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Rightwing Russians Want to Push Cuba Toward a Neoliberal Economy



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At the beginning of this year, Russia signed an agreement with the Cuban government promising to significantly increase its participation in the Cuban economy. This comes more than 30 years after the collapse of the Soviet Union and the period of the great influence and close association that Moscow had with Havana.

But why now? Putin is eagerly looking for allies wherever it can find them, especially considering the military, economic, and political impact that the Russian invasion of Ukraine and its subsequent crisis like the rebellion led by Prigozhin has had on Russia. However, the Russian economy was weak even before the invasion of Ukraine. The economic weight of Russia does not principally reside in its manufacturing and industrial power but on its status as a mayor extractor and distributor of hydrocarbon products, and

on a smaller scale as producer and distributor of other services and products such as weapons.

Although Russia was apparently successful in its neoliberal campaign from 2014 to 2018 in reducing inflation and implementing budgets with surpluses, as well as in creating large monetary reserves and a lower national debt, it failed to overcome its chronic low rate of economic growth. A 2019 Chatham House study by Philip Hanson points out that this success was achieved at the expense of great sacrifices by the Russian people, especially among retirees, and through the prevention of massive protests by the repressive Russian system. This autocratic system, according to Hanson, with its characteristic corruption and its intrusions in the economy and society, constitutes an obstacle for private investment and competition. Hanson ignores the role of the state in boosting economic growth in the Soviet Union and China, albeit in a highly brutal and harshly antidemocratic manner. Yet, Hanson is correct to argue that any attempt to establish reforms in Russia, like the rule of law, runs the risk of destabilizing the existing political system. For these reasons, concludes the British study, such an attempt will not likely be made.

Russia has promised great results with its investments and collaboration with Cuba, but the specific projects that Russia has announced for the island are relatively meager. For example, on May 20, 2023, the website of the Russian Federation referred, in very general terms, to the implementation of projects in the areas of construction, digitalization, agriculture, transport, logistics, tourism, and banking. At the same time, Russian entrepreneurs and functionaries signed agreements with their Cuban counterparts to improve rum and sugar production, ensure the provision of wheat and oil to the island, and to repair tourist installations in poor condition. But there are few specific projects and many of those announced are small and local, like the establishment of a hotel for Russian tourists, the accreditation of 14 Russian enterprises by the Cuban authorities to sell food to the population, the export to Russia of almost a million dollars' worth of fruit, the creation of a wholesale market to sell Russian merchandise, plans to repair and modernize one sugar mill in central Cuba, and the renovation of the factory Antillana de Acero.

On Cuba's part, Minister for Foreign Trade and Investment Rodrigo Malmierca declared that "we are working to ensure that Russian investments in Cuba enjoy special protection." Along those lines, Putin's most important envoy to Cuba Boris Titov, the presidential commissioner for the rights of Russian entrepreneurs, cited the great concessions made by the Cuban government. These include the granting of land to Russian agricultural producers for 30 years (compared to the 20 renewable years granted to Cuban farmers)

and other possible exemptions of taxes related to those lands and tariffs, incentives such as new mechanisms to repatriate profits, and the development of a new merchant marine company to attract investments and facilitate trade with Russia. Russians could also open their own banks and use the ruble for commercial transactions.

Given the nature of Russian state capitalism, including corruption and racketeering, this new phase of Russian economic intervention in Cuba will differ not only from the role that the USSR played until it fell apart, but also the role that Spanish and other European Union investors play in Cuba today. The latter generally follow normal capitalist practices in terms of investments and rates of profit, except to the degree that these have involved the internal organization of the Cuban economy and society in labor and fiscal questions, among others. Thus, for example, according to Boris Titov, the financing of new projects like the establishment of a new hotel in Havana specially designed for Russian tourists will be undertaken by a fund of the Finance Ministry of the Russian Federation, in this manner combining state action with supposed private initiative that is linked to Putin and his henchmen. Approximately 120 millionaires control 70 percent of the economy due to the frequently corrupt concessions that have reinforced the links between the new capitalists and Putin's regime.

In the meantime, the so-called Russian private sector has gone much farther. In January, the Russian news agency Interfax reported that a "Russia-Cuba Business Council" of more than 100 industrial and commercial companies, presided over by Boris Titov, was exploring "the economic transformation of Cuba based on private companies." In fact, Titov has publicly declared that Cuba should open the whole of its economy. During a meeting that Titov had with entrepreneurs from the Moscow region, he compared Cuba with the USSR of the late 1980s before the beginning of the great wave of privatizations that were for the most part based on the theft of public property.

It's not at all clear if declarations such as Titov's mean that the Russian capitalists linked to Putin's regime are ready to go beyond their role as foreign investors to politically pressure the Cuban government to undertake a large-scale privatization of the Cuban economy. If this is the case, despite the welcome that the Cuban power circles have given to Russian private initiatives, most of the Cuban political bureaucracy will react very negatively to proposals such as Titov's. The Cuban bureaucracy has approved foreign investment in new enterprises, generally in association with the Cuban state, but has opposed the privatization of existing state enterprises, including the 285 state enterprises that have reported losses, according to data provided by the Cuban authorities in March.

There are exceptions to this general rule, such as in the restaurant sector, where small enterprises such as cafeterias that have clearly demonstrated that they are not viable as state property have been converted to cooperatives, formed from above, of the workers in this sector.

The Russian Economic Cast in Cuba

Putin's principal representatives who are negotiating the new economic relationship with Cuba are associated with the Russian political right. Boris Titov, who heads the list of Putin's envoys to Cuba and has been the presidential commissioner for entrepreneurial rights since 2012, is an entrepreneur and politician who has led the small Party for Economic Growth that previously was known as Right Cause. As such, Titov has participated in Putin's electoral farces that allow for the existence of small parties who put up their own candidates but that eventually support Putin when he is elected. In the presidential elections of 2018, Titov finished in sixth place with 0.76 percent of the vote.

But the most surprising and even shocking new Russian presence in Cuba is the Institute for the Economy of Growth, Stolypin P.A. named in honor of Piotr. A. Stolypin who was prime minister and minister of the interior of the Tsarist government from 1906 until his assassination in 1911. Stolypin was a violent and energetic represser of the groups and parties opposed to the Tsarist tyranny, but at the same time he tried to modernize the archaic Russian agriculture both technically and socially. Stolypin's project was a version of what Antonio Gramsci later called a "passive revolution," in this case an agricultural modernization from above that would only benefit the landlords and the prosperous peasants.

Today, the Stolypin Institute proposes that Russia should change from its model based on the export of raw materials to the "competitive" model based on the development of small and medium-size enterprises, improvement of the productivity of labor in the private sector, the creation of a new digital economy, and a social sector that functions well (a euphemism for a "social sector" that is small and with the lowest possible public cost.) But, according to the Stolypin Institute, the principal problem is the economic uncertainty that prevents the Russian economy from growing. What we need, insists the Stolypin Institute, is certainty in economic and social policies. The Institute does not say a single word regarding what undoubtedly constitutes the principal source of this uncertainty: the absence of democracy in Russia in every sense of the term, and consequently the absence of the rule of law. The silence of the Stolypin Institute with respect to this fundamental

problem of the Russian political and economic system is far more eloquent than anything from its spokespeople and publications.

It remains unclear how far the Stolypin Institute is willing to go in its consultations and advice to the top economic and political officials of the “Marxist-Leninist” Cuban state and how those high bureaucrats would respond to the interference of the Russian right in the domestic affairs of the island. If Russian economic interference does not lead to significant improvement in the Cuban economy that somehow “compensates” for foreign interference and the corruption caused by such intervention, the answer of Cubans, be they bureaucrats, workers, or professionals, will be highly negative.

The Cuban Economic Situation

The Cuban government is by and large receptive to recent Russian initiatives because of the very serious economic crisis affecting the island, which is approaching the economic disaster that the country suffered in the wake of the collapse of the Soviet bloc. Today, Cuba suffers a grave shortage of the basic products needed for the health and nutrition of its population. Inflation reached 45 percent in April 2023. It’s no surprise that one dollar recently traded for 240 pesos, which 10 times the rate of 24 to 1 that was common until recently.

This crisis has produced the greatest wave of emigration that Cuba has ever witnessed. This wave has been permitted and indirectly stimulated by the Cuban government. Since November 2021, Cubans don’t need to obtain a visa to enter Nicaragua, from which they undertake the long, costly, and frequently dangerous trip to the U.S.-Mexico border. As an ally of the Cuban government, Nicaragua would not have established such a policy without the consent (and likely encouragement) of the Cuban government. By the end of 2023, more than 450,000 Cubans will have emigrated during the previous two years, an extraordinary number for a country of 11 million people. This emigration, especially of young people, will aggravate the demographic crisis that Cuba has experienced for several decades.

Among the immediate causes of the present crisis include the great impact that the COVID pandemic had on Cuba and the consequent dramatic reduction of tourists, along with the measures that Donald Trump adopted to worsen the impact of the criminal blockade of Cuba that President Biden has modified to a very limited extent. For its part, the incompetence and clumsiness of the Cuban government also played an important role in this crisis, particularly its “reordering.” During the great shortage of dollars and euros provoked by the fall of tourism, this monetary reform provoked a great deal of inflation by

raising the value of the Cuban peso without a corresponding increase in the productivity of the Cuban economy. Another result of the crisis was the relaxation of government controls over the economy in 2021, allowing the expansion of the private sector with the legalization of micro, small and medium-size private enterprises) which in the case of the middle-sized ones may legally have as many as 100 employees.

In this context, the new Russian policies in Cuba must be viewed with considerable skepticism. The possible contributions of the Russian Federation do not appear likely to rise to the level of Cuban needs, at least in what concerns its economy. Besides, it raises the possibility that Russian initiatives will translate into the adoption of a racket-ridden state capitalism on the island, with a qualitative increase in corruption and social crisis.

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