

## TRANSCRIPT

# "CUBA'S CHANGING ECONOMY: CHALLENGES AND OPPORTUNITIES"

*A Conversation With Uwe Optenhoegel*

*Moderator: Katrin Hansing*

### **ANNOUNCER:**

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### **HELOISA GRIGGS:**

I'm Heloisa Griggs from the Latin America program. And I'm going to get us started and do a brief introduction of Katrin Hansing who will be moderating and taking over shortly-- and is in our Brussels office. And we also have-- we're-- we're in new-- I'm in New York along with several others.

And then we also have folks from D.C. This is the first-- event of the Cuba series which is cosponsored by the fellowship program, the ideas initiative and the fellowship program and the Latin America Program. Dr. Katrin Hansing who-- will be moderating today's session-- has extensive experience-- on-- involving Cuban society in-- in a broad range of issues-- including human rights, youth, race and gender.

And she is working with Open Society Foundations as a consultant to help us think through what the potential role-- and value added of the foundations might be-- with respect to Cuba going forward. And as part of that she has-- is designing this series of events-- which we'll be holding over the coming months-- and will be moderating today's session. And with that, Katrin, you wanna get us going?

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## KATRIN HANSING:

Sure, well, good evening and-- or afternoon to our-- our-- audience on the other side of the Atlantic-- and welcome to our first event on Cuba-- for this series. It is my pleasure to be my moderator-- of this event-- which will be focusing on the Cuban economy. Now as you-- probably all know in 2006 Fidel Castro-- former president of Cuba was replaced by his brother Raul.

And although that change in leadership hasn't brought any real political changes yet on the island-- Raul recently undertook-- or introduced rather a sweeping set of economic social reforms and to-- a little extent also some political reforms.

Now whether these reforms will actually be-- pull the country-- out of its deep, deep crisis is-- is yet to be seen. But what is certain is that Cuba and particularly Cuban society is undergoing the most significant changes at the moment since the 1959 revolution. And to help us better understand the state of the Cuban economy-- as well as the rationale that you are-- for the economic reforms-- and their impact on Cuban society we've invited Dr. Uwe Optenhoegel from the Friedrich-Ebert Foundation. Uwe was the director of the Friederich-Ebert Foundation's-- Cuba office from 2009 to June 2013 i.e. very recently.

And during this time he worked very closely with some of the key I would say architects-- economic architects of these reforms. He also-- worked closely to some of the leading actors in-- in the government and in civil society. He's-- not only an expert on the economy but I would say also on wider Cuban issues.

It is also perhaps worth mentioning is the Uwe was the director of the-- Department for Central and European-- Eastern European-- or eastern Europe rather at the foundation during the 1990-- '90s. That brings with him a wealth of experience-- on transition economies and-- societies which will be interesting for this discussion. He is now the foundation's director here in the Brussels's office. And it is my pleasure and honor to welcome Uwe as our first speaker-- of this series. I'd like to jump in right away and-- and ask Uwe to basically-- give us sort of a brief maybe historical overview of the Cuban economy-- as well as the state of the economy-- at the moment and thus also the rationale for-- for these economic reforms.

## UWE OPTENHOEGEL:

Yeah, thank you, Katrin for your kind invitation. Hello to everybody. (CLEARS THROAT) So I'll try to start with-- some initial remarks on the history of-- the Cuban economy. But-- first I would like to say that Fidel left a really difficult heritage-- to his brother.

His legacy was-- an economic-- economy as well as in society-- very problematic when he left involuntarily in 2000 and sick-- six because-- he fell ill. He handed over a totally distorted economy to his brother. You will hardly find in our world of today-- a similar case of distorted economy. Historically-- Cuban economy was marked by

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dependencies. For centuries Cuba was dependent on Spain obviously. Then for a couple of a decades dependent on the U.S. and basically some multinational companies from the U.S.

Then it was dependent on Russia after the revolution. And in our days it is to some extent dependent on Venezuela. The dependency on Russia was partly due to the American embargo which certainly has driven Cuba into the arms of the Soviet Union in these days.

There was practically no other option for the humans-- but to look for a strong partner that would give them-- who would give them some security in the continuous conflict with the U.S. At the peak of the dependency on Russia-- Russian subsidies counted for roughly 25 percent of Cuban GDP. In our days-- there are estimates on Venezuela-- that it counts for approximately 15-- ten to 20 percent. And the calculations differs. A large share of GDP-- depends on subsidies from Venezuela. To put already this into a nut shell it means-- you people think about this that Cuba has never earned the money it spent. It has never earned the money it spent.

And especially Cuban socialism-- even when it blossomed in the '80s has not earned the money it spent. It spend the money in these days probably-- in a way many people like especially the center left (UNINTEL) worldwide like Cuban socialism in the '80s.

But one should really underline that Cuba has never earned the money it spent not in socialism and-- not in Castro's-- Fidel Castro's times and not today. Taking into account this dependency-- you might imagine what a shock it was when the soviet block disintegrated. The disintegration of the soviet block (UNINTEL PHRASE) was the severest or the most severe-- economic crisis in Cuban socialist history. 80 percent of (FOREIGN LANGUAGE) trade were lost overnight, 80 percent. And about 35 percent-- of GDP drop-- was-- to be-- registered in 1993. So the country fell into a so called special period-- in peace time-- which was by the way the-- the moment when today's Cuban economy started-- because the disintegration was so bad-- I mean, in capitalist terms you would say the country was totally bankrupt.

And this moment it didn't matter so much because Cuba was not integrated into the world economy. Cuba up to today is not a member with the world bank, not a member in the FMI. So it was totally isolated and these days integrated into the (UNINTEL PHRASE).

But-- in this special period in '93, from '93 to '97 to 2000 more or less-- first (UNINTEL) took place. And there was a first move to open some parts of the economy to market mechanisms. I wouldn't call it privatization. One would be-- overdone. But some market mechanisms in small and medium sized industries will allow it. But it was also the moment when the Cuban military came into the forefront-- because Fidel Castro in these days handed the task to-- well, to solve the problems at the special period he handed it over to his brother by the defense minister, Raul Castro who-- started bringing the Cuban military into the Cuban economy.

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There's one thing we should note which might be interesting especially for your people who know Latin America well-- the Cuban armed forces having (UNINTEL) image in society. They have never shot a bullet-- in the direction of their own people.

They are considered the only success story institutionally. They have won two-- colonial wars or-- or decolonization wars in Angola against-- by then best African army of South Africa. This war was basically won by the Cuban army together with the Angolans. They were also successful in Ethiopia and in other parts of Africa. So there's-- a certain myth around the armed forces in the Cuban population and the armed forces-- forces are trusted by the population.

And they are considered to be the only institution which is really effective and efficient. And contrary to the part (UNINTEL) is not considered-- similar. Okay, so-- to summarize the situation today I'll give you a couple of numbers.

And then-- we look into the question why this has been-- the starting point-- for the reforms which Raul Castro-- has started to introduce-- 2006, 2007. Today Cuba is-- small, very small-- economy. I mean, I've not looked into-- statistics of the United States, for example, but into some German statistics so the Cuban GDP would correspond-- to a GDP of a middle sized German industrial city. I know some of you may-- may know Cologne which is already a big city for German standards. But Cuban GDP is you don't-- by far not as high as the GDP of Cologne. So the Cuban economy is very small.

As I've already mentioned it's not integrated internationally, globally-- not a member of the world bank, not member of the IMF, has been isolated always since the early '60s when the embargo started. The productive sector in Cuban industry only counts for 25 percent of GDP which means every culture plus manufacturing industries, approximately 25 percent.

The other-- the other-- parts three fourths, 75 percent is services. This is-- considered-- even by Cuban economists as-- dysfunctional actualization of the economy. And in this economy-- you always had for political reasons extremely hidden unemployment. You have an official unemployment rate in our days in 2013 I think of 4.3 percent which is already considered very high for Cuban standards because the promise of social more-- already-- always was-- there is no unemployment. But hidden unemployment is estimated at 20 to 25 percent, 20 to 25 percent.

The basis of the economy in our days was created in the special period in the early '90s when the Cubans started to build up the tourism industry. Tourism is one of the major sectors today. And you have nickel export. Then you have a small but rather well working biotechnology-- pharmacy industry which is even internationally somewhat-- competitive.

And then you have health and educational services as export goods. But the main point about the Cuban economy-- if you come to Cuba and look at it is that this economy has not managed to ensure capitalization for its very basis of existence. The gross fixed asset investments in Cuba fell by 47 percent from 1989 to 2007. 2006 the

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gross-- asset investments were only 13.5 percent of GDP-- which is roundabout half of what it was in 1989 the last before the Soviet Union broke down. China-- in some years-- some recent years at a rate of 50 percent of investment, 50. Cuba has 13.

And with that 13.5 percent-- Cuba lies well below the average of Latin America also. I'm stressing this so much because this is the reason for the very fact that Cuba today is a deindustrialized country. There is no industry. There are no intact value chains.

You have a total dilapidation of the infrastructure. Just to give you an example and an idea-- it's not contested by the government. In Havana about 70 percent of the water in the pipes doesn't reach the tap. It's just going away on the way to the tap. So they have huge infrastructure investments ahead.

And then the problem is obviously that there is no capital accumulated because this kind of economy and this kind of socialism didn't allow for accumulation of capital. Cubans as citizens have low savings. So Cuba couldn't go the way of China.

China has basically started its development boom on the basis of domestic savings. In Cuba there is no capital accumulated neither by the state nor by private Cubans as savings. One last point-- characterizing the recent situation is the Cuban economy is at-- since '94-- since 1994-- working on a dual currency.

This-- that is to say there are two currencies in Cuba. One is the Cuban peso which is the currency, the national domestic currency. (UNINTEL) are paid in-- Cuban pesos-- since 19-- since 2005, 2006. But 95 percent of all people employed were state employees. And they earned their money in Cuban pesos. In the special period-- Cuba first decided for a dollarization for the export sector. And then in 2004 it was converted into a second Cuban currency which is the convertible-- Cuban peso, CUC. This is the currency which is the most important currency today in Cuba.

This is the currency for all the import/ export sectors-- because this kind of economy is also deeply in debt and regrettable not domestic debt. But-- it's-- it's foreign debt. Cuba is living with a structural deficit of its trade balance and with a large foreign debt.

So this foreign debt has to be paid under our currency, in CUC. And that is one big, distorting element in the Cuban economy that they are working with two different currencies. We could go into that later if you have further questions. So-- to put it in a nut shell you really have-- a country which is in very deep economic crisis. And this very crisis has led to alienation between the people and the government. And Cuba there is a term you would probably understand well. It's called-- (FOREIGN LANGUAGE) which means that people have to get by. They have to resolve-- find solutions for their economic problems.

So the miserable performance of the economy has led to the very effect that a normal Cuban worker which earned approximately \$15 a month and-- together with (UNINTEL) card he gets from the state and-- together with the meals in the canteens of the state companies-- for many years Cubans still got along.

But normally at the 15th or 20th of the month, the money is gone. And then people

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have to look how to survive. So-- they start-- activities in the informal economy, on the black market and-- this escalated in (UNINTEL PHRASE) of informality.

And Cubans are practically not able to survive without going into these-- practices which we would very often call corruption probably. So I think for future-- for future in society where you would opt for democratic procedures and at the same time for market mechanisms to govern economy-- this will be a very-- difficult legacy because people in their day to day life got accustomed to (UNINTEL) corruption.

## **KATRIN HANSING:**

Maybe on-- on that note I'd just like to maybe add is that-- you know, for so long-- there's been this-- this social contract between-- the government and-- and the people which basically was based on an understanding of the government supplying-- the population with cradle to grave-- you know, basket of social benefits-- that included everything, you know, from-- from housing to-- daycare, education, food and public transport, the works in turn for-- on the part of the population-- a tacit understanding of-- of very few if any civil liberties. And this social contract is now-- has been for awhile now basically eroding. And-- and it's-- in that space which I think Uwe did-- a wonderful job in kind of-- having us understand that in that space people are looking, you know, for new ways to-- survive.

And this is, you know, what they so aptly call a (FOREIGN LANGUAGE)-- and it's a phenomenon. It's-- now it's a cultural phenomenon that's going over into-- a form of not just surviving but, you know, corrupt behavior. And I think that's something to very much watch out for in-- in the future-- particularly-- as Cuba opens up more and more. Or may-- maybe it will go-- we can-- we can now-- thank you for that overview-- turn a little bit to the reforms.

## **UWE OPTENHOEGEL:**

Let me make two more brief (UNINTEL) which are directly linked to what you said about the social pact. I completely agree obviously. The social pact was so to speak the basis, the ground stuff of the Cuban myth because the myth of Cuba was always that-- that it was successful as a socialist state by providing, yeah, modest-- to good living conditions and at the same time-- continuing-- as a socialist state.

So a lot of the projections of the outside left-- in America-- in-- in Europe and elsewhere-- a lot of the projection was that Cuban socialism has worked. And-- and the basis of this very impression that it had worked was this social pact-- you mentioned.

I mean, they practically-- exchanged loyalty for the supply of national sovereignty, of-- social protection and-- the abolition of-- of art. And that-- they were successful in that. So Cuba was a very egalitarian society in the '80s. I will come back to that later. Against that background the reforms we will come to now are not a question-- of an

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option.

But they are an absolute must. Reforms in Cuba since 2005, '06, '07 are absolutely unavoidable because the economy was totally-- bankrupt and even-- Raul Castro said in one of his more famous speeches in the national assembly that if we don't change we go out. So he named it very clearly.

So then-- I would really say-- that in our days for what he has inherited-- was a formerly homogeneous society in the late '80s, a rather homogeneous society-- which is now fragmenting. Inequality becomes a fact in human society. And this I would call (UNINTEL) to Cuban politics an element which was almost unknown which is structural instability.

Cuba was very stable politically as long as the old pact worked. But since the old pact is not working any longer loyalty is not assured. So in our days it's-- it looks politically stable. But it's structurally unstable because the economy is not sustainable.

## **KATRIN HANSING:**

Yes, and-- and I think on that note-- we'll get into this a little bit more in detail later but it's worth mentioning now I think that's it's-- it's not just the economy and people's salaries that we're talking about. It's-- it's also the so called achievements of-- of the revolution particularly the healthcare system and the education system that, you know, for so long were heralded-- heralded-- as-- as-- as some of the best with some of the best global statistics-- that are now really-- you know, undergoing some-- some massive structurally-- issues and losing inequality.

And your average Cuban now basically needs to pay a bribe to get-- you know, an x-ray done if you wanted to have it done-- you know, in the next couple of months. And so these are the kinds of things-- that are happening now on the ground. And this is where also the social contract is being questioned and eroding because so many things that people-- took for granted for so long-- are-- are now-- not only no longer accessible but actually only accessible to a price in the informal sector. And so--

## **QUESTION:**

And it's all there.

## **UWE OPTENHOEGEL:**

That's all there. Yeah, so-- so maybe now we can actually turn to these reforms that are obviously-- coming out of-- no option really in reality-- and-- and look at in some detail what they entail, what-- what are these reforms? Maybe you can give us some



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examples.

## QUESTION:

Yeah-- in the first place I mean, it's-- it's not a voluntary political decision. But it is really an unavoidable-- move to safe socialism not to abolish it. That was clearly stated in-- the party congress in 2010. So the first thing I would want to state is that the reforms are not called reforms in Cuba. But they are-- called the actualization of the economic model. They are not called reforms. We call them reforms. And-- in this very party congress-- in 2010 it was stressed a couple of times that the actualization of the-- economic model was to not-- is done not to abolish but to strengthen socialism.

So what do they want to do? They want to go from 100 percent state economy centrally planned to a mixed economy, private cooperatives and state. This mixed economy, the vision is if there is any clear vision but the projection is that it should be. One third each, one third of key industries-- will stay with the state.

It is the projection the cooperatives which Cuba already had in the agricultural sector-- was-- was not at all a success story. The Cuban cooperatives in the agricultural sector were a total failure. But the interesting now is that they are restructuring the cooperatives in the agricultural sector. And they are opening the urban economy for cooperatives. So Cuba at the moment is introducing transport cooperatives, financial cooperatives, housing cooperatives, you name it.

This is apparently-- a smart move because it goes well together with the socialist economy and a socialist ideology because it would be governed by market mechanisms in the cooperative sector. But it would be collective property, private property but collective property.

So there is a serious move from the Cuban side to get this cooperative sector going. They are looking to other Latin American countries-- which have good experiences with that sector worldwide for example. We have FES. They have a lot of consulting with the Uruguayan experts inviting them to Cuba and discussing with the Cubans about urban cooperatives and cooperatives in a capitalist environment. Then the-- most important-- actualization of the model-- lies in the sector of the small and medium sized industries where private property is already allowed. You can open your own company. This was al-- already the fact-- in the early '90s in the special period.

But in the special period you could only open-- a company as being self-employed. And you couldn't-- and you couldn't have employees only family members-- were allowed to work in your company. In our days they opened these open. And you can have up to 50 employees in a company (UNINTEL PHRASE).

So the-- the-- the vision is a mixed economy more or less-- three thirds equally divided. That's the projection. The important thing in these-- reforms is that it will mean the end of the paternalistic state which you mentioned from the cradle to the



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grave because for the first time in our days humans have to start changing part in the responsibility for their own economic life. That was not necessary until the late '90s. It was totally covered by subsidies, by-- an unrealistic-- employment statistic-- I mentioned under employment-- hidden unemployment of 25 percent.

So-- the effect will be the end or the good bye to a capitalistic state. This is the thing which goes into the mentality and the perception of the Cubans in relation to their state. They may not-- they may not have liked a lot of things the state did.

But it guaranteed their survival. And this is over with the reforms being put in practice for many people-- because one of the first measures-- taking into consideration the hidden unemployment was to lay off people-- in the state sector. This process has advanced considerably. More than 500,000 people have left the state sector.

It's obviously not called layoff and mass layoff. But it is called restructuring-- of the different sectors and the companies. The projection is that until 2015 1.3 million people will leave the state sector. This will be approximately 25 percent of the-- population economically active.

You have a population economically active of 4.9 million in Cuba and 1.3 would have to leave the-- the state. So the question then obviously is where do these people go? I mean, what do they do because there's no unemployment insurance, totally different notion of state care.

There is no additional-- social policy for-- of what to do with these people who will be forced out of the state sector. So the basic idea was of the Cuban economists and some international economists insisting was that the bulk of the people who will leave the state sector goes into-- the self-- the-- the-- the small and medium sized industries and goes into the self-employed sector. This is a rather-- successful-- policy. In our days you have approximately 450,000 people registered-- as being self-employed which would be roughly ten percent, not get obviously the 25-- (UNINTEL) but ten percent.

And this is only two and a half years. I think it's-- from an economical point of view quite an achievement not so much from a social point of view. So to give you a couple of ideas now what steps are taking to make this goal, yeah-- in the-- in-- in this sector-- of small and medium sized industries and self-employed-- market mechanisms are introduced.

And this is really private property and market mechanism. But the market doesn't work because there is no institutions a market needs-- to work. You don't have commercial banks. People don't pay taxes in Cuba. They don't know what any real taxes are.

There were no taxes. They simply don't know what it means to pay taxes. And they don't know what to pay it for because the state provided services anyway. So for what you have to have to pay taxes really? Then there was no wholesale sector-- which would be important for the small and medium size industry because this was all a state monopoly-- of buying and selling the-- these goods, no wholesale sector--

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sector.

Then-- it starts-- the state starts in the agricultural sector to lease land on a long term contract-- normally state owned land. And this is leased-- to people who are willing to deal with it and to work with it. At the same time-- as I mentioned at the end of the paternalistic state-- you have to-- state withdrawal social subsidies.

The (UNINTEL) card is-- getting smaller and smaller step by step. The continue of factories are almost all gone instead of the (UNINTEL) Cuban workers now earn a certain amount of money. And then they have to look for where to get their (UNINTEL)-- which is really-- a cultural thing in Cuba-- because since the factories were so overstaffed-- meals were the basic social event every day.

And very often people-- took something, take it home. So-- it has more effects-- on the day to day life of people as it may seem at first sight of an economists-- when the economist looks. The problem with the small and medium sized industry sector which is being created and that's already underway for two and a half years now is that-- this is not totally liberalized.

There's a list of 189 or 98 professions who are allowed to become self-employed. If you look at these lists it reminds you of a history book from the 19th century. So it's basically antique crafts which are liberated-- to-- to-- to be exercised-- by self-employed. But you don't have lawyers who could found their own-- their own premises and no IT people allowed to offer their services, no teachers-- no doctors-- very important.

So all the better qualified jobs are up to now exempt. There are some very-- using-- maybe-- exceptions. So-- a couple of weeks ago-- they integrated real estate focus in this. I mean, if you have already visited Havana once you know why they did it because-- the western outskirts-- of Havana-- it's-- it's a very nice area which would immediately private-- be privatized if the economy would be opened up overnight.

And-- the real estate brokers will certainly be people who are already well positioned. And-- there is-- well, quite some information-- around that we (UNINTEL) already-- told of. And it's-- it's also known who the people are, where (UNINTEL) is-- I mean, it's not so surprising for people who have a company that transitioned in (UNINTEL PHRASE) where this is a very common thing that-- the (UNINTEL) pieces were privatizing in a special manner. But in Cuba it's really difficult.

And-- the message is however that this list-- for self-employed which exists would have to be opened a lot more to attract the well qualified people. And then it would probably be more effective-- and it would bring the state more taxes also because all these new-- self-employed people have to pay taxes for their employees and for their company.

## KATRIN HANSING:

So maybe one thing to maybe just add here is that-- is that because of-- of what he

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just explained we have this-- very-- almost ironic situation where-- you know, a waiter in a hotel or a manicurist or a hairdresser, one of-- one of the professions that has been legalized-- earns a lot more.

And we're talking, you know, 20, maybe even 50 times more than a doctor or a lawyer or another professional-- who still only earns in pesos Cubanos the national state salary. And so you have something that's called the inverted pyramid-- that has been created.

And as a result on this-- on the popular level a lot of resentment. So now it's very, very typical to find a lot of professionals-- leaving their professional jobs, you know, doctors, teachers, IT specialists, et cetera-- desperately trying to get-- a job as a gardener in the hotel or as-- as-- as a waiter in the tourist sector not because they earn-- better salaries but they earn tips in foreign currency which-- with which they can then make a much better living. And so these are some of the anomalies as-- as it were that have and are continuously-- arising in this reality. And let-- that actually-- unless you want to add something.

## **UWE OPTENHOEGEL:**

No, just one thing that I wanted to add. I think-- it's very important to note that this inverted social pyramid has catastrophic political-- consequences because it means that the-- your status in society and-- your income is no longer-- determined by work, no longer d-- determined by work.

Our society's more or less-- all our societies are based on work as the principal (UNINTEL)-- work in education but-- but work as bringing salary. But in Cuba-- for young people, for example, it's no longer so attractive-- to go to school and learn because later on they don't have the prospective to get a decent job.

So what they do is they go for easy money in this hard currency sector, yeah. And-- you really have this situation that work is no longer conditioning your social status. But the way you resolve your money problems condition, yeah, and no society survives that for a long time if you have a leading heart specialist in a clinic in Havana-- earning five times less of a waiter-- in a restaurant where tourist pay in hard currency. So it's-- it's really-- a very severe-- politically and socially.

## **KATRIN HANSING:**

Yeah, so that's a time bomb ticking really. So that actually leads me to my next question which is is if you-- now we've sort of understood I think now that-- so the-- the economy's now being diversified. And in so doing-- there are all these different-- elements arising.

And-- and so I wanted to ask you whether-- so now after a few years of the reforms taking place that one can already actually visually observe some of the-- let's say, impact, economic and social, on society of these reforms. I mean, can you actually

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now go into Havana, see what's happening on-- on-- on--

## UWE OPTENHOEGEL:

You'll certainly see it.

## KATRIN HANSING:

--on the grass roots level?

## UWE OPTENHOEGEL:

Yeah, I would say you certainly-- see it. What you see-- in the first place and it is very visible is that you have growing social inequality. And again I'll give you a couple of numbers. In the good times of Cuban socialism in the 1-- in the late '80s the GINI coefficient-- was-- the GINI index was 24, 0.24.

I suppose you're familiar with GINI. So in-- in any-- it was 0.24 which was quite equal even distribution of wealth and income. In 1990 it was supposed to be 38, 0.38. And nowadays it's supposed to be 50. That won't be as bad as in Brazil which is one of the countries which most-- the highest income differences in the world. So this for Cuba is a total disaster because-- the-- the-- the promise of socialism was equality basically by providing the services we have mentioned. So if you come into Havana now, I mean, you can see it in Havana all over the place. I mean-- on the one hand you see different cars, modern cars-- rich people's cars. You see iPhones and iPads and young people with that stuff where you ask yourself where do they have the money from either from their parents or from (UNINTEL) from (UNINTEL) abroad for from their market.

And then you see it in advertisements-- Havana is a really interesting place. If you want to go back-- in history 60 or 80 years, they are practically (UNINTEL), not at all. I mean, it's-- in-- in the night it's a beautiful city because you're not harassed by-- the advertisements and light advertisements all over the place.

So you see it in the cars. You see it in the stores that opened. You see it in the streets. Many people are selling stuff. Now the problem for me-- looks like many of these self-employed-- have gone into what is easiest to go into which is restaurants and trade. They are trading different things. But what they trade is normally not produced in Cuba. But it is imported-- privately or semi privately or-- by corrupt means of getting around the-- the customs, yeah.

So it's very little stuff which is traded which is really produced in Cuba. So that I would say that in my opinion illusion to think that this new self-employed sector is anything stable. There will be-- there will be a moment-- when this market will have to clean up also because-- all these services which are provided-- have to find

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purchasing power-- to be practiced.

And as long as the Cuban state doesn't ensure decent salaries for the workers which is closely linked-- to the end of the new currency system and-- to more productivity in the companies-- in the big companies as long as the salaries will not go up, this sector can't grow. They only can grow up to a certain extent. The other thing which you note is that-- somehow you see that there-- that inequality is not only a question of access to the hard currency but inequality also becomes a race question, class and race.

So you notice that-- afro Cubans are worse off. White Cubans are better off. This is due to a very simple fact. When the revolution took place in '59, yeah-- who left the country was the Bourgeoisie. They were practically all white, approximately 300,000 in the first two years after the revolution.

All the rich families, the Bourgeois families, practically 95, 100 percent white left the country. These are the people who now are sending remittances to Cuba in our currency. So people who have access to the remittances are much better off than people who don't have any access to remittances or access to the tourist sector or the sector where you can earn our currency. So and-- I would certainly say that it is not only inequality-- of race and class. But it has come to a point where today it is inequality in access to opportunity because the afro Cubans don't have the same access to opportunities be it education or-- economic as white Cubans.

## **KATRIN HANSING:**

Well, I think that's-- another probably explosive point to-- to watch in terms of-- race and-- and class over-- overlapping. So it seems to me that what you're-- you're saying is that there are some-- some real winners and losers-- or has and have nots emerging.

And afro Cubans, many not all, but many or maybe most of them-- fall into that group of have nots. Who-- who else would you kind of-- if you-- if you could kind of come up with a list of-- of the winners and the losers who-- who are-- who are visibly-- now part of the nouveau riche Cubans and who are not?

## **UWE OPTENHOEGEL:**

Yeah, I mean, the-- the-- the-- the division between winners and losers we know also from central and eastern Europe because for many people there it was not clear in the first place-- who would be a winner, who would be a loser. And-- it was also not clear that there would be more losers than winners.

In Cuba-- both terms are new. Yeah, I mean, the-- they have not been part of the debate in the university or in politics. There were no winners and losers because-- the official doctrine was equality. So who are the winners and the losers? Apart from the race question we have mentioned already-- the-- the losers are old people,

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pensioners who can't live any longer from their pension. An average pension in Cuba is approximately ten-- dollars a month with the indications I gave you before.

It's totally impossible to survive on ten dollars even with ration card. So then it is-- groups we also know in other countries. It's-- families without a father-- lone meditating mothers-- engineers-- it certainly-- is-- all the people-- who have-- only a basic education.

And the-- the-- the winners on the other side would be clearly people of the former Bourgeoisie which has left the country. Normally they have left some people in Cuba also. So the part of the real estate market in Mira Loma is done between these (UNINTEL).

So some of the people are living in not only Miami but in Madrid, in Mexico and Santa Domingo. And (UNINTEL) will be in New York, in Mexico. And these people send money for other family members who are entitled to legally buy property, real estate property. So that this division of certain neighborhoods is legal.

But it's functioning on the basis of a mechanism like this. So then I would say artists-- sports stars are benefitting from it largely. In general people who-- are entitled to leave the country easily-- I know you probably have a company that-- Cuba has liberalized migration laws approximately a year ago.

That was one of the major reforms on the social side of the middle. It's now perfectly possible for every Cuban who is not working in a strategic sector which is defined by the party known as the strategic sector. But if you're not working in the strategic sector you can apply for a passport and travel.

The trouble is that most of the people don't have the money to pay for a passport nor do they have the money to travel. So they cannot even ask for a passport and try to collect money to get a passport and then necessarily travel. But the people who are already in these-- in the Cuban economy, our currency economy-- for them it has made traveling a lot easier. They can go where they want. So you do have, I would say, a group of-- people if you want to call it nouveau riche-- in your middle class which is benefitting from the reforms.

I would like to call attention again to the military being part of this group because-- in today's Cuban economy-- there are calculations that 60 percent of GDP are maneuvered or-- managed by people who are-- come from the military or-- are ex-military people.

You shouldn't think about people in uniform, obviously. But-- the Cuban-- military-- is somehow stayed in the state. They have their own hospitals. They have their own universities. So it is an extremely well educated group of people, very loyal to Raul Castro who was 48 years the defense minister, the longest serving defense minister in the world, 48 years until he took over. And he has stuffed the key positions in-- in the economy basically with people he knows from military. So they are also-- behind the reforms, the military. And they are benefitted by the new--

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## KATRIN HANSING:

I'd just like to come back one-- one more time to-- to these vulnerable groups that you've talked about the elderly and-- and-- and particularly afro Cubans who, by the way-- are-- make up probably about 60 percent of the Cuban population are afro Cubans-- which-- so this is not a minority we're talking about.

It's actually the majority of the population. So-- what do you think, Uwe, are-- are some of the steps that the government-- could take to support these vulnerable groups because as-- as-- as I hear you mentioning there's so far no social policy really in place to tell-- technical-- what do you think could be done, should be done to-- to support these groups that are obviously-- becoming more and more vulnerable?

## UWE OPTENHOEGEL:

Yeah, I think it's really a big challenge especially because the government-- continues to pretend-- that Cuba is a socialist state-- and a state caring for its people. Castro has mentioned in a couple of other speeches or in a whole lot of speeches that nobody will be left alone.

This has obviously to do with-- legitimacy of the regime. So when I was still in Cuba discussing with the economists-- I challenged them a couple of times and-- told them that they were only working for getting the economy going. And they were not looking on the social side of the impacts of the reforms. And-- regrettably I have to say that-- Cuban economists who are designing a reform are not caring so much about it. You have a number of-- sociologists who are-- investigating for a long time already-- the social situation-- in Cuba. And-- you can clearly note-- that-- this is one of the major construction sites for the regime. I mean, what one would have to do is-- apart from designing-- support mechanisms like an unemployment insurance or some basic standards in subsidies for people-- would drop out of work and out of the subsidies of work.

But there is very little done up to now. And-- I think this will turn into-- an important question for the regime and its legitimacy-- because if you imagine in this situation like the one Cuba is in you suddenly have-- an unemployment of 15 or 20 percent.

I don't really know how we're going to manage this. They are not well prepared for that. And it is objectively difficult. I mean, we know that from debates-- development policy-- poor states who by definition-- which by definition don't collect sufficient taxes to put in practice-- sustainable social policies do have a problem at this point. So-- I think an additional aspect for Cuban reform policy would be precisely the design of accompanying social strategies to deal with the dropouts.



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## KATRIN HANSING:

So I-- I wanted to maybe just actually, you know, bring this to-- to our last question which is-- I mean, from-- from what-- Uwe's told us, you know, the shape of the Cuban economy-- and its desperate need for both, you know, local or domestic production and-- and foreign investment which we haven't talked too much about but-- but obviously the country needs-- leads me to this question of-- you know, what do you think would help to dynamize (PH) the economy and-- and open up the economy in such a way that more employment could be created-- and there would be more money for-- you know, for social programs?

## UWE OPTENHOEGEL:

Look, I mean, this is objectively difficult because as I said there is no private saving. The state doesn't have the money. Even if it wants to it cannot collect all too much money from its people. So FDI foreign direct investment will be a crucial factor in a development strategy.

What I would like to stress at this point is that all the reforms up to now look much more like trial and error kind of thing and not like a master plan-- with a certain more or less concrete objective let's say in 2020 or 2025. And-- and-- and what is really important to stress is that the major objective in all the reform has been that it is an order transition-- a transition and a reform under the control of the party.

And the control element has always been stronger than the motivation to liberalize and-- create space for-- activity or for private enterprise. So control is the major motive behind the reforms. To some extent-- Cubans are looking to china and to Vietnam because this would be the reference models where you have a one party state-- with the party still in power-- and a rather well going economy with all the problems. The Cubans know corrupt China is. They know how foreign direct investment in Vietnam went wrong because it went into tourism and the financial sector.

So Cubans are aware of this. So what I would want to stress is that the Cuban leadership doesn't have a master plan. Control is the principle-- control of the process is the principle motivation. And being so one can say that Cuba is really looking for its own. It's not trying to copy.

It's not trying to copy China. It's not trying to copy-- Vietnam nor to talk about the eastern European countries. This would be-- worth a debate on its own. Cuba has a very negative image (UNINTEL PHRASE) of the transition in central and eastern Europe and how it went. It's not at all a blueprint for-- for Cuba. So I think what they really have to do is-- truly create space-- for the private economy they have started to open. This will be implant a working banking system, start collecting taxes.

Then they could do something to-- re (UNINTEL) resources. They-- collect taxes.

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And then-- then they do some balancing via-- distribution of the money. And then FDI is a crucial point. But the trouble with FDI is that-- since the Cuban economy is so small-- they have no-- no negotiation power, hardly any leverage if they negotiate with a big-- big multinational company because a big multi-- multinational company will have profits or turnovers which are bigger in Cuban GDP.

So if they would go for a smart strategy for a direct investment they should go and they probably go for middle sized companies abroad. But this is also difficult because of the American embargo because the embargo still punishes not only American companies but also other companies who have-- business in the United States.

They couldn't go into some more direct link with Cuba without being punished-- by-- by-- by the American government. So the last point is FDI will be crucial. It will be crucial how they design FDI as a strategy. And in this-- respect-- Cuba is really trying after the experience with dependencies which I mentioned in the very beginning diversify its trade and development partners.

Since there were for-- forced into dependency they now try to diverse-- which means it's still Venezuela. But the European union is the largest trading partner. Then you have Canada as a very important partner in economic policy. Brazil, Brazil is building the biggest harbor in Maviel which can be-- very important-- cornerstone. So I would say diversification is really the way to go. And that's what they'll do. Back to Russia, back to Ukraine, with China, with South Africa, the bricks-- and then he might have--

## **KATRIN HANSING:**

Well, thank you, Uwe. I have many more questions. But let's hand over to our colleagues in the different offices. Thank you so much.

## **FEMALE VOICE:**

Yes, hello-- thank you for such an informative presentation. I have a couple of questions, one-- regarding the relaxation of migration laws. We have seen that they have given an opportunity to some very important activists to tour several countries, the U.S., Europe, et cetera. (FOREIGN LANGUAGE) et cetera, do you see this-- time of political openness?

I mean, the government knew that these activists were going to take the opportunity-- to advocate internationally. And my second question has to do with-- the relationship between Venezuela and Cuba. In the days of (UNINTEL PHRASE) have been facing, you know, very difficult economic-- and economic crisis. And-- many are saying that eventually this will impact the support provided to Cuba. I just wanted to hear your opinion on that, thank you.

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## ANGELICA:

My name is Angelica from the Latin American Program. Thank you for your presentation. I would like to hear your opinion about the impact on the-- main progress governments in Latin America-- of these changes in-- in Cuba and a possible more-- on a possible transitional cure.

## KATHY ROSS:

And I'm Kathy Ross also with the-- with the Latin America Program. This has been-- a great discussion so far. And I'll be interested to hear the wide-- you know, the range of questions. My question is-- given the-- given the panorama that you've laid out about the-- the range and level of direness of the economic-- difficulties that Cuba faces and the-- what Katrin laid out in terms of where the social pact is that-- that-- that has been this-- the-- the basis of the relationship between state and society-- has-- has been shifting and-- and changing.

But if economic liberalization takes place immediately and suddenly it would-- you know, provoke-- basically-- a wave of privatizations that would exacerbate many of the difficulties that we see now. So you-- you-- you've laid out these issues. My question is what is the-- what is the level of discussion of these kinds of issues within Cuba? And where is it happening?

I assume that there's one level of discussion within government circles that is quite tightly controlled. Are there discussions elsewhere in-- in academic settings also perhaps kind of tightly controlled? Or-- or is this whole thing kind of an elephant in the room on the island without-- without any recognition?

## KATRIN HANSING:

Well, I may as well start with the first questions, migration law, political openness. It was stated clearly by the government that there will be economic actualization of the model. And there will be no political reforms explicitly stated by the Cuban Czar of the transition-- minister-- (FOREIGN LANGUAGE).

The very fact that-- they changed the migration law was the carrot-- the government offered to the people because it-- put pressure-- I mean, it was-- it was like-- letting pressure out of the pot because people were waiting for something that affected themselves directly.

So-- the position people who-- visited-- who left Cuba and-- like Irani Sanchez-- toured more or less the world-- I mean, we should've cleared-- the-- the so called opposition in Cuba regrettably is a very small group-- a very small group. And Irani Sanchez is not-- belonging to the traditional or traditional opposition as it is called. But she is a new kind of opposition in the new social media. But-- the opposition which was partly also supported by-- the United States is a very small group. And

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that's a group that's divided-- I mean, rather vulgar-- what is the saying in Havana is one third is authentic.

One third is paid by the Americans. And one third is from the Cuban secret service. That is what p-- how-- people look at it. Again I would say this doesn't-- apply to Irani Sanchez which is a different generation and a different approach to-- a fight for democracy in Cuba.

So I would say political openness-- indirectly through the space of maneuver people get in the economy but not as an attempt from the side of the government to create more debates. On the contrary-- there is a strategy of harassment of opposition people-- which is-- most pressing and more violent in our days than it was way back.

Venezuela and Cuba-- indeed I mean, Venezuela depending on Cuba-- Cuba depending on Venezuela as I have mentioned-- if Raul would not have become president, it would've been a disaster for the Cubans because-- another Venezuelan government would probably have reduced the subsidies and eventually abolished it.

So-- I think there was heavy Cuban involvement in-- the whole-- election campaign. And-- the trouble is that the Cubans know that Madul is a very weak candidate. He cannot in any way compete or be a successful successor of Chavez because-- well, generally speaking I think-- that was said by a famous American author-- Cardillos don't have successors.

And that's the case in-- in-- in-- in-- that's the case in Venezuela and-- with Chavez also. Okay, next-- question progressive governments-- the progressive governments in Latin America I suppose you're talking about Uruguay, about-- Brazil, about the Aba states, Bolivia, Ecuador and so on. They obviously-- are favoring Cuban reforms-- because-- they want to reintegrate Cuba into regional structures. That's why we think-- no better than I do.

There are different attempts to reintegrate Cuba. As for Aba I think it's more-- tighter on paper because Aba is a lot more political discourse than real integration. Institutionally it's not working at all. And it was living on the basis of the patriot dollars-- paid by Chavez for his political interests and human political interests.

What I think is interesting is that-- governments like the Uruguayan one (UNINTEL PHRASE) and also Cuban government are very positive-- towards Cuba and Cuban reforms. And from my opinion-- they are investing a lot into support for the Cuban transition process. Okay, last thing social pact, level of discussion, yeah, I think you shall also comment.

## **KATRIN HANSING:**

Maybe I-- yeah, maybe I just say a few words on that. Thanks for that. It's a really good question. I-- I think that it's really important to understand how people are dealing with the reality now-- vis a vie where they're coming from. And that is the special period, the 1990s where basically there was no food.

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There was no electricity. There were no-- there's no medicine. And so Cubans generally always compare the now with the then. And so in comparison to the 1990s the current situation which is much more complicated and complex and-- and confusing is at least most Cubans still better than the 1990s because now you might have to (FOREIGN LANGUAGE) but you can (FOREIGN LANGUAGE). You can publicly find something that you need on the black market.

Before you know, there was-- it's-- the black market was tiny because there was so little, you know, just circulating in the economy. So I would say now most people are making sense of all of these-- economic and social reforms. And their reaction is a bit sort of schizophrenic almost because there's some excitement that they finally can legally travel.

They can finally legally buy and sell property. But of course most people can't do any of this. But the fact that they can, have the right to is exciting for them. And then comes kind of sort of the shock of their reality which is that many people are being laid off.

Many young people, this is affecting young people in particular, are not getting jobs. And they are then also-- becoming increasingly frustrated. And so on-- on the street level you hear a lot of frustration. People are complaining-- because they thought that what they were going to get-- was going to be a little bit different. So-- there's a general sort of discussion. And it's-- it's laden with complaints, a lot jokes 'cause Cubans, you know, have a way of dealing with frustration which is telling jokes. And then beyond that-- you also have just people trying to survive.

And so, you know, the-- the-- the (UNINTEL) has struggled for survival actually is so time consuming-- so that a lot of people don't actually have time to even think about-- what's going on. And I think that's also-- I personally think this is, you know-- a strategy of the state to-- you know, keep people busy, to not think--

## **UWE OPTENHOEGEL:**

Keep people busy.

## **KATRIN HANSING:**

--to not think that much. Where there is some discussions and more-- beyond the just level of frustration on the street discussion happening is in I think three major spaces, one, academic among-- scholars, independents-- scholars and-- and intellectuals. You have a couple of writers, filmmakers also and then also in the cultural sphere a lot of artists now-- through their art, through their production-- kind of commenting on what's going on.

And then probably most interestingly-- is-- the religious or-- or church sector particularly in the Catholic church. There are-- two important journals (FOREIGN LANGUAGE) and-- (FOREIGN LANGUAGE) that you can actually see online. I

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highly recommend particularly the latter (FOREIGN LANGUAGE).

It is the most serious and interesting-- journal, independent journal-- lay run-- and-- and very well written on the island and in the (UNINTEL) way beyond-- members of the Catholic church. And what's set in (FOREIGN LANGUAGE) is the uncommitted, you know, beyond the-- the-- the caris-- parish sphere as it were.

## **UWE OPTENHOEGEL:**

It's also-- and as far as you can go.

## **KATRIN HANSING:**

Exactly, I mean, (FOREIGN LANGUAGE) kind of shows how far you can go-- within the Cuban state. Maybe one more set of questions maybe?

## **MALE VOICE:**

So-- thank you again, one of the questions I have is about-- pertains to the-- Cuban diaspora population particularly I guess the U.S., you know, Spain, the U.K. And what role do you see that population plan in this reform and particularly what foreign-- what FDI and what infusion capital and to what extent does their involvement-- relate to the political shifts or lack thereof?

## **FEMALE VOICE:**

I-- I will add a quick-- question on-- in the diversification efforts in terms of economic relationships-- ask a little bit more about Brazil and whether that is something that is-- your expectation would grow that relationship and how it's being perceived internally or valued or-- or what sort of questions there may be about that relationship.

## **KATRIN HANSING:**

Anybody else?

## **FEMALE VOICE:**

I think that's it from here.

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## UWE OPTENHOEGEL:

So we start with the diaspora. I think a very important question because we have not commented too much on it. In my opinion the diaspora can play a decisive role, an important role in-- in the Cuban reforms. I think the diaspora has changed. I suggest that Katrin comments on it. She knows the situation in the diaspora better than I do.

But from an economic point of view-- we have examples of other countries where money from the diaspora helped develop-- a certain country. So this in my opinion could also happen in Cuba. My impression is that the diaspora-- many people in the diaspora have-- are willing to do that. But the Cuban state has then to secure their investment and has to build trust. This is difficult because the people in diaspora were up to now-- called traitors of Cuban socialism. So it would be a change, yeah, in the image, in the official image of people in the diaspora from the side of the Cuban regime.

I think eventually the Castro people will come to that-- because they need the money. It will probably be the easiest money to get. And you probably in the diaspora have a lot of-- Cuban patriots who are willing to support the sustainable development path of their country-- putting aside the ideological difference they had for a long time. So I think important--

## KATRIN HANSING:

Yeah, just to give you a figure. I mean, these are conservative figures that-- at the moment about one billion U.S. dollars-- enters Cuba remittances every year. That's-- that's-- a lot of money. And-- it's coming, you know, from Miami and from other parts of the diaspora basically into Cuban households. As you can imagine-- the level of development that can happen on the island is-- to be legalized to open up home town associations and the like.

So there's-- there's a lot of thinking and interesting questions to be asked around that. But at that moment it's all-- all this money is-- you know, being sent from the diaspora into Cuban households on a very individual level and really helping Cubans either survive and/ or now open up their small businesses.

Again there's this interesting and very worrying aspect-- of-- of race involved-- that is unfortunately, you know, creating new inequalities that are race based with-- with this migration (UNINTEL) question. I think what's-- what's interesting to think about, though, is that as Cuba is-- changing, reforming, opening up more-- so is the diaspora in particular Miami. And this has to do with just-- just-- you know, a basic biological-- issue which is that a new generation or new generations-- are coming up on both sides of the Florida straits. And younger Cubans-- are less angry, less embittered than their grandparents or even parents were or are.

And that's why I think-- some exciting developments are happening. There are more and more young Cubans-- particularly in Miami and in the U.S.-- interested in



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reaching out to their counterparts on the island-- and doing so-- curious, you know, to look at Cuba for what it is today and not just the Cuba their grandparents told them about. So I think that's actually something to-- to watch, observe-- and at some point maybe-- assist.

## **KATRIN HANSING:**

Some-- I would say here-- the diaspora already is kind of a private credit line for Cubans. Since there are no commercial banks on the island the credit lines is the diaspora, the only reliable credit line. Brazil-- Brazil-- the image of Brazil and the ruler and-- and-- his successor-- is very positive in Cuba. And I would say-- in the intellectual circles, government university-- people are keen on straightening links with Brazil.

Brazil at the same time is not so easy for a communist government because-- (UNINTEL) victory or the two election victories and-- (UNINTEL) victory in succession-- symbolized for many people in Latin America that some kind of socialism however you may term it is also possible on the capitalist conditions in the market economies.

We shouldn't forget that for many decades Cuba was the only successful leftwing experiment on the continent. Then came Nicaragua which was-- self-destroyed in-- in the short time. But the success of-- the social programs of (UNINTEL PHRASE) governments-- are known in Cuba. And I'm personally convinced that many of the economists we work with, for example, they had a certain admiration for the Cuban development path under the center left government-- so the I would say-- from the Cuban side there was a strong will to straighten links to Brazil.

And from the Brazilian side there was a rather strong-- disposition to really support Cuba. This is not only a political question. It's also an economic question. Brazil has turned into the hegemonic power on the continent-- in South America and-- Brazilian-- businesses looking for opportunities. And Cuba is offering good conditions. So it's as well political as-- economy-- as an economical question. I think it will-- go on for quite some time.

## **VONDA BROWN:**

I have a question this is Vonda Brown from the Latin America Program. I was curious to know with-- the different ways of-- (FOREIGN LANGUAGE) the situation in the family, what are the-- let's say maybe criminal elements or informal elements? How are those operating in-- in Cuba? I was curious to know. And how does the government deal with those?

## UWE OPTENHOEGEL:

You know, I mean, for me it's difficult to say. In the first place Cuba in comparison to other Latin American countries as you know is a safe place. And-- the-- the closest corporation with U.S. American-- institutions-- is-- with the pentagon-- with the coast guard, yeah, and-- in protecting-- drugs-- coming through Cuba or around Cuba to-- to-- to the U.S.

So-- you do have-- raising-- rising criminality I would say without having statistics. But at the same time-- this is one of the elements the regime will instrumentalize-- in its argument that capitalism is bringing bad influences, yeah. In Havana it's visible. It's no longer as secure as it was three years ago not to talk about ten years ago. So I don't really know how they will handle it. From what we know from Cuban authorities and security forces they are only used to force and not to sophisticated prevention strategies or stuff like that. Drugs are an issue but not at all an issue of the size as in the other Caribbean islands.

## KATRIN HANSING:

Yeah, I would just say, you know, this is one thing that more or less still particularly if you compare it to-- Cuba's neighbors-- in the-- in the region is still something that's somewhat is under control, i.e. commerce safety. But this is because of the-- the-- the fact that Cuba's a police state. I mean-- you know, I mean-- it is-- it works-- you know, people let their children play in the street because they know that nothing's gonna happen because if something would happen the police would be there within seconds.

On every block in Cuba there's something called (FOREIGN LANGUAGE)-- and they work basically as neighborhood watches. This is something that still works. But if that were to be-- be taken off as it were-- that-- that police state protection, then things would probably be-- get very complicated very quickly, I would think because the level of frustration, the level of this basic survival mechanisms, the-- the-- the-- also the level of-- anger people have towards-- the authorities, towards their neighbors who might have told on them-- you know, to the-- to the state, et cetera is quite high.

And in terms of drugs, you know-- drugs are-- are available in Cuba. But they-- they cost a lot. And most people don't have the money to consume them. Young kids which there are many of who are highly frustrated-- if they go into that direction they-- they usually-- take some kind of-- pharmaceutical drugs-- or alcohol which is quite cheap-- you know, very, very high proof rum-- alcoholic proof rum-- which is very, very cheap in Cuba-- are the main substances of abuse.

And this could quite quickly I would think go into other substances if people had access and the money-- to consume them. So-- I think it's just a matter of time that that-- those issues become problems. And-- and because of Cuba's geo-- geographic-- geopolitical-- location, those could really become very, very, very, very big problems

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in the future.

## **KATRIN HANSING:**

Well, just one final comment from side which is linked to that. I think there is one last consensus in Cuba between the government, the regime and the people. And this is they don't-- all of them don't wanna go back to a pre-'59 situation-- which would quickly be the case if you take the lid from the pot at once, yeah, because it's in the way of the main drug corridors, yeah.

In-- international crime is globalized today. If you would-- would open from night to day it could really end up in a disaster. And it would turn again into a neighborhood-- of Miami so to speak. And this is-- from what I have felt in discussions with (UNINTEL) Cubans is one of the last consensus you have in Cuba. And one additional last comment which is it might be-- that Cuba is lucky coming so late with its transition because it now-- the Cubans can look at the other transitions we have accompanied, the transitions in central and eastern Europe, the transition in Vietnam, the transition in China, somehow the transition in Chile, in-- Uruguay, in Brazil.

So if Cubans were smart, yeah, they could probably benefit from all these transition experiences. The Poles, the Hungarians, the Czechs could in 1990. There was no reference. The Cubans do have different references to design their development path. And if they do it smartly they have another big advantage. That is Cuba is economically not important at all to anybody which makes them not (UNINTEL) in a geopolitical game. They could really design probably their path to sustainable development-- in a better condition than a country that would have-- raw materials and commodities where foreign influence would be a lot harsher.

## **KATRIN HANSING:**

Well, I think we have to unfortunately end on that note. Thank you, Uwe. Thank you (UNINTEL PHRASE) and New York for participating, look forward to seeing you again.

\* \* \*END OF TRANSCRIPT\* \* \*