

General Political Environment:

On 31 July 2006, illness obliged Fidel Castro to hand over power for the first time since 1959, and his brother Raúl assumed Fidel's role as head of state and leader of the Cuban Communist Party (PCC). Nevertheless Fidel remains the dominant figure in Cuban politics. Cuba has a command economy and a lack of political freedom.

No democratic transition is expected whilst Fidel Castro maintains any active presence in or influence on the Cuban government. Fidel's demonstrated trust in Raúl confirms long-held expectations that Raúl is the heir to the presidency. Raúl, who will turn 76 in June 2007, has long managed the Cuban military and this support base would likely factor into his strategy should he assume power on a permanent basis. The PCC is another key institution. In July 2006, Fidel clarified his vision that the party is his eventual successor, and a new generation of leaders is being groomed from its ranks.

Dissident movements have been active despite strong repression. Over 100 dissidents were imprisoned during major crackdowns in 2003 and 2005. International human rights organizations strongly condemned the regime's actions. Arrests and imprisonments continue. The European Union has underscored its dissatisfaction with the human rights situation, and while it has considered re-instating sanctions, the EU has chosen instead to pursue dialogue for now.

The US has consistently opposed any easing of its ongoing embargo until Cuba implements political and economic reforms. The sanctions law also precludes any major shift in policy whilst either Fidel or Raúl Castro is in power. However, Washington has allowed sales of pre-paid food and medicine to Cuba and there is increasing pressure by various American interests to allow for increased travel and trade. The current administration is unlikely to budge on these issues.

In 2006 Cuba signed a "Peoples' Trade Agreement" with Venezuela and Bolivia, and access to Venezuelan oil on favourable terms is currently a pillar of Cuba's economy. Other countries have also forged closer ties with Cuba in recent years, including China. Cuba is unlikely to allow heavy dependence on any one relationship and has, for example, partnered with companies from a number of countries to explore for offshore oil in Cuban waters.

Investment Environment:

There is concern over the 'capitalist' influence of foreign investment and it is regarded as a necessary evil in order to keep the regime alive economically. There is some evidence that a new generation of leaders would gradually adopt a more open stance.

The US "Helms-Burton" Act (1996) remains a major obstacle to investment for foreign companies who wish to conduct business both in Cuba and the US. Although US presidents continue to suspend the relevant section, the law allows for suits to be brought to US courts against foreign companies who invest in or use expropriated land formerly owned by US nationals.

Over the past year, increasing US agency focus on strict adherence to the provisions of the Act has also complicated the conduct of business. Cuban bureaucracy is notoriously slow and can seriously hinder acquisition of permits and licenses required to do business. Energy shortages also hold back development and inhibit new business creation.

Cuba's Central Bank passed a series of decrees between 2003 and 2005 to centralize the economy and eliminate the use of US currency. Increased Central Bank control over imports and the use of convertible currencies was also effected through these changes. The Central Bank has de facto control over the provision of payment for most import transactions.

Political Violence:

The preconditions for political violence exist given the repression of political opposition. However, serious episodes are only expected to develop if, over time, the Cuban regime is unable to respond to the population's desire for access to a larger variety of goods and services.

There is a genuine fear among Cubans that the US will undertake a military offensive against Castro's regime. The armed forces have organized military exercises to evaluate the country's ability to counter a hypothetical US attack. The US government has also conducted military exercises as part of contingency planning in the event of a major influx of Cubans.

Political

Political Structure
Socialist Republic

President
Fidel Castro

Acting President, First Vice-President and Minister of the Revolutionary Armed Forces
Raúl Castro (brother)

Vice-President of the Council of State
Carlos Lage

Legislative Body
Unicameral Legislature:
National Assembly (601 seats) - members elected for a five year term and chosen from the *Cuban Communist Party* list. No other political parties are allowed.

Last Elections

- Legislative: January 2003
- Presidential: no democratic presidential elections – Fidel Castro in power since 1959

Next Elections

- Due in 2008

Press Freedom Survey:

- 2006 Score: 96 - not free (0: Free; 100: Not Free)

freedomhouse.org

Control of Corruption Index:

- 2005 Score: -0.26 (-2.5: Worst; +2.5: Best)

worldbank.org

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Political Outlook

The status quo will likely prevail until Fidel Castro exits the scene. Various opinions exist regarding post-Castro scenarios, yet the calm that has prevailed since Fidel's handover of power has generally assuaged fears of short-term chaos and confusion upon his passing. Transition in the medium-term could include economic liberalization, while political openness is likely to come last. Meanwhile, the rules of doing business in Cuba are expected to continue to be opaque and random, and complications arising from US actions are unlikely to attenuate, if at all, until after the fall 2008 US elections.