of the Cuban Economy (ASCE) held its 22nd Annual Meeting in Miami during August 2-4. ASCE is composed of over a hundred mostly Cuban or Cuban-American academics (economists, sociologists), professionals (lawyers, architects), international financial institutional staff (e.g., IMF, World Bank, IDB), and others interested in the Cuban economy. While most papers and presentations are on economic issues, there are always discussions involving political science, sociology, and--this year--even religion. Partly because of my personal history (family company had a small plant in Cuba, Cuba was my first international visit, my undergraduate thesis was on Fidel, and my first Foreign Service posting was to the Cuban Desk during the time of the Missile Crisis) and partly because I spent considerable time rubbing elbows with almost all of ASCE's international financial staff and some academics, I have been a member for many years, although not a paper presenter. This summary, however, may help some of my friends understand what a fairly expert group has produced on Cuba's present situation and prospects.

The theme of this year's meeting was "Where is Cuba Going?" It was well chosen, but very indicative. Indicative because unlike many prior meetings there were few, if any, papers on what Cuba should do, what policies should be revised, how to sequence reforms or privatizations, etc. Likewise, there were few analyses of development needs; absent were the analyses of Havana's water or sewerage system with concomitant approaches to improvement; descriptions of the decline of transport infrastructure and ways to improve it; and exhortations to proceed more deeply or rapidly with economic changes. It seemed obvious, if implicit to some, that wherever Cuba will be going it will get there driven almost wholly by the Cuban Government and Cubans in Cuba. Analyses by those outside Cuba may be helpful, but likely will remain marginal. Cuba is, almost literally, alone in its journey. But the "where" seems unanswerable--at least firmly--even now, two years after the initial reforms were announced by Raúl. Nevertheless, most participants seemed to agree the probabilities now favor skepticism: Cuba's journey will likely continue to be long and hard. A "transformational" change seems as far away as ever.

This prescription reticence came from a variety of sources. First, the Cuban authorities, or at least Cuban professionals, have begun traveling far more frequently to the US. Recent seminars in California, Boston, and New York with Cuban invitees have exposed ASCE participants to a far larger spectrum of Cuban analysts than before. Indeed, while we were disappointed that many of the Cuban invitees to the Miami conference (ASCE had received generous grants to pay their way) were prohibited from traveling (by Cuba in this instance, not the US), three of them did arrive and contributed to the discussions in a professional way. Moreover, many ASCE participants have received better access to such professionals in Cuba, while Cuban bloggers and even journalists



have greatly expanded their scope.

This increased exposure has convinced many that--in spite of limited internet access, censored books and papers, and harassment for criticisms--Cuban professionals are very competent indeed. At least three ASCE analysts concluded the same thing: The Cubans know well what has to be done, and are fully capable of understanding how it could be done. (It is, of course, an open question whether it will ever be permitted by the Government). Secondly, there is only so much one can say about privatization sequencing, tax reform, infrastructure improvements, legal clarity, etc. And much of it has been said; for years. Finally, while the recent "reforms" have been timid, they have produced some results. It would take a great deficit in imagination not to wonder whether these could--as they did in the Soviet Union--begin a "snowball" effect, forcing much more ambitious changes and ultimately either substantial economic liberalization or political democratization. Or both.

The Reforms

Fidel took sick leave in mid-2006; shortly thereafter his brother Raúl--then Defense Minister--took charge. Raúl changed little during 2006/7, although he did initiate some efforts to permit polite criticism of the regime's economic policies and began an escalation of expressions of discomfort over the economy that became slowly specific statements of the need for change. In early 2008, Cubans were permitted to use cell phones, stay at tourist hotels, rent cars, and purchase electronic devices. Later that year, a program allowing farmers to "use" unused state lands (called "usufruct") for 10 years (coops were allowed for 25 years) was announced. During 2007-10, minor reforms such as permitting private taxis, beauty salons, and barber shops, and allowing greater wage differentials were also quietly introduced. By 2010 a pair of major shifts (at least conceptually) were announced. Starting in October, 2010, about 500,000 public sector workers were to be laid off over the next six months. In order to absorb this new unemployment, the old "self employment" laws from the mid-1990s were dusted off and updated, allowing Cuban entrepreneurs to apply for new licenses in some 181 very detailed occupations.

There was also a longer-term goal of reducing the state sector work force by about a quarter (over a million workers) combined with a series of draft guidelines (called "*lineamientos*"), which were issued in November 2010 as a set of goals for the reforms (e.g., permitting bank credit to the "self employed," allowing farmers to sell products openly, etc.). These draft *lineamientos* were subsequently revised and approved by the delegates to the Sixth Party Congress in April, 2011. By the end of 2011, authorities announced the liberalization of the buying and selling of houses and cars. Throughout, there were repeated public statements by Raúl that the state sector should be downsized, that the "non-state sector" should be encouraged, that more economic liberties should be given to producers, and that productivity--not ideology--should guide economic decision-making. At the same time, there were repeated warnings against the concentration of wealth and property. As I write, the authorities are considering new legislation to liberalize foreign investment, non-agricultural cooperatives, and other activities.



Cuba's Present Economic Situation

The disconnect between Cuban statistics and reality has now become so wide that official data can only be used for amusement value. According to the official data Cuban GDP grew 5.3 percent annually over the last decade. Since the population hardly grew, the per capita rise was almost similar; about two thirds over ten years. ENRON's accountants would be proud of Cuba's INE, the national statistical institute. While other data don't show this expansion, as noted below, a two-thirds increase in income should be noticeable, very noticeable. Yet observers who visit Cuba yearly have a hard time believing any rise has occurred.

Much of the increase came from obvious statistical manipulation. In a single year, "health services" rose 80 percent in real terms. Cuban GDP accounts also include the income of doctors and nurses working abroad, something the UN accountants don't permit. The labor force includes students; when unemployed sugar workers were sent for retraining, they were all miraculously employed. Then there are the usual amazing sectoral data which show growth when all major sectoral elements that can be tracked show declines. One participant applied a Cobb-Douglas function to the data and found the "residual" explaining much of the growth. The discussion below depends on physical data whenever possible, although "recent" may mean 2009 or 2010; 2011 data is often not available.

Cuban coffee production is now about half that of the early 1990s, and fell to 28 percent of that of the early 2000s. Cuban sugar production is just over 2 million tons; this is about one third of that produced 15 to 20 years ago, and only slightly above Florida's challenged output. Even family food crops--Yucca, plantains, onions, garlic, papaya, squash, and cabbage--fell in 2011. Livestock production fell in 2011, as did most grains (rice was the exception). Independent data sources indicate industrial production for 2010 is still a fraction of the 1989 (i.e., before the ending of Soviet aid) level, and 2010 showed no increase over 2009 or 2008. Transport remains so chaotic and dysfunctional that even the Cuban authorities admit it is in crisis. Transport infrastructure continues to decline.

Housing remains equally in crisis; buildings in Havana continue to collapse. While the authorities continue to plan to build 100,000 units a year, their capacity remains a third of that. Estimates of the housing deficit exceed a million units. At least tourism seems to show slight increases, but a good portion of that must be the result of the Obama Administration's easing of Cuban-American visit limits. Flights to Cuba now leave from almost a dozen US cities, and travelers report the planes' aisles are often filled with packages (TVs, other appliances) for family members in Cuba. Sadly, immigration data show more Cubans have arrived in the US over the past 20 years than during 1970-90, and the clandestine exodus continues unabated. In short, the recovery one would expect from reforms seems not to have occurred.

What makes the present situation even more depressing is the longer term forecast has few glimmers of hope. The Spanish oil firm, REPSOL, has ended its exploratory off-shore oil activities, claiming it could find no commercially viable reserves. Raul's recent stop in Moscow did



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encourage a Russian oil firm to keep exploring, and it hopes to have a large, off-shore rig in place by year end. But optimism remains strained. Then there is the demographic “time-bomb.” Cuba’s population is now the oldest in the hemisphere and is projected to continue to age. Falling birth rates--partly a result of high abortion rates--and long life expectancy mean not only that the population has not grown over the past five years, but that the elderly are slowly replacing youths. The work force has now begun to drop in absolute numbers; there are now fewer workers to support more retirees.

Cuba’s abysmal worker productivity seems to have led to an overvaluation of the exchange rate. Slowly barter trade had replaced commercial trade; whereas it was only 40 percent of Cuba’s external trade ten years ago, it is now 60 percent. This hardly helps macro efficiency. Corruption seems to have increased with the augmented price distortions--dual exchange rate, favoritism shown those with rich relatives, only partly free markets--and has led to friction (a polite word; it includes confiscation and jailings) with foreign investors; foreign investment flows are falling, not rising.

The Reform Timidity

Much of the disconnect between the reforms and the results stems from timidity. In the context of Cuba’s economic history under Fidel, Raúl’s reforms are undoubtedly significant but they are also proving insufficient to the task at hand. As many commentators point out, most nations with mixed-economies designate a list of sectors or industries where the state should predominate; the rest may be private. Cuba has done the reverse, and its 181 permitted “non-state” activities are mostly trivial--party clowns (I’m not kidding!), hair dressers, taxi-drivers, etc. True private firms are not allowed, although the authorities claim they are considering expanding “non-state” activities into enterprise areas. This, alas, would be restricted to cooperatives, and with the exception of small farmers who retained their land in the 1960s, coops in Cuba have meant state controlled institutions. Will that continue to be the case with these new coops?

While the now-famous “paladares” (small restaurants) have been allowed to expand from 12 to 20 to 50 seats, the recent closure of “El Cabildo/Opera de la Calle,” a very successful night-club and paladar after the international press celebrated its success (and made unfavorable comparisons to state-run clubs) has created some caution. While Raul’s comments sound strong (to Cubans), they still avoid use of the “p” word (private), preferring the euphemistic term “non-state.” How one can expand the private sector to include a third or more of the economy in ten more years (one announced goal) when you can’t even allow the word “private” to escape your lips beats me! Even then, some Ministers have openly criticized and refused to implement some of Raul’s reforms. And the Party Congress, which reviewed and then approved the draft “*lineamientos*” revised some of them drastically. Farmers were allowed, for example, to sell their product freely (the draft statement), but only after satisfying state purchasing contracts (the revised statement). Bureaucrats have strongly delayed or revised announced “reforms.” The situation is so chaotic, Jorge Domínguez--the Harvard professor who was our keynote speaker--focused on the weakness of the state, giving many examples of publicly announced policies being undercut or revised by lower-level officials.