



# BTI and Cuba: the State of democratic denial

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PHOTO: LUZ ESCOBAR

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# THE STATE OF DEMOCRATIC DENIAL

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**Compared with other reports on Cuba, the Bertelsmann Transformation Index (BTI) has several noticeable advantages. The first is that it is a comprehensive report, embedded in three pillars: economics, politics and governance. The second is that it captures trends, whereas more reports are static. The third is that it considers themes through indicators, which most reports ignore. And as it is issued every two years it makes it possible to know the consistency (or lack, thereof) of the transformation and its rhythm. The following up. Has Cuba been transformed in 14 years (2006-2020)? Reading the report, it can be concluded that it has, whilst a new concept is introduced: that of static transformation -a sample of changes that leave the structures of a society intact-.**



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## Introduction

Thanks to the Center for the Opening and Development of Latin America (in Spanish, CADAL), I have been able to read the Bertelsmann Transformation Index (BTI), from the Bertelsmann Foundation (BS, in its German initials) created in 1977 and based in Germany. A project for the analysis, discussion and evaluation of processes of change in a variety of developing countries, moving towards democracy and the market economy.

Its starting points for analysis have a liberal foundation. This is an important recognition because it neutralizes the possible bias of seemingly neutral analytical reports that actually hide their affects.

The BTI assesses the state of freedoms, division of powers, democracy, access to government through free and democratic elections, and how and which economic policies strengthen the market economy, or hinder it. Also, with an interesting perspective, social inclusion policies are seen as social safety nets from the welfare State (social democracy) and as participation of civil society (inclusion of non-state actors in public policy decisions). The latter is significant in understanding the concept of Governance, one of the three pillars that guide the studies of the BTI, together with Political Transformation and Economic Transformation.

Bertelsmann's approach to democracy is not limited to the exercise of freedoms in a civil framework or to free, democratic and fair elections. Nor to procedural democracy based on the functioning of the rule of law. It includes *stateness*. This, which the BS introduces into its analyses as a precondition for democracy, will be central in the consideration I propose of its case study specific to Cuba. Later it will be made clear why.

Since 2003, the number of countries analyzed by the BTI has increased. From 116 countries then, the number increased to 137 by 2020. The majority of which are recognized by the United Nations (194).



Such a broad spectrum of assessment introduces the risk of comparing very culturally diverse countries, with different models, unique historical origins and different national constructions both in their origins and in their development. However, this risk is only superficial. Regardless of the methodological importance of its comparison for specific knowledge (we only learn if we compare), it is the spectrum amplitude that allows us to search for unified analytical evaluation criteria. The analysis of culture is essential (as has been known since Max Weber and Ferdinand Tönnies) to understand the relationship between contexts and models, but the conception that defines the BTI guarantees rigor in the comparative scale of analysis: that of transformation.

What characterizes and, therefore, levels all countries is their self-definition as developing countries and as democracies. The subsequent category of emerging countries (Brazil, for example) is understood only by its reference to developing countries that manage to take-off from the platoon. What the BTI does is analyze these countries within their own conceptual spheres and studies their motion.

A Transformation Index as an analytical pillar is a novelty, adjusted to its research universe, and itself adjustable. In the intellectual discussion on models of democracy there is always a disagreement with different types, and therefore on different legitimacies. The BTI does it differently. While it is clear on what is not a democracy, it proposes an analysis with such specific indicators that they do not leave much wiggle room to regimes that would otherwise criticize global assessment institutions, accusing them of built-in intentionality or responding to unreliable political interests.

The BTI is subdivided into two general indexes. The Status Index, which comprises the Political Transformation Index, the Economic Transformation Index and the Governance Index, which encompasses Political Leadership towards Democracy and the Market Economy.

These in turn are subdivided into 17 criteria. Five correspond to the Political Transformation Index (PI), seven to the Economic Transformation Index (EI) and another five to the Governance Index (GI). These, meanwhile, are disaggregated into 18 indicators for PI, 14 for EI and 20 for the GI. In total: 42 indicators.

The devil lies in the details. The relevance of including Cuba as part of the quantified analysis of indicators is interesting in that, whilst it opened up to more countries in 2003, it has only been included in the BTI three years later –in 2006–. Hardly



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could have Cuba been the subject of independent analysis centers in the 1990s, with their concepts and indicators incompatible to Cuban reality.

Why was this inclusion possible? My inference: since 2006, with Raúl Castro's rise to the power (by mere delegation) Cuba begins, with more clarity, its global approval, or standardization process. If the tepid reforms of the 1990s began to recover economic heterodoxy, they were regarded as mere contingency and therefore reversible. This was demonstrated between 2002 and 2006 when, under the geo-economic umbrella of an ideological colony that Cuba was beginning to conquer -Venezuela- Fidel Castro began to dismantle an opening that few knew had a political scope.

Since 2006, the reforms have seemed structural. They are, although not profoundly, and always limited and controlled. They do still enter theoretically and politically into any approach taken of the economic conception of the regime. Cuba enters the movement, transforms and becomes more intelligible and understandable to the world and the institutionalised and standardised categories in think tanks.

This path of transformation, reform or change begins to create the conditions for using measurement criteria and categories which had until then been incompatible with Cuban reality. A sign of change itself.

The BTI begins to measure this transformation. In a sui generis and rigorous way. There are other reports on Cuba, mainly in the field of human rights. But the ones with the most visibility, those of United Nations agencies that rely by default on the reports of the Cuban government, lack credibility because of their absence of both contrast and independent verification.

I mention this here at a cost. The BTI is forced to use some of the data from the United Nations international agencies. It includes them in its evaluation and this allows Cuba to score prominently in some categories. But the interesting thing is that, together with other data produced by their own methodology, a critical contrast can be established to approach a more objective assessment of the Cuban reality.

A single example. According to the Human Development Index (HDI), Cuba ranks 73<sup>rd</sup> amongst 194 countries, behind Argentina and Chile only, in Latin America. However, the GINI coefficient measuring inequality between countries and regions (0 to 1, with zero representing perfectly equality and 1 perfect inequality) was for Argentina in 2019 0.439, and for Chile 0.47. With this coefficient, which the BTI uses



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and whose last update was in 2016, there are eight Latin American countries that are among the ten most unequal countries in the world (Haiti, Honduras, Colombia, Brazil, Panama, Chile, Costa Rica and Mexico).

Cuba's last -I do not know if the first- GINI coefficient was 0.2200, at a year as long ago as 1986. From then on, Cuba has begun describing the process I call the *Latin Americanization* of inequality, which not only refers to the unequal distribution of wealth but also includes the circular distribution of power resources within a rentier state capitalism. Strictly commercial and illustrated well within the term extractivism.

But is Cuba less unequal today than Costa Rica? My analysis is that this coefficient used by the World Bank undoubtedly affects the position of these countries in the HDI. And how, if Cuba is behind Chile in this index, would it be a more egalitarian country? The difference seems to lie in the access to free health and education. How is it less unequal then, than Costa Rica, where health and education are also free?

It is this defining contrast, from the expansion and variety of comparative tools, which makes the BTI very interesting, beyond its objectivity.

In addition to other reports on Cuba, the BTI has several advantages. The first is that it is a comprehensive report, embedded in three pillars: economics, politics and governance. The second is that it captures trends, whereas more reports are static. The third is that it considers themes through indicators, which most reports ignore. And as it is issued every two years it makes it possible to know the consistency (or lack, thereof) of the transformation and its rhythm. The following up.

Has Cuba been transformed in 14 years (2006-2020)? Reading the report it can be concluded that it has, whilst a new concept is introduced, that of static transformation: a sample of changes that leave the structures of a society intact.

The BTI teaches us to measure and evaluate regimes in a different way to ideological assessment. The role of indicators (the details) to illustrate the whole (the devil) provides and leads to concepts to which, in general, we are not accustomed to in the Cuban network of expertise, except perhaps some Cuban economists based outside of Cuba.



**HAS CUBA BEEN TRANSFORMED IN 14 YEARS (2006-2020)?**

**READING THE REPORT, ONE CAN CONCLUDE THAT IT HAS, WHILE, AT THE SAME TIME, EXPLORING A NEW CONCEPT, THAT OF STATIC TRANSFORMATION: SAMPLE CHANGES THAT LEAVE THE STRUCTURES OF MEANING OF A SOCIETY INTACT.**



## BTI Cuba in 2020

From the offset, there is a qualitative transformation that is highlighted by the BTI. The shift from charisma to the bureaucratic routinization of the Communist Party with the ascension of Miguel Díaz-Canel. This is a quiet but tense move. The start of the routinization is not proper of the current President, confirmed not by elective instances after his appointment, but by Raúl Castro himself. The point is of no less importance. The exhaustion of charisma at its original source puts political bureaucracy in the face of three challenges: how to strengthen its control in the face of a society that has to start reopening, how to legitimize oneself with efficient public policies, and how to handle internal tensions without leading to a breakout of conflicts from the elite. All in the absence of the strength of a charismatic rhetoric and in the midst of a faded narrative.

This step to routinization has to be with a man of routines: Raúl Castro. The only guarantee to take bureaucracy out of its ostracism and legitimize the transition. The limit, the personification of the barrier, is not Salvador Valdés Mesa, member of the communist party's government as stated in the BTI, but José Ramón Machado Ventura. Also a member of the political bureau and second secretary of the Communist party: the personification of any substantial change in its control over the Communist Party.

The BTI is right to point to constitutional reform as the most important political initiative. Why?

Constitutional reform was essential to legitimize the partisan bureaucracy (understood as the communist party) as the new "collegiate" leadership of the nation that needs, however, to act according to rules. Further, because its routinization requires some clarity in institutional action in order for those who govern to understand each other and not stumble in the absence of the Castro mediation. And finally, because the factual changes that had been taking place since the 1990s needed legal recognition both to legitimize them politically and to control them socially and administratively.

In a basic sense, the constitutional reform is the true reform. A limited reform (semi-reform) that shows the very limits of ongoing economic and social changes. A demonstration also that politics is the essence which defines and measures the scope of any other transformation in Cuba.



**CONSTITUTIONAL REFORM WAS ESSENTIAL TO LEGITIMIZE THE PARTISAN BUREAUCRACY (UNDERSTOOD AS THE COMMUNIST PARTY) AS THE NEW "COLLEGIATE" LEADERSHIP OF THE NATION THAT NEEDS, HOWEVER, TO ACT ACCORDING TO RULES.**





The participation of citizens both in assemblies and the constitutional referendum, as it appears in the BTI, are based on the data given by the government. More than 30.000 discussion Assemblies, around 87% of participation, about 9% negative vote or abstention, and a non-participation figure. The BTI highlights the minority, critical of constitutional reform and, more significantly, the political expression of social pluralism that was apparent in the debate on equal marriage, where the churches had a decisive impact.

This manifest social pluralism appears more organized, more structured and with more resources when it comes to churches. This exposes –given the scope of the BTI– the strength of conservative pluralism in Cuban society, greater than the new social pluralism of rights which, in certain areas, has some support from the institutions of the state.

This leads to what the BTI calls the four junctures of Cuba. The change in the political matrix: from the revolutionary government of Raúl Casto to the bureaucratic government of Miguel Díaz-Canel, which attempts to proceed in the given political guidelines, but contains, in my opinion, the gradual market reforms (second juncture), in the face of the de-ideologization of daily life (third juncture) that presses for more reforms. At the same time, it re-enchants citizens under the weight of religious rescue from social relations, all in the midst of the rapprochement between the United States and Cuba (fourth juncture).



**THE BTI HIGHLIGHTS THE MINORITY, CRITICAL OF CONSTITUTIONAL REFORM AND, MORE SIGNIFICANTLY, THE POLITICAL EXPRESSION OF SOCIAL PLURALISM THAT WAS APPARENT IN THE DEBATE ON EQUAL MARRIAGE, WHERE THE CHURCHES HAD A DECISIVE IMPACT.**

## **Political Transformation**

The transformation here is more institutional than political, understood as a change in the relationships of the State with society and with institutions. The monopoly of force, as well as territorial and administrative controls ensures institutional stability and social control. Cuba is not a failed state, but it is turning into a failed social state. This is where the seven-point BTI score on the ten-point scale, which is related to the United Nations HDI, is imprecise and loses sight of Cuba's negative social transformation in recent years.

An accelerated shift to a failed social state that is precariously sustained by two public goods: health and education. One of the basic benefits in a society such as public transport only works relatively well in the capital of the country, La Habana, and in some other cities. There are no studies, at least public studies, on everyday transportation. Some estimates speak of 75% of the movement of Cubans throughout the country (interprovincial, inter-municipal, and municipal) is guaranteed



by private transportation. This may be important for the quality of life, but it is certainly not guaranteed by the State.

If in the supply of electricity, education, health, sport and culture the State is clearly present, the same cannot be said of water, transport, housing, wages, well-paid employment and food. The deception of figures and reports to international bodies is particularly sensitive and scandalous in the latter area. According to the government and FAO, Cuba is one of the countries in the hemisphere that is guaranteed food security. Not only is this inaccurate for a country that imports more than 80% of food products, but it is becoming ever-more evident during, and certainly after, the impact of Covid-19.

All these basic sectors for social cohesion and the legitimacy of the paternal State; our philanthropic ogre.

In the review of the Constitution there is a particularly interesting analysis by the BTI: that of the second citizenship and its impact on social inequities. The second citizenship also has another structural impact: it de-anchors the economic dynamics from productive areas -technological, industrial and service areas to place them in the flow of remittances, the informal economy and the extractive acquisition of health services and tourism.

The role of civil society is not very well established in the BTI, even when its presence is more valued than its influence. In my view, in this aspect the BTI highlights only the most obvious: the role of the churches, without giving due weight to other more informal and independent actors, but which have had a strong impact on society. To mention a few, there are the groups concerned with racial issues, the role of women and freedom of expression. In terms of transformation, the churches have had a greater impact on group redefinition and ideological re-enchantment than on the redefinition of the social. Isolated groups, with no impact on the public, in front of marginalized groups but with greater impact on the State-society relationship.



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## Political Participation

Political participation scores 1 on the BTI scale: no participation. It is clear that the single party is a structural obstacle to citizen's participation in the public sphere and in the defining of its policies.

Here lies a slight contradiction in the BTI. How does one understand its recognition that on the issue of constitutional reform and later the referendum, there was some kind of citizen participation? First through discussion, the BTI highlights the participation of the churches and those of more than 30.000 Assemblies, and then in the vote of the referendum. Acknowledging the above supports the thesis that while there may be no political participation in a liberal sense, political participation within communist party-enabled institutions and spaces is possible. Is it true? I consider that it is not, but the BTI does not categorize this type of participation, which it nevertheless recognizes. Nor does it recognize the very meaning of the vote in the referendum to which it gives credibility to.

That the BTI is in a position to do so is demonstrated by a distinction, nothing important to the political system, although it is for the analysis of the political projection of citizens: a kind of principle of choice. When the BTI says that in Cuba there is the possibility of "choosing" in the National Assembly for A rather than for B, even if both are elected, it is establishing a major differentiation between vote and election. An important key to understanding electoral systems in single-party regimes.

Moreover, the BTI underestimates in its analysis the systematic effort of civil society -very visible since 2015- to be represented in the political system at the municipal level through independent candidacies. Evidence of democracy offered by the Cuban pro-democratic community.



**MOREOVER, THE BTI UNDERESTIMATES IN ITS ANALYSIS THE SYSTEMATIC EFFORT OF CIVIL SOCIETY, VERY VISIBLE SINCE 2015, TO BE REPRESENTED IN THE POLITICAL SYSTEM AT THE MUNICIPAL LEVEL THROUGH INDEPENDENT CANDIDACIES. EVIDENCE OF DEMOCRACY OFFERED BY THE CUBAN PRO-DEMOCRACY COMMUNITY.**

## The rule of law

Cuba does not meet the standards of the rule of law. The rating here is 1. But the BTI does not consider here what seems to me to be a major transformation in one of the essential elements for measuring the rule of law: openness in the constitutional law to individual rights: the corresponding de-ideologization on a day-to-day basis. It is true that it is more theoretical than practical in the de-ideologization of certain civil rights.



The rights of expression, assembly and association are no longer anchored in the character of the State. In the repealed Constitution, the 1976 constitution reformed in 1995 and 2002, these civil liberties were negatively defined in article 62. This article clearly stated that “none of the freedoms recognized by this Constitution can be exercised against the socialist character...”. In the Constitution of April (2019) nothing similar was found. The articles which recognize these rights are drafted as in any liberal Constitution and allegedly founded in the notion of the rule of law.

This transformation in the law may prove to be insubstantial. But firstly, it should not be for the BTI, which measures degrees of transformation. Secondly, it is essential to legitimize both the concrete exercise of these rights and the civil and political action of citizens. It allows, ultimately, for the constitutional interpretation to show the contradictions in the same Constitution between the political will of a party and the civic and political legitimacy of the citizens.

This contradiction is present in the data, in the concrete reality of Cuban society in recent years. Pro-government and politically recognized civil society meagrely externalizes this contradiction in its constant tension with the State. With churches it is more visible. But where this reality-conflict is organic is in the relationship between the state and the independent civil society. This is certainly not taken into account enough by the BTI.

The digital media sphere has become the civic space par excellence in Cuba. Its tension with the government follows in this new line of discontinuity between the political will and the constitutional legitimacy, less in that of constitutional illegitimacy of civil liberties for its anti-socialist exercise, as it was with the previous Constitution.

This analysis is linked to a possibility which the BTI reveals in its weighting of the rule of law: that of a system of counterweights (checks and balances) within the Cuban institutional system. This clearly raises the question of whether there can be a system of checks in power outside a liberal conception of the political system. In my view, there cannot, but to have division of functions and not of power in Cuba, makes it possible institutionally for the bodies responsible for certain functions in the State to act according to this induced perception. Over which they have a certain authority. The limit is political. But the contradiction is exploitable, which has been happening from the civil society. Not in sufficient quantities as to be measurable, but as a trend.



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The BTI weighs the recognized rights of the LGBTIQ+ community. And its different, better treatment since the 1960s as a significant advance. That is true. There are two momentums in this. That of society itself which, ahead and more prepared than the government, which opens and opens up to the social acceptance of difference. Then, the momentum of the State that expands its space of co-optation without changing the nature of the relationship with what is different. The discriminatory aspect of the State across the same, recognized community is contradictory and borders on an oxymoron: gays and lesbians yes, civil society no.

## **Stability of democratic institutions**

In this section there is not much room for analysis. There is no possibility of measuring the stability of institutions that do not exist. But intriguingly, an unexpected and unsuspected point is highlighted in the BTI report. For the Index, there is little clarity as to whether the dissident or opposition movement in Cuba follows its concept of a liberal democracy. Doubt is rare. Democratizing a totalitarian society could only be sought and attempted by assuming political liberalism. Then, the greatest tradition in Cuban civil society is the struggle for human rights, from which it could only be interpreted that civil society is liberal by default. Another thing is whether democratic attitudes are being measured according to behaviourism. What would obviously be very relevant to Cuba's totalitarian culture of over half a century.

## **Political and social integration**

In this section one point is highlighted that is never taken into account in reports on Cuba: the control of the security agencies over the State apparatus. This is a benefit of the BTI, as is often overlooked in analyses of Cuba. Let us say that this is our deep state, without which we cannot understand that rather than integration, we should call it political and social control.

This would allow for another element to be understood: statistics as a matter of "national security". No figure or data sociologically quantifiable in Cuba is disclosed if it is not approved by the intelligence services. The successive statistical blackouts in reports to international bodies are explained from this intelligence sieve, as well as the figures that are made available in relation to electoral participation, social census, racial ethnic composition, suicide rates, and others.

It is the international normalization of the political regime, which in turn normalizes its statistical regime. Normalization that always ignores the elephant in the room. After all, some data must be produced. Cuba is a member of the international community.



However, this should not inhibit other categories, less quantifiable and more qualitative when assessing Cuban reality. Aware that there is not enough sociological evidence to demonstrate support for the regime or any other social trend, the participation figures it provides are used as benchmarks. But are they credible? No. And the BTI offers an interesting concept for understanding the sociological processes generated from the State: ritualization of behaviour. In analytical perspective, it would be contrasted or be measured with another: behaviour deviation from the rite. Behind the ritual behaviour is masked the deep psychology and sociology of a society and the mechanisms of economic, social and police coercion that sustain the ritual. Within the deviation, these rupture trends appear that later allow us to understand why a society that did not seem ready for change does so abruptly, adapting quickly and easily to new codes.

The electoral reform has already been -within the period of analysis of the BTI- entirely regressive. A sign of how the State understands the dynamics of this ritualization/diversion mechanism to strengthen its control over the political process.

The new institutional organization born out of the new Constitution (Republic, Presidency, Prime Minister, Governorates, Intendancies at the municipal level) does not have popular sanction, neither in theory nor as a democratizing cover-up.

The political system of Cuba is closed, and the key to keeping it closed is by maintaining the Communist Party as the only party with "legitimacy" to perform the political will of the State. An added body and political value, supposedly founding (owner of sovereignty) and beyond the reach of citizenship. What is new here? Its self-defining as a single party. Representation changes its meaning: it is no longer the mandate received by the people, but the mandate that descends from a space outside the representative system. To the extent that no one chooses or votes for the Communist party -representation is vicarious. Like the Catholic Church.

And the new Cuban electoral law marks a significant setback in the de democratization of the vote.

The new electoral law, rather vague in important details, breaks a diverse space-time dynamic that theoretically allowed for some democratic differentiation at the most popular levels. Municipal elections, previously held every two and a half years, now join the five-year overall schedule at all levels of representation. It coincides with the votes at all levels. The democratizing symbolic effect of the local autonomy is lost, which further strengthens the embracing presence of the



**THE NEW ELECTORAL LAW, RATHER VAGUE IN IMPORTANT DETAILS, BREAKS A DIVERSE SPACE-TIME DYNAMIC THAT THEORETICALLY MADE A CERTAIN DEMOCRATIC DISTINCTION POSSIBLE AT THE MOST POPULAR LEVELS.**



Candidacy Commission (which is responsible for determining who is eligible for passive voting), not institutionally conceived for local elections but with an inevitable influence over the whole process.

The new electoral law does not keep the appearance of an electoral democracy. While the National Electoral Commission is permanent, an old demand from sectors interested in elections in Cuba, Law 127 (Electoral Law) strips the ratifying nature of the voting act within a closed and concealed process.

None of the four new figures created in the institutional organization chart go through the popular direct or indirect vote. Neither the President of the Republic, nor the Prime Minister, nor the Governorates nor the Intendancies (these are at the municipal level).

In an important instance, the new electoral law returns to pre-representative political forms: in provincial governorates. A clear regression and reversal because it is the President of the Republic who appoints the persons to office, leaving only the Provincial Assemblies the possibility of ratification. In the old electoral law, the President of the Provincial Assemblies (governors) were proposed by the elected members of each Assembly. And as the designated president Miguel Díaz-Canel himself acknowledges, all proposals for the Prime Minister and for the administration were discussed and endorsed in the political bureau of the Communist party.

This political disintegration is found again in a new social integration. The BTI recognizes this well when it describes Cuba's social capital which emerged outside and on the outskirts of the state, in the transnational family, the religious-based ties and in the private sector. This rethinks the very concept of solidarity which arises spontaneously from belonging to such groups and others, without the intermediary of trade. Unlike solidarity by compulsion of the State, where social obligation is coupled with monetary transaction. In this recovery of social capital and community solidarity, the recognition by the BTI of social capital preceding 1959 is interesting.



**POLITICAL PARTICIPATION DOES NOT INTEGRATE, AS SEEN FROM THE NEW ELECTORAL LAW, BUT STRUCTURALLY MOVES THE POSSIBILITY OF VOTING AWAY FOR HIGHER LEVELS OF POLITICAL POWER. A STRICTLY NEGATIVE REFORM THAT LEGALISES THE AUTOCRATIC SYSTEM.**



## **Economic transformation**

For the level of socioeconomic development, Cuba scores 5 on the scale to 10. Cuba is 73rd in the UN Human Development Index (HDI), above Colombia, Peru and Brazil, although the role wages play in determining this Index is unclear. I believe that the inclusion of these in the BTI analysis would impact the score in the Index. Let us add to this the role of access to hard currency in a double sense: as an exponential amplifier of inequality and as a distorter of national wealth.

Other data would be important such as unequal development between territories. The colonial internal model, with La Habana as the great metropolis to the detriment of other cities, should also be included in the considerations of socioeconomic development.

In this department, as the BTI outlines in some of its schemes, precision on socioeconomic development lacks reliable data. Data on public debt, external debt (although estimates have been revealed in recent years for the urgent investment demands), total debt servicing and others are missing. Always considering the sources of the most reliable global institutions; the World Bank, the International Monetary Fund, the World Economic Outlook and the Stockholm International Peace Research Institute, when talking about military spending.

## **Organization of the market and competition**

Cuba is not a market economy. The BTI points this out. It is not even moving towards a social market economy. The market remains a regulated one, with prices controlled and without stimulus to small and medium-sized enterprises. But, the principle of market economy is broad and rooted in the informal market.

And Cuba suffers several important distortions inhibiting it to organize –if it were in its interest –both the market and competition.

Multiple exchange rates do not allow the economy or the real value of money to be measured well, let alone the value of imports and exports. Because central bank reserves are set up largely to benefit foreign firms (which they cannot repatriate whenever they want) the stimulus to foreign private investment slows. Adding to the serious problem of debt repayment.

The BTI stops at the issue of the US embargo. It places it as one of the strongest external constraints on the Cuban economy, which I believe is relative, and defines the United States as the natural market for Cuba. But is the United States really the natural market for Cuba? Not in my view. What is the complementarity?





Geopolitical displacement distorted geostrategic complementarity. Cuba moving out of its hemispheric orbit meant more than a geopolitical move. It involved a geo-economic redefinition that restructured the foundations of the Cuban economy, decoupling it from the American economy. Sugar, the main export product to the United States, then had to be subsidised by the former Soviet Union because Cuban sugar production was already failing to meet the productivity criteria that connected it to the North American market.

Cuba not only changed its allies, it structurally modified its economy towards other concepts. Neither the Cuban basket of products, nor the technological compatibility, nor the structure of its markets, make the United States the natural market of Cuba. In economics, it seems that the natural begins to designate a space other than geographical contiguity or proximity. This has an important consequence on the only way that seems to make sense, and on what it is based, the naturalness of the relationship: trade and its costs.

Access to the US dollar and technology, where the embargo becomes meaningful and powerful because of the global presence of both elements, constitutes a contradiction as well as a marginal fact for an economy that has had the opportunity to neutralize other economic ties. And in effect it has them, clearly expressed in Cuba's heavy debt to the Paris Club, China, and other major economic actors.

The key to the United States in its relationship with Cuba should not be economic. And the unproductive investment in the Mariel region, west of La Habana, is evidence for this. The high cost of the lack of economic relations with the United States is and has been directly proportional to the high benefits of managing an extractive model in terms of national security.

In short, Cuba could not choose the Soviet model and claim a natural economic relationship with the United States. So far and so close.

The fact that Cuba's tariffs on international trade are low, 10, 2 according to the Most Favourite Nations (MFN) average, and that non-tariff constraints are extremely high is an indication of the lack of complementarity between the United States and Cuba. In addition to other structural problems in the financial world: distortions of multiple exchange rates, special groups, preferential exchange rates, poor banking system, analogue economy and other problems of equal dimension. How does one make this all compatible with the sophisticated US banking system, its capital



**CUBA NOT ONLY CHANGED ITS ALLIES, IT STRUCTURALLY MODIFIED ITS ECONOMY TOWARDS OTHER CONCEPTS. NEITHER THE CUBAN BASKET OF PRODUCTS, NOR THE TECHNOLOGICAL COMPATIBILITY, NOR THE STRUCTURE OF ITS MARKETS, MAKE THE UNITED STATES THE NATURAL MARKET OF CUBA.**



market, and its diverse and sophisticated lending system? Although Cuba has started issuing bonds to finance the deficit, it has done so with a singularity: banks and companies are obliged to buy it.

Since Cuba opened itself to tourism in the 1990s, and specifically to US tourism in the 2000s, it began to make sense to talk about the embargo because of its impact on the flow of tourists from this country. The re-naturalization of economic ties in this way increases the government's cash flow, but it does not necessarily translate to an improvement in the economy.

### **Monetary stability**

The BTI speaks relatively well of the monetary stability. With an expansive fiscal policy to offset the effects of negative growth. To anticipate the inflationary effects, no money is printed, but bonds are issued that Cuban banks were obliged to buy. However, this creates a financial bubble with higher inflation risks and discourages private sector growth.

However, multiple exchange rates make any statistical analysis near impossible, with the aggravation of these being established to favour some economic sectors over others.

The cutting of subsidies, a countercyclical fiscal policy, and low wages in the State sector, allowed the fiscal deficit to be manageable at a growth rate of 1.7 in the period 2010-2016.

In the end, a countercyclical policy combined with an expansive fiscal policy increased the government deficit to 12 percent on domestic output. This is for 2018. To this are added problems of financing, debt and very high taxation.

### **Private property**

The crown jewel of constitutional reform has been the recognition of private property, recognizes the BTI. This should mean that stimulus policies are unleashed on the fledging private sector which is on an equal footing with other forms of ownership.

This was not the case. The government's economic policy continued to put at the forefront what it calls socialist and State property over fundamental means of production. In terms of economic dynamics, however, this is nothing but a political containment rhetoric to justify State ownership over land and strategic assets such



**THE CUTTING OF SUBSIDIES, A COUNTERCYCLICAL**

**FISCAL POLICY, AND LOW WAGES IN THE STATE SECTOR, ALLOWED THE FISCAL DEFICIT TO BE MANAGEABLE AT A GROWTH RATE OF 1.7 IN THE PERIOD 2010-2016.**



as telecommunications, rail and ports. Data from the real economy says that State ownership of the fundamental means of production does not guarantee the Cuban economy: it feeds on three sectors, two for which –tourism and remittances– state ownership is at least shared. The other (the sale of medical services) ownership is not so much about means of production as it is about agents of services: medical and paramedical personnel. That is, the exploitation of human capital.

Indeed, in both agricultural production as in the economy of consumer services, the private sphere is more relevant than what is recognized in produced economic statistics. Eighty percent of agricultural products originated in Cuba come from 20% of the land in private hands. This includes tobacco production.

The main means of production are not the main means of wealth.



**EIGHTY PERCENT OF AGRICULTURAL PRODUCTS ORIGINATED IN CUBA COME FROM 20% OF THE LAND IN PRIVATE HANDS. THIS INCLUDES TOBACCO PRODUCTION. THE MAIN MEANS OF PRODUCTION ARE NOT THE MAIN MEANS OF WEALTH.**

## **Welfare system**

All of the above has an impact on the welfare system. The BTI contrasts the welfare system in the period of analysis and how the system in the 1980s. While in linear terms it is measurable, how income was distributed at one time and another, is misleading in structural terms. It suggests that the problem is one of economic productivity when the problem is the end of the atypical model of subsidizing a country. Even the levelling roles of education and culture suffer with the completion of this model. If access to these continues equalizing, the final effect on citizens will be actually be a dis-equalizing one.

## **Sustainability**

A relative recovery of the ecological footprint together with the high levels of education guarantees some economic sustainability: it cleanses the environment, favoured by the reorientation of the economy towards services, and enables the enhancement of Cuba's educational levels. Clearly dependent on the country's opening to services of individual or corporate initiative. If Cuba ranks third in the region in the United Nations Educational Index, after Argentina and Chile, and 22<sup>nd</sup> out of 133 in the BTI, Cuba's rank for R&D is insufficient in view of this educational level.

And it will continue to recede if Cuba does not speed up the fourth industrial revolution: the technological revolution, artificial intelligence, and the Internet of Things.



## **Governance**

Governance has a high level of difficulty. Economic problems hinder the quality of public policies. Assuming the government wants to, it cannot. But does the Cuban government understand governance? That is, does it want it?

The answers to both questions are negative. The absence of democracy and democratic will are, despite the difficulties and external constraints, the main obstacles to governance. A valid axiom could be drawn under the present circumstances: with more difficulties comes better governance. Provided that the necessary condition prevails: the will to co-government.

The incorporation of actors of the civil society, which the BTI sees more as networks than as associations, which is ultimately not a problem for governance, would facilitate the solution of many of the difficulties that economic deficits present.

## **Governance performance**

Low leadership capacity, excessive deployment of control; the first reveals another of the problems of governance. Its priority structure does not allow it. Power, not economic growth or development, is the top priority. That is why the plans are not executed. The 2011 Economic Guidelines have remained as another petrified monument to the inefficiency of government, just like the old five-year plans. The economy continues to perform, where it has some level of efficiency, as an economy of sampled success in which, as in laboratory experiments, it shows what could be created or produced under favourable conditions. Conditions that the government rightly refuses to create and that weaken governance.

The only goal achieved has been the constitutional reform. But as long as governance is within the limits defined, not necessarily opposing, of stability (governance) and reform, it cannot be reached. Which leads to strategic fault and failure of the regime.

## **Resource efficiency**

In this strategic disorientation, the government squanders the few resources available to the country. The effort, monetary resources and time spent as human capital, is not recovered, creating a cycle of planning, mobilization, investment and unproductivity that does not produce profits for the society or the government itself. The multi-million-dollar investment in tourism is a good example of strategic dissociation in the economic field that loses sight not only of external constraints, but also of the reorientation of tourism globally.



## Consensus building

With a score of 1, political logic does not favour consensus tools. The BTI provides as an example of consensus the debate around the term democracy and its inclusion, or exclusion, in the constitution. This discussion seemed to have a substrate that probably reflected a liberal understanding of democracy within some sector of the elite. We can't know for sure, but it would be the only interesting thing if this were the case. In fact, the regime has never had major problems with the rhetorical use of the concept. Its multiple interpretations have ensured its incorporation into the repertoire of the political and institutional language of the regime. In a number of places of the repealed Constitution, the term democracy was associated with socialism. However, rather than consensus as a decision-making process, a culture of pacts between groups on one-off consensus does seem to spring up. The Constitution itself reflects it in more than one article. The whole chapter on rights and guarantees of the Constitution appears for the first time to be de-ideologized. At the same time, the initial articles endorse the pre-democratic hegemony of the single party. This is more than consensus; it is the fruit of a pact.



**THE WHOLE CHAPTER ON RIGHTS AND GUARANTEES OF THE CONSTITUTION APPEARS FOR THE FIRST TIME TO BE DE-IDEOLOGIZED. AT THE SAME TIME, THE INITIAL ARTICLES ENDORSE THE PRE-DEMOCRATIC HEGEMONY OF THE SINGLE PARTY. THIS IS MORE THAN CONSENSUS; IT IS THE FRUIT OF A PACT.**

The extremes of this pact, reformist on the one hand, hard on the other, are balanced against what the BTI presents as a fear of abrupt regime change. How to settle and legitimize oneself in a new dynamic is a well-founded fear. The liquidation of the loyal and discursive opposition is the heterodox consequence of these fears of change. The mechanisms of co-optation of civil society and sectors of the Cuban community abroad is the enhanced response of modernization and adaptation.

The BTI reiterates in this chapter its doubts about the commitment of opposition groups to democracy. It is worth reiterating here what I expressed earlier: if the commitment to the International Charter of Human Rights was a benchmark there would be no doubt that civil society and the Cuban opposition have shown a great commitment to democracy. This is not typical of the exercise of power, but it has passed through the test of resistance to the exercise of power. In more positive terms, there is the experience of nomination of independent candidates for municipal elections that attests to a commitment to citizen scrutiny and to turn a voting system into an election process. Obviously, democratic conduct is a key test: how it is conducted and whether the opposition would be willing to be replaced. But this criterion is too ample and can be applied with negative evaluation, in emerging and in consolidated democracies.



## International cooperation

Gradual and selective insertion is what the government offers as international cooperation. But there is no philosophy of cooperation that requires going through integration into the international mechanism first. The Cuban government has been more concerned with inventing or inducing models of integration through which it then cooperates, than in cooperating in international organizations to which it does not integrate. Among other reasons to avoid scrutiny and binding commitments. The same applies to credit institutions or investors to which they accumulate millions in debt. Although at the heights of 2019 many creditors forgave part of the debt to the Cuban government, it still owes a significant amount, and in many cases, it is increasing it by the default of not having paid off the debt. It is a novelty that Cuba has signed agreements with the Development Bank of Latin America and that there is a debate in academic institutions around the rapprochement of representative global institutions.

But proof of non-cooperation is found in Venezuela, with its involvement in repression and its regional implications. A contradiction, on the other hand, to its role in Colombia's peace agreements.

## Strategic overview

The strategic landscape is not flattering. Cuba isolates itself and does not have strategic resources to profitably participate in the global fabric. Little credibility, weak competitive basket, technological backwardness, fragile commitment to the agreements in which it participates, and hostility from the United States do not generate a positive scenario for either the continuity of the political system or the economic take-off. Its allies are retreating, and only the old geopolitics remains in hopes of making a profit with the return of some version of the Cold War: the geopolitical comparative advantage.

## Cuba: BTI in comparative data

1. The status index remained above 4, between 2006 and 2018, and fell to 3, in 2020. A fall in economic and political transformation. This relates to the brake on economic reforms in 2016.
2. In the democracy status, we remain on 3 throughout all these years. It reflects that there are no democratic dynamics in Cuba. All countries, unbound, show democratic flows. Expression of the problems on the paths of democratic stability. In some there is even reversal.

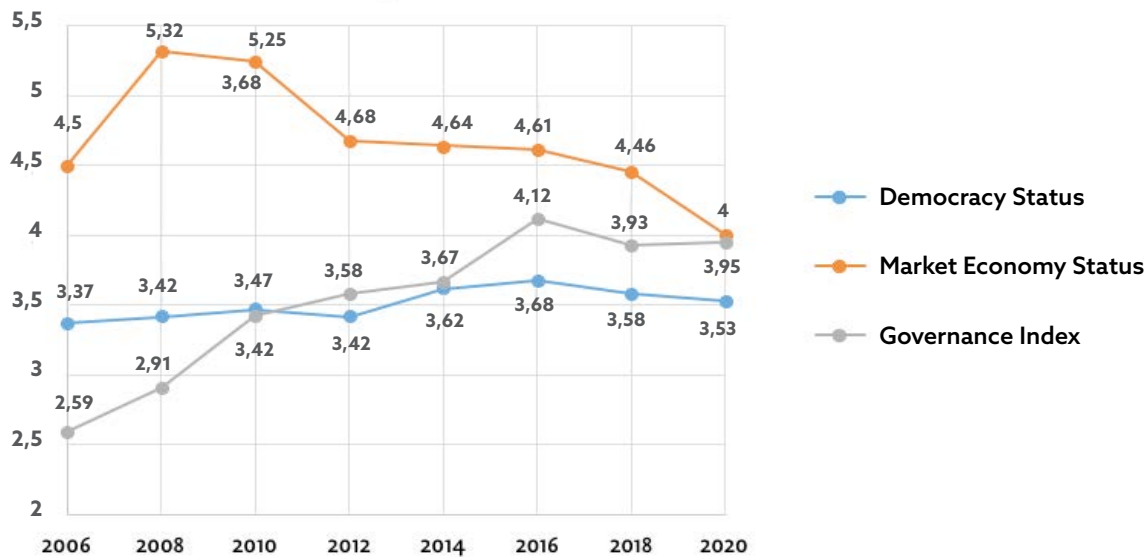


3. The stateness (condition + capacity to build State) is maintained above 9, although in 2020 it is at 9 exactly. Basic management makes the difference here, already noticeable in 2020 with a score of 7.
4. Political participation fluctuates and worsens in 2020. The indicator drop relates to the right of assembly and association (coinciding with short detentions). Freedom of expression improves but wrongly so, given the repression of independent journalists. Interestingly, between 2004 and 2016 the right to assembly seemed to improve.
5. With regard to the rule of law, civil rights seem to improve, but there is invariability in the democratic stability section, an indication that there is no democracy. In emerging states, we find a permanent swing with a clear trend toward decline or democratic consolidation, which is apparent later.
6. Interest groups are described in political and social integration. But there is no data for how many approve of democracy, which means there should be no data for those who approve of the government.
7. On the market economy indicator, the best scores are in 2008 and in 2010, with a score of 7.
8. Welfare regime declines in points. Relatively stable, from 7 to 8 in previous measurements and from 7 to 6 in 2020.
9. Economic performance: 2006 (5); 2008 (8); 2010 (7); 2012-2016 (5); 2018 (4); 2020 (3), despite tourism.
10. Governance Index at the 108th place in 2006 (2.59), in aftermath of Fidel Castro's government, to 102 in 2020, with Miguel Díaz-Canel (3.12). But we see that with a better score in 2016 (4.12), for example, we were at the 91<sup>st</sup> place. It means that other countries are already ahead of us in governance.
11. In civil society traditions, we went from 9 to 7 in 2020, curiously what altered the score is civil society participation (3 points).
12. There is no data in Cuba for the GINI coefficient, which measures inequality, but this does not seem to contradict Cuba's high-ranking position in the UN HDI.
13. The government's performance score is interesting: from 2.92 in 2006 to 4.95 in 2020. There is no substantial improvement, a Copernican inflection, in essential areas of performance: priorities, implementation and political learning.



14. In resource efficiency, we go from 3 to 5 (2006-2020). A mediocre performance that reveals that autocracy is not justified in legitimacy by efficiency.
15. In consensus building it rises from 3 to 4, but remains stable. The interesting thing is that if we score 9 in the tradition of civil society, we score 3 in the participation of civil society. A participation of such is below its capacity.
16. International cooperation: what it highlights most is the decline in 2020, with an improvement in the effective use of supports (3 to 6) but a decline in regional cooperation (6 to 5).
17. Rather interesting: Cuba is an autocracy with a status index of 3.93, failed as a model, but not as a state where it scores 10. From poor status as a market economy, with a Governance index of 2.59 (failed) and weak in all measurements/indicators of the political system: free elections (1), effective power to govern (1), rights to assembly and association (2), freedom of expression (2), separation of powers (1), civil rights (2) (see chart below for appreciation of the evolution lines of the index).

CUBA'S PERFORMANCE IN THE BTI 2006-2020







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## Conclusions

The Bertelsmann Transformation Index is an appreciated document. It indicates Cuba's slow return to global society, different from its recognition within the United Nations. Cuba is beginning to be comparable, which means it is starting to become transformable. The report, a comprehensive indicative study, allows us to understand ourselves through looking at variables, clearing up the confusion that Cuba's rhetoric always causes. In a way, it normalizes us but in the most important senses: in the insertion and in the movement.

It is important, moreover, that the approval from other countries and the study in perspective allows for a calm debate and understanding of the ways that can best lead to a profound structural transformation.

If my conclusion of this analysis is that Cuba is in a permanent State of democratic denial, then my perspective is that the final abreaction will lead to democracy in permanent consolidation.







CADAL is a private, non-profit, non-partisan foundation, whose mission is to promote human rights and international democratic solidarity.

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