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Chapter 19

In the Shadow of the Washington Consensus: Cuba's Rapprochement with Latin America in a World Going Unipolar, 1985-1996

The late 1980s and the early 1990s are often described as a period of great loneliness for Cuba. The retrenchment, and then the fall, of the Soviet Union deprived the island of its main ally. The US government's hostility towards the *Revolución* remained unwavering. Economically, the decline and collapse of the Eastern Bloc forced the Cuban economy into a period of adjustment that ended in the dramatic *período especial*. Despite the seemingly unstoppable advance of capitalism that marked those years, however, Cuba did not follow in the footsteps of the former Soviet Union and the other members of the Eastern Bloc. The Cuban government, led since 1959 by Fidel Castro, confirmed instead its commitment to socialism¹.

The Cuban anomaly seemed particularly striking in the context of the processes that had been taking place in the Western Hemisphere from the early 1980s on. Faced with deep financial crises, the major Latin American economies took a drastic turn towards unfettered capitalism. The US Treasury's participation in the process, as well as its powerful influence in multilateral organizations such as the International Monetary Fund (IMF) and the World Bank, made the US government's footprint on the economies of Latin America so heavy that the policies adopted by most governments in the region were soon known worldwide as the policies of the "Washington Consensus"². However, while the hegemonic role played by the United States in Latin America in the twilight and immediate aftermath of the Cold War cannot be seriously ques-

¹ On Cuba and the Cuban revolution: Richard Gott, *Storia di Cuba* (Milano: Mondadori, 2007 [New Haven: 2005]). Among the many biographies of Castro, see: Volker Skierka, *Fidel: A Biography* (Cambridge: Polity, 2006).

² John Williamson, "What Washington Means by Policy Reform", in *Latin American Adjustment: How Much Has Happened*, ed. John Williamson (Washington DC: Institute for International Economics, 1990), 7-20. Also: Jorge F. Pérez-López, "The Cuban Economy in the Age of Hemispheric Integration", *Journal of Interamerican Studies and World Affairs* 3 (1997), 3-47.

tioned, this essay argues that the Cuban government did not merely struggle to survive in the changing international economic and political conditions, but undertook a set of skilled diplomatic moves during the Latin American debt crisis and, somewhat surprisingly, managed to keep a certain degree of “soft power” for the island even during the hardships of the *período especial*.

I. In the Twilight of the Cold War

Cuba entered the 1980s with a certain political and economic dynamism, but in virtual isolation from most of its close neighbors. Politically, the Cuban government was playing an international role by acting as Chair of the Non-Aligned Movement and by maintaining its extensive military commitments to revolutionary movements in Africa. As far as the Western Hemisphere was concerned, however, the continuing ban from the Organization of American States (OAS) symbolized the solidity of the cordon sanitaire built by the US around the island in the early 1960s. Economically, the blockade established by the United States, and endorsed by most Latin American countries, was still in place. With the virtually lone exception of Mexico, no major Latin American country had substantial trade relations with the socialist island.

Nevertheless, Cuba still capitalized on its own strategic relevance in the global context of the Cold War, which had allowed it to gain from several favorable trade agreements with the Soviet Union, including, in particular, the exchanges of Cuban sugar and Soviet oil at subsidized prices. During the first half of the 1980s, Cuba’s economic performance was a striking exception in the Latin American landscape. Integration into the CMEA (the socialist camp’s Council of Mutual Economic Aid) had helped Cuba reach an average annual GDP growth rate of 6.7% from 1981 to 1985³. In the rest of Latin America, during those same years, the combination of large external imbalances (often connected to the energy crisis of the early 1970s) and the high interest rates imposed by the US Federal Reserve on international money markets had led instead to a virtual halt of economic growth⁴. Latin America’s total external debt, calculated at \$30 billion in 1970, reached \$331 billion in 1982 and grew to \$410 billion by 1987 (\$115 billion in Brazil, \$105 billion in Mexico, \$50 billion in Argentina, \$34 billion in Venezuela and \$20 billion in Chile)⁵. With free-falling currencies, inflation sky-rocketed and

³ C. Tablada, “Les nouveaux agents économiques dans une société socialiste (Cuba)”, in *Cuba, quelle transition?*, ed. Aurelio Alonso Tejada (Paris: L’Harmattan, 2001), 27-49: 32.

⁴ Latin American GDP had grown at an average of 5.7% from 1961 to 1970 and 6.0% from 1971 to 1980: Inter-American Development Bank, *Economic and Social Progress in Latin America: 1985 Report* (Washington DC: IDB, 1985). More generally: John Ward, *Latin America: Conflict and Development since 1945* (London: Routledge, 1997), 13-20.

⁵ Data reported in Rudi Dornbusch, “The Latin American Debt Problem: Anatomy and Solutions”, in *Debt and Democracy*, eds. Barbara Stallings and Robert Kaufman (Boulder: Westview, 1989), 7-22: 12.

production fell. By the beginning of 1987, overall Latin American GDP was 6.5% below 1980 levels. In the same period, real consumption fell by 8% in Brazil and Mexico, 14% in Peru and 17% in Argentina and Chile⁶.

The phrase “Washington Consensus” did not simply hint at the US involvement in the debt crisis but also indicated a discernible set of privatizing and laissez faire-oriented measures that Latin American governments had to undertake in order to enter new agreements for debt-financing and debt-rescheduling with private creditors, foreign governments and international institutions⁷. Such policies were extremely harmful from a social standpoint. The costs of adjustment often weighed more on employed workers than on other social groups, while the concluding sales of public industries often provided comfortable profit opportunities to part of the local elite and to foreign investors (at the same time, they guaranteed the flow of repayments to foreign commercial banks and other lending institutions)⁸. However, since it was consistent with classic liberal assumptions, it was officially assumed that, in the longer term, the “magic of the marketplace” would provide a more efficient allocation of resources with beneficial effects for the greater majority of the population⁹.

In most of the countries involved in the debt crisis, the early phase of structural adjustment was managed by authoritarian regimes, who often assisted in keeping opposition down¹⁰. Even as new parliamentary regimes entered the scene by the mid-1980s, little changed in government approaches to debt negotiations. In countries where the transition towards parliamentary democracy occurred under close military control (Brazil, Argentina, Uruguay and Chile), the civilian leaders that guided the transitional governments were often carefully selected from conservative technicians that would not challenge the existing understandings between the outgoing military elite and international financial centers¹¹. But even when the transition allowed wider room for political maneuvering, new leaders often campaigned

⁶ Data reported in Howard Handelman and Werner Baer, “Introduction: The economic and Political Costs of Austerity”, in *Paying the Costs of Austerity in Latin America*, eds. Howard Handelman and Werner Baer (Boulder: Westview, 1989), 2-15.

⁷ For a critical approach, see: David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005).

⁸ The debate over the outcomes of such policies is analyzed in Donald Huddle, “Post-1982 Effects of Neoliberalism on Latin American Development and Poverty: Two Conflicting Views”, *Economic Development and Cultural Change* 4 (1997), 881-97.

⁹ See, for example, President Reagan’s remarks: “Responses to Questions Submitted by Latin American Newspapers”, 30 November 1982, in University of California at Santa Barbara, *The American Presidency Project* on-line (APP), www.presidency.ucsb.edu (cited 25 March 2008).

¹⁰ This was acknowledged in CIA, National Intelligence Estimate, “Brazil: prospects for the regime”, 25 April 1984, secret; CIA, National Intelligence Estimate, “Chile: prospects for a democratic transition”, 1 December 1985, secret. Both documents are in Central Intelligence Agency, *Freedom of Information Act* on-line (CIA-FOIA), www.cia.foia.gov (cited 25 March 2008).

¹¹ For an in-depth appraisal of this point, see the contributions collected in: Stallings and Kaufman, eds., *Debt and Democracy*.

against the harsh conditions attached to the financial packages, only to end up accepting them shortly after taking office. Relative bargaining weakness, a seeming lack of alternatives and true admiration for what then seemed the miracle of “free market” policies in the US and some developing countries (namely South Korea), often combined with the lures of tangible personal advantages (which sometimes translated into sheer corruption) to determine the new leaders’ adherence to the Washington Consensus. In a complete reversal of the development strategies followed in previous decades, privatizing state-owned companies, reducing tariffs, eliminating controls on flows of capital and limiting the bargaining power of unions all came to be seen as the primary tools to re-launch exports and repay debts.

Protests and revolts against the deteriorating living conditions did take place in several countries. *Vis-à-vis* the creditors, the main Latin American debtors also threatened to enhance their bargaining position by joining in the “Cartagena Consensus” to denounce the political, and not simply economic, nature of the debt problem¹². The newly elected president of Peru, Alan García, unilaterally declared that his country would limit debt repayment until after the domestic recession had been overcome¹³. The Catholic Church, an influential player on the Latin American field, questioned the morality of the policies of the Washington Consensus¹⁴. However, whereas there were minor changes in the modalities in which the US-sponsored model of economic adjustment was promoted and applied, its basic philosophy remained unchanged throughout the period¹⁵. Governments kept divesting public sectors and cutting social expenditures, even though this frequently meant selling off the most strategic industries (including the water supply in Bolivia’s case) to (often foreign) private companies and creating wide areas of poverty. According to World Bank data about the region, apart from variations, inequality peaked, malnutrition grew and by 1996, a third of Latin Americans were living on less than two dollars a day (from a mere 11% in 1969)¹⁶.

¹² Judith Teichman, “The World Bank and Policy Reform in Mexico and Argentina”, *Latin American Politics and Society* 1 (2004), 39-74.

¹³ Eduardo Ferrero Costa, “Peruvian Foreign Policy: Current Trends, Constraints and Opportunities”, *Journal of Interamerican Studies and World Affairs* 2 (1987), 55-78.

¹⁴ Pontifical Justice and Peace Commission, “An Ethical Approach to the International Debt Question”, *Origins* 34 (1987), 601-611.

¹⁵ In the early 1980s, in particular, the US government refused to commit federal resources to debt-rescheduling plans, which not only forced Latin American countries into faster adjustment and a worse bargaining position but also made payments to creditor banks more difficult. Eventually, with the so-called “Brady Plan” of 1989 (from the name of then Secretary of the Treasury William Brady) the US agreed to guarantee private loans to indebted countries. What did not change throughout the years was the “tight conditionality” that was attached to the financial packages. On this, see: Secretary of the Treasury Regan to Reagan, “Results of the 1983 WB/IMF Annual Meetings”, 6 October 1983, Confidential, Ronald Reagan Presidential Library, Simi Valley, USA (RRL), Executive, Secretariat NSC, Subject File, box 42, IMF.

¹⁶ Huddle, “Post-1982”, 886-887.

2. The International Politics of the Debt Crisis: Cuba and Latin America

Beneath the surface of Washington's growing economic and political influence in Latin America, the Latin American debt crisis offered Fidel Castro the first serious opportunity in years to pull Cuba out of regional isolation. In March 1985, in an interview with the Mexican newspaper *Excelsior*, the Cuban leader began what would soon appear to be a relentless campaign against the political implications of "orthodox" foreign debt management¹⁷. Castro invited Latin America to unite and repeal the external debt. Neither of the two objectives could be deemed alien to "socialist internationalism", but both the regional focus and the arguments used seemed to mark a perceivable shift in the form, if not the substance, of Castro's foreign policy. The March interview was not just a one-off: Castro made Latin American debt the main focus of his foreign policy speeches for months¹⁸. The Cuban leader outlined three sorts of reasons why it was "impossible" to pay the debt. Economically, the size of indebtedness was simply too large to be offset so that, by analogy with what is prescribed in most domestic legal codes, the burden of losses from bad investments should have been shared between debtor and creditor. Politically, it would have been impossible for most governments to squeeze the living conditions of their citizens further without provoking rebellions and revolts, which Castro did not appear to desire in that phase. Morally, Latin America had already paid enough to the wealthy North, first through colonial exploitation and more recently through "neo-colonialism"¹⁹. Castro presented his solution in rather conciliatory terms, explaining that it would "not harm the international financial system". In order to avoid global financial collapse from the sudden repeal of the debt, the líder máximo suggested that, rather than having the new Latin American democracies pay for the debts incurred by their authoritarian predecessors the federal US government should cut its defense budget and devote the amount saved to repay the creditor banks²⁰.

Castro's reasoning was purposely provocative but far from improvised. The Cuban government prepared the campaign carefully by arriving quickly at an agreement with its Western European creditors on its own outstanding \$2.9 billion debt to show that it was not acting out of any immediate self-in-

¹⁷ Castro's speeches and thoughts on the debt crisis are collected in: Fidel Castro, *La deuda externa* (La Habana: Editoria Política, 1989). On the Cuban anti-debt campaign: Philip O'Brien, "'The Debt cannot Be Paid': Castro and the Latin American Debt", *Bulletin of Latin American Research* 1 (1986), 41-63. More generally: Michael Kline, "Castro and 'New Thinking' in Latin America", *Journal of Interamerican Studies and World Affairs* 1 (1990), 83-118.

¹⁸ Joseph Treaster, "Castro's Modest Proposal", *New York Times*, 25 August 1985.

¹⁹ Castro, *La deuda externa*, 46-58, 59-62 and 88-97.

²⁰ Jim Hoagland, "Conversation with Castro. Marathon Session: Castro Talks Economics, Not Revolution", *The Washington Post*, 3 February 1985.

terest²¹. It also complemented the rhetoric offensive by hosting a large continental meeting “against the debt” in Havana in August 1985. Although only a few governments sent official delegations, the success in terms of affecting public opinion was huge. More than one-thousand delegates from NGOs, workers unions, religious groups, political parties and even a few corporations arrived in the Cuban capital from all over the continent at the expense of the Cuban government²². Debt relief made its way into the discussions of the Latin American people, if not into those of their governments.

The lack of unity among Latin American governments was abundantly displayed by the poor coordination of the Cartagena group²³. Some Latin American leaders even showed annoyance at Castro’s campaign. Yet, diplomats from the same countries that publicly criticized the Cuban effort confessed to reporters that most leaders were “privately delighted” by Castro’s stance, which improved their bargaining position with creditors (although governments were interested in having better conditions for rescheduling, rather than repealing the debt altogether)²⁴. In the words of one reporter: “emotionally they all agreed with Castro”²⁵.

As noted by the New York Times columnist Tad Szulc in an article significantly entitled “Cuba’s Emergence, America’s Myopia”, the widespread perception in the Latin American public opinion was that President Reagan “did not care about their awesome economic crisis, [while] Fidel Castro did”²⁶. The Cuban anti-debt campaign did not go completely unheard in Washington. Indeed, some commentators have established a link between the Cuban diplomatic offensive and the need for the US administration to present the so-called “Baker Plan” in 1985, which recognized the global nature of the debt problem and committed substantial amounts of fresh money to the World Bank (an action the US government had previously refused to take)²⁷. From Cuba’s standpoint, however, the only practical short-term consequence of the campaign was the hardening of Reagan’s resolve to crush the island economically²⁸.

²¹ Roger Lowenstein, “Cuba Is in Good Standing With Bankers Despite Castro’s Talk of Canceling Debt”, *The Wall Street Journal*, 30 July 1985.

²² Joseph Treaster, “Cuban Meeting Stokes Emotions on Latin Debt”, *New York Times*, 1 August 1985.

²³ US officials were well informed about the inner weakness and divergences in the Cartagena consensus even before they emerged publicly: (NSC staffer) Mulford to Interagency Group on International Debt, “A Meeting of the IG”, 19 September 1984, confidential, RRL, Executive Secretariat NSC, Subject File, box 42, IMF.

²⁴ Treaster, “Cuban Meeting”.

²⁵ Joseph Treaster, “Castro Builds relations with South America”, *New York Times*, 19 May 1985.

²⁶ Tad Szulc, “Cuba’s Emergence, America’s Myopia”, *New York Times*, 5 May 1985.

²⁷ Catherine Gwin, *US Relations with the World Bank 1945-92* (Washington DC: Brookings, 1994), 38-45.

²⁸ See: National Security Decision Directive no. 235, “Strengthening US Policy Toward Cuba”, 18 August 1986, secret, in Federation of America Scientists, National Security Decision Directives on-line, www.fas.org/irp/offdocs/nsdd/index.html (cited 25 March 2008).

It was in the longer run that the anti-debt offensive represented an unprecedented opportunity for Cuba, allowing it to slowly find new interlocutors—some of them, such as the Catholic Church, inconceivable in earlier times—and, most importantly, to regain a recognized position in the community of the Latin American states. Castro's struggle for debt relief and regional cooperation coincided with the return to civilian rule in most of the continent. In that context, Cuba gained diplomatic recognition and reopened trade contacts with most of its Latin American neighbors after more than two decades. Throughout 1985, León Febres-Cordero Rivadeneira of Ecuador was the first democratically elected president of a Latin American country to visit Cuba, while Raúl Alfonsín, the centrist president of Argentina, and Julio María Sanguinetti, the conservative elected president of Uruguay, reopened trade relations with Cuba. Brazil followed shortly thereafter in 1986²⁹. By 1989, all but three Latin American countries (Chile, Paraguay and Colombia) maintained regular diplomatic relations and incipient trade flows with Cuba. It goes without saying that these mutual openings did not constitute a reversal of policies and alliances in the southern half of the hemisphere. Certainly most of the Latin American leaders who reopened relations with Cuba were staunch followers of the Washington Consensus in their countries and could hardly be depicted as supporters of the Cuban government. Nevertheless, Cuba's offensive on debt did capitalize on the need that most governments had, in a period of dramatic weakness, to show at least some independence from the United States. As instrumental as the rapprochement might have been, it was a major breakthrough for Cuba's diplomacy.

3. The International Politics of the *Período Especial*

Although relatively immune to the economic turmoil of its neighbors, Cuba was extremely vulnerable due to its dependency on the Eastern Bloc. By 1986, trade with CMEA countries had grown to cover an unprecedented 85% of total Cuban foreign trade: 98% of the fuel, 50% of the calories and 57% of the proteins consumed in the country came from CMEA sources³⁰. Starting in 1985, however, the new general secretary of the Soviet Communist Party, Mikhail Gorbachev, accelerated moves to reduce the "imperial" commitments undertaken by his predecessors, partly in response to the challenging economic situation. More-realistic prices were to be set for sugar imports from and oil exports to Cuba, in line with the tenets of perestroika. Political considerations accompanied economic ones. From Moscow's "new thinking", which stressed complementing

²⁹ Roger Lowenstein, "Cuba's Castro Finds Friends in Region By Urging West to Pay Off Latin Debts", *The Wall Street Journal*, 23 May 1985.

³⁰ Tablada, "Les nouveaux", 39.

rather than competing with the West, the Caribbean island's strategic significance diminished significantly for the Soviets³¹. Bilateral contracts were renegotiated and eventually the flow of commodities came to a virtual halt with the end of the Soviet state. As Boris Yeltsin hauled the red flag down from the Kremlin in December 1991, the new Russian leadership ended all relevant economic and political relations with socialist Cuba.

After his first meeting with Gorbachev in Moscow in March 1986, Fidel Castro had been extremely critical of perestroika and declared that he did not want to be involved in it³². However, given Cuba's dependency on the Soviet Union, non-involvement was hardly possible. Cuba's economy had to adjust. The first step was the "readdressing of mistakes" (*Política de rectificación de errores*), which diverted investments from inefficient sectors towards tourism, pharmaceuticals and construction, while still aiming to strengthen and rationalize the centrally-planned economy³³. Much more radical changes would occur after Castro's second meeting with Gorbachev, which took place in Havana in April 1989, only seven months before the fall of the Berlin Wall.

In January 1990, faced with the global retrenchment of the Soviet Union, Fidel Castro spoke of the need for Cuba to enter a "special period in peacetime"³⁴. The months that followed formed the most dramatic period for the Cuban economy after the *Revolución*. Between 1990 and 1993, Cuban foreign trade plummeted by 70%. Since most of the imports from CMEA were in strategic raw materials and spare parts for industrial plants, the resulting scarcity ignited a chain of economic shortages. Annual sugar production was halved, while the end of Soviet subsidies coincided with dropping prices in international markets. Cuban GDP dropped by nearly 30% in three years³⁵, energy consumption was cut by half³⁶ and by 1996 the Cuban calorie intake had fallen 27% below the level in 1990³⁷.

³¹ On *perestroika* and "new thinking" in Gorbachev's foreign policy: Vladislav Zubok, *A Failed Empire. The Soviet Union in the Cold War from Stalin to Gorbachev* (Chapel Hill: University of North Carolina Press, 2007), 265-302; Danuta Paszyn, *The Soviet Attitude To Political And Social Change in Central America, 1979-1990* (New York: St. Martin's, 2000).

³² Bill Keller, "Gorbachev-Castro Face-Off: A Clash of Style and Policies", *New York Times*, 2 April 1989.

³³ Tablada, "Les nouveaux", 36-38.

³⁴ Gott, *Storia*, 335-349.

³⁵ Jorge I. Domínguez, "Cuba's Economic Transition: Successes, Deficiencies, and Challenges", in *The Cuban Economy at the Start of the Twenty-First Century*, eds. Jorge I. Domínguez, Omar E. Pérez Villanueva and Lorena Barberia (Cambridge, MA: Harvard University Press, 2005), 17-48: 19 and 20.

³⁶ Omar E. Pérez Villanueva, "The Cuban Economy Today and Its Future Challenges", in *The Cuban*, eds. Domínguez, Pérez Villanueva and Barberia, 49-89: 65 and 76.

³⁷ Statistics of the Havana-based *Centro de Investigaciones de la Economía Mundial*, cited in Domínguez, "Cuba's Economic", 43.

Commentators wrote daily about the imminent collapse of Cuban socialism under the pressure of the dramatic economic crisis³⁸. US intelligence advanced their hypothesis that “the deterioration of the Cuban economy [would have] further undermined Castro’s legitimacy” and that there was “a better than even chance that Fidel Castro’s government would fall within the next few years”³⁹. Certain episodes were seen as confirmation of such forecasts (for example, in August 1994 when disputes erupted in Havana’s harbor, forcing Castro himself to engage in lengthy talks with an angry crowd of youth who saw few opportunities on the island)⁴⁰.

In this situation, the US government and Congress actively sought to exploit the economic crisis in order to put an end to the Cuban anomaly. Under heavy lobbying from the Cuban-American National Foundation, the Congress passed the Cuban Democracy Act of 1992, also known as the Torricelli Act, and the Cuban Liberty and Democratic Solidarity Act of 1996, also known as the Helms-Burton Act, which limited family contacts, virtually terminated all trade between the two shores of the Florida Strait and established before US courts the extra-territorial suitability of foreign companies doing business in Cuba⁴¹. Furthermore, Washington-based international financial institutions denied loans to Cuba⁴².

Given these conditions, an economist of the Havana-based *Centro de Investigaciones de la Economía Mundial* observed some years later in a display of the Cuban sense of humor that, with virtually no access to foreign credit, the socialist island had undergone, during the *período especial*, the only true “classical” economic adjustment. International prices had increased, the external deficit had soared and domestic consumption had been curtailed to offset the loss in purchasing power⁴³. However, the way in which this adjustment was carried out radically distinguished Cuba from the rest of the continent.

³⁸ The most-quoted incorrect prediction on the imminent collapse of Cuban socialism is Andrés Oppenheimer, *Castro’s Final Hour* (New York: Touchstone, 1993).

³⁹ Respectively: National Intelligence Council, “Soviet Assistance to Cuba: New Estimates for 1986-90 and Outlook”, 9 September 1991, secret; and CIA, National Intelligence Estimate, “Cuba: The Outlook for Castro and Beyond”, 1 August 1993, secret. Both documents are in the CIA-FOIA database. The only CID/Gallup poll carried out in Cuba during the *período especial* found that, in 1994, roughly 69% of Cubans considered themselves revolutionaries, socialists or communists and 58% thought that the revolution had comparatively more achievements than failures: Peter Roman, *People’s Power: Cuba’s Experience with Representative Government* (Lanham: Rowman & Littlefield, 2003), 144.

⁴⁰ Geraldine Lievesley, *The Cuban Revolution: Past, Present and Future Perspectives* (Gordonsville: Palgrave, 2004), 161-6.

⁴¹ See: Stephen Lisio, “Helms-Burton and the Point of Diminishing Returns”, *International Affairs* 4, *The Americas: European Security* (1996), 691-711; and Julia Sweig, “Fidel’s Final Victory”, *Foreign Affairs* 1 (2007), 5-13.

⁴² Jorge I. Domínguez, “U.S.-Cuban Relations: From the Cold War to the Colder War”, *Journal of Interamerican Studies and World Affairs* 3 (1997), 49-75.

⁴³ Osualdo Martínez Martínez, “Cuba dans le contexte de l’économie mondiale”, in *Cuba*, ed. Alonso Tejada, 167-179: 174.

The Cuban leadership sought to quickly work out a “socialist” way out of the deep economic crisis. Although tourism was immediately identified as the most promising source of hard currency, the long-held suspicion towards external partners and the objective lack of consolidated relations with non-socialist countries initially led to an attempt to maintain the external balance by reducing consumption alone and concentrating the small amount of hard currency available on strategic imports⁴⁴.

Additional radical measures were undertaken after 1993. Carlos Lage, a former pediatrician who became Cuba’s economic czar, legalized the ownership and use of the US dollar while seeking foreign investments in joint public-private ventures (in tourism and other selected industries) where the Cuban state would hold at least 51% of the ownership. Domestically, Lage moved on to diversifying agriculture and partially deregulating self-employment for small-scale economic activities while allowing rural cooperatives to sell their surplus products in town markets. He also introduced taxation, with a heavy emphasis on private activities⁴⁵.

The development of these measures was a series of (sometimes confusing) stops and gos that would last well into the first decade of the 21st century, when many Cuban economists – not to mention their foreign counterparts – continued to debate the appropriate balance between private, cooperative and public control over economic activity⁴⁶. Although it was not conceived as a first step towards capitalism, nor as a way to change the basic orientation of the Cuban welfare-state system (even with all its economic “inefficiencies”), this second wave of adjustment policies did imply a larger degree of opening up to the once-abhorred market tools and a greater shock to Cuba’s social organization. Though the economy did eventually rebound (GDP growth averaged 3.6% between 1994 and 2001)⁴⁷, the

⁴⁴ Cuban economists reported a 31% fall in consumption from 1990 to 1993, with a 7% decline in social and government spending and a 39% drop in private spending. See: Viviana Togores and Anicia García, “Consumption, Markets, and Monetary Duality in Cuba”, in *The Cuban*, eds. Domínguez, Pérez Villanueva and Barberia, 245-295: 247.

⁴⁵ Domínguez, “Cuba’s Economic Transition”, 25-30.

⁴⁶ After the end of the Cold War, debating the prospects of the Cuban economy has been a widely practiced activity outside Cuba. Forecasting and prescribing, however, has largely prevailed over analyzing and describing. A compendium of this type of work can be found in Carlos Mesa-Lago and Jorge F. Pérez-López, *Cuba’s Aborted Reform: Socioeconomic Effects, International Comparisons and Transition Policies* (Gainesville: University Press of Florida, 2005). In contrast, while during the 1990s most Cuban economists shifted away from the ideological Marxism and statism of previous decades, their work did not abandon a basic orientation towards an economic system based on social solidarity. See Fernando Martínez Heredia, “Izquierda y marxismo en Cuba”, *Alternatives Sud*, 3 (1996); and Anthony Maingot, “Epistemic ‘Organic Intellectuals’ and Cuba’s Battle of Ideas”, Florida International University, Cuban Research Institute Report no. 4, 26 May 2007 (available on-line at <http://cubainfo.fiu.edu/CubaContext/Reports/Maingot4.swf>).

⁴⁷ A complete set of data on Cuba’s recent economic performance is in Omar E. Pérez Villanueva, “Economía y Nivel de Vida en Cuba: Avances y Retos”, paper presented at the conference *Governance and Social Justice in Cuba: Past, Present and Future*, Mexico City, 21-22 April,

firmly egalitarian society of the 1960s and 1970s was deeply shaken by the creation of tangible economic differences between those that could access foreign currencies (through tourism and foreign remittances) and those that could not⁴⁸. At the same time, in a well-publicized report of the mid-1990s, the UN Economic Commission for Latin America and the Caribbean (CEPAL) emphasized that “given the size of the external shock, the policies of adjustment [in Cuba] has been relatively low [...] in comparison with other Latin American economies”, attributing such an outcome to the “orientation towards solidarity” of the Cuban social context⁴⁹.

4. Concluding Remarks

The rapprochement with the Latin American countries did not end with the beginning of Cuba’s economic troubles. On the contrary, those years saw the consolidation of the Cuban government’s institutional links with most Latin American countries and ties with the progressive movements of the continent. In 1987, eight Latin American countries pushed for Cuba’s re-admission into the Organization of American States for the first time⁵⁰. The attempt was unsuccessful, but in August 1989 the Latin American countries contributed to the election of Cuba as a non-permanent member of the UN Security Council⁵¹. In 1991, notwithstanding US critiques made to the Mexican organizers, Fidel Castro was the uncontested star at the Ibero-American summit, which brought together the heads of state and government of all Latin American countries, plus Spain and Portugal⁵². Precisely when US pressures for Cuba’s domestic change were intensifying, the Latin American governments turned their traditional abstentions into votes against the US blockade in the UN General Assembly, causing total votes against the blockade to jump from 59 to 101 between 1992 and 1994. At the same time, the Cuban way out of the crisis, with virtually no budgetary cuts to health care, education and social security, confirmed – or even increased – the country’s attractive-

2005 (available on-line at Canadian Foundation for the Americas, www.focal.ca/pdf/everlenny.pdf).

⁴⁸ See, Mayra E. Prieto, “Social Effects of Economic Adjustment”, in *The Cuban*, eds. Domínguez, Pérez Villanueva and Barberia, 209-43: 219 and 221. Nevertheless, in 2003, according to a World Bank study, Cuba remained the least unequal country in Latin America by far: World Bank, “Inequality in Latin America & Caribbean: Breaking with History?”, 2003 (available on-line at <http://wbln0018.worldbank.org/LAC/LAC.nsf/ECADocByUnid/4112F111>).

⁴⁹ CEPAL, *La economía cubana. Reformas estructurales y desempeño en los noventa* (Santiago: CEPAL, 1997), 15-6. Cuba constantly ranked among the “high human development” countries in the yearly publications of the United Nations Development Program (UNDP): UNDP, *Lo sviluppo umano. Rapporto 2007-08* (Torino: Rosenberg & Sellier, 2007), 287-95.

⁵⁰ Larry Rohter, “8 Latin Chiefs Urge Cuba Role in Their Region”, *New York Times*, 29 November 1987.

⁵¹ Paul Lewis, “Cuba Is Elected to the UN Security Council”, *New York Times*, 9 August 1989.

⁵² Mark Uhlig, “All Eyes on Cuba at Ibero-American Summit”, *New York Times*, 18 July 1991.

ness, especially in the Latin American context, as a socio-economic model different than the prevailing one. Latin American leftist leaders renewed their interest for the revolutionary island and often paid official visits to Havana⁵³. All of this was not enough for Cuba to avoid the hardships of the *período especial*. Yet, the record of the period stretching from the half of the 1980s to the half of the 1990s indicates that the Cuban government was able, for the first time since the *Revolución*, to enter a significant network of regional relations right at the height of the policies and ideology of the Washington Consensus.

⁵³ Luiz Ignacio "Lula" da Silva (elected Brazil's President in 2002 and confirmed for a second term in office in 2006) visited Havana in 1989 as a union organizer and presidential candidate. Hugo Chávez Frías (elected Venezuela's President in 1998 and confirmed for new terms in office in 2000 and 2006) was welcomed in the Cuban capital with military honors in 1994.