

# Cuba shuffles heads of ministries in response to economic slowdown

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The economic stagnation and turmoil that have battered countries throughout Latin America in the recent period have begun to severely impact the Cuban economy. Just days after outlining a series of austerity measures, most notably cutbacks in energy consumption, imports and state investment, Economy Minister Marino Murillo was sacked and reassigned to concentrate on speeding up the reintroduction of market relations and other “reforms” throughout the economy.

According to a report on an official note from the Cuban Council of State published by the Cuban News Agency, the council and Cuban President Raúl Castro “agreed to free” Murillo to “concentrate his efforts on tasks related to the updating of the Cuban economic and social model.” He will be replaced as minister of planning and the economy by Ricardo Cabrisas, a long-time functionary and vice president. Though demoted from his ministerial position, Murillo will retain his own position as a vice president.

The reassignment of Murillo is one of several recent changes in ministerial posts. The same note that announced Murillo’s removal as economy minister also included the news that Higher Education Minister Rodolfo A. Alarcon was being replaced by Loidi Jose R. Sabol. During the previous week, *Granma*, the official publication of the Cuban Communist Party (PCC), published a notice that Culture Minister Julian Gonzalez had been replaced by Abel Prieto, who had previously held the post until 2012, but had been subsequently named a special advisor to the president and Council of State.

Murillo had announced the cutbacks at a closed-door speech to the National Assembly on July 8, after outlining the impact of the slowdown on the economy. After registering 4 percent economic growth in 2015, the government had expected growth this year to

decline to 2 percent. However, it appears that the government now expects growth to fall well below this level for the rest of the year, even though the economy grew 1 percent in the first half.

In his speech, Murillo stated, “We planned to import \$14.416 billion to support 2 percent growth this year, but with the adjustments we will spend \$11.973 billion.” In other words, imports will be slashed by almost \$2.5 billion, around 15 percent. Imports that do not contribute to tourism and other export industries will be among those targeted for cuts.

Those industries are being spared because Cuba requires the hard currency they bring in. The country imports 60 percent of its food and more than 50 percent of its oil, requiring that state importers have currency on hand. But earnings have been hit hard by low prices for nickel, oil and sugar. The price of nickel, one of Cuba’s major commodity exports, has been cut in half since 2014, threatening the industry’s profitability.

Murillo also said that 17 percent of planned investments would be suspended. Since such a measure would impact the growth of the economy, it is likely a reflection of Cuban officials’ desperation to cut imports while continuing to maintain the country’s position with its creditors, many of whom have already been asked to extend payment terms.

Other measures include a 28 percent reduction in fuel consumption through the end of the year, fanning fears of blackouts and a return to the “special period” of the 1990s, when the dissolution of the Soviet Union ended subsidies to the Cuban economy. According to reports, public lighting is to be decreased by half, public bus service will see cuts and workers will see workdays cut. A *New York Times* article reported that bank employees have been ordered to run air conditioners for only two hours each day and to work only half a day in order to

save energy. Fuel consumption for government and state-run company vehicles will be cut in half, and some workers have been told to work from home.

The fall in oil prices, which has driven the political and economic crisis in Venezuela, has now also begun to affect Cuba directly. In the National Assembly session, Castro noted, “There has been a contraction in the fuel supplies agreed to with Venezuela despite the strong will of President Nicolas Maduro and his government to fulfill them.” Venezuela had previously cut shipments of subsidized oil through its Petrocaribe program to other countries, including the Dominican Republic and Jamaica.

Despite protests by Luis Morillo, the general manager of Cuba operations at PDVSA, the Venezuelan state oil company, that the problem is not a reduction in oil shipments, but merely a “technical and engineering difficulty at the Cienfuegos refinery,” Reuters has reported that internal trade data from PDVSA indicates that it has shipped 40 percent less crude oil to the island this year than in 2015. Although to some extent Venezuela has substituted refined petroleum products for crude oil, nonetheless, overall shipments are down 19.5 percent.

Venezuela has itself struggled with refinery output recently as its own import-driven shortages have exacerbated a long-standing neglect of maintenance and investment in its plants. It has also been unable to import sufficient quantities of the lighter crude needed for blending purposes in its refinery operations. Oil production in June fell to a 13-year low. While output had been on a slow decline, the drop in price for Venezuelan oil from over \$100 per barrel in June 2014 to under \$40 has led to a huge currency shortage affecting supplies of all kinds of goods.

The Reuters report suggests that Venezuela is sending Cuba a heavier grade crude oil than in the past, in order to keep lighter crudes within Venezuela for its own use. This heavier crude that Cuba is now receiving requires more special refining and blending, and could be the “technical” reason why parts of the joint Cuban-Venezuelan refinery in Cienfuegos have been temporarily shut down.

Aside from the direct effect on oil supplies resulting from the drop in Venezuelan shipments, the Cuban government will also be unable to count on earnings from the resale of the subsidized oil, which were

already hurt by the fall in oil prices. According to Jorge Pinon, director of the Latin America and Caribbean Program at the University of Texas at Austin, “Cuba has been able to produce a surplus of gasoline and jet fuel, which it can export to the international market to generate hard currency.”

The demotion of Murillo, highly associated with the Castro government’s recent efforts to reintegrate itself into world financial markets, reestablish market relations and reduce the size of Cuba’s public sector, appears to be mostly a cosmetic change. It does, however, acknowledge the continued problems facing the economy and the worries of Cuban officials that any substantial downturn might provoke widespread protests and social unrest.

On June 28, in a speech given to journalists attending a meeting of the Union of Cuban Journalists (UPEC), Karina Marrón González, a deputy director of *Granma*, warned, “we are creating a perfect storm,” and that “this country cannot take another ’93, another ’94,” particularly since “there is not a Fidel to go out to the Malecón.” Marrón González is referring to the *Maleconazo*, protests that erupted in the summer of 1994 in response to pervasive blackouts following the end of Soviet subsidies.

It is these worries that are behind the feverish efforts of the Cuban government to reestablish diplomatic and economic relations with the United States, before its Venezuelan support collapses. Hoping to stay in power by providing US capitalism a cheap offshore labor platform on the Chinese model, the petty-bourgeois nationalist Castro government is worried that an independent movement of the working class might upset its timetable.



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