

THE CUBAN CRISIS IN THE PRESENT GEOPOLITICAL CONTEXT¹

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INTRODUCTION

This year was the seventh time I have had the privilege of attending an ASCE annual meeting. After listening to many excellent presentations and discussions, I have often found myself reflecting on a recurring theme: our tendency to fall into the "trap" of viewing Cuba's challenges almost exclusively through the lens of economic determinism, as though simply removing economic barriers or implementing market-based reforms will unlock the broader transformations we all aspire to see.

We frequently hear statements like "replace the multiple exchange rates, and other reforms will follow," or "shift from soft to hard budgeting, and improvements will emerge". While these are undoubtedly sound economic arguments, they risk oversimplifying Cuba's crisis -- by reducing it to a matter of economic engineering, as if policy tweaks alone could resolve the island's complex and multifaceted issues.

But Cuba's crisis, while deeply rooted in economic inefficiency, is not just an economic challenge — it is a fundamental political, social and ideological conflict. So, while we rightly focus on the economic levers like budgeting practices or the creation of markets, we should remain mindful that without parallel political change, such efforts would most likely fall short. Moreover, such measures might contribute to the strengthening of Cuba's current regime.

At one time it was believed that in a more open, interconnected world, democracy and liberal ideas would naturally spread to autocratic states; and no one imagined that autocracy and illiberalism would spread to the democratic world instead and reshape the political landscape of various regions around the globe.²

One of the notable weaknesses of economic determinism is its misinterpretation of political ideology, power structures, and the roles of political leadership.³ There is no doubt that Havana

¹ In memory of Roger Betancourt and Ernesto Hernández-Catá. *The first time I was introduced to Ernesto during a unique seminar at the IMF, which focused on Cuba in 2016. Following that meeting, we engaged on numerous discussions about the significance of post-communist transit experiences in Europe and China, and on the influence of Russia in Cuba's historical trajectory. I met Roger later, in 2018, and always received his attentive understanding support, including on the topics I have embarked on in this article.*

² Applebaum, Anne (2024). *Autocracy, Inc. The Dictators Who Want to Run the World*. New York: Doubleday.

³ Zakaria Fareed (1997). The Rise of Illiberal Democracy. *Foreign Affairs*, November/December 1997.

has always prioritized “political stability and control,” i.e. the survival of the regime, over economic growth, governance efficiency and the public’s well-being. As a result, we have seen a long history of reversing and curbing reforms⁴ -- since, for the Cuban government, maintaining centralized authoritarian power has remained paramount.⁵ Additionally, such economic determinism tends to overlook human agency, the influence of external factors, and the global power dynamics in Cuba’s development.

This brings us directly to a modernization theory -- a perspective that has featured frequently in our discussions but has repeatedly fallen short when applied to contemporary authoritarian countries. Confidence in evolving developmental pathways implies a somewhat deterministic and linear trajectory, proposing that economic growth naturally leads to political liberalization and democratization. However, the limitations of such views have become increasingly apparent, especially given the persistent resilience of authoritarianism in various parts of the world.

STRATEGIC NETWORK OF AUTHORITARIAN COUNTRIES

These days, a strategic network of authoritarian countries seems to be emerging in the modern world. While Cuba's international role has diminished considerably in the 21st century, Havana is striving hard to maintain relevance by deepening ties with other autocratic nations. Unlike the rigid socialist bloc system of the Cold War, which was bound by a common ideology, today’s authoritarian alliance is far more fluid and diverse. Rather than seeking ideological uniformity, it is a pragmatic coalition whose members share common interests in resisting Western liberalism, promotion of democracy, and perceived influences of U.S. hegemony.

This network is not confined to any single region or ideology; it brings together a wide array of authoritarian regimes and geographies. It includes the Iranian theocracy led by the Ayatollahs, North Korea’s dynastic dictatorship under Kim Jong-un, African autocrats, and various left- or right-wing radical governments across Latin America. These regimes, though ideologically diverse, are united by a shared objective: preserving their authoritarian systems in the face of external pressures and internal dissent, while maintaining independence from Western political and economic influence. The main goal of such regimes is not to create prosperity or enhance the well-being of their citizens. Their primary goal is to stay in power, with those in power reaping all the benefits, and becoming wealthy by holding on to power.⁶

The regimes within this network share intelligence, economic resources, and, in some cases, military or strategic assistance. They also offer to each other diplomatic backing on the

⁴ Betancourt, Roger. Cuba’s “Structural Reforms: After a Few Years, Time Can Tell. *ASSA meetings*, Atlanta, Georgia, January 2019.

⁵ Alonso, Jose Antonio & Pavel Vidal. Why is Cuba economic reform progressing so slowly? *Third World Quarterly*, vol. 44, issue 1, 2023.

⁶ Berberoglu, Berch. Editor (2021). *The Global Rise of Authoritarianism in the 21st Century*. New York: Routledge.

international stage, particularly within organizations like the United Nations, where they often vote in alignment against Western-led initiatives. For Cuba, this network provides vital economic and political lifelines, helping it withstand international pressure and economic isolation.

China and Russia play pivotal roles in supporting the global authoritarian network, though there are clear differences in the priorities and respective methods that the two countries employ. China, without question, poses a major challenge to both the current international economic order and the global standing of the United States. As outlined in the U.S. National Security Strategy, the People's Republic of China is "the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do so."⁷

However, it's important to acknowledge that Beijing's views are far from simplistic. Its leadership perceives multiple international orders (trade systems, financial regimes, international political institutions and multilateral development banks, MDBs) and it adopts different approaches to each. Beijing is unlikely to oppose certain orders, feels ambivalent toward some, and seeks to reshape still others. China, in other words, remains cautious as it continues to benefit from the openness of the international economy and the liberal aspects of globalization. In its relations with the West, Beijing does not rule out pragmatic engagement, recognizing that global economic fragmentation could disproportionately harm its interests. At this stage, China appears more as a revisionist power than a revolutionary one. It seeks to make adjustments within the existing orders rather than completely altering their fundamental structures, rules, and norms.⁸

This is why Beijing's engagement with Havana, often referred to as that of "a good brother, good comrade, and good friend" primarily focuses on economic investments, infrastructure development, and trade. Unlike international financial institutions (IFIs), Chinese "debt trap diplomacy" typically does not require economic partners behind in their repayment obligations to implement structural or governance reforms, such as austerity measures. However, Chinese loans come with their own set of unique conditions designed to safeguard China's interests and provide special advantages to their lenders.⁹

Cuba is also a participant in China's Belt and Road Initiative (BRI), which emphasizes not only infrastructure and trade but also the expansion of China's security engagement and the use of soft power, through cultural exchanges and educational cooperation.¹⁰ Additionally, Chinese technological support, particularly in the areas of surveillance and telecommunications, has

⁷ *National Security Strategy*. Washington, D.C.: The White House, October 12, 2022, p.23.

⁸ Bergsten, Fred (2022). *The United States vs. China: The Quest for Global Economic Leadership*. Cambridge: Polity Press.

⁹ *China Influence in Latin America and the Caribbean*. U.S. Economic and Security Review Commission. Washington, D.C., Nov.19, 2021.

¹⁰ Ellis, Evan (2022). *China Engages Latin America: Distorting Development and Democracy?* Palgrave Macmillan.

strengthened the Cuban regime's capabilities to consolidate control over the population, monitor dissent, and maintain political authority.¹¹

As for Putin's Russia, its main objective - publicly stated - is to dismantle the existing rules-based international order. Russia is now in direct confrontation with the collective West, and the war in Ukraine is viewed by Moscow as an existential struggle against the whole of NATO. The Kremlin meanwhile is employing all available means of confrontation, signaling its readiness to escalate both vertically and horizontally.¹²

Russia's threats to use tactical nuclear weapons paradoxically align with the concept of escalation laid out in Herman Kahn's Nuclear Escalation Ladder, originally developed by RAND to anticipate possible Soviet actions.¹³ Moscow's aim with this brinkmanship is to reignite fear among Western elites of a possible global nuclear conflict. The Kremlin has openly hinted at seeking a scenario reminiscent to the Cuban Missile Crisis - not necessarily in a literally sense, perhaps through a different configuration and geography, but with similar high-stakes consequences, including the potential revival of the "Brezhnev Doctrine".

Simultaneously, Moscow has demonstrated no hesitation to apply tools of horizontal escalation, extending its confrontations to the Far East, Middle East, Africa, Latin America, and across the so-called "Near Abroad."¹⁴

Cuba may not be at the top of Russia's strategic priorities, but the Kremlin is acutely aware of the island's potential for geopolitical confrontation, as evidenced by ongoing intensive political contacts and the frequent bellicose rhetoric that accompanies them. In 2024 dozens of Russian officials traveled to Cuba, starting with Nikolai Patrushev (February), then Secretary of the Russian Security Council; Foreign Minister Sergei Lavrov; State Duma Chairman Vyacheslav Volodin, along with numerous ministers and businessmen. In turn, the Cuban leadership has also frequented Russia, kicking off with President Miguel Díaz-Canel, followed later by Deputy Prime Minister Ricardo Cabrisas Ruiz and Foreign Minister Bruno Rodriguez Parrilla.

The island's elites have been also ready to support Moscow's aggressive military ventures, driven by a mix of imperial nostalgia and resentment. Havana has adopted Moscow's narrative on the Ukrainian war (supporting Putin's claim of its objectives of denazification and demilitarization of Ukraine) and has publicly expressed its solidarity with Russia. Through the tacit consent of the

¹¹ Feldstein, Steven (2021). *The Rise of Digital Repression. How Technology is Reshaping Power, Politics, and Resistance*. New York: Oxford University Press.

¹² Karaganov, Sergei. Nuclear escalation may open Pandora's box, but it will also free the world from the 500-year-long Western Yoke. Moscow, *Russia in Global Affairs*, 02.07.2024

¹³ Tinline, Phil. Imagining Armageddon: the mad and dangerous ideas of Herman Kahn. *Prospect Magazine*. July 19, 2023.

¹⁴ С.Караганов, А.Крамаренко и Д.Тренин. *Политика России в отношении Мирового большинства*. Москва: Высшая Школа Экономики, 2023.

Cuban authorities, between five hundred and one thousand Cuban mercenaries have reportedly been fighting on Russia's side in Ukraine.¹⁵ Although Russian officials stated that they joined as volunteers, and not as part of the Cuban army, everyone understands the reality of this proxy warfare tactics. While their deployment might play a minimal role on a battlefield crowded by 350,000 Russian forces, their presence is a deeply symbolic gesture that the Kremlin values highly.

It is also noteworthy that Havana has shown a willingness to interact with representatives of annexed Crimea and of other Ukrainian territories recently occupied by Russia, particularly the Donbass and Kherson regions.¹⁶

Additionally, Cuba has shifted away from its more neutral previous stance at the United Nations. Last year Havana was part of a larger group of countries abstaining with respect to Russia's invasion of Ukraine, while this year Moscow has successfully pulled Cuba into a tiny group of nations (Belarus, Burundi, North Korea, Eritrea, Mali, Nicaragua and Syria) openly supporting Russian aggressive actions in Ukraine.¹⁷

Havana is once again making its ports available to Russian warships and submarines, some of them potentially armed with nuclear weapons.¹⁸

Cuba meanwhile is also considered by Moscow as a gateway to the whole region. Havana has become an important point of distribution for Russian propaganda -- with a global reach of almost 500 million Spanish speakers: Spanish is now one of the key languages for the Kremlin's RT and Sputnik outlets. It is no coincidence that the principal offices of *RT En Español* are located in Havana, Caracas, and Buenos Aires. As result, the Western ban of state-funded Russian media outlets has not altered the Kremlin's impact on Latin America.¹⁹

Havana presently aspires to be part of a new anti-Western coalition that challenges the rules and policies of the current international order. In pursuit of this goal, Cuba is actively seeking to integrate with new Eurasian institutions, despite its geographical remoteness, while continuing to explore the possibility of joining BRICS (an informal group of states comprising Brazil, Russia, India, China and South Africa). At the BRICS+ summit held in Russia in October 2024, Cuba was granted the status of an associate member, marking an important step in its efforts to enhance ties with that alternative global framework.²⁰

¹⁵ Cubans Are Still Being Recruited by Russia to Fight in Ukraine. *Bloomberg*, July 19, 2024.

¹⁶ Официальная делегация Республики Крым посетила Республику Куба с целью установления межрегиональных и межмуниципальных связей. Правительство Республики Крым, 26 января 2024.

¹⁷ General Assembly demands immediate end to Russian aggression in Ukraine. UN News, July 11, 2024.

¹⁸ Cuba: Russian warships leave Havana's port after 5 days visit. *AP News*, Jun 17, 2024.

¹⁹ Gretel, Khan. *Despite Western bans, Putin's propaganda flourishes in Spanish on TV and social media*. Reuters Institute, March 30, 2023.

²⁰ President Díaz-Canel highlights Cuba's association with Brics. *Prensa Latina*, October 25, 2024.

TO PROMISE DOES NOT MEAN TO MARRY

In exchange for its geopolitical loyalty, Havana has received promises from Russia of further supplies of oil, food, and fertilizers, along with investments in its energy sector and infrastructure, aimed particularly at rebuilding and repairing some of Cuba's Soviet-era facilities. Of course, no one in Havana expects to return to the amount of aid that the Soviet Union provided once to the island nation. Nevertheless, in May 2023 an intergovernmental agreement was reached on a commitment to a stable supply of 12.2 million barrels (1/3 of Cuban oil imports) of Russian oil and oil products annually, as well as the sale of 600 thousand tons of wheat, 145 thousand tons of fertilizers and the resumption of direct flights between both countries.²¹ Russia-Cuba bilateral trade turnover in 2022 increased three-fold, up to \$633 million USD, and reached a level of 862 million USD in 2023.²²

There's a Russian proverb Putin has publicly repeated several times "to promise does not mean to marry". Some Cuban debts, nevertheless, which amount to 750 million USD, especially those related to the energy sector, were restructured once again the spring of 2024. Cuba might also transition to repaying its debt to Russia on previously extended state loans using Russian rubles. Additionally, the timeline for the repayment of Cuba's principal debt could be extended to a period between 2028 and 2044. In 2013, Russia wrote off 90% of Cuba's debt (about \$29 billion USD). Since 2000, this has been Moscow's largest case of debt forgiveness. In 2021, Russia responded to a request from the Cuban leadership by agreeing to defer the repayment of \$2 billion USD in commercial loans that had been extended over a 15-year period. And despite those circumstances, Russia is about to open new credit lines for Cuba.²³

Cuba's systemic crisis is most pronounced in its energy sector, where persistent challenges highlight the broader economic difficulties facing the nation. The country has been grappling with severe fuel shortages, unreliable power generation, and a deteriorating infrastructure that struggles to meet growing demands. Decades of underinvestment, compounded by U.S. sanctions and diminished oil supplies from key ally Venezuela, have left Cuba dependent on costly fuel imports and vulnerable to price fluctuations. In recent years, frequent blackouts and energy rationing have sparked public discontent in the island, underscoring the critical need for comprehensive reforms and external investments to stabilize the sector and ensure energy security.

Moscow continues to provide support to fill the gaps. When street protests over the blackouts began in March 2024, a Russian tanker swiftly delivered 650 thousand barrels of crude oil to

²¹ Куба попросила РФ поставить пшеницу и удобрения, нуждается в поставках нефти. ТАСС, 15 марта 2024.

²² Топкасова, Галина. *Россия и Куба: перспективы сотрудничества*. Российский Совет по международным делам, 15 мая 2024.

²³ Шойгу заявил, что Россия откроет для Кубы новые кредитные линии. В 2013 году Гаване простили 29 миллиардов долларов. Фонтанка. Ру, 10 сентября 2024.

Cuba.²⁴ No doubt that Havana will also manage the October 2024 crisis in the Cuban energy system. The fall energy collapse has not been a black swan event—at best, it's a gray rhinoceros. Everyone saw it coming, but despite the warning signs, it was largely ignored. The energy system has been failing for decades, but now the scale of the crisis has escalated. The real question is whether the appropriate lessons will be learned. And, of course, who will bear the cost of fixing the system. This is one of the reasons why Moscow seeks an expanded private sector role in Cuba's economy.

HOW IS CUBA PERCEIVED IN RUSSIA, AND HOW IS RUSSIA VIEWED ON THE ISLAND?

Given its geographic location, Cuba represents a key hemisphere of interest for Moscow. It holds strategic significance for Putin as a potential tool for geopolitical horizontal escalation. Russia also views Cuba as a valuable springboard for expanding its influence into other Latin American countries. Keeping this in mind, Russia aims to support Cuba's economic stabilization efforts.

However, Moscow has become increasingly alarmed by Cuba's prolonged economic challenges. Kremlin-affiliated think tanks have closely examined the situation, highlighting widespread skepticism among the Cuban population regarding the government's ability to address those difficulties. Their analyses suggest heightened risks of a "color revolution" and potential regime change, which pose a serious concern for Russia.²⁵

It is well-known that Putin harbors a deep resentment toward "color revolutions." These uprisings, which have overthrown authoritarian regimes in some former Soviet republics and beyond, are seen by the Kremlin as Western-backed attempts to destabilize governments aligned with Russia. For Putin, "color revolutions" represent a direct threat to his own regime's stability and to Russia's influence in its sphere of geopolitical control or interest. His government views these movements as a form of external interference, designed to promote democracy and weaken authoritarian systems, particularly those with ties to Moscow.

This fear of political uprisings has shaped much of Russia's foreign and domestic policies, as the Kremlin seeks to prevent similar movements from gaining momentum within its own borders or among allies. It also explains why Russia is highly sensitive to any signs of unrest in countries like Cuba, where the risk of regime change could alter the geopolitical balance of a region where Moscow has meaningful political and economic investments.

²⁴ Russia Sends Cuba First Oil in a Year to Ease Blackouts. *Bloomberg*, Mar 28, 2024.

²⁵Социализм с нотками капитализма. Отходит ли переживающая глубокий кризис Куба от заветов Фиделя Кастро? *Коммерсант*, 04.02.2024

In response, the Kremlin has moved beyond standard financial assistance, economic cooperation, and trade, by offering Havana a program of targeted reforms that might mitigate these risks. The decision to kick off the “Cuban experiment” has been taken at the highest political levels with Putin’s direct involvement, and then rubber-stamped by the Russian Security Council. As a result, a powerful mix group of officials and oligarchs has been tasked with its implementation. Among them are:

- Igor Sechin – an oligarch and former Deputy Prime Minister, current CEO of Rosneft (state-owned oil giant) and very close ally of Putin. Venezuela was initially Sechin’s “pet project”, but Cuba now has fallen under his extended oversight.
- Dmitry Chernyshenko, a businessman and politician who has been serving as Deputy Prime Minister of Russia for Tourism, Sport, Culture and Communications since 2020, is also involved. He co-chairs the Intergovernmental Russian-Cuban Commission for Trade, Economic, Scientific, and Technical Cooperation.
- Oleg Deripaska, a billionaire, and founder of Basic Element, a Russian industrial group with interests in aluminum, energy, construction, and agriculture, plays a significant role as well.
- Boris Titov, a billionaire and politician, who heads the Russia-Cuba Business Council and previously served as Putin’s ombudsmen for defending entrepreneurs’ interests.

Both Deripaska and Titov hold leadership positions in the Stolypin Club, a conservative think tank in Moscow. The Stolypin Research Institute has contributed to Russia’s Cuban transformation program.

Looking at things from Cuba’s perspective, following the collapse of the Soviet Union, Havana initially viewed Moscow critically and with skepticism. Its attitude began to shift with Putin’s rise to power. Havana now acknowledges that Putin’s Russia has emerged as an inspirational model for many contemporary authoritarian regimes. It is no longer the impoverished and struggling liberal-minded Moscow of the 1990s, but rather a system designed to enrich its elites through political connections, to openly defy the West and to be prepared to withstand unprecedented sanctions. Despite being involved in an ongoing war, Russia still possesses the resources to provide support to its allies.

Paradoxically, Moscow retains an abundance of capital. With Russian investments in foreign markets having significantly contracted due to sanctions, Russian capital is seeking opportunities under state-backed guarantees -- and in this context, Cuba presents itself as a unique and promising prospect.

In Cuba, the cost of maintaining the status quo has now exceeded the risks associated with limited market reforms. Under such conditions, it has become politically easier for Havana to be persuaded to adopt a Russian-style model of economic transformation. This approach appeals to the pragmatic interests of the party nomenklatura and high-ranking military officers, many of whom

hold top managerial positions. The model's allure lies in its ability to maintain the elites grip on power, while simultaneously seizing opportunities for their personal enrichment. Moscow's reform blueprint is clear-cut -- the winners, essentially a cynical and power-driven kleptocracy, take all. There are no plans for institutional reforms, political liberalizations, or changes in the ruling elites. The model envisions no independent judiciary, offers minimal protections for private property (leaving the state free to reverse policies at any time), and allows limited social mobility.

DECODING A "RESISTANCE ECONOMY"

Before examining Russia's proposed program of potential changes for Cuba, which Moscow believes will bolster the regime in Havana and stabilize the country's social and economic conditions, it is important to highlight several factors that make Russia to a larger extent immune to sanctions pressure.

Several dynamics were driven by market conditions—most notably, by the high prices of key Russian export commodities, including oil, gas, metals, and agricultural products. The asymmetry of the sanctions measures also played a significant role, initially imposing much harsher restrictions on imports than on exports. This imbalance resulted in a substantial Russian trade surplus, which in turn led to a corresponding current account surplus. Additionally, the economy has been transitioning towards a war footing through increased budget investments, particularly in the military-industrial complex. This shift not only has stimulated economic growth but also has boosted employment. However, two other factors are even more critical for our analysis—elements that Moscow aims to integrate into the Cuban system to enhance its resistance to external shocks.

Firstly, the role of market mechanisms and the private sector. Despite the predominantly state-monopolistic nature of Putin's system, with the public sector accounting now for over 70 percent of GDP, it is in fact private entrepreneurs that have shown the flexibility needed to adapt to changing external conditions. Private businesses have swiftly reorganized operations, carved out new trade routes, and identified alternative markets while finding ways to circumvent financial restrictions. This adaptability has added a crucial layer of resilience to Putin's regime.

Moreover, it is a private sector that has become deeply entrenched in Putin's corrupt system and serves now as one of its key pillars. Its emergence is not entirely surprising; since a similar model was successfully tested in Tehran 15 years ago, where it became known as the resistance economy, helping Iran withstand external pressures.²⁶ By now the resistance economy in Iran is largely exhausted, however, elements of its approach are also at play today in Maduro's Venezuela.

²⁶ Batmanghelidj, Esfandiyar (2020). *Iran Under Sanctions: Resistance is Simple, Resilience is Complex*. Washington, D.C.: SAIS.

Moscow believes that Cuba needs to incorporate similar agility, which could be achieved in the island by expanding the role of the private sector.

Another crucial factor in Putin's formula for temporary economic success during times of conflict has been the presence of skilled state management. While this may not seem particularly novel, history offers parallels. In Nazi Germany, one of the pillars of Hitler's regime was the highly efficient Prussian bureaucracy. In the Soviet Union, engineering and scientific personnel in the military-industrial complex played a significant role in achieving the "Sputnik moment". In Putin's Russia, special emphasis has been placed on the financial and economic sectors, along with the promotion of IT specialists. These professionals have been instrumental in restoring macroeconomic stability after Russia's Central Bank faced the freezing of \$350 billion in assets and the shutdown of access to the international financial transactions system SWIFT.²⁷ However, adopting this Russian experience poses challenges, as the most effective segment of Russia's economic bureaucracy, particularly the leadership of the Central Bank, was largely educated and trained in the West.

RUSSIA-FLAVORED REFORMS

Returning to Russia's program for economic stabilization in Cuba, several key areas of focus emerged from proposals discussed in late 2023, and partly incorporated into a comprehensive plan for economic, scientific, and technical cooperation which the two countries jointly announced in November 2024.²⁸ These initiatives aim to modernize Cuba's struggling system by leveraging areas in which Moscow has demonstrated both capability and success, particularly in economic digitalization. The proposed reforms are modeled on advancements led by current Russian Prime Minister Mikhail Mishustin, who significantly modernized Russia's tax system during his tenure as head of the tax department. While the World Bank played a pivotal role in supporting these reforms in the early 2000s, Moscow's approach extends beyond merely improving tax collection efficiency. The broader goal is to establish a comprehensive system of control over all economic entities, irrespective of ownership structure.

Thus, Russian experts have advised the Cuban government to shift from applying rigid state regulation to fostering private competition and implementing a simplified taxation system similar to Russia's.²⁹ The advisers have also recommended that Cuba integrate Russia's experience with electronic banking, and adopt an all-encompassing digital platform—referred to as a "super service"—to modernize its financial system and enhance transparency. While digitalization is anticipated to be a driving force in these market reforms, reducing the circulation of cash dollars

²⁷ *The impact of sanctions on the Russian Economy*. Washington, D.C.: PIIIE, July 17, 2024.

²⁸ *Россия – Куба: облом западных санкций*. Столетие, интернет-газета, 4 августа 2024.

²⁹ *Чернышенко: Куба будет использовать лучшие российские налоговые практики*. Национальная служба новостей, 15 марта 2024.

and shrinking the shadow economy, there is also a risk that these digital services could function as tools for increased monitoring and control of entrepreneurs. This could pave the way, in turn, for the establishment of a “sovereign” internet network under government control, potentially enabling digital surveillance over the entire population. The effective implementation of such sovereign digital platforms would likely depend on Chinese technology, suggesting a potential future partnership between Russia and China in this venture - a form of joint effort to reinforce Cuba’s authoritarian regime.

The second priority in the Kremlin’s plan for Cuba centers on the energy sector, with a focus on offshore oil exploration and the construction of thermal power plants and solar farms. Offshore oil exploration is a key component of this strategy, with the objective not only to boost Cuba’s domestic oil production, but also to create a reliable and potentially lucrative energy source for the country. Russian state-owned companies Rosneft and Zarubezhneft have been involved in preliminary exploration activities, assessing the economic viability of Cuba’s offshore deposits. If economic viability were determined, joint ventures with Russian companies could significantly enhance Cuba’s energy security and create avenues for exports, which would generate much-needed revenue.

Russia has also pledged support in modernizing Cuba’s outdated thermal power generation infrastructure.³⁰ Russian engineering firms are expected to provide expertise, equipment, and technical support to refurbish existing thermal power plants and build new ones. This initiative aims to improve the efficiency and reliability of Cuba’s power grid, while reducing the risk of frequent blackouts that have become an economic burden and a source of public discontent. Recognizing the island’s potential for harnessing solar power, the Kremlin’s plan includes investments in solar farms to diversify the country’s energy portfolio and reduce its reliance on traditional fossil fuels.

Concentration on these energy projects is a calculated Russian move to create long-term energy stability in Cuba, support domestic production, and foster a more diversified energy mix, while reinforcing Russia’s political and strategic ties with Havana.

Moscow’s third area of emphasis is infrastructure modernization, with a primary focus on revitalizing Cuba’s aging railway network. The goal is to significantly enhance the efficiency and reliability of Cuba’s ground transportation system, which has suffered from decades of underinvestment, outdated technology, and deteriorating facilities. This project is envisioned as part of a larger strategy to stimulate economic growth, create jobs, and foster technological and industrial development on the island. The influx of Russian investments, combined with the establishment of joint ventures, is expected to create opportunities for knowledge transfer and skill

³⁰ *Москва и Гавана обсуждают строительство новых энергоблоков на ТЭС Кубы. РИА Новости, 03.03.2023*

development within Cuba's workforce. The broader infrastructure agenda under Moscow's plan includes the development of ports and logistics hubs.³¹

Cooperation in biomedicine, biopharmaceutics, and biological security has continued to be a key area of joint research and production between Moscow and Havana. Cuba and Russia share a long history of scientific and medical collaboration, and recent efforts seek to deepen this partnership, with Cuba's Biocubafarma and Russia's R-Pharm Group leading the charge.³² Russia's Gamaleya Institute and Cuba's Finlay Institute of Vaccines have already cooperated on producing vaccines like Sputnik V and Cuba's domestically developed Abdala and Soberana vaccines.³³ By pooling resources and expertise, Russia and Cuba seek to build a robust biopharmaceutical sector capable of addressing domestic health challenges and expanding their influence in the global south markets.

Tourism is also receiving significant attention in Moscow's plan, particularly as Russia seeks to adapt Cuba's tourism sector to better serve Russian interests. One notable aspect of this focus is an appeal to Russian military personnel and officials of all ranks to vacation on the island. With traditional vacation spots in countries like Turkey, Egypt, and Spain now off-limits due to political and security concerns, and destinations like Crimea and Russia's Black Sea coast vulnerable to Ukrainian drone attacks, Cuba's geographical distance from Central Europe has made it an increasingly attractive destination for Russian tourists, particularly those within the government and military. In 2024, the number of tourists from Russia visiting Cuba exceeded 200,000, with a target of reaching half a million visitors annually by 2027.³⁴

Agriculture is another crucial area of reform. Russian President Vladimir Putin has emphasized his country's resurgence as a major agro-exporting nation, a status it held prior to the Bolshevik Revolution. In alignment with this, experts from the Stolypin Institute for Economic Growth submitted proposals to Cuban Deputy Prime Minister Ricardo Cabrisas Ruiz focusing on a national agricultural development project. The suggested reform aims to increase the share of private agricultural enterprises while gradually reducing the role of state or quasi-state entities. It proposes that the state lease land to farmers in stages: initially for 10 years, then extending to 49 years, and eventually offering a 99-year lease term.

The lease costs would depend on factors such as the legal status of the lessee, soil fertility, and the location of the plot. For the initial five years, as the program is put in place and fine-tuned, the

³¹ *России необходимо вернуться на Кубу*. Москва: РСМД, 17 июля 2023.

³² Cuba and Russia advance in biopharmaceutical cooperation. *National News*. 06.06.2024.

³³ Naczyk, Marek; Ban, Cornel. The Sputnik V Moment - Biotech, Biowarfare and COVID-19 Vaccine Development in Russia and in Former Soviet Satellite States. *East European Politics*. 2022, vol. 38, N. 4, 571–593

³⁴ Cuba's ready for receiving 200,000 Russian tourists in 2024. *Prensa Latina*, 09/04/2024.

lease fee would be symbolic, set at 1 peso per hectare. During this period, the entire cadaster of agricultural land would be fully digitized, and more than 20% of all agricultural land would be allocated to private enterprises. According to the plan, all agricultural land would be managed by a newly-created AgroBank, which would be responsible for issuing loans at favorable terms and using land leases as collateral.

It is also proposed that foreign investors be allowed to lease large plots of land – of at least 10,000 hectares -- for plantations of crops like sugar, bananas, coffee, and tobacco. These investors would be free to sell their products on the global markets and independently procure necessary imports. Meanwhile under the reform’s guidelines, local farmers would be eligible for plots of up to 100 hectares.³⁵

Although all these projects were announced in 2023, progress has been slow. However, in 2024, over 100 Russian companies from such sectors as heavy industry, energy, banking, agriculture, information technology, and tourism have begun operating on the island under specially privileged conditions, including long-term exemptions from income taxes and rental fees, and the possibility of mutual settlements in national currencies.³⁶ It is essential to remember that this reformist plan is set to unfold by 2030, and while Russians are known for starting slowly, they tend to accelerate significantly once momentum builds.

Despite their limitations and selective approach to change, the Russian-backed initiatives may open a narrow window for Cuba’s next phase of market transformation. However, several significant obstacles lie ahead. One major challenge is that these initiatives will not involve structural reforms, maintain rigid centralization, and reinforce the state’s repressive nature. It’s likely that Cuba’s entrenched political and economic system will resist any meaningful change, as has been the case in the past.³⁷

Although Russia holds substantial sway over Cuba, the relationship between the two countries is not entirely one-sided. While Moscow exerts significant leverage, it does not exercise absolute control over Havana’s policies. Cuba’s elites continue to retain a degree of autonomy in their decision-making, carefully balancing Russian assistance and support with their own interests and internal political dynamics.

THREE POSSIBLE SCENARIOS: CONCLUDING INSIGHTS

³⁵ Российские эксперты разработали реформы сельского хозяйства Кубы. *РИА Новости*. 23.08.2023.

³⁶ Чернышенко рассказал о работе 100 российских компаний на Кубе. *Известия. Ру*, 15 марта 2024.

³⁷ Farber, Samuel. The New Russian Presence in Cuba. Institute for Policy Studies. *Foreign Policy in Focus*, August 29, 2023.

In the end, there are three potential trajectories for Russia's efforts to guide Cuba toward a model of state capitalism. These scenarios consider various internal and external factors influencing the Russian-backed reform initiatives.

First, "status quo": this scenario envisions a gradual erosion of the drive to reform because of two key factors: lack of financial resources and political will on Russia's side, potentially stemming from the strain of a prolonged war; and the resistance of Cuba's entrenched bureaucracy and its rent-seeking elites. The combination of these factors would cause the reform impetus to fade without producing any significant results. Limited funding and a half-hearted commitment to change, coupled with internal pushback from those with vested interests in maintaining the status quo, could lead to the slow disappearance of the reform agenda.

Second, "Cubastroika": Russian involvement could inadvertently trigger systemic instability leading to a Cuban version of Gorbachev's perestroika in the Soviet Union. Here, the introduction of market-oriented reforms might open a Pandora's box, unleashing forces that undermine the Cuban regime's control and precipitate a potential collapse. If reforms progress and limited freedoms are introduced, popular demands for broader changes could grow, destabilizing the regime's authority. Such an outcome would reflect the dangers of initiating market reforms in an authoritarian system, without a clear plan for managing political repercussions.

Third, oligarchic state capitalism: this scenario would foresee Cuba shifting from socialist totalitarianism to a model of predatory oligarchic state capitalism, heavily influenced by Russian and Chinese bureaucracies, banks, and corporations. In this case, the reforms would focus on the consolidation of control by a small elite that could marginalize broader societal benefits. The Cuban government would be leveraging its geostrategic position by continuing to align itself with a global authoritarian network. This evolution would see the state maintain tight control over key sectors that would open opportunities for corruption and patronage dominating economic life.

Russia's objective, no doubt, is to introduce market principles into Cuba's authoritarian framework without triggering deep structural changes that could destabilize the regime. Moscow would like to assist Havana in creating a more adaptable and stable authoritarian system that could efficiently weather economic pressures and external influences. It is essential to recognize, however, that Russia lacks the financial and geopolitical weight it once wielded during Soviet times. So, the Kremlin would attempt, instead, to balance its limited capacity for direct support by leveraging market mechanisms and institutional cooperation.

To maintain Cuba within its geostrategic sphere of influence, Russia is seeking to establish a more resilient authoritarian structure on the island. This strategy involves using Russian-Chinese technological platforms to strengthen digital control and further isolate Cuba from U.S. influence. In enhancing Cuba's resilience and digital sovereignty, Moscow and Beijing clearly hope to reverse

Cuba's downward economic spiral, but doing so would likely to reinforce their collective presence in the Caribbean and consolidate the island's role within a broader global network of authoritarian states.