



## IFAS EXTENSION

# Chronology of Cuban Reform Policies with Emphasis on Agriculture, 1993-1995<sup>1</sup>

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On October 28, 2000, U.S. President Bill Clinton signed the Trade Sanctions Reform and Export Enhancement Act (TSRA) which allowed U.S. firms to sell food and agricultural products to Cuba and other countries. However, the Cuban government did not purchase any of these products until December of 2001 following the devastating damage caused by Hurricane Michelle to important agricultural areas in November of that year.

Cuban purchases from U.S. firms amounted to \$4.319 million in 2001, \$138.635 million in 2002, and \$256.9 million in 2003. Cuba became the 35th most important food and agricultural export market for the United States in 2003, up from last (226th) in 2000. Actual purchases and pending contracts in the first-half of 2004 are at a pace to move Cuba into the top 20 most important markets of U.S. food and agricultural exports. Furthermore, because current U.S. legislation requires that all Cuban purchases from the United States must be conducted on a cash basis, the lack of credit risk associated with these sales makes Cuba one of the most attractive export markets for U.S. firms.

Anticipating changes in U.S.-Cuba trade relations, the Food and Resource Economics Department at UF/IFAS initiated a research initiative on Cuba in 1990, including a 1993 collaborative agreement with the University of Havana, which has lasted to this day. (Most of the resulting publications can be found at <http://www.cubanag.ifas.ufl.edu>). We reiterate that our role as investigators is to provide the best available information and analyses from which rational decisions can be made. The reports included in this series intend to address the increasing level of interest in the Cuban market for food and agricultural products among U.S. firms and to assist them in becoming more familiar with that market. The complete list of documents in this series can be found by conducting a topical search for "Cuba" at <http://edis.ifas.ufl.edu>, or under "Additional Information" at the end of this document.

## Introduction

The process of economic reform in Cuba raised the hope and enthusiasm of many people on the island and abroad. It was short-lived, lasting exactly two years. The many and varied agricultural-related

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policies enacted during that period fell short of becoming the outset of an economic transition to a market economy (Table 1).

The reform process was launched by an unusual announcement by Fidel Castro on July 26, 1993, during the celebration of the 40th anniversary of the attack on the Moncada barracks in Santiago de Cuba. In the city considered the cradle of his revolution, Castro announced a series of policies aimed at collecting foreign exchange. The most important one was the legalization of convertible currencies, mainly the U.S. dollar. Two years later, he announced the end of the reform process. This fact sheet contains a chronology of the different pieces of legislation and measures related to the agricultural sector.

### **Remarks**

As explained in another fact sheet of this series (EDIS FE485), the 1993-1995 process of economic reform in Cuba originated in three unrelated events that unfolded separately and almost simultaneously: (1) the inefficiency of the state agricultural sector (which became critical during the late 1980s), (2) the demise of socialism in the countries of the former Soviet bloc, and (3) the reinforcement of U.S. economic sanctions against Cuba.

Trying to adapt to a drastically-changed international environment, lacking Soviet subsidies, and being forced to conduct its international transactions in hard currency, the Cuban government implemented timid market reforms. The process was an economic failure but a huge political success since it ensured the survival of socialism in Cuba. Ten years later, most of the new policies have been abolished or tempered.

### **References**

Alvarez, José. 2004. *Cuba's Agricultural Sector*. Gainesville, FL: University Press of Florida.

### **Additional Information**

Below is a list of the fact sheets in this series on Cuban Agriculture. They can be accessed by clicking on the highlighted links:

- FE479 — Cuban Agriculture Before 1959: The Political and Economic Situations
- FE480 — Cuban Agriculture Before 1959: The Social Situation
- FE481 — Transformations in Cuban Agriculture After 1959
- FE482 — Overview of Cuba's Food Rationing System
- FE483 — The Issue of Food Security in Cuba
- FE484 — *Acopio*: Cuba's State Procurement and Distribution Agency
- FE485 — Antecedents of the Cuban Agricultural Policies of the 1990s
- FE486 — Chronology of Cuban Reform Policies with Emphasis on Agriculture, 1993-1995
- FE487 — Cuba's Basic Units of Cooperative Production
- FE488 — Cuba's Agricultural Markets
- FE489 — Environmental Deterioration and Conservation in Cuban Agriculture
- FE490 — The Potential Correlation between Natural Disasters and Cuba's Agricultural Performance

**Table 1.** Chronology of Cuban reform policies with emphasis on agriculture, 1993-1995.

Date	Event
<b>1993</b>	
JULY	
26	President Fidel Castro announces a series of policies intended to collect foreign exchange. The most important one is the free circulation of convertible currencies, mainly the U.S. dollar.
AUGUST	
13	Council of State promulgates Law-Decree No. 140 dealing with free circulation of convertible currencies. In essence, this repeals previous legislation that penalized possession and use of convertible currencies by the general public.
SEPTEMBER	
08	Council of State enacts Law-Decree No. 141 authorizing self-employment in several areas of economic activity.  Joint Resolution No. 1 by State Committee on Finance and State Committee on Labor and Social Security dictates the corresponding rules and regulations for self-employment. It authorizes 117 activities (expanded to 16 others on October 22), 16 of which are related to agriculture. College graduates are not authorized to participate in self-employment activities.
15	The Politburo of Cuba's Communist Party agrees to apply new principles, in search of efficiency, to state agriculture. The general call is widely publicized on the island.
20	Council of State enacts Law-Decree No. 142 establishing Basic Units of Cooperative Production on previous state farms. This legislation intends to eliminate state monopoly on most agricultural lands. Although the land remains the property of the state, it is given in usufruct for an indefinite period of time to the newly created cooperatives.
OCTOBER	
28	Minister of Agriculture announces that more than 268 hectares were given in free usufruct to families interested in growing tobacco in the oriental province of Ciego de Avila. In addition to right to self-consumption activities, each family received an average of 4.5 hectares.
<b>1994</b>	
APRIL	
21	Law-Decree No. 147 by Council of State restructures the state bureaucracy. Seventeen previous state committees, national commissions, and institutes are integrated under six new ministries: <ol style="list-style-type: none"> <li>1. Economics and Planning</li> <li>2. Foreign Investment and Economic Collaboration</li> <li>3. Tourism</li> <li>4. Finances and Prices</li> <li>5. Labor and Social Security</li> <li>6. Sciences, Technology, and Environment.</li> </ol> The old Central Planning Board loses its relevance.
MAY	
23	Council of Ministers announces sharp price increases beginning June 1, September 1, and October 1 for cigarettes, beer, rum, railroad, aerial, and inter-provincial transportation, gasoline, electricity, water, and sewage.

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Date	Event
SEPTEMBER	
19	Council of Ministers enacts Decree No. 191 authorizing the establishment of free agricultural markets ( <i>mercados agropecuarios</i> ) throughout the island where farmers and state enterprises can sell their surplus production, after fulfilling their commitments to the state, at prices dictated by supply and demand.
OCTOBER	
21	Decree No. 192 of the Council of Ministers authorizes the establishment of markets for industrial products and crafts throughout the island. Goods are to be sold at prices dictated by the laws of supply and demand. Self-employed individuals and state enterprises are the primary beneficiaries.
30	Vice President Carlos Lage announces that all sectors of the Cuban economy are open to foreign investment. The new approach, however, only permits financial arrangements with foreign companies for the purchasing of agricultural inputs. The new legislation is not enacted until the following year on September 5th, when the Council of State enacts Law 77 on foreign investment. This law is more transparent than the previous legislation it supersedes.
NOVEMBER	
19	Alfredo Jordán, Minister of Agriculture, announces payments in hard currency of a small part of their salaries to workers in all stages of the tobacco sector. (Such payments had already been authorized to workers in the fishing and electrical industries, later extended to the sugar agroindustry.)
28	Cuban newspaper <i>Trabajadores</i> announces that the first middle school in the countryside (ESBEC) has been converted into an agricultural community for workers in the area of Jagüey Grande, in the province of Matanzas. For many years, the ESBEC program brought middle school students from urban areas to participate in a 4-hour work, 4-hour study program in the countryside.
DECEMBER	
20	National Assembly of People's Power approves the 1995 State Budget Law. It anticipates revenues at around 12 billion pesos (the same amount of dollars at the official exchange rate of one peso to one U.S. dollar) and expenses at about 113 billion pesos. The one billion pesos deficit is 4.6% lower than in 1994.  Cuban government announces the introduction of a "convertible peso" to be used in international transactions. Equivalent to the U.S. dollar, the new peso will circulate along with hard currencies.
<b>1995</b> JANUARY	
17	Orlando Lugo, President of the National Association of Small Farmers announces that 5,835 families throughout Cuba had received in usufruct approximately 12,000 hectares of tobacco lands and 1,153 individuals had received coffee lands. In the province of Ciego de Avila a total of 19,870 hectares of pasturelands had been transferred to 369 livestock workers for milk production. Each worker received 50 hectares and 40 cows. Another 619 hectares were given to 46 workers for vegetable and <i>vianda</i> production for self-consumption and sales in agricultural markets.
JULY	
05	Fidel Castro announces the end of the reform process: "All openings have brought risks. If we must make additional openings and reforms, we will, but for the moment, they are not necessary."