

Cuba slashes fuel subsidies and appeals for UN aid as economic and political crises deepens

Alexander Fangmann
8 March 2024

As Cuba's economic crisis worsens, the Cuban government has begun the implementation of a massive austerity program, what it calls a "macroeconomic stabilization program," by first slashing subsidies on gasoline. The austerity program, which would substantially reverse what little remains of the reforms associated with the Cuban Revolution, is deeply unpopular among Cubans, and threatens to ignite a powder keg of built-up social discontent.

Starting on March 1, gas station prices were raised five-fold, with the most common fuel grade, 94 octane, rising from 30 Cuban pesos per liter to 156 pesos per liter. This brings the cost of a 40-liter tank of gas to 6,240 pesos (around \$23 at black market exchange rates), or about 1.5 times the monthly state salary of 4,209 pesos.

The cut to gasoline subsidies, one in a package of severe austerity measures, was first announced in December by Cuban Prime Minister Manuel Marrero during a session of the National Assembly. Initially scheduled to take effect on February 1, it was delayed for a month, with vice minister of the economy and planning Mildrey Granadillo de la Torre claiming this was due to a "cybersecurity" incident.

However, a released summary of a January 29 meeting of the Council of Ministers indicated concern that more needed to be done to politically prepare the austerity measures and avoid a social explosion, given already existing shortages of food and other basic goods, regular electricity blackouts and the collapse of water infrastructure.

Cuban President Miguel Díaz-Canel was quoted as saying, "We may find ourselves ... with workers' groups, with the party core, who will not understand and we need to explain it to them well." An article in *Granma* quoted Díaz-Canel admitting "I know that in the opinion of the

public there is a lot of concern with the measures," though he blamed the opposition on a "smear campaign against the measures on the part of the enemy to create confusion and discouragement, especially on social media."

A sign of the backlash against the government was the announcement on January 15 that the Cuban Communist Party's Second National Conference, planned for the first quarter of 2024, would be postponed in order to concentrate on the "urgencies and priorities of the country."

Díaz-Canel insisted the measures were "not a neoliberal package (*paquetazo*)," the word used to describe the "Omnibus Law" of reactionary Argentine president Javier Milei, arguing that the plans could not be compared due to the Cuban government's proposal to increase salaries for health and education workers. In actuality, the salary increases introduce a system of individual incentives entirely in line with "neoliberal" models, with healthcare workers being offered increased pay for night shifts, years of service, exposure and complexity, and "maximum effort." Education workers will be offered pay incentives for seniority and teaching loads.

In a bid to put a new face on the unpopular measures, Díaz-Canel sacked economy minister Alejandro Gil on February 2, replacing him with Joaquín Alonso, the president of the central bank. Also replaced were Elba Rosa Pérez the science, technology and environment minister and food industry minister Manuel Santiago Sobrino. Gil had held the position since 2018 and played a leading role in carrying out a shock therapy plan in 2021 that devalued the peso and raised prices, leading to inflation that was officially over 70 percent that year.

In 2023, the official rate of inflation was 30 percent. Additionally, the government estimates that the economy contracted by 1 to 2 percent in 2023, when it had

originally forecast 3 percent growth. The budget deficit grew to 15 percent of GDP, with the government admitting it overspent its budget by 44 percent.

The collapse of Cuba's sugar industry has reduced its export earnings, with the recent harvest close to the previous year's output of 350,000 metric tons, down from 1.5 million in 2019, a mere fraction of the 8 million produced in 1989.

Cuba's reliance on sharply reduced tourism revenues for the bulk of its foreign exchange has led to widespread shortages and long lines for basic goods, as it imports around 80 percent of what it consumes.

Tourism to the island has fallen drastically since the beginning of the COVID-19 pandemic, with not even 2 million visitors recorded in 2023, far below the 3.5 million expected by the government, and lower than the 4 million to 5 million per year who visited the island before 2020. The current forecast by the government is for 3 million in 2024.

It is quite likely that the dire economic conditions themselves are depressing the level of tourism activity as potential visitors reconsider travel to an island where shortages are rampant. Aside from frequent hours-long blackouts, there have been ongoing shortages of bread in several provinces, and for the first time in its history Cuba sent a formal request to the United Nations' World Food Program for assistance, requesting powdered milk for children. Nearly three-fourths of public lighting is being turned off during peak hours to save energy.

Cuba's economic collapse has been exemplified by the more than half a million Cubans who have fled to the United States since 2021, around 5 percent of the country's population and the largest emigration of people from the island since 1959.

According to Marrero, a further currency devaluation is planned. Currently, the official exchange rate for individuals is 120 pesos per US dollar, though unofficial rates are currently over 314 pesos to the dollar.

Other measures proposed by the prime minister as part of the package include a 25 percent increase in the cost of electricity for the top 6 percent of residential users. Unmetered water service prices will triple and gas cylinders, which many residences use for cooking, will see price increases of 25 percent. Wholesale fuel prices are set to double and freight transportation will increase 40 to 60 percent, while the cost of public transportation will also rise. There will also likely be layoffs at state companies as authorities "review the state structures and payrolls." New private businesses are also being stripped

of their one-year tax exemption.

One of the more significant of the announced measures is the end of universally subsidized basic goods. The government now plans to replace this with a system of means-testing, which Marrero described as "subsidizing people and not products" and "a more fair and efficient scheme." The ministry of labor and social security will be carrying out a mass classification of individuals according to their degree of "vulnerability."

Items available through Cuba's *libreta* food-rationing system have become increasingly paltry over the years, with more and more goods made available only at market rates or even at stores where only US dollars are accepted. Nonetheless, all Cubans were nominally able to acquire some basics through the *libreta*, which fostered a certain social cohesion and functioned as a symbol of the supposed equality won through the Cuban Revolution. The elimination of the universal subsidies will no doubt contribute to further growth of inequality and more open class struggle.

The collapse of the Cuban economy and the government's implementation of austerity measures are completely in line with the actions taken by other bourgeois governments throughout Latin America around the world.

This confirms the correctness of the International Committee of the Fourth International's analysis of the Cuban Revolution, which rejected the claims made by Pabloite revisionism that the 1959 taking of power by Fidel Castro's petty-bourgeois guerrilla movement represented a socialist revolution and had established a workers' state. Rather, the social measures enacted by the Cuban regime six decades ago merely represented one of the more radical variants of bourgeois nationalism that characterized the regimes that came to power in the former colonial countries during the post-war era.

The ongoing crisis and the escalation of attacks on the working class underscore the need to build a section of the ICFI in Cuba.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact