

THE ART OF DOING NOTHING: AGRICULTURAL POLICY MAKING IN CUBA

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The 26 of July 2007 speech by Raúl Castro, the then newly incoming Cuban President, was a breakthrough in the history of public pronouncements by Cuban revolutionary leaders. Probably for the first time, the country's president acknowledged that the economic system was tied up by a large number of bureaucratic impediments that had caused serious declines in the production of food and other goods. He also acknowledged the insufficiency of salaries and the *de facto* need to use quasi-legal or illegal methods to cover minimal living costs. He added that significant structural reforms were long overdue and promised to undertake them.

Raúl Castro did not identify specific changes but, in speaking about the need for them, he stimulated the population to expect long awaited changes, in fact, openings in the rigidly centrally controlled system. He also brought forth a large number of pronouncements from Cuban academic economists and other social scientists about the need for such structural reforms in their sectors of expertise, although very few of them have dared to make specific recommendations.

The most critical problem of agricultural policy making in Cuba is the total centralization of decision-making and control at the top of government, their implementation delegated to the government Ministries by the eight members of the Council of State. Many of the decisions—or lack thereof—seem to be profoundly affected by ideological considerations, particularly the goal of permanently retaining political and security control of the country.

Currently, there is simply no counterpart power center either in autonomous rural institutions or a significant rural civil society that could serve as counterweight to the power of the state. Such groups, to the extent they exist, are, in fact, illegal. Thus, rural producers, among others, have no power to change things or to affect the outcome, save perhaps by practicing a passive-aggressive attitude. Many young people have simply abandoned the rural sector.

The role of the National Assembly of Peoples Power, the putative legislative organ, has remained rather passive, run under strict central control. Not since a delegate from Pinar del Río, in the late 1980s, called for reopening the free farmers' markets (closed a few months before), only to be trounced by verbal violence by Fidel Castro himself, has any delegate said anything that would differ from what the regime does. Moreover, each delegate won his/her job in uncontested elections, after been chosen as unique candidate by the local party leadership. Consequently, it is not a truly representative institution reflecting the will of the people.

The lack of clear forward-looking agricultural policy aggravates the current situation in the sector, where most producers, even those in the extensive land holdings of the state, have little or no access to tools, other inputs, services, and personal items required for efficient and high yielding production. They have also been denied the right to make production or marketing decisions on their own. Rather, they are subject to strict directives by the ACOPIO, under the ministry of agriculture.

BRIEF OVERVIEW OF THE LAST THREE YEARS

A quick review of what has happened in the rural economy since 2007 validates the increasing frustration and hopelessness of those who initially believed significant changes would occur rapidly, in response to the serious economic and social crisis the country faces. The changes that have been announced or decreed have been largely cosmetic or plagued by the same rigid controls that have prevailed for the past five decades. What has been decided thus far with respect to the agricultural sector is illustrative and we will review it later on.

By its own official figures, Cuba currently imports around 84% of the food it consumes. The United States, who otherwise maintains a trade embargo against the Island, is the major supplier of food as well as other agricultural products, which must be paid in cash, in advance of shipment. A significant share of the foodstuffs currently imported could be and historically have been produced in Cuba. Hundreds of thousands of hectares of land—some estimate up to 2 million hectares or almost 25% of the arable land—is unutilized and covered with perennial weeds.

The need to import such vast amounts of food as well as fuel, coupled with the very low capacity to export, has led to a very large and unsustainable deficit in the current account during the past several years. This deficit has been covered, to a certain extent, by Venezuelan subsidies. However, Venezuela's oil exports have decreased in value with the significant reductions in the world price of oil and it is rumored that subsidies to Cuba, while almost politically sacrosanct, may have decreased.

Cuba's policy response has been to try its best to get support from other countries which have been allies in the past. In the last two years, Raúl Castro has visited Russia, Angola, Algeria, South Africa, Brazil, and other countries in search for oil supplies and other help. However, little has been done internally to change key elements of economic or agricultural policy or the multiple impediments and prohibitions that thwart economic activity.

Cuban agricultural policy since 1959 has been one of extensive central controls. The Ministries in charge

have had, and maintain, the power to decide which crops are planted, to set prices at all levels, to impede private intermediation, and also to control input supplies and distribution. Only in the black market and in the relatively few farmers' markets, are transactions relatively free of government control.

Most producers are forced to sell the majority of their harvested crops, at government set prices, to the ACOPIO, a government procurement organization that supports the food rationing system used in the country since 1962. In addition, land tenure in Cuba is highly insecure. That is, producers can easily lose access to property they own or the right to stay in the state productive land they use, because of national or local level decisions by political or party cadres. Those who act independently receive constant harassment from the security apparatus.

In this essay, after briefly reviewing decisions taken since July 2007, we will review several alternatives the Cuban government might consider in order to truly start a reform process that would untie the production potential of the Cuban agricultural system. These historically important alternatives include: the reforms to de-collectivize successfully followed by the socialist Republic of Vietnam and also by China; the land tenure reform in South Korea, implemented after independence from Japan at the end of the Second World War; and the main features of the May 1959 Cuban Revolutionary Agrarian Reform Law, never implemented by the revolutionary government.

For the purpose of analysis, this essay is based on the premise that the political system and cadres in power in Cuba are very reluctant to conduct reforms that might reduce central control and open the economic system. Yet, experience suggests that they could conduct the reform and remain in power, as has happened in the cases of the communist parties in Vietnam and China, despite the profound economic changes these two socialist countries have sponsored and implemented.

This premise is important for analysis because it also has become clear to those who study and follow Cuba that one of the major factors supporting excessive central control and police repression is the inordinate though realistic fear of losing power of the Cuban

leadership. This fear is tied to the possibility that, if the population became economically autonomous from the regime, it might start to demand a role in political decision-making and demand political freedoms.

Finally, in an essay written in 2008, the author had recommended a set of radical changes to open the productive system. They included: immediate granting of individual private property rights to all rural producers in the land they now work; abolishment of ACOPIO's procurement; legalizing and extending a free market for both inputs and farm production; creation of a financial system to provide credit and other financial services to producers; legalization of private intermediation; abolishment of the ration system, subject to creation of well tailored food programs for vulnerable population groups. We will not review again that set of recommendations, even though we still believe they would, historically, be the most effective to bring Cuban agriculture out of the deep slump it is in. Moreover, they are very similar to what was proposed by the U.S. Government in South Korea.

REFORMS OR PRETENSIONS

Changes implemented in 1993, which allowed self-employment in a number of trades and were very effective, have been increasingly restricted. A large number of the licensed categories of self-employment have been cancelled. Licensees are subject to continuous inspections and police harassment. Small artisan restaurants, the *paladares*, which proved very successful, have now disappeared in large numbers because of increased restrictions. Leonine government fees have affected the rental in private homes of rooms to tourists. Many householder renters have had to go informal (illegal). Supply-demand markets for farmers have faced increased limitations. The 1993 changes were started, Fidel Castro said at the time, with extreme reluctance, and impediments quickly appeared once the worse part of the crisis, provoked by the Soviet Union collapse, passed.

Many of the changes announced since the July 2007 Raúl Castro speech have had little effect on the majority of the Cuban population or on production. Tourist hotels have been opened to Cuban citizens even though it costs three to four months of average salary of a Cuban worker just to rent a hotel room for a

night. People can now purchase computers, priced in convertible currency, at a price that would take approximately two years of wages to cover. Moreover, they come without a modem to access the Internet, a service severely restricted by the government. Citizens can have access to cellular phones, also highly priced in convertible currency, and with a high cost of operation. Most who can afford them finance their purchase and use with family remittances from overseas. Farmers can now buy simple tools at some government stores, payable in convertible currency they have no access to.

A significant change that has taken place, which could have a quick impact on agricultural production and popular welfare, is Decree 259, which authorizes the granting to producers, under usufruct contracts, of up to 13.4 hectares of agricultural land now lying fallow. It recalls measures taken early in their reform process by Vietnam and China but it falls far short. We will review it next.

DECREE LAW 259 ON LAND USUFRUCT

The Cuban state owns about 73% of agricultural land in the country. Because of the collapse of the sugar industry, close to two million hectares of productive land are not under cultivation. Decree Law 259, issued in 2008, authorizes concession for these idle lands of usufruct contracts for ten years to individual producers and for 25 years to cooperatives and other state entities, extendable if such lands are utilized effectively for productive endeavors.

As of mid 2009, the Cuban government had announced that usufruct rights have already been granted for close to one-half million hectares. Recipients must have prior consent of local party cadres for their petitions to be approved. There has not been any published account of production results achieved to date. However, the government has reported significant decreases in food production during the first quarter of 2009.

While this measure might be superficially comparable to the approach followed by Vietnam (more on this later), the Cuban decree included a large number of reasons that would invalidate the contracts, leading to their termination, with the producer losing any investments they may have made prior to invalidation. Thus,

security of tenancy and the incentive to invest in the concession are weak at best. In addition, no provisions are made in the Decree for the purchase of the equipment needed to clear the land, usually covered by *marabú*, a hardy, deep-rooted perennial and useless bush, or for access to financial services for land preparation and production. Finally, the new usufruct contracts are not transferable and, presumably, do not allow the recipient to hire labor, although the latter is not clear in the published version of the decree.

Implementation Decree 282 of August 2008, which complements Decree 259, outlines a very complex process necessary to qualify for lands in usufruct. It spells out all of the central controls the grants will be subject to, particularly concerning use. Recipients will have to accept, *ex-ante*, government directives regarding what crops will be planted. Usufruct contracts will be rescinded if these guidelines are ignored.

Grantees will have to become members of the Credit and Services Cooperative system (CSCs), in which, originally, private producers joined as members to obtain credit and input services from state institutions. In the CSCs, production is not necessarily collective and land property remains with the individual member. The local delegate from the ministry of agriculture or of sugar, depending on what the land is used for, in consultation with local Party leaders, is responsible for the monitoring and control of the recipient.

The usufruct contract recipient remains subject to all other state controls imposed on all agricultural producers in the state sector and the state-created coops, including the CSCs. These must deliver a set quota, usually about 80% of their harvest, to ACOPIO, at prices set by that institution. Moreover, they must plant crops that ACOPIO decides are necessary. Only if they fulfill these contract provisions, can they access services or sell any above-quota surplus in the farmers' supply/demand markets.

In the past, as acknowledged by Raúl Castro and emphasized later on by the state-run National Association of Small Farmers (ANAP), ACOPIO has been managed rather inefficiently. It has paid very low prices for food products delivered, and has been very late in paying producers. Over the last year, the new president finally forced the payment of past debts to farm-

ers, in excess of 500 million pesos, and directed increases in administered prices to producers.

The major features of the usufruct plan are as follows:

- Usufruct contracts are for 10 years, extendable, for individuals and 25 years for cooperatives and governmental institutions.
- Contracted land is subject to ACOPIO procurement procedures. Producers must plant crops chosen by ACOPIO and must deliver about 80% of the harvest at state-set prices.
- No provisions are made for access to inputs, other than those promised through the CSCs. Procurements are transported by ACOPIO.
- Contracts are not inheritable, cannot be exchanged, sub-rented or transferred, cannot be used as collateral for loans.
- Local state and/or party authorities can declare contract null because of social interest or for reasons of abandonment. Any investment made in the land or for housing by recipient reverts to state. No compensation is called for.

Anecdotal information, gleaned from reports from the Island, suggest that implementation of the decree has been spotty. Some suggest that many tracts of land have been given to individuals without experience in agriculture but with local Party connections. Others report that contracts have been canceled once the new recipient has finished the arduous task of clearing the land. A capture process by local party elites may be in play. Still others report that some contracts have been terminated because farmers planted crops not approved by ACOPIO, even though the producer felt there was a market for them. What seems clear, based on recent government reports, is that food production has not recovered and has, in fact, continued to decrease.

ALTERNATIVE FEASIBLE APPROACHES TO CHANGE

What alternatives could be open to the Cuban regime that might be depicted as fully consistent with the ideology and ethos of the current political system? The discussion of cases that follows is based on the premise that the current regime will only implement reforms with significant potential impact if they can feel cer-

tain that an opening process so started will not threaten their retention of power.

Thus, any new agricultural policy reform process would have to be predicated on its positive effect on the systemic crisis of the Cuban economy and the agricultural sector but designed to show the beneficence and soundness of the current regime. The policy package chosen might be identified as an approach to “perfect” the well advertised—though really nonexistent—socialist system. The case of South Korea is included as an illustration of what a private property-based, market-oriented reform can accomplish.

Given the continuing decline in food production, and of sugar, the current crisis, long in coming, could be truly catastrophic, to use Rene Dumont’s old 1965 assessment of the impact of Cuban agricultural collectivization policy on agricultural production. This new crisis truly surfaced in the late 1980s and again in the early 1990s following the demise of the large Soviet Union subsidies. The current crisis in international financial markets and its impact on employment and trade has made the crisis faced by Cuba even worse.

The alternative cases chosen for review include two socialist states, Vietnam and China, both of which found necessary to change radically their economic system in order to improve general welfare, food production, and, thus, stay in power. The Korean case is reviewed as an example of a radical process that was implemented by a foreign military occupier, not only to affect food production, but also to improve rural people’s welfare in an open political and market system.

Finally, we review the major elements of the 1959 Agrarian Reform Law of the Cuban Revolutionary Government, which promised property of the land to the tiller, a promise that was never carried out. One of the key goals of that law was to decrease inequality and poverty in the rural sector, even though there were no problems with food supplies in the late fifties. Its similarity with the Korean reform features is striking.

The Vietnamese Reform

Unification of North and South Vietnam finally occurred at the end of the war in 1975, once American troops withdrew. The rural sector in the North was mainly characterized by state ownership of land, socialist central management, but with a significant

management role for collective enterprises attached to the traditional rural communities in the North. A collectivized farming system had been started there in the 1960s, after French colonial troops withdrew.

The new socialist unitary government moved rapidly to extend collectivization, as was the norm in North Vietnam, throughout the new southern territories. Such efforts in the South were resisted by a majority of producers who had received land in property as a result of the “land to the tiller” program in the fertile Mekong Delta area, sponsored and pushed by the United States at the beginning of the Vietnamese war in the mid 1960s.

During the decade following re-unification, the failure of the collective system to produce sufficient food for a growing population eventually led the Vietnamese Communist Party to abandon the collective system in the entire country. In late 1987, the Vietnamese government passed the 1988 Land Law, accompanied by Resolution 10, approved shortly thereafter, with implementation directives. Later, in 1993, a new Land Law was approved which expanded the rights attached to the land already de-collectivized.

The major features of this “land reform” transition are as follows:

- Ownership of the land remains with the state.
- Land is leased to producers (usufruct) for 10 to 15 years, extendable if the land is in production. Leases for tree crops are for 25 years, also extendable.
- Leases are transferable and can be inherited by offspring.
- Leases can be exchanged, sub-leased, mortgaged and used as collateral for bank loans.
- Recipients are free to plant what they want and sell it where they want, even overseas. Free markets are the mechanism to set product and factor prices.
- Private intermediation is legal and reportedly competitive.
- Termination of a lease only occurs when a family moves away or stops using the land for production.

Traditionally, property rights are truly a bouquet of individual rights bundled together. The Vietnamese approach contains many—if not most—of the key attri-

butes of private property, even without a deed of ownership. To be effective, however, and within the letter of the law, these rights need to be respected and protected by the state, to enhance tenure security and confidence of the leaseholder. In the case of Vietnam, the government has fully respected those rights.

One result of this process has been the phenomenal growth of productivity and agricultural production in that country. Vietnam has taken a place among the largest exporters of rice and coffee in the world. It is not far behind in shrimp exports. Domestic nutrition levels and rural income have increased significantly and there are no shortages of food.

A critical sensitive element in the distribution of land leases was the issue of capture by, and local corruption of, the local official elites processing the distribution of land among the members of the former collectives. The central government made strong efforts to supervise the distribution process to minimize this problem and seems to have succeeded overall. However, they claim it was not easy. Needless to say, the Vietnamese “socialist” regime continues in power without challenge.

The Chinese Reform

The beginnings of the transition from plan to market—the socialist market economy—in China started in the late 1970s, after the death of Mao Zedong, and was further defined by the Chinese Constitution of 1993. Key elements were legal provisions to permit and protect private property.

The change process in China has been much more complex than that followed by Vietnam. A major goal of the constantly changing approach has been substantially to achieve self-sufficiency in rice production, the major staple. A complementary goal has been to raise rural incomes. Originally, since the triumph of the communist revolution in 1948, a collective approach to agricultural production had been based on a system of state cooperatives, farmed collectively, that were later absorbed by large collective communes.

Unable to produce enough grain to satisfy the needs of a very large and growing population, the government decided, in the late 1970s and early 1980s, to replace the socialist collective system—the infamous communes—with a so-called Household Responsibility

System (HRS). The latter was based on usufruct contracts granted for 10 years to families in the producing areas covered before by the communes. Size of land parcels received was commensurate to family size and local conditions. Ownership of the land remained with the state. The regions accepted the responsibility to balance food supply and demand in their regions. This responsibility was buttressed by a compulsory state procurement system that forced recipients to deliver a set quota of grains at administered prices. In the mid 1980s, a mixed system of quotas and a contract purchase system were started. Input prices were kept low.

State procurement interventions, producers’ freedom to sell in unregulated markets, and different forms of state procurement, have waxed and waned over the years, depending on the success of specific measures to stimulate grain production in the country. The Chinese government has also used the tax system; price controls for inputs, and market or above-market procurement prices, to stimulate production. In addition, for the past five years, a system of direct income subsidies to the rural population has been in place.

In 2003, the Rural Land Contract Law came into effect that permits 30 year-long land usufruct contracts and includes enhanced state guarantees to these contracts, including the producers’ right to choose what to plant, ability to sub-lease, lease transfer rights, and inheritance. In addition, local authorities do not have the right to take back the land or change the terms during the time land is under contract. Any cancellation of usufruct contract calls for compensation to the recipients. This legislation remains the main framework for land tenure in China and has enhanced recipients’ tenancy security.

In addition, the government remains heavily involved in subsidization of inputs, large investments in rural infrastructure, and introduction of new production technologies to insure an adequate supply of grains and food to the population. Product prices are mostly set by the market and directly linked to world market prices.

The main current features of the Chinese reform process are as follows:

- Ownership of the land remains with the state.

- Usufruct contracts are for 30 years; can be extended.
- Leases are transferable, exchangeable, inheritable, and include explicit elements to protect women's tenancy rights.
- Recipients have the freedom to choose what to plant and where to sell it.
- Factors and output prices are market-determined.
- Access to modern inputs and technology is heavily subsidized.
- Farmers also receive direct income subsidies from the state.

As in the case of Vietnam, this reform process has finally had a successful impact on food production. Food scarcity in China has disappeared. The socialist regime remains in power.

The Experience of South Korea

In 1910, the Korean peninsula became a colony of Japan. Japanese citizens and colonial officers controlled or owned most productive resources. Japanese citizens and relatively few large Korean producers, politically close to the Japanese leadership, owned most agricultural land. The Japanese had brought modern production techniques to the colony, seeking additional supplies of rice for the Japanese population.

However, poverty was extensive among the largely rural Korean population. More than 60% of the arable land was cultivated by tenants who paid rents up to 60% of the value of their crops. Because of this situation, opposition to tenancy arrangements was strong and quickly surfaced when Korea gained its independence. Eventually, tenancy rental arrangements were proscribed by law. The Japanese had developed elaborate input and credit supply systems. These systems markedly deteriorated immediately after independence and further more during the Korean War. Compulsory grain procurement systems were put in place during this period but were terminated once the war crisis was over.

After Japan lost the Second World War, the United States, which had agreed with the Soviet Union to partition Korea for the purposes of administration, gained control of what is now the Republic of Korea, a.k.a. South Korea. The United States rapidly moved to carry out a land tenure reform in South Korea that

would dispossess the Japanese landlords of the extensive lands they held and transfer these lands through sales, to the Korean peasantry. Land received under the reform program could not be re-sold, leased, or mortgaged for 10 years after it had been paid for. Initially, all of the Japanese held land was placed under the direct control of the U.S. military government, who developed and initiated the reform process. Land area affected by reform was about 2 million hectares, an area somewhat similar in size to that currently not under cultivation in Cuba.

Land parcels, not to exceed three hectares, were assigned and sold to former tenants. Recipients were expected to pay for them over time. Compensation to land owners was called for. The price of individual land plots was set as a percentage of the parcel's production. Eventually, there was agreement that both the sale price and the compensation price would be the same, namely 150% of an average annual production level, determined by survey. Promissory notes (IOUs) were issue to original owners. By the end of 1969, all of these IOUs had been paid.

After the end of the Korean War, the government of Korea started an aggressive program to redevelop supply systems to serve the agricultural sector. Tenancy, for the most, remains proscribed.

The main features of the Korean approach were as follows:

- Land was sold to the recipients in private property. Deeds were issued. Valuation was based on a percentage of estimated average annual production level in each plot.
- Landowners were compensated; the price paid was based on the same percentage of estimated crop value that recipients paid.
- Initially, state procurement systems were in operation but were terminated after the Korean War ended in 1953.
- Input supply systems were privately held, but government remains the main source of new technology.
- Land received was salable and/or rentable only 10 years after recipients had completed their payments.

- The State focused on investments in infrastructure, both new and to replace that lost in the War.

Korea is a democracy. It has a totally different political structure than China and Vietnam. Several lessons, however, are valuable. Both the U.S. military government and the succeeding Korean government strongly supported the idea of land redistribution as a means of redressing acute inequality issues and poverty. Goals of increasing food production and rural income were intimately linked to these social goals. A central objective of the strategy was to provide the producer not only with a property deed, but also with clear legal title to land use rights. This last objective was very similar to that implicitly pursued by Vietnam and China.

The 1959 Cuban Agrarian Reform Law

It may look like a chimera to identify application of the never-complied-with 1959 Agrarian Reform Law as a possible alternative to the present situation in Cuba. That said, the fact remains that that legislation placed strong emphasis on private ownership of land by a large number of rural producers. It called for granting property rights to all renters, sharecroppers, and squatters engaged in agricultural production. It guaranteed the payment of compensation to former owners, and established upper limits to the size of all productive units in the country. It almost reminds one of some of the key features of the U.S.-developed land reform in Korea, regarding parcel size limits and compensation of former owners.

The 1959 legislation did not prohibit private intermediation; did not subject the producer to compulsory state procurement; fully respected—in fact, did not even discuss or question—the role of the open market that prevailed at the time, and; did not change the structure or the rules of the rural labor market. It was only later, in a series of additional revolutionary law decrees, that the entire economic and social system became based on state ownership of the means of production and all of the land expropriated for the program passed to state ownership. No property titles were ever issued to tillers, despite some distribution of what a foreign expert called non-registered diplomas to signal the initial change.

The law's prescription of grandfathering the property of small farmers who owned fewer than 26.8 hectares

(two *caballerías*) of land has been the most respected. That group of private farmers, owning less than 25% of the Island's total arable land, has thrived to this date. In fact, currently, it accounts for the major part of the domestically produced food supply in the Island.

It could be argued that, should the regime chose to follow the 1959 Law, it could claim that such a privatization process, envisioned by the original law, is a legitimate tool of the “revolution” and not something imposed by outsiders.

The major features of the never-carried-out 1959 Law were as follows:

- Land would be granted to small producers in property. No payment was called for.
- Expropriated land would be compensated with government bonds.
- The role of the market system was not questioned.
- Farmers were free to select crops and markets and were guaranteed the same quota rights and existing legal prerogatives in the case of sugar for the land that was transferred.
- Minimum and maximum sizes for parcels granted were defined that depended on the type of crop or animal husbandry they were used for.
- Plots could not be subdivided upon inheritance in order to avoid the creation of *minifundia*.
- The State would be involved in systems and provisions of financial services to production, infrastructure, and in technology generation and transfer

In many ways, the 1959 Law was similar in conception to the “land to the tiller” program the U.S. had developed and implemented in Korea after WWII and in the Mekong area of South Vietnam twenty odd years later. In retrospect, the author has concluded that it was never the intention of the Cuban leadership to implement this legislation. It is beguiling to think that the Cuban leadership could accept returning to and implementing the 1959 Law as a revolutionary way out of the crisis.

CONCLUSIONS

Can the Cuban government implement an aggressive policy to change the structure and conditions prevail-

ing in the agricultural system in the Island? The answer can only be yes. Not to do so will not only prolong the present food shortages but also worsen the extensive poverty that affects the majority of citizens. Further decreases in the food supply could lead to social upheaval and violence.

Because of past bad performance, Cuba has to pay extremely high interest rates on credit needed to finance the current account gap, made worse by the need to import large amounts of food. Even Japan has cancelled its export insurance program for exports to Cuba. Food and agricultural imports from the United States, the closest and most secure supplier must be paid in cash, both for political as well as financial soundness reasons. Cuba's capacity to import is very low and one does not see signs that production for exports will increase or diversify.

If one accepts the premise that nothing significant will be done rapidly unless the regime feels assured that a change in policy orientation will not lead to regime change, it is, we think, worth exploring whether the examples of other socialist economies, which have conducted radical policy changes and programs, could be attractive to Cuban leaders.

Neither China nor Vietnam is a democracy. They are both authoritarian regimes. Yet, in neither one does one see the degree of constant repression of the population that one sees in Cuba. In fact, thousands of Vietnamese who came to the United States as refugees seeking protection go back and invest in houses and businesses of all kinds. A similar phenomenon occurs in China, where Taiwanese Chinese are among the major investors in the mainland.

In both cases, collective production has been abandoned, because it does not work. Privately owned SMEs and large firms thrive. Foreign investment is welcome in order to benefit the country. People, for the most part, can conduct their lives in peace and on their own. Both governments remain authoritarian ones, and political dissent against those in power or the Party is not tolerated. Nevertheless, poverty has diminished significantly. Food shortages have disappeared. Consumption and choices have multiplied.

The Vietnamese alternative, one that avoids granting private property to the land might be second-best if

compared with Korea's policy choice, as long as the arrangement truly guarantees the security and the stability of the social contract the regimen enters into. In issuing the usufruct decree, Cuba may be trying to follow that example, but it has subjected it to too many of the same ineffective controls of the past. Moreover, if, as has happened many times in the past 5 decades, the Cuban regime betrays or does not seriously fulfill its promises, the current production and social crisis would not be solved by the usufruct approach.

Even if the land remained in state hands and was only leased in a long-term usufruct arrangement with strong guarantees to tenure, as in Vietnam, the additional freedom afforded to producers by the Vietnamese approach would create a true revolution in Cuban agriculture. One only has to evaluate the incredible supply response from small non-state farmers when supply-demand markets were allowed in Cuba in the mid 1980s and again in 1993.

In fact, it seems as if the current usufruct proposal, without any change in the central control mechanism, mirrors the initial steps taken by the Chinese, soon after Mao's death, when all controls remained in place. The hesitation and back-and-forth policies may have obeyed the need to gather support from orthodox elements of Party leadership. Change accelerated once Mao's successor, Deng Xiaoping, in 1978, convinced the Party leaders that a full reform would not imperil their holding of power.

The author feels that, in any agricultural policy the Cuban government decided to undertake, however, it is critical that producers, owners, or leased holders, are assured and confident that the elements of any arrangement will be respected and protected by the government and by the law. Only if the producers feel secure in their contracts, will they undertake the work and the investment necessary to make parcels productive, under the guidance of market prices. Moreover, they will have to be liberated from current central controls and unjust and inefficient procurement and marketing arrangements that do no stimulate but rather dissuade producers from the work required to succeed and in fact exploits them.

The alternative of returning to revolutionary origins and re-adopting and implementing the principles of

the 1959 Agrarian Reform Law may seem farfetched. It would not be, however, any more radical than the de-collectivization program that China's Communist Party started and completed, including granting and protecting many producers' private ownership of land.

However difficult any of these alternatives may sound, the Cuban government will have to undertake reforms

in the sector or face a very serious social situation because of widespread hunger and discontent. Given the strong central control by few people, practiced by the Cuban government, a decision to reform need not go through a complex bureaucratic process, though it may have to be internally justified from an ideological standpoint.

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