

Cuban government declares “war economy”, deepening austerity measures

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On June 30, the Cuban government announced that its economic plan and budget for 2024 will be adjusted to conditions of a “war economy [*economía de guerra*].” The announcement of an economic war footing and the deepening austerity measures are a response to the profound economic, social and political crisis gripping the island, the result of decades of embargo and sanctions by US imperialism and the inability of the Cuban state to effectively counter them.

Speaking at the meeting of the Council of Ministers in which these measures were announced, First Deputy Minister of Economy Mildrey Granadillo de la Torre, said they are intended “in essence, to correct macroeconomic imbalances; increase the attraction of foreign currency to the country through different means and concepts; incentivize national production, with emphasis on food production; and organize the functioning of non-state forms of management.”

No different from other capitalist states in the region, the bourgeois nationalist regime in Cuba finds no other solution than cheapening labor and embracing the diktats of global finance capital to attract investments, relying today primarily on Spanish, French, Chinese, Canadian and Russian capital.

According to a report on the meeting in *Granma*, the official newspaper of the ruling Cuban Communist Party, the government plans to reduce “budget items with the objective of reducing the fiscal deficit in 2024.” Such decisions are to be “centralized,” that is, made at the highest levels. Though the newspaper gives no solid figures, the depth of the cuts is indicated by the statement that the government intends to “postpone or even paralyze investments that are not essential at this stage.”

Granadillo said, “a single, inclusive pricing policy will be established on equal terms for all subjects of the economy, which includes both the state and non-state sectors.” Although the precise meaning of this has not

been officially clarified, reports suggest price caps will be imposed on chicken, powdered milk, pasta, sausage, soybean oil and detergent, based upon import costs.

Recognizing that the widespread legalization of privately owned businesses has created opportunities for siphoning off state resources, the government has instituted a measure “to limit the profit in purchases of products and payments for services and inputs carried out by the state sector to the non-state sector.” This policy, which already took effect as of July 1, limits profits to between 15 and 30 percent, with the higher figure reserved for “high technology and innovation companies,” according to the *Cuban News Agency*.

The new austerity measures follow an announcement in January of a “macroeconomic stabilization program.” That package of measures raised the price of gasoline five-fold and increased prices on electricity, water and cylinders of cooking gas, among other measures meant to reduce demand for fuel and other scarce imports. At the time, the government announced it would “review the state structures and payrolls,” a prelude to mass layoffs.

The current crisis in Cuba has gone well beyond the levels those seen during the Special Period in the 1990s following the dissolution of the USSR and the end of its subsidizing of the Cuban economy. Official inflation for 2023 was recorded at 31 percent, down from 77 percent in 2021. Additionally, the economy contracted by 2 percent, and the Cuban peso has depreciated 50 percent against the US dollar on the black market.

Large swaths of the island continue to experience hours-long blackouts, owing to a combination of fuel shortages and breakdowns of power plants. A 2022 fire at the Matanzas Supertanker Base reduced Cuba’s oil storage capacity, complicating efforts to ensure the thermoelectric power plants have enough fuel to generate electricity.

Food shortages have also continued, with rationed, subsidized products often unavailable. Protests erupted in

March over blackouts and food shortages in Santiago de Cuba and elsewhere, leading to dozens of arrests.

As in the United States and other countries around the world, the invocation of a war footing by the Cuban government is an indication the state is preparing to undertake further repressive measures in the face of popular opposition to its policies.

Over half a million Cubans, or nearly 5 percent of the population, have fled to the United States since October 2022 as conditions in the country have worsened. In an interview with the Associated Press, the head of the Directorate of Identification, Immigration and Foreign Affairs said around 3 million Cubans are currently living abroad, and the government admitted last week that 1.3 million Cubans maintain residency in Cuba while living in the US. In light of the unprecedented number of emigre Cubans, an upcoming session of the National Assembly is set to debate changes to citizenship laws allowing Cubans to live overseas for longer periods and expands citizenship and residency rights.

Cuban president Miguel Díaz-Canel acknowledged that a significant factor in the economic crisis is “directly related to the bureaucracy and the inefficient control that we are carrying out from our institutional system.” Nonetheless, he claimed that, “All of us are here to save the Revolution and save socialism.” In fact, nothing could be further from the truth.

While the economic embargo, or blockade, imposed by US imperialism following the Cuban Revolution has been the most significant factor in the protracted economic crisis, the Cuban government, from the Castro era to today, has carried out a domestic and foreign policy which has left the country in a blind alley.

Flowing from the petty-bourgeois class character of the regime brought to power by the 1959 revolution and its long subordination to the peaceful coexistence doctrine of the Moscow Stalinist bureaucracy, the Cuban government has for decades sought to reach some form of accommodation with American imperialism, which the latter has had no interest in granting.

Indeed, just this week, Republican Congressman Mario Díaz-Balart inserted into an appropriations bill a measure that would prevent the removal of Cuba from the list of state sponsors of terrorism, a slanderous designation that imposes additional US sanctions beyond the embargo.

Although the Republican Party and the right-wing Cuban exiles in the US smell blood in the water, the Biden administration has largely maintained Trump’s rollback of relations begun under Obama. In any case, the

latter’s opening of relations between Cuba and the United States was based on a conception of fostering the growth of a social layer wedded to American imperialism for the purpose of carrying out a regime change, not fundamentally out of a change of heart by the ruling class or the Democratic Party.

The Cuban government was able to hold out against the embargo for many years based upon a sugar and tourism-based economy due to heavy subsidies provided first by the USSR, which gained an outpost in the Caribbean, then by subsidized oil supplies from Venezuela, which allowed the latter to burnish its leftist credentials. Venezuela, however, is no longer in the position it once was, due to sanctions on the country imposed by the American government. Oil shipments from Venezuela to Cuba are down to 27,000 barrels per day (bpd) from 80,000 bpd in 2020, and 51,500 bpd in 2023.

The whole experience of Cuba since the 1959 revolution has been a confirmation in the negative of Trotsky’s theory of permanent revolution. The only solution to Cuba’s economic crisis is a revolution in the advanced countries, particularly the US, but the Cuban Communist Party, has been a negative factor in the development of revolutionary leadership in the region, as the development of a revolutionary movement would be a danger to itself and complicate the regime’s attempts to carry out a rapprochement with Washington.

Cuban workers must draw the necessary lessons from this whole history. The only way forward is to build a section of the International Committee of the Fourth International in Cuba and start a genuine struggle for socialism.



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