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In fields and city streets, Cuba embraces change

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By Frank Jack Daniel

ARANGO, Cuba (Reuters) - Across Cuba, new farmers are tilling fertile fields abandoned for decades and city streets are abuzz with market stalls as private businesses sow the seeds of what many hope will be an economic revival.

In the biggest shake-up of the withered state-run economy since revolutionary leader Fidel Castro nationalized all private companies more than 40 years ago, the Communist-led island is laying off a million public workers and encouraging people to work idle state-owned land or set up businesses.

Since the 1960s, jobs on the Caribbean island have almost entirely been provided by the state, right down to trades like barbers and watch-menders. Many farm lands fell into disuse as Cuban agriculture stagnated under strict rules and low prices.

"Six months ago I didn't even remotely think of coming to the countryside. But in six months, the country has changed," said Juan, a retired army officer who trained as an agronomist but only returned to farming in December.

Tens of thousands of businesses have sprung up across Cuba in just a few weeks at the bidding of Fidel Castro's brother, President Raul Castro, with farms replanted, new restaurants opening daily and placid streets starting to buzz with trade.

A few blocks from hulking concrete government ministries decorated with portraits of revolutionary heroes that still provide the vast majority of jobs on the island, dozens of people now line up each morning to buy pizzas, underwear and pirate DVDs from the new generation of legal street vendors.

Until recently, most sellers of private goods operated illegally and risked fines and police abuse. Now they sell in the open, contributing to social security and the public purse.

"I've sold 20 films this morning and it's my first day, imagine what it will be like when people know I'm here," said Katrina, doing a brisk trade in Japanese animation, Hollywood films such as "Twilight" and Michael Jackson CDs.

But hurdles remain to making farms and other ventures productive. Even those grasping the opportunity offered by more liberal rules remain wary that new freedoms will be reversed.

For many used to state employment for life, the changes add new uncertainties to traditional worries about low salaries.

Havana cobbler Mario is unsure he will make more than his current government wage of \$10 a month under new rules that will see him rent his store from the state, buy his materials and, crucially for the cash-strapped government, pay taxes.

"This could be good news, I just don't know yet, I won't until I know how much I will have to spend on rent and materials," he said, stitching a rubber sole in a dingy shop near Havana's grand but faded oceanside promenade.

Like many Cubans, Mario augments a meager income with work on the side, mending shoes from his apartment. He worries that work will now be taxed and his total income will fall.

Others say they won't let taxes undermine their profits.

"I'm not really worried about that," said Caridad, 47, who opened a thriving restaurant on Christmas Eve on a highway to a Havana-area beach. She sells \$5 lobster. "The government has no way of tracking how much I make, so I'll just under-report."

Permits to sell pirated goods will raise eyebrows at Western media companies but the trade makes clear sense to Katrina and hundreds like her in Havana as costs are very low.

DOUBTS

In other areas, the government still controls the sale of most inputs and says it cannot yet afford to sell at wholesale prices -- a limit on profits and perhaps a sign officials worry tax income will not replace state earnings elsewhere.

Caridad said her main concern is the reforms will stall.

As part of a ground-breaking economic opening in the 1990s to survive the collapse of Cuba's longtime benefactor, the Soviet bloc, Fidel Castro's government initiated an early attempt to allow private enterprise.

But, citing fears of corruption and social inequality, it later backtracked and reined in those activities as soon as the economy improved.

"This process has been set up so they can slow it down at any time," said Cuba expert Philip Peters at Washington-based think-tank the Lexington Institute.

"But in 20 weeks they increased the entrepreneurial sector by 50 percent via government-led reforms, and the people have responded. You can't scoff at that."

Juan, who declined to give his last name, is planting corn, tomatoes and bananas on his lush farm. He raises goats and will buy pigs -- all good news for Cuba, a net food importer.

Large state farms fell into disrepair when the Soviet Union collapsed in 1991. Short of oil, thousands of tractors were left to rot and farmers reverted to oxen for plowing.

Over the past few months, 130,000 people have been given permits to work idle land with more freedom to sell crops on the open market. Prices previously fixed at a low level are now revised every month. The price for tomatoes, for example, has doubled at the farm gate.

"Before, people were feeding crops to the animals, because it wasn't worth selling at the price the government paid," said Diego Aleman, who works on Juan's farm. Another of Raul Castro's reforms makes it legal to hire laborers to work the land.

Two tractors plowing his gently rolling fields were rebuilt from broken-down Soviet machines by one of Juan's neighbors.

However, even the Communist Party accepts the reforms so far have not done enough to raise food production, which has been battered by hurricanes in recent years. Nearly half of all farm land is still idle. At a party conference in April, peasant farmers will raise a number of complaints, especially about the price and availability of tools and materials.

In the past, seed, tools and materials were rationed. Now, government shops sell fencing wire, machetes and other tools but charge high prices, with a roll of barbed-wire costing more than double the average monthly wage.

"The fact they are just now allowing a farmer to buy a machete when he needs one, or to sell by the road, those are positive steps but show how far they have to go," said Peters.

'PRESERVING GAINS'

Years of socialist austerity and a U.S. trade embargo mean Havana is an oasis of calm compared to the chaotic traffic and impromptu street markets of other Latin American cities, its dilapidated but handsome architecture unadorned with hoardings, its palm-lined boulevards not choked with market stalls.

Cuba is proud of its low crime rate, educated populace and free health care, all gains that differentiate it from many poor neighbors and that supporters say partially offset widely-criticized limits on economic and political freedoms.

"A challenge for Cuba will be moving ahead without degrading some of its achievements," one Asian diplomat said.

Political reforms have been slow, although the government is releasing some political prisoners and Raul Castro's criticism of government failings has fostered public debate.

At the agriculture ministry last week, workers streamed into a gray office tower for an 8 a.m. start. When asked, most said they support the reforms and were sure the government will find positions elsewhere for those who lose jobs.

"Nobody should be left without a job because there is work to be done -- in the countryside itself we need masses of labor," said gray-haired Lazaro, a ministry official.

The government has promised to offer many workers new positions elsewhere but it is still unclear how the massive layoffs will play out. The pain may be muted because, as the refrain goes: "They pretend to pay us and we pretend to work."

In the meantime, others have set up profitable ventures.

A line of shoppers curling past her front garden gate to buy painted plaster frogs and plumbing parts, a woman who gave her name as Inisil lost her job at a state bus company last year.

"I'm now making 100 pesos a day, that's much better than my old job," Inisil said. At that rate, she earns her old salary of \$20 a month in a week and has enough to employ a worker -- another innovation only recently permitted.

(Editing by Kieran Murray)

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