

## Parliamentary summer session: No easy solutions in sight



Cuba's President Miguel Díaz-Canel addressing the 470 deputies of the National Assembly  
(Source: [Presidencia](#))

At the session of the Cuban Parliament last July 20 and 21 - how could it be otherwise - the economic situation and measures to address it were at the forefront of the debates. The country is still in full crisis mode, the problems are numerous. In addition to new economic measures, however, several laws were passed in other areas, and progress was made in implementing the new constitution. An overview of this year's mid-term review of Cuba's National Assembly:

### Speech by President Díaz-Canel

In his [speech](#) on the last day of the meeting, Cuba's president addressed the country's difficult economic situation, which was the main topic of the meeting.

- He began by addressing the question of the necessity of continuing the Cuban Revolution: **"The option of surrendering has been erased from the DNA of Cubans. And not on a whim, because we feel like sacrificing ourselves, or because we believe that we are a chosen nation. It is enough to look at those who capitulated or were subjugated by a seemingly invincible superior force: They lost the nation, the ideal and the destiny of their countries. [...]** Personally, I cannot imagine Cuba without the moral strength of its party and without the organization, planning and constant care of a government whose main task is to provide health, education, food and public services, some of them free of charge and others at the lowest possible cost, under the terrible

conditions of a reinforced blockade. [...] The most convenient thing would have been to stop the struggle, join the global trend, abandon this project, and then 'save yourself if you can.' But we chose the most difficult way: the dignified one."

- Referring to the ongoing U.S. blockade and outside criticism, he said, "**It is well known that Cuba's greatest strength lies in its people and its exemplary resistance, that is why they are attacking us, sowing the seeds of ungovernability, of a failed state and of insecurity among the citizens. The plan is to discredit us to the point that national unity collapses. Contributing to this are some of the most extreme positions: from the right, calling for privatization and system change, and also from the supposed left, demonizing any room for the market. As always, the extremes touch, and both positions agree on one point: the terse criticism of the concept of socialism and of any attempt at a solution that comes from government responsibility. [...] Some are tired of talking about the blockade; others invent theories about theory, as if the [marxist] classics had negated dialectics. They forget that their important theoretical contribution did not envisage socialist construction in a small nation that inherited underdevelopment and that has been blockaded for more than 60 years by the world's largest empire as a neighbor.**"
- Cuba will continue to "**counter the increasing tendency of the deepening of neoliberal capitalism with a project of social justice.**" However, misunderstandings must be cleared up: "**Social justice does not mean and cannot be reduced to welfare or egalitarianism. It means distributing the wealth created by all among all, but in a differentiated way so that those who contribute the most benefit the most and those who are unable to contribute receive support. To achieve this, wealth must first be created, and in this task we are still far from achieving our goals.**"
- After years of crisis, economic indicators currently show a "**very slight recovery trend.**" For example, the situation of the power grid "**is much better than in 2022, despite the increased demand.**" In the tourism sector, visitor numbers would not reach the target of 3.5 million this year, "**but they show a growth pattern that will exceed the results of 2021 and 2022.**" The currency market introduced in 2022 has so far been able to inject \$110 million into industry, "**which remains insufficient.**" The channels for sending money from abroad are expected to be widened in the second half of the year, with cryptocurrencies planned to be more widely used. Another factor in the recovery is the increased inflow of foreign investment "**as a result of official state trips in recent months,**" which includes agriculture, the sugar industry, and energy, in addition to the joint ventures already announced in trade, where new projects are expected to emerge in the second half of the year.
- To solve the structural problems of the economy, multidisciplinary working groups of scientists, economists and government cadres have been formed and have developed a macroeconomic stabilization program to be implemented in the second half of the year and in the first half of 2024. This is intended to gradually correct "**the imbalances of the economy and change the allocation of foreign exchange in accordance with the country's priorities.**" Other steps in the program include boosting food and industrial production, changing the subsidy system (away from general price subsidies to targeted support), and developing a currency market (that works both ways). Private sector laws are to be updated to favor its "**role in the**

**strategic development of the country"** and the creation of new jobs. Díaz-Canel announced **"inevitable structural changes for the Cuban economy"** to be implemented over the next three years.

- Regarding the high prices of food, temporary band-aids such as price controls will be implemented at the local level, while working on sustainable solutions to increase supply. A major problem is the increase in corruption, social discipline violations, and other illegal activities, which Díaz-Canel criticized as a threat to the values of society and the basic pillars of socialism. The parallel economy, he said, **"penetrates the social fabric like a cancer."** In addition, he cited phenomena such as tax evasion, bureaucracy, speculation, racketeering, and indecency, which all the country's institutions and revolutionary forces must confront: **"We cannot allow those who don't work, don't contribute, and move in an environment of illegality, to earn more and have better living conditions than those who work honestly and contribute to society."**

## The state of the economy



*Raúl Castro (92) was also present as a delegate at the meeting (Source: [Granma](#))*

- Economy Minister Alejandro Gil announced new figures at the meeting. **Cuba's gross domestic product grew by only 1.8 percent last year** (instead of the planned four percent). Even this slight recovery was mainly due to increases in the social sphere after the end of the pandemic measures, while the productive sphere

continued to barely grow last year and in some cases slumped further. Social spending accounted for 74 percent of the budget last year.

- **"The gradual recovery of the economy has not yet reached the necessary pace,"** Gil said. Unusually, he did not give forecasts for growth in the first half of the year. Inflation in the state sector currently stands at 45.48 percent, with food, beverages, and transportation accounting for the largest share. There continues to be a tendency toward dollarization of transactions, both in the private and government sectors, he said.
- Gil named the following as the most important investments this year: projects in the fields of energy and water management, the renovation of a furniture factory in Holguín, and the reopening of the "Antilla de Acero" steelworks in Havana after several years of basic renovation.
- In the first half of this year, **\$1.28 billion in export revenues have been generated so far, 35.7 percent of the annual target.** This is US\$94 million less than what was planned up to this point, **"which has a direct effect on those activities that require foreign currency,"** Gil elaborated. Traditional exports such as nickel and sugar were the main commodities that remained below target, while tobacco, rum, seafood and pharmaceutical products fared a bit better. Another problem for foreign exchange earnings is the decline in telephone recharges from abroad as a result of lower prices because of the exchange rate issues: **"That's good for the population, but it hurts external revenues."** Still, meeting the import plan in the second half of the year will require **"great efforts,"** Gil said.



- **Tourism is 20 percent below target with 1.3 million visitors so far.** In the first half of the year, arrivals were 51.1 percent of 2019 levels, and the target of 3.5 million visitors by the end of the year is unlikely to be met, Gil said.
- This year, Cuba is trying to **counter-finance imports primarily with exports** and avoid borrowing due to interest rates. **Imports** therefore had to be cut, standing at \$4.37 billion so far, or 33.8 percent of the target. 91.2 percent of imports are through government channels, but the private sector has been able to expand its role significantly, accounting for 8.8 percent of total imports. The private sector's export share is currently only 0.2 percent.
- Currently, the private sector imports mainly finished products for resale. In the coming months, a new tax and duty policy will be introduced to incentivize the import of inputs and raw materials. This is intended to stimulate domestic production and reduce costs. **"In this way, we will have greater supply and more affordable prices,"** Gil said.

- An inventory of the state sector is currently underway in preparation for the new Enterprise Law. This provides for different forms of management depending on the purpose of the state-owned enterprises and greater use of market mechanisms. Pricing is to be gradually freed up, with the exception of some strategic areas. Gil



provided a snapshot of all economic actors in Cuba on this occasion. According to this, the economy currently consists of 2422 state-owned enterprises, 5138 cooperatives (both agricultural and non-agricultural), 103 joint ventures and foreign companies, 8590 private small and medium enterprises (SMEs), and 596,000 self-employed ("*Cuentapropistas*"). While SMEs have increased sharply, currently employing 236,917 people, the number of self-employed has now leveled off at about the same level as before the pandemic.

- **Industrial production** has suffered a severe slump in virtually all areas over the past three years ([figures and data](#)). 55 percent of national consumption (which also declined sharply) is generated by domestic industry. However, many plants are hopelessly outdated and urgently need investment.
- In addition, state-owned enterprises face a variety of structural problems: "**Among the most common are the lack of timely financing in foreign currency, withheld payments to suppliers, insufficient raw materials and inputs, restrictions on the allocation of fuel, and the application of centralized prices and tariffs in some areas of activity that do not cover the costs and expenses of the main activity,**" Gil elaborated. The main changes where the upcoming Enterprise Law will start are "**mechanisms of access to resources, labor management, wage setting, pricing, and financial relations with the state.**"
- A first step in this direction is the **introduction of new foreign exchange circuits based on the 120:1 exchange rate**, which was introduced last August. This will make it easier for companies to obtain foreign currency to pre-finance their production. In a first step, the industry for the production of electric scooters, as well as parts of the furniture and textile production, are making use of this.
- **Foreign direct investment increased** (from a low level). Inflows increased from \$225 million in the first half of 2022 to \$437 million currently. So far this year, 15 new projects have been approved, three of them in the Mariel Special Economic Zone (ZEDM). In the second half of the year, 22 new projects are expected to be added, including five new projects in the wholesale and retail sector, which was opened to investors last year.
- Gil also addressed the increase in social inequality: Although only 1.5 percent of employees currently work at the minimum wage, 44 percent of retirees currently receive no more than the minimum pension of 1,500 pesos. Social issues must be "**given high priority,**" Gil said: "**The country has had to make a series of decisions that undoubtedly lead to equity gaps, even though they are intended to directly or indirectly benefit the entire population.**" In the future, therefore, the distribution of subsidies should be more targeted and benefit "**those who really need it.**"
- For the second half of the year, Gil listed the following priorities:
  - a. **New measures in order to reform the state-owned enterprise system,** starting with short-term steps to ensure compliance with the export plan.
  - b. **Prioritization of measures to increase foreign exchange earnings.**
  - c. **Increased attention to individuals, families and communities in vulnerable situations.**
  - d. **Conduct food production and demand balances in each community to identify areas where they can become self-sufficient.**
  - e. **New incentives for the import of raw materials and inputs for all forms of ownership.**

- f. **Sorting the relations between the state and non-state sector**, with the aim to ensure that "all sectors contribute to the country's economic and social development for the benefit of the people."
- g. **Prioritize those measures of the upcoming macroeconomic stabilization program that have a direct impact on controlling inflation.**

## Other topics



*Current issues and legislative projects were discussed in various working commissions (source: [Cubadebate](#)).*

- **Food production:** Much space was devoted to the topic of food production at the meeting. In his report, Deputy Prime Minister Jorge Luis Tapia Fonseca presented the implementation of the "**Food Security Law**" passed last year and the "**63 measures to revitalize agriculture**". The record looks bleak: As Tapia Fonseca explained, "**a significant number of the measures envisioned have not been implemented by those responsible.**" At the municipal level, he said, appropriate food councils have been established to organize community self-sufficiency, but the results so far leave much to be desired. "**There is a lack of commitment to produce food. We all wait for food to be sent to us, but we do nothing to produce it. There is a lack of a productive culture,**" Fonseca noted. A major problem is the lack of fuel and feed. This year, for example, farmers have been provided with only 74 percent of their basic diesel needs and only 10 out of every 1,000 tons of fertilizer. As noted in May, agricultural production is just at the bottom: "**Of the 5 kg of animal protein per person per month, only 438 grams per capita was achieved in 2022, and in May 2023 it was only 347 grams,**" Tapia said. Theft

and illegal slaughter of cattle livestock increased in all provinces, reaching 44,318 animals (23,651 more than the same time in 2022). Livestock numbers continued to decline this year, with pork production falling from 200,000 tons in 2018 to 25,000 tons this year. The transfer of idle land for usufruct is progressing slowly, with 258,388 hectares of idle land pending transfer at the end of April. Reasons cited for the delays include **"difficulties in land use and utilization, as well as organizational and logistical problems and lack of flexibility among cadres."** Another problem is the poor implementation of the newly introduced contracting system; there is often ignorance of methods and prices on the part of local administrations. State buyer Acopio's debt to producers stood at 49.8 million pesos in May. The importation of flour has been causing major problems since mid-2022, which is why the bread of state bakeries continues to be "stretched" with yuca, boniato and other root crops. The sugar sector has also fallen far short of its targets; figures were not given, and the causes were again partly due to **"subjective deficiencies."** Parliament Speaker Lazo Hernández at times stepped out of his role as moderator to vigorously criticize: **"Today, 100 percent of rice and beans are imported for the libreta."** He said there is still a lack of concrete results, which is why the supply to the bodegas is experiencing delays. **"We are tired of programs, measures and diagnostics,"** Hernández said. It was decided to subject the Ministry of Agriculture to an extended audit and accountability in December.

- **Energy situation:** Energy Minister Vicente de la O Levy had better news to report. The maintenance of several power plant units in Mariel, Holguín ("CTE Felton") and Cienfuegos ("CTE Carlos Manuel de Céspedes") was successfully completed. 300 megawatts were added through the maintenance of diesel units in Moa and Mariel, and another 300 megawatts were obtained through new gas wells. **"All these actions were carried out under the most difficult conditions,"** elaborated O Levy, who cited the lack of spare parts, lack of financing and the U.S. sanctions in force as the main problems. As a result of the measures, a 35 percent year-on-year decrease in power cuts occurred in May, and in June the generation deficit - despite a 13 percent increase in demand - was 38 percent lower than in June 2022, he said. In July, supply has even largely stabilized, with the deficit at just four percent so far. **The situation at gas stations has also eased "gradually"** since May. The further increase in demand by the 3.5 million households is being managed through restrictions on state consumers. Nevertheless, the minister did not give the all-clear: The successes are on the edge of their seats; due to problems with the grid voltage, there have been four major grid outages in just 10 days in recent months. One problem here is the damage to a good 1,000 transformers caused by Hurricane Ian last fall; as a result, electricity infrastructure had to be moved out of state-owned enterprises into the residential sector. The country's electrification rate is currently 99.9 percent, with only 2479 households without electricity. A solution for these is to be found by means of solar panels. Meanwhile, the expansion of renewable energy is making slow progress, with only 31 megawatts of capacity installed so far this year. At the end of his speech, O Levy called on the population to save power: **"It depends on all of us that the current situation remains stable and gets better,"** he said.
- **Transportation sector:** The transportation sector continues to operate with severely limited resources; in Havana, about half of the buses are not operational, mainly due to lack of spare parts. Nationwide, fleet availability is less than 50 percent. The main focus at the meeting was the poor condition of the roads. As Transportation Minister

Eduardo Rodríguez Dávila explained, 75 percent of Cuban roads are in "**regular or poor condition.**" Mountain roads in particular are in poor condition. In order to advance road reconstruction, a number of measures have been adopted, including a new financing scheme to better allocate the necessary foreign currency and the introduction of scientific know-how into the sector.

- **Water supply:** Several pumping accidents recently caused widespread water supply failure in Havana, at times affecting more than 200,000 people. Antonio Rodríguez, president of the Institute of Water Management, announced the purchase of 1,000 new pumps by the end of the year. Funding has already been secured for 722. In addition, 326 kilometers of new pipes are to be laid throughout the country this year, interconnecting several water systems.
- **Price controls and the fight against corruption:** In view of the continued double-digit increase in consumer prices, it was decided that local governments could introduce price ceilings for a number of products - in the knowledge that the measure cannot be a permanent solution to the problem. Through joint contracts at the municipal level with producers (introduced as part of the new agricultural policy), realistic market prices are to be achieved. Díaz-Canel urged that the population and mass organizations be involved in the fight against corruption and speculation. The state and government "**cannot turn a blind eye to phenomena that have a direct impact on social justice and the fundamental values of the revolution.**" At the same time, he praised the National Assembly's "**tireless debate and great commitment**" on this issue.
- **The work of the police and courts** was also a subject of the meeting. For the first time in over a decade, the number of prison inmates in Cuba was announced; it currently stands at 35,096 people (2012: 57,337). Compared to 2012, the prison population decreased by 35 percent. This year, most court sentences were for property crimes and robberies (4487 people), illegal slaughter of cattle (1226 people), drug offenses (352 people), speculation and enrichment (147 people), and illegal economic activity (48 people). Imprisonment sentences were imposed in 69.4 percent of the cases.
- **New military penal code:** After the civil penal code ("Código penal") was updated last spring, the military penal code was due for an update this year. The 38th draft version of this code has now been approved by parliament, replacing the previous code from 1979. What's new? For example, additional criminal offenses have been included in accordance with new norms of international law as well as the UN Convention for the Protection of the Seas. Digital offenses are also included for the first time. For example, misuse of armed forces databases by military personnel can be sanctioned with a prison sentence of up to three years or an equivalent fine. In addition, violations have been recategorized and sanctions have been more differentiated. Penalties should thus be more transparent and the military courts relieved. For juveniles under the age of 18, several sanctions were defused in accordance with the UN Charter on the Rights of the Child.
- **New child and youth policy:** With the new "Integral Policy for the Care of Children and Adolescents", Cuba's parliament has taken another step in the implementation of the new constitution. The Carta Magna, adopted in 2019, strengthened the rights of children and youth, which has now been translated into a corresponding law. More than 20,000 children and young people participated in the drafting of the law through questionnaires and discussion forums. The new policy is intended to strengthen early



childhood education, for example, and children and young people in difficult circumstances will also receive new types of social benefits. This is also intended to respond to the aging of Cuban society. Other points of the law include (selection): Strengthening the prevention strategy against domestic violence, improving sex education and broadening the availability of contraceptives, new certification processes for youth dropouts, providing youth computer clubs with broadband Internet, and promoting shared apartments and small apartments for young adults up to age 30. The president of the communist youth association UJC, Aylín Álvarez, called for greater systematic involvement of children and young people in future legislative processes.

- **Strengthening the link between MPs and voters:** In response to the drop in voter turnout, the National Assembly was tasked with drawing up new standards aimed at strengthening the link between MPs and voters. From now on, members of parliament must visit their constituency at least once every three months. What is customary at the local level poses a greater challenge for elected officials at the national level who live in Havana but have their constituency in other provinces. It was announced that failure to comply with this principle can be grounds for removal by the electorate under the imperative mandate.
- **Foreign policy:** Among other things, Foreign Minister Bruno Rodríguez named Cuba's work in the presidency of Group 77+China at the United Nations as the main priority of his department. Cuba will also continue to accompany the peace process in Colombia. In addition, ties with the exile community will be strengthened, and a conference with Cubans abroad will be organized for this purpose. Opportunities for investment from the exile community are to be expanded.
- **Implementation of "Tarea vida":** In 2017, Cuba's National Assembly adopted a plan to adapt to the consequences of climate change under the title "Tarea Vida" (Task Life). Researchers on the island predict that sea level rise will accelerate from 29 to 95 centimeters between 2050 and 2100. Cuba will lose 9588 square kilometers of land by the end of the century. As a result, 22 coastal settlements with more than 20,000 residents will have to be abandoned by 2050. An important part of the strategy is the planting of mangrove forests to slow erosion. Their advance has now been noted in 84 percent of the coastal sections surveyed. However, adaptation plans are proceeding slowly in many communities, and deputies complained about the lack of funding and adequate public relations.
- **Conversion to digital TV:** Cuba has been upgrading its TV standard from analog to the Chinese DTMB digital standard since 2014, but the timelines have been repeatedly not been met. Since that time, 3.4 million digital receivers have been sold. With the expansion of the LTE mobile network to the 700 Mhz frequency range, several channels have now been converted from analog to digital transmission in the first western provinces. In Havana and other larger cities, transmission is already running in HD quality. In the course of the last months, 52 analog transmission towers were able to be decommissioned; they will be used as spare parts donors for the remaining analog transmission network. The complete shutdown of analog broadcasting is scheduled for 2026. ([Cubaheute](#))