

# Cuba: more cuts in public spending announced

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In a message to the Cuban nation on the 56th anniversary of the assault on the Moncada Barracks, the beginning of the military campaign that culminated in the 1959 Cuban Revolution, President Raúl Castro announced a second major cut in public spending.

In his July 26 speech, Castro said the new measure was in response to what he called a “significant reduction” in foreign investment. His remarks signaled that the Cuban economy is undergoing its worst downturn since the so-called “special period,” the protracted economic crisis that followed the collapse of the Soviet Union and the end of subsidized trade with the Soviet bloc.

Speaking in the eastern city of Holguín, Castro warned Cubans that conditions will worsen. “Let us not entertain any illusions,” he said. “As we commemorate this half-century of victories, it is time to reflect on the future...the coming years will not be easier. This is the truth. I am not saying this to scare anyone.”

He deplored the fact that “little” has been done to achieve a “strategic priority” of returning land to the production of foodstuffs by leasing it to private hands, and he proposed the creation of a national comptroller to combat official corruption. He made no reference, however, to his plan for “structural and conceptual change” announced two years ago. Initially, the government lifted bans on Cubans buying cell phones and computers and staying in what were tourist-only hotels. The lack of any broader changes has caused significant discontent in the island nation.

He also did not speak of the sixth Congress of the Communist Party of Cuba (PCC) that was scheduled for the end of 2009. Statutes requiring a six-month discussion period prior to such a meeting appear to make it impossible to convene a congress by then.

Castro spoke for 35 minutes at this, the principal holiday in the Cuban political calendar. It was possibly the shortest speech ever given on this occasion.

The brevity of the message and its nearly exclusive focus on the economy reflected the subdued style of the Cuban president, in contrast to the long and florid speeches of his brother Fidel, who has been absent from public occasions for three years due to his health.

The concise speech may also reflect the narrow straits in which those who run the government find themselves, limited as they are by a crisis of liquidity that threatens to unleash a further deepening of the economic downturn.

In May, the Cuban government reduced its official estimate of growth for 2009 from 6 percent to between 2 and 2.5 percent. The United Nations’ Economic Commission for Latin America (Comisión Económica para América Latina) dropped the estimate to 1 percent and said that “the country will doubtless face a situation as adverse as the one it went through in the so-called special period in the 90s.”

In other words, the crisis threatens to erase 15 years of economic growth since Cuba began to emerge from the last major downturn in 1994.

The government reduced its spending 6 percent in the first trimester of this year, and last week announced a second cut. In his speech, the president recognized that the liquidity crisis persisted in the nation’s economy, and cited a “significant reduction” in exports and “new restrictions in access to sources of external financing.”

There has been no information released to the public about the balance of payments in 2008, but it is likely that it is in the red due to the increase in imports, principally of petroleum and food, as well as a fall in income from the sale of nickel and reduced levels of tourism.

Due to the lack of liquidity, a banking crisis resulted that has paralyzed the accounts of foreign lenders, who have begun to put the brakes on new supplies of cash until the payment problems are resolved, thus engendering a recessionary spiral. The government decided to reduce by 12 percent the consumption of electricity, which has caused further falls in the level of production and services.

Meanwhile, hopes that the Obama administration would scrap the half-century-old US economic blockade against the island have failed to materialize. The US administration has temporarily eased onerous restrictions on travel to the island and the sending of remittances by Cuban-Americans. The trade embargo, however, remains firmly in place.

Castro placed emphasis on the agricultural sector in his speech. He estimated that the redistribution of land under production, begun this year, “is advancing at a satisfactory pace,” but added that the 39 percent (690,000 hectares) that has been awarded to 82,000 peasants is “not enough.” He said that it is a “matter of national security to produce products in this country,” as spending on food imports was draining the Cuban economy of billions of dollars.

The president criticized the cult of revolutionary slogans and called for more dedication to food production: “It is not a matter of shouting ‘homeland or death,’ ‘down with imperialism,’ ‘the blockade is hurting us,’ while the land is lying there waiting for our sweat. No matter that it’s hotter than ever; there is no other remedy than for us to make this land produce.”

Aside from his words about the distribution of land and import substitution, Castro did not refer to his much-vaunted proposal to “transform concepts and methods” that he announced two years ago.

Instead, he confirmed that the parliament would discuss the creation of a comptroller’s office in the next week, which was to be an oversight office ensuring that “leadership structures” abide by the law.

Official corruption and the effective functioning of the hierarchy within institutions have been constant concerns in the discourse of President Castro since he assumed interim power in 2006.

In a video produced by the government that was shown to Communist Party of Cuba members about the dismissal of former vice president Carlos Lage and other high level functionaries last March, Castro speaks

at length of the need to respect the Constitution and the rule of law, and stressed that discretionary orders and taking advantage of influence would not prevail, according to people who have seen the material.

The sixth congress of the PCC, whose date is uncertain, is the highest decision-making body of the only political party in Cuba and draws up the national strategy for the subsequent five-year period. The last time such a session occurred was in October of 1997, and it should have reconvened in 2002.

In the last three congresses, the debate went well beyond the ranks of the party, triggering a wider national discussion about the situation in the country and its future.

Castro did not give any indication as to whether the event has only been postponed a few months or if it would be suspended indefinitely.

In the wake of Castro’s speech, Cuba’s leading economic commentator suggested that the government is preparing to extend its turn towards privately run agriculture to other sectors of the economy.

“The leasing of state lands, which in the end is the placing of state property in the hands of producers, could be applied in other sectors, for example food services, retail trade, and other areas where really it is impossible, given the diversity and breadth, for the state to administer directly,” said the commentator, Ariel Terrero, in an appearance Tuesday on state-run television. Reuters news agency reported that his remarks echoed proposals in a recent report prepared by Cuba’s Economic and Planning ministry.



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