

Dear Mr. Vassilieff
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CASTRO'S FINALE

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A BACKGROUNDER ON RECENT EVENTS IN CUBA THAT REVEAL
CASTRO HAS SQUASHED ANY HOPES FOR REFORM AND A PEACEFUL TRANSITION
AND IS HUNKERING DOWN TO FIGHT TO THE END
UNDER A POLICY OF REPRESSION AND TERROR SIMILAR
TO STALIN'S POLICY OF EXTERMINATION OF THE KULAKS IN 1928

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By:

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Washington, D. C. 20006

May 8, 1994

CASTRO'S FINALE

The Nation-Emigration Conference held in Havana in late April and the session of the Cuban legislature on May 1st have set the stage for the final phase of Castro's rule in Cuba. Castro himself acknowledged that the measures approved during the May 1st and 2nd session of the legislature had to be right or they were going to face a disaster. Castro looks like a tired and broken man in his TV appearances. But he does not seem to be prepared to make a graceful exit from power. After a year of hesitation, the measures he is taking reveal he has rejected the reform option of opening economically and politically and opted instead for a harsh policy of repression for his regime's finale. How long this phase will last will depend on the adequacy of his repressive capacity. But, his actions imply that he has decided that, after him, the deluge!

Castro's decision is similar to Stalin's policy of extermination of the kulaks in 1928, when farm collectivization started. That policy led to the loss of millions of lives and the world ignored the horrors suffered by the victims while it happened. In Cuba, it may cost tens or hundreds of thousands of lives, leaving a legacy of hatred and revenge that will make it very hard to rebuild Cuba. As to world public opinion, will it be fooled by Castro's manipulations of the media and gullible intellectuals as it was by Stalin's?

This final phase of the Castro regime started with the dollarization of the Cuban economy announced by Castro in his 26th of July speech in 1993. By allowing free use of the currency of the hated empire, Castro expected to increase the flow of dollars from the Cuban exile community, not only through the one hundred dollar monthly remittances allowed by US regulations, but also through an increase in visits from the exile community.

This action, as well as the parallel measures to open the domestic economy by allowing private economic activities, responded to the advice he was receiving from advocates of economic reforms inside the regime who had been brought into positions of power in the government. It also responded to pressure from Latin American presidents who at the various presidential summits were trying to persuade Castro to make economic and political concessions; with the promise that they, in turn, would press the United States to change its policy towards Cuba by limiting or even abolishing altogether the U.S. embargo. From comments made in private by some of those presidents, it was evident that while Castro listened to them politely, he kept his reaction to their advice to himself. And when he reacted publicly, as he did in Cartagena, Colombia last year, it was to reassert his dreadful message of socialism or death. Only this time he is not talking of the death of individuals, but of the death of a nation.

All along, Castro has been reluctant to introduce reforms. He opposed Glasnost and Perestroika during Gorbachev's period, realizing, quite correctly, that an authoritarian Communist dictatorship is not compatible with freedom and a market economy. In his speech last July, Castro revealed he was concerned with the impact the complementary measures to dollarization--required in a macroeconomic policy aimed at stabilizing the economy--would have on the people, fearing they would elicit reactions that could threaten his hold on power. Castro even expressed regret that he did not have the options he had in 1986, when he abolished the previous liberalization effort by closing the free peasant markets.

By letting the reformists carry the burden of explaining the market opening and dollarization to the Cuban people, Castro kept his options open. Despite promises that complementary measures were going to be enacted shortly after July 26, and certainly by the next ordinary period of sessions of the legislature in late December, no measures were announced. Meanwhile, the net consequence of the dollarization announcement was felt immediately. The enemies of the regime, those with relatives abroad, or who were active in the black market, saw their buying power increase dramatically by their access to dollars, while loyal party members, particularly those in the security or military apparatus, who were forbidden to use dollars, saw theirs plunge when black market goods could only be obtained with dollars. The peso exchange rate reached 100 and, by some quotes, even 120 to the dollar.

At the time of the legislature meeting in December, Castro clearly distanced himself from the reformists. While Castro proposed hails for Marxism and Leninism, José Luis Rodríguez, the reform advocate recently appointed to take over state finances, was the one who carried the burden of presenting the complementary proposals to his colleagues in the legislature. In the end, Fidel expressed that capitalism was "repugnant" to him and spoke against enacting the measures at that time. Instead, he suggested a period of consultation with the "masses", after which an extraordinary session of the legislature was to legalize the will of the people. To express that will, Castro convoked 80,000--yes, eighty thousand--worker's assemblies for the people to let their views known. This was a clear signal that the reformist opening was coming to an end. Since the measures required could be very unpopular, Castro wanted to blame them on the masses. However, only he was going to interpret the will of the masses as expressed in those assemblies. And, his interpretations are more inclined to exclude the positive measures required in a market opening to encourage production. Castro favors repression and control rather than loosening up.

By that time, permits to work independently were frozen or revoked and the officially controlled media started recording complaints about the unfair competition offered by privately owned taxis and restaurants to state owned enterprises. By early April, the police started the blockade of roads coming into Havana, stopping vehicles, confiscating food bought in the countryside and arresting people who were accused of operating in the black market of agricultural products. In April also, any hope for economic recovery received a severe blow when the Minister of Light Industry announced the collapse of electric generating output to one-third of installed capacity. The cause? Damage caused by oil heavy in sulphur to plants built by former Soviet Bloc allies for which spare parts could not be obtained until the end of the year, if at all. The result? Blackouts of 16 to 20 hours daily throughout the island, leading to loss of food in refrigerators at home and inability to work at factories. Instead of recovery, production is due to decrease even more.

Such a situation did not deter Castro spin doctors disguised as scholars, such as Wayne Smith of Johns Hopkins and Jorge Domínguez from Harvard University, as well as speculators disguised as investors, who undertake swap deals of discounted Cuban debt for physical assets, from undertaking frantic promotional and lobbying efforts to lift the US embargo and get Cuba back into the World Bank and the IMF. Journalists with little background in Cuba, such as Douglas Farah of *The Washington Post*, were taken on government sponsored tours with the result that their glowing reporting was contradicted almost simultaneously by reports in *The Miami Herald* about what was really happening in the island. This brings back memories of how the world was blinded about the extermination of the kulak class.

A common theme of this campaign: that Cuba had bottomed out and was on the way to economic recovery thanks to a reformed mixed economy. At a recording of a program on Cuba for Canadian TV, I listened in disbelief while one of the panelists, the President of the Latin American Studies Association, Dr. Carmen Diana Deere, who is doing research in Cuba, informed the members of the panel and the audience of the rural cooperative program she was working on as the new panacea for opening the economy and really expand production, downplaying that the cooperatives had to continue selling their output to the government at officially set prices. In a moment of euphoria, she even said that Cuba had a capital industry comparable to that of Taiwan. At the Cuba Project at Georgetown University and at other academic centers, Cuban reformist economists like Pedro Monreal and Luis Carranza, who are collaborators of José Luis Rodríguez, the present finance czar, were explaining the reforms they wished to see enacted, while pleading for the lifting of the embargo. They even participated in a panel held at the Capitol.

However, the events of the last few weeks cast the whole situation in a totally different context. The Nation-Emigration Conference held in Havana with the attendance of more than 200 exiles from around the World was portrayed as a meeting with the "moderate opposition" and as a manifestation of a political opening. Neither label fits the reality. In the first place, any serious political opening in Cuba is not acceptable without the

participation of the dissident leadership inside the island and they were not allowed to participate. Secondly, the themes related to an internal political opening were banned from the agenda unilaterally by the Cuban Government and meekly accepted by the exile participants. In the third place, Cuban exiles not acceptable to the government were banned from attendance, therefore, rather than to engage in an open dialogue, the participants were selected to provide an echo to the regime's monologue. Finally, the sessions took place behind closed doors, denying access to the press, national or international. At the end of each session, a Cuban Government spokesman gave a briefing spinning the days events to whatever was the Government's line. Needless to say that such a controlled session is totally unacceptable as a reflection of a political opening.

But the best proof was to come at the closing of the conference. After the regime had planted rumors that something had happened to Castro at the beginning of the week, there was speculation that Castro would not be able to meet with the participants. Meeting the Maximum Leader, the Commander in Chief, the President of the Council of State, the Secretary General of the Communist Party of Cuba, the Father of Genetics, the mourner of "White Udder", the heroine cow of the Cuban Revolution, and whatever other titles Castro has given to himself, is part of the ritual in such events. To their pleasant surprise, the "moderate opposition" attending the conference was received by Castro at a party on Sunday, April 23rd. Although several participants--to their merit--declined to join the festivities, the majority happily attended. There was a lot of merriment, singing, dancing and even chanting "Castro Sí, Bloqueo No." Is this how people in opposition behave? But the climax came when some women became hysterical in their meetings with Castro, kissed him, held his hand for interminable periods of time and wished him a long life. A former candidate to Congress for the Democratic Party, Mrs. Magda Montiel, thanked him for what he has done for her people and called him "her teacher," adding another title to Castro's collection: Magda's teacher.

What these poor souls did not know was that Castro was recording their behavior, both in audio and video, and that that same evening he was going to sell edited video cassettes of the merriment and their abject behavior for US\$700 to TV stations worldwide, including Miami. The disgrace of these people is well-deserved and the reaction of the Miami community emotionally understandable, although unacceptable in terms of respect for the right to freedom of expression, no matter how stupid the utterances. However, through manipulation of reporters in Havana, such as the one for the Spanish agency, EFE, the meeting was reported over all of Latin America and the Spanish speaking world as the first step in the process of political opening between Castro and his opponents. Apparently, that chap either was not invited to the party or does not have a TV set. Otherwise, he would have realized that those people were not the opposition to Castro but his followers in exile.

But the most important aspect of this incident is what it tells us about Castro's intentions. Jorge Domínguez, the Harvard Professor who is always available as spin doctor for whatever absurdity is done by Castro, immediately blamed the release of the videotapes on some mythical hardliners inside the regime who wanted to stop the reforms. This is utter nonsense because in Cuba such an action without Castro's approval would be severely punished immediately and to the date of this writing nobody has been even criticized over the handling of the cassettes. The truth is that Castro is the hardliner and he has merely tolerated or even encouraged the reformists to launch trial balloons, as he did before with Humberto Pérez, the author of the free peasant markets, and Carlos Aldana, the promoter of Glasnost and Perestroika, both of whom were eventually disgraced when Castro changed his mind.

Therefore, we have to speculate about other explanations. One may be pure ego. Castro's is being bitterly criticized by the Cuban people in the island and he knows it through the reports of the Ministry of Interior system of public opinion research. So, perhaps, facing such an enthusiastic and admiring audience, he decided on the spur of the moment to let the world know how popular he still was even among the exile community, without anticipating what the consequences were going to be for his guests or his efforts at selling the image of a political opening.

But the events of the following week raise another more worrisome hypothesis. Under this hypothesis, Castro scuttled his loyal admirers because he has decided not to continue pressing for the lifting of the embargo and pretending to please the presidents he meets with at the Iberoamerican presidential summits. By now, it must be evident to him that there is little likelihood that President Clinton will be persuaded to change the present US policy embedded in the Cuban Democracy Act. Furthermore, defectors from the regime have provided abundant anecdotal evidence that Castro is aware that success in lifting the embargo may be detrimental to his standing as an anti-American leader, the most important factor generating support for him among Latin American and even some European leaders. Besides, Castro must know that lifting the embargo will not solve the economic problems he faces because they are only remotely related to the embargo. At the same time, cooling hopes for lifting the embargo frees his hands to abandon the pretense of liberalization and economic reform with which he was cultivating the presidents.

This explanation is reinforced by the outcome of the meeting of the legislature during May 1st and 2nd. At this meeting, the new measures resulting from the worker's assemblies and the process of policy analysis since July 26th 1993 were presented by Minister of Finance José Luis Rodríguez. They constitute a great setback for the hopes for economic reform through liberalization and market openings which some people still have, although those who know Castro well were skeptical all along about how serious was his commitment to those reforms. Aware of the awesome impact of the measures, the legislature approved only a framework decision, leaving detailed implementation to the executive. Some of the measures will require a severe increase in repression to offset the public reaction. Castro has decided not to make more concessions and to hunker down until the bitter end.

1.- **Reversing dollarization** by forcing people to exchange dollars for a new Cuban convertible currency. Through this mechanism, the government captures the dollars. So far it seems that the exchange will be on par. However, this in itself does not restore buying power to loyal party cadres. The government will have to take additional actions. One could be to set prices in "convertible" pesos at stores for Cubans that in fact reflect a less favorable exchange rate than the official one for "convertible" pesos. If they do that, for each dollar exchanged they can make available some "convertible" pesos within the pay package for loyal party cadres and repressive apparatus members. This may reduce the flow of dollars to the extent that exiles refuse to accept such reduction in buying power for their dollar remittances. From the political point of view, the key point is that once he captures the dollars, through this or a similar device Castro can restore some of the buying power his loyal cadres lost under the previous full dollarization. The black market for dollar transactions will continue, but in exchange for the additional risk and the smaller supply of dollars, the rate of exchange will tend to be significantly higher. Therefore, this measure is likely to have an inflationary impact and require more repression. It should be noted also that this new Cuban peso, despite the name given to it, is far from a real convertible currency. The announced measures indicate clearly that Cubans have the obligation to exchange all the dollars they receive into the new pesos for use only at designated stores. This means they are not fully convertible. Furthermore, at this time it is not clear whether they could be freely converted back into dollars.

2.- **Freezing savings accounts**, which account for 60 percent of currency in circulation or more than six billion pesos. No details are available but there is supposed to be a time limit for the freeze and the savings could be converted to certificates of deposit. Since inflation is likely to continue increasing, however, the meager interest rate of 2.5 percent usually offered in Cuba is unlikely to preserve the value of the savings. This measure affects most of the population. Therefore, it has probably the widest negative impact of all the measures. No details are known as of this writing about its implementation. But, short of depositor riots, there is little overt action the confiscated can take. However, such an arbitrary confiscation of one's savings, compounded by inability to give open vent to the frustration felt, is likely to generate repressed disenchantment and resentment leading to covert negative actions against the regime.

3.- **Imposing taxes and reducing subsidies** to lower the fiscal deficit by collecting taxes on property and income of cooperative and independent workers, as well as raising prices of utilities, reducing subsidies and the provision of free goods by the government. Collecting taxes on property affects most of the population and will meet with serious and widespread resistance from a population already impoverished to the extreme. Taxing income of private workers will be accepted and passed through higher prices to the public, although, if too abusive, they are likely to reduce incentives to produce more. Increasing taxes on cigarettes, alcohol etc. may lead to evasion or reduction in consumption, but is not likely to lead to the same resistance as property taxes. Raising utility prices is likely to generate protests in view of the poor service in transportation, phone, water and power supply. For the time being, it seems the regime shied away from massive firings, although within the fine print there are measures that may result in that eventually.

4. **Confiscation of property and currency** resulting from illicit transactions. This is the first measure for which implementing legislation has been issued as of this writing. Law-Decree 149 provides for confiscation, without right to any indemnization, of the currency and property holdings of those who directly or indirectly benefitted from business transactions constituting illegal enrichment, including a broad category of "other forms of enrichment that damaged the most vital interests of society." The decree is applicable retroactively. It nullifies any property transfer or transaction involving the sale of cars and homes that was forbidden by the laws in effect at the time, which could affect tens of thousands of such transactions. Application of the decree is vested on state prosecutors on the basis of their investigations or accusations by other citizens. After the prosecutor decides on an action, it will be submitted to the Minister of Finances and Prices who will issue the confiscation order. According to Art. 9, once an order is issued there will be no legal appeal or recourse to any higher body or the courts. So much for socialist legality. The legislation is draconian and from comments made by Castro and other officials has as its aim the extermination of the so-called "macetas," including those producers who profited during the period of the peasant free markets and others who have been active in the black market. In other words, whatever remains of an entrepreneur class is going to be crushed as Stalin did with the kulaks. To control their possible violent reaction at being dispossessed of the wealth they have accumulated under very adverse conditions and at great risk, the regime is already raising the accusation of enemies of the people against these people who in reality are only survivors and, exploiting feelings of envy, it is likely to unleash on them the traditional instruments of repudiation acts and rapid response brigades used previously to intimidate regime opponents.

Needless to say that this is not compatible with a market opening and will not encourage expanded production from those affected. Castro's economic formula seems to be a capitalism motivated by terror instead of profits. It will not work. And, the resistance this time may be greater than the capacity and will to repress of his security apparatus, which is also affected by the economic collapse.

Will the very effective propaganda machinery Castro has mounted worldwide allow him to carry out this repressive economic policy under the guise of its being a liberalization program? Will the world ignore the brutal repression that it requires? The coverage given so far to the Nation-Emigration Conference gives ground to fears that he may get away with it, just as his two masters, Hitler and Stalin, were able to do in their time. Those to whom this analysis is addressed have the opportunity to see that, within their respective spheres of action, this time the world is alerted before it is too late: that a massive crime against humanity is in the process of being committed. We can all help disclose what is happening and, in doing so, we may help spare many lives. Let us hope that when a documentary is made on this era it will not have to repeat the sad title in Nestor Almendro's documentary on repression in Cuba: "Nobody Listened."

Cubans hide what they own as they brace for reforms

By MIMI WHITEFIELD
Herald Staff Writer

Cuba's legislature met this month to lay the groundwork for economic reforms that would make things better. Instead, it produced such vague talk that Cubans now expect the worst.

There has been panic buying; a scramble to hide illegally purchased cars, motorcycles and other products; a slowdown in illegal housing sales; and general confusion tinged by worry.

"The anxiety level is incredible. Not knowing what is coming next is driving people crazy," said a woman who lives in Havana.

The National Assembly of People's Power produced hints that the government may require Cubans to exchange their recently legalized U.S. dollars for pesos, impose restrictions on

There are hints that Cubans will be told to exchange recently legalized dollars for pesos.

bank savings and authorize the seizure of illegally obtained assets.

Cuban officials say measures to revive the almost worthless peso, attack the black market, increase government revenues and soak up billions of excess pesos in circulation will be unveiled in coming weeks and months.

But Cubans who saw their liv-

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black market. It's too big and black marketeers have begun taking precautions.

"The black marketeers are hiding away their cars and motorcycles. People say they are hiding their money away, too," said a resident of the Miramar neighborhood.

"The black market is uncontrollable. All they can do is stage these periodic crackdowns on the people who are the most visible," said a woman who lives in a rundown Havana neighborhood where the black market operates actively.

The most likely targets for seizure are cars, motorcycles, houses and apartments that

Cubans have bought and sold illegally.

Back when the Cuban economy was in better shape, the state sold cars and motorcycles to model workers and government officials at cost, with long-term payment plans. Unwanted vehicles were supposed to be sold back to the state.

Many people did decide to sell their cars when the economic crisis and gasoline shortages set in — but not to the government. One-time exemplary workers turned to the black market, often using the proceeds to buy a house or apartment.

Real estate cannot be sold in

CUBA, FROM 1A

ing standards plummet as the economy shrank by 50 percent in the past four years are skeptical that the measures will be in their best interest.

"The measures will do nothing for the people. Nothing. Everything the government does is only to serve itself," said Jorgeolina, a retired Havana kindergarten teacher who asked that her surname not be used, before heading out to the countryside to look for beans.

Just before the National Assembly met May 1, a persistent rumor spread: On May 2, U.S. dollars would no longer be allowed to circulate legally and Cubans would be required to turn them in for certificates worth just 70 cents on the dollar.

Worried Cubans flocked to dollar stores, which sell imported goods at dollar prices. Lines snaked around the block as they tried to turn their dollars into goods that would hold their value.

During the legislative session, Finance Minister Jose Luis Rodriguez said the government was studying the creation of a convertible peso for use at the dollar stores.

Such a currency would be under the control of the state, which would set the exchange rate. The official exchange rate is now one peso to \$1, but the black market rate is 100 pesos to \$1.

May 2 came and went. Dollars are still accepted and some of the frenzy has subsided. But Cubans are still expecting bad news.

So far, the only sign of action has been a May 5 decree on seizing assets obtained illegally, primarily through black market deals.

But the decree has had little practical impact and Cubans predict it won't be easy to crack the

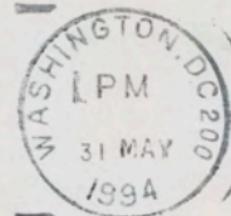
Cuba, only traded for property of relatively equal value. But under-the-table deals have flourished, greased by bribes to lawyers and government officials who then legalize the sales as swaps.

Until recently, people gathered on the wide park-like median at the intersection of Prado and Refugio streets in Havana — ostensibly looking for government-authorized housing swaps, but often arranging illegal deals.

Since President Fidel Castro lashed out at the practice at the legislative session, the booming informal real estate exchange has almost disappeared.

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