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China, Global Governance and the Future of Cuba

Adrian H. HEARN

Abstract: China's deepening engagement with Latin America has been accompanied by concerns about the Chinese government's regard for international conventions of economic governance. Critics claim that across Latin America and the Caribbean, Chinese aid and trade are characterised by excessive state intervention. This article argues that, for two reasons, the rationale for these misgivings is dissipating. First, since the onset of the global financial crisis, China has gained influence in multi-lateral institutions, prompting them toward greater acceptance of public spending in developing countries. Second, recent developments in Cuba show that China is actively encouraging the Western hemisphere's only communist country to liberalise its economy. China sits at the crossroads of these local and global developments, prompting Cuba toward rapprochement with international norms even as it works to reform them.

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Introduction

At a 2009 symposium on security in Washington DC, a foreign policy specialist from a prominent US think tank took the stage with a Chinese official to debate China's deepening ties with Latin America. The specialist asked whether China is willing to "come to the table" with the United States to promote democratic development in the region. The Chinese official's reply was revealing: "We are interested in trade, and not in politics." Talking past – rather than with – each other, the officials revealed a disjuncture of US and Chinese approaches to international affairs, in particular concerning the role of the state in shaping the course of economic cooperation. Exchanges like these suggest that calls for China to unilaterally adapt to prevailing conventions of governance are unrealistic, and that Chinese attempts to rhetorically divorce trade from politics are equally so. They also suggest the need for compromise on both sides of the Pacific as China assumes a more prominent role in world affairs.

Financial instability in the United States and Europe has intensified China's engagement with developing countries. Sino-Latin American trade skyrocketed from 10 billion USD in 2000 to 183 billion USD in 2011, and China's priorities in the region are clear: Tap new sources of foodstuffs and energy to sustain domestic growth, and open new markets for Chinese manufactured products. Literature on the resulting trans-Pacific relationships focuses mainly on the economic and strategic implications of this process, drawing predictable conclusions. Chinese publications, generally penned by government officials, emphasise the economic benefits of their country's demand for the region's primary products, evinced by Latin America's impressive performance during the global financial crisis (GFC) (Jiang 2005, 2009; Sun 2011). Latin American publications reflect the region's historical anxieties about 1) overdependence on resource exports, 2) declining manufacturing sectors, and 3) Dutch disease (IADB 2010; ECLAC 2010; Dussel Peters 2005, 2010). Policy briefs and analyses from the United States exhibit both concerns about the economic sustainability of Chinese operations in Latin America and anxiety about foreign interference in a region traditionally subsumed by US hegemony (Arnson and Davidow 2011; Ellis 2009; Gallagher and Porzecanski 2010).

With few exceptions (e.g. Gonzalez-Vicente 2011; Hearn and León-Manríquez 2011; Kotschwar, Moran, and Muir 2011), little attention has been paid to the influence of China's rise on the coordination and development of Latin American industrial sectors, and how this influence

resonates – or not – with international conventions of governance. The case of Cuba is instructive, as no other country is so openly condemned by Washington and so publicly praised by Beijing. With bilateral trade exceeding 1.8 billion USD in 2010 (down from a pre-GFC high of 2.3 billion USD in 2008), China is Cuba's second-largest trading partner, and the two countries have pursued state-led cooperation in sectors as diverse as biomedicine, tourism, industrial manufacturing, nickel and oil mining, and oil refining (UN-COMTRADE 2011). The workings of Sino-Cuban initiatives are guarded as state secrets, provoking concerns from external observers about their intentions, capacities, and potential threats to the United States. These apprehensions dovetail with a broader discourse on the negative influence that China may bear on development and democracy in Latin America.

This article argues that in spite of continuing differences between international conventions of governance and China's approach to foreign engagement, the line between the two is narrowing. The first half of the article traces the key points of contention to diverging evaluations of state intervention but finds that these tensions are diminishing as multilateral institutions evolve to accommodate China's influence. For instance, adjustments to fiscal reserve policies within the International Monetary Fund (IMF), as well as the gradual relaxation of the IMF's benchmark guidelines on public sector expenditure, resonate with China's vision of public-private integration as a basis for economic development.

As China becomes more integrated into the existing geopolitical architecture, its government has encouraged political outliers, most notably Cuba, to follow its example. The second half of the article finds that the trajectory of Chinese cooperation with Cuba has evolved from state-centric bilateral accords to an increasing emphasis on economic liberalisation. Consequently, even some of Cuba's staunchest critics have recognised that, with China's assistance, the island is headed toward rapprochement with the international economic system. Set against the backdrop of evolving multilateral institutions, China's impact in Cuba constitutes a convincing response to former US Secretary of State Robert Zoellick's invitation for China to become a "responsible stakeholder" in "the international system that has enabled its success" (Zoellick 2005).

China, the State, and Global Governance

China's "peaceful rise" is complicated by the existence of an international system in which the rules of appropriate conduct have already been defined. The United Nations Economic and Social Commission for Asia and the Pacific describes the concept of good governance as a combination of eight qualities whose common denominator is executive openness (consensus-oriented, accountable, transparent, responsive, equitable and inclusive, effective and efficient, following the rule of law, and participatory) (UNESCAP 2011: 3). The OECD Development Assistance Committee provides a similarly meticulous definition of overseas development aid that explicitly excludes trade credits, cultural promotion, and investment-related technical cooperation (OECD 2008; Reilly 2011). Neither of these frameworks accommodates the preferred practices of the Chinese state, which does not generally disclose the details of the credits provided by its banks to "assist" developing countries to export natural resources to China and import manufactured products in return.

From political transparency to commercial conditionality, the controversies that distinguish China's approach from international conventions stem from a common source: diverging views of the state. Richard Feinberg notes that the IMF's aversion to state intervention is not set in stone: "Over the years, the IMF has admitted many new members whose statist economic policies diverged greatly from free market norms" (Feinberg 2011: 63). Nevertheless, the IMF recommends that developing market economies should not allow their public debt-to-GDP ratio to exceed 25 per cent (IMF 2003). Although the IMF replaced its structural performance criteria with more flexible "structural benchmarks" in 2009, the underlying ideology remains the same: Macro-economic growth should be a prerequisite for government spending (IMF 2009). Chinese analysts typically view the development process in reverse, advising partner-country governments to undertake initial investments in infrastructure and technical upgrading to enable subsequent economic growth under "the supreme guidance of the state" (Yan 2011: 12-16).

To diminish the tensions that result from conflicting visions of development, Chinese negotiators have sought to influence the policy charters of multilateral institutions, particularly the United Nations and the IMF. The transformation of the G8 into the G8+5, the subsequent creation of the G20, and the formation of informal groupings such as the G20 Developing Nations, BRICS (Brazil, Russia, India, China, South Africa), and BASIC (Brazil, South Africa, India, China) have augmented

China's confidence and international profile. The G20 in particular has provided a platform for President Hu Jintao to describe China's transformation into a "leadership state" (Wang 2011). His G20 speeches have become progressively bolder, in 2009 outlining the need for joint financial monitoring mechanisms and by 2011 criticising the "deficiencies in the existing institutions and mechanisms, policies and approaches, and ways of development", and the "massive unregulated cross-border flow of capital and other financial risks". To overcome these problems, he said, "the government should play a key role in macro-regulation and upholding social equity and justice" (Hu 2011). Hu's message is underwritten by solid economic credentials: Between 2006 and 2011 China contributed 25 per cent to global economic growth, more than any other country.

If the G20 has augmented China's diplomatic exposure, the IMF has enabled practical advances. China now holds the largest IMF voting quota after the United States and Japan, its rights having increased from 3.65 to 6.39 per cent over the past two years. Prior to becoming managing director of the IMF in 2011, Christine Lagarde stated, "If the Chinese economy continues to grow and be a driver of the world economy, then clearly that percentage will have to further increase" (quoted in Hille 2011: 6). It is well known that Chinese negotiators are pushing to secure a place for the *renminbi* in the IMF's multi-currency reserves (Special Drawing Rights, SDRs) and promoting SDRs as an alternative to the US dollar as the world's base currency. According to a Chinese analyst in Washington DC, an accompanying goal is to put upward pressure on the IMF's new system of public spending benchmarks (Anonymous 2011).

China's vision of state-guided development can be traced to the communist revolution of 1949, but more influential are the lessons learned from the nation's subsequent embrace of "market socialism". Since the early 1980s, centrally designed pilot programmes and "experimental points" have allowed adjustments and midstream corrections as market structures moved inward from the margins of the planned system (Devlin 2008: 129). Creative policymaking enabled "the political management of rapid change that did not destroy but rather utilised" state structures to underpin the creation of a mixed economy (Heilmann 2008). As Ding Yijiang put it a decade ago, "a realm of social and economic life that is not directly controlled by the state has developed" (Ding 2001: 12). Success with public-private integration at home has conditioned the formulation of Chinese overseas development pro-

grammes, which are typically managed through bilateral governmental accords and joint ventures. China's advocacy of reforms within the IMF, from securing a place for the *renminbi* in SDRs to building endorsement among member countries for greater public spending, aims to substantiate the legitimacy of this controversial approach.

According to Hu Jintao (2011), by the end of 2010, China had completed 632 infrastructure projects in developing countries. Across Latin America, the Caribbean, Africa, and the Asia-Pacific region, these projects (many of them related to natural resource extraction) have been criticised for their excessive state intervention and inadequate transparency (Corrales et al. 2009; Eisenman 2006; Hanson 2008; Lam 2004; Santoli, Scheidel, and Shanks 2004). China's deepening partnerships with the world's commodity exporters, writes Cynthia Sanborn, are characterised by a lack of checks and balances: "There are no incentives for Chinese leaders to take a stand on social and environmental responsibility" (quoted in Kotschwar, Moran, and Muir 2011). China's preference for negotiating directly with foreign governments has also attracted accusations that it is enabling undemocratic regimes, Venezuela and Cuba among them, to avoid public disclosure of ecological impact and labour conditions (Caspary 2008; Ellis 2009; King 2009). China, it is argued, is spreading the message that "discipline, not democracy, is the key to development and prosperity" (CLATF 2006: 21).

The Chinese Ministry of Foreign Affairs maintains that

China stands ready to offer assistance within its capacity to developing countries having difficulties. Although China's aid is limited, it is provided sincerely and without any conditions attached (MFA-PRC 2003).

Unconditionality has permitted China to rapidly alleviate chronic infrastructure problems in some of the world's poorest countries, earning its "assistance" programmes praise from African, Latin American, and Asian leaders (Alden 2008; Haro Navejas 2011; Kurlantzick 2008). Chinese officials defend their "no-strings" approach as a commitment to political non-interference and, following domestic experience, argue that it minimises corruption because it substitutes cash transfers with self-contained projects such as the construction of schools, hospitals, roads and sports stadiums.

In 2008 the Chinese government responded to international concerns by publishing its first *Policy Paper on Latin America and the Caribbean*. Like previous policy papers on Europe and Africa, the Latin America

edition outlines Beijing's interest in building a "harmonious world of durable peace and common prosperity". The paper pledges that "the Chinese Government will [...] provide economic and technical assistance to relevant Latin American and Caribbean countries without attaching any political conditions" (MFA-PRC 2008). It does not, though, describe the mechanisms through which Chinese trade, aid, and investment might achieve this, nor how the management and regulation of these activities may support or conflict with European or North American approaches. Instead, it refers to the Five Principles of Peaceful Coexistence – unchanged since their establishment in 1954 to resolve a border dispute with India – to define the parameters of trans-Pacific engagement.

The Five Principles provide a general, hence adaptable, framework for international cooperation: mutual respect for territorial integrity and sovereignty, mutual nonaggression, non-interference in the internal affairs of other countries, equality and mutual benefit, and peaceful coexistence. Chinese commentators have argued that the Five Principles reflect a Confucian perspective of nationhood and statecraft, particularly through their emphasis on consensual "harmonious" development, their pursuit of "holistic" outcomes, and their implicit advocacy of state stewardship over national and international affairs (Pan 2004; Wen 2004; Yang 2008). Notwithstanding the appropriation of Confucius to legitimise contemporary policy, analysts – Chinese and Western – detect genuine traces of traditional values in Chinese policymaking. David Shambaugh, for instance, argues that "for the Chinese, cooperation derives from trust – whereas Americans tend to build trust through cooperation" (Shambaugh 2008). There is nothing essentialist about this claim; indeed, quasi-Confucian qualities appear to have influenced several aspects of China's engagement with Latin America.

In Argentina and Venezuela, Chinese enterprises have demonstrated a preference for long-term outcomes over quick returns, offering respective currency swaps and credits of 10.24 billion USD and 20 billion USD in return for natural resource concessions a decade into the future. In Brazil and Cuba, Chinese investments promote the integration of logistics, education, and manufacturing, achieving a degree of collective sectoral coordination beyond the capabilities of any individual firm-to-firm partnership. In Mexico and the Caribbean, Chinese business initiatives have relied on informal networks and *guanxi* rather than official institutional channels, particularly when the latter lack local legal and public support (Haro Navejas 2011; Hearn, Smart, and Hernández 2011). Few

would argue that *guanxi* is a uniquely Chinese construction, much less a Confucian one, and yet ethnic and family ties have been instrumental in enabling the massive inward (and more recently outward) investments that have underwritten four decades of Chinese success (Smart and Hsu 1991; Tsai 2002).

Long-term planning, collective industrial strategies, and deployment of interpersonal relationships may or may not engender the wisdom of Confucius, but they do reflect the goals of Chinese enterprises – and their government – in Latin America. The China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation (CNPC), Huawei, Haier, and other Chinese firms draw heavily on the formal and informal resources of the state, which in return exercises considerable authority in their boardrooms (Chun 2009; Downs 2000). Although perceptions of excessive state intervention in China's overseas activities abound, the discourse of GFC-era leaders, including Barack Obama and Gordon Brown, reflects a growing acceptance of state protagonism in world affairs, particularly regarding economic regulation, coordination, and planning (Cooper 2009; Hotten 2008; *Xinhua* 2008). Even Mexico's conservative president, Felipe Calderón, stated at the 2008 G20 summit in Washington DC that “the invisible hand failed and it is now up to the visible hand of the state to correct inequalities and imbalances” (PVNN 2008). The longevity and sincerity of such corrections remains to be seen, but statements like these, set against the backdrop of greater tolerance for public spending in multilateral institutions, indicate diminishing resistance to China's approach.

Like their Chinese counterparts, Cuban officials are often accused of excessive intervention in the economic and social lives of their citizens. Moreover, Cuba's cooperation with China, managed exclusively through state channels, has drawn criticism for its undisclosed (hence suspicious) nature. From secret arms transfers and development of biological weapons to anti-US intelligence gathering, commentators perceive a sinister intergovernmental strategy underlying the bilateral relationship (Cereijo 2001, 2010; ICCAS 2004).

Sino-Cuban cooperation is indeed driven by a political strategy, but it is focused less on undermining the United States than on the long-term (and less newsworthy) goal of upgrading and coordinating Cuba's industrial capacities. Although Chinese “assistance” to Cuba is managed through governmental channels, it has been accompanied by advice from Beijing about the benefits of incorporating a greater degree of private

initiative into the existing state-led system. Under the leadership of Raúl Castro since 2008, the Cuban government has begun to heed this advice as it seeks to open the island's economy in a controlled manner. The next section examines recent advances in Sino-Cuban cooperation, including bilateral efforts to plan the latter's industrial evolution and implement market reforms. These developments suggest that the Cuban government is distancing itself from Fidel Castro's 50-year-long rejection of capitalism, and moreover, that China is committed to guiding the Western hemisphere's only communist nation toward reconciliation with international conventions.

China and Cuba: The Long March to the Market

China's relations with Cuba date back to 1847, when the first of more than 150,000 Chinese indentured labourers arrived in Havana's port of Regla. These people and their descendants actively took part in Cuba's two wars of independence (1868–78 and 1895–98) and in the social movement that culminated in the Cuban Revolution of 1959. On 2 September 1960, Fidel Castro declared that Cuba would sever ties with Taiwan; this was done within a month, on 28 September, making Cuba the first Latin American country to establish diplomatic relations with the People's Republic of China. Since their inception, Sino-Cuban economic relations have been managed exclusively through governmental channels.

State-to-state cooperation has focused on building critical infrastructure as a basis for Cuban economic growth. Bilateral projects have targeted the upgrading of Cuban manufacturing, the gradual opening of markets, the coordination of industrial sectors, and more recently the controlled introduction of private entrepreneurship. As Chinese enterprises become increasingly comfortable with the rules of market exchange, Cuba's slow implementation of reforms has generated bilateral tensions. However, since Raúl Castro replaced his brother as Cuba's president, the pace of change has quickened, and China's domestic experience with economic reform has assumed growing relevance for the island.

China's interest in developing Cuban manufacturing capacities and markets extends back to collapse of the Soviet Union. Following an initial shipment of 500,000 Chinese bicycles to Cuba in the early 1990s, Mao Xianglin, a former envoy of the Central Committee of the CCP, visited Cuba in 1997 to assist in the establishment of a bicycle factory

with Chinese capital and technical expertise. The success of the initiative led to a similar export-to-production scheme for electric fans. Mao described this as an “incremental” strategy that Chinese businesses have since employed across a range of sectors in Cuba:

I would hesitate to say that our Cuban manufacturing operations are entirely commercial, because what we’re doing is broader than that. We’re trying to help Cuba to incrementally upgrade its technical ability. If our products prove popular and useful then we assist by setting up factories. [...] Using Chinese expertise, Cuba could come to produce electronic goods for sale to Latin America (Mao 2007).

Chinese technical and financial assistance to Cuba demonstrates the sincerity of these words. During a 2001 visit to Cuba, Chinese President Jiang Zemin offered an interest-free credit line of 6.5 million USD and a loan of 200 million USD to modernise local telecommunications with Chinese products, and a 150 million USD credit to buy Chinese televisions (Erikson and Minson 2006: 14). Following the successful sale of Chinese washing machines, televisions, air conditioners, and refrigerators to Cuba, Hu Jintao signed 16 accords in 2004 pledging Chinese support for the domestic manufacture of these and other goods. This promise has materialised in a facility next to Havana’s Lenin Park, where television sets and other light consumer products are assembled. Indicating the success of the scheme, in November 2009 the Cuban Ministry of Information and Communication’s Grupo de la Electrónica entered into a joint venture with Chinese electronics giant Haier to domestically manufacture computer components and assemble household consumer goods (*Cubaencuentro* 2009). In addition to distributing the resulting televisions and refrigerators to the population through neighbourhood committees, Raúl Castro has opened new opportunities for Chinese exporters to test the Cuban market by lifting restrictions on the sale of DVD players, mobile phones, computers, and other Chinese-made products.

Visiting Cuba for a second time in November 2008, Hu offered extensions on the repayment of previous loans, a donation of 8 million USD for hurricane relief, and a credit line of 70 million USD for health infrastructure (*Granma* 2008: 5). The visit also cleared the way for the CNPC to invest 6 billion USD in both the expansion of an oil refinery in Cienfuegos to produce 150,000 barrels per day and the construction of a liquefied natural gas plant on the same site. The complex is expected to process reserves from untapped fields off Cuba’s north coast, which according to the United States Geological Survey contain 5.5 million

barrels of crude oil and 9.8 trillion cubic feet of natural gas. Exploration of the field commenced in early 2012 despite US security and environmental concerns (COHA 2011; Hutchinson-Jafar 2011; Piñón 2011: 24).

China's incremental approach to market expansion in Cuba is one component of a broader strategy of state-guided development that has proven successful across East Asia (Hira 2007: 87-96). A related component is the linkage of distinct industrial sectors into an integrated system, a process that analysts argue has given the Chinese government an unusual degree of control over international production chains (Ellis 2005). As Joshua Kurlantzick writes:

The Chinese government wants to control the entire process, from taking commodities out of the ground to shipping them back to China, because it does not trust world markets to ensure continuous supplies of key resources. It is purchasing stakes in important oil and gas firms abroad, constructing the infrastructure necessary to get those industries' resources to port, and building close relations with refiners and shippers (Kurlantzick 2008: 200).

China's pursuit of industrial integration is evident in the Cuban transport sector, which in 2006 received a 1.8 billion USD revolving credit line backed by the China Export and Credit Insurance Corporation (Sinosure), whose repayment was renegotiated in 2010 (ICCAS 2009: 47; EFE 2010). The Cuban government also announced in 2006 that contracts totalling more than 2 billion USD had been signed, primarily with Chinese counterparts, to improve Cuban road and rail transport (*Nuevo Herald* 2009). Five hundred Chinese freight and passenger train carriages were ordered for Cuba's rail fleet, with 21 complete locomotives entering service in 2009. In 2008 the Chinese firm Yutong sold 1,000 energy-efficient buses to the island, 200 of which were in circulation by mid-year. According to Rosa Oliveras of the Grupo para el Desarrollo de la Capital (GDIC):

When the Special Period hit us the vehicles and spare parts we had imported from the Soviet Bloc fell out of production, and our transport system was so damaged that the mobility of Havana's citizens was reduced by between 70 and 80 per cent. Until recently, people had to wait at bus stops for two or three hours and were forced to work half days, and sometimes not at all. We couldn't have carried on like this. The Chinese buses saved our city, and actually the whole country, from a very grave situation (Oliveras 2008).

Rather than deliver complete buses to Cuba, Yutong shipped components from its factory in Zhengzhou for assembly in Havana, saving 12 to 15 per cent in transportation costs (Pizarro 2009). The scheme facilitated skills transfer through the training of Cuban automobile assembly technicians by a team of 30 Chinese counterparts. As with training in Cuban electrodomestic factories, a marsh gas extraction, a sheep-rearing farm, a reservoir fishery, and three pesticide production plants, this approach is building a valuable source of specialised talent that may facilitate Cuba's entry into global production chains. The project's integration into a broader, coordinated programme of development and skills training distinguishes it from private sector investments from Europe (particularly Spain), which have focused on enclave sectors like hotel construction and tourism services.

President Hu's two main speeches in Cuba during his 2004 and 2008 visits focused on human capital development. In his former speech, delivered at Cuba's leading IT training facility, the University of Information Science (UCI), Hu noted that thousands of the computers on campus came at subsidised prices from China, with the express purpose of advancing Cuba's IT capacities. His latter speech, delivered at the Tarará Student City, confirmed China's intention to send 5,000 students to Cuba to study medicine, tourism and Spanish. The recruitment of Chinese technicians to live in Cuba to supervise and train the local workforce in 37 Chinese investment projects, proposed during the 2008 visit, will advance this goal if the projects are implemented. The integration of infrastructure upgrading with IT and electronics training has laid the foundation for a coordinated industrial chain that supports domestic manufacturing along with the shipment of goods to markets around Cuba and potentially to neighbouring Latin American and Caribbean countries. Facilitated by the refurbishment of Cuba's ports with Chinese equipment, this strategy could significantly advance both countries' regional influence (Frank 2006).

State-to-state cooperation with China has helped Cuba to establish the basic infrastructure it needs for economic growth. The challenge now facing the island is to employ this platform to support private initiative and harness the productive potentials of the market. As Robert B. Reich famously wrote three decades ago, "Economies are like bicycles. The faster they move, the better they maintain their balance unaided" (Reich 1982). The Chinese government adopted this strategy of gradual liberalisation at home in the early 1980s, and has repeatedly advocated it to

Cuban officials ever since Fidel Castro's 1995 meeting with Premier Li Peng in Beijing (Cheng 2007; Jiang 2009). After 15 years of hearing their advice, Cuba's reformers – led by Raúl Castro – are now listening.

Cuba's sixth Communist Party Congress, which took place in April 2011, showed a growing acceptance of the market as a catalyst for national development. The *Economic and Social Policy Guidelines* approved by the congress declared that ownership of private property, long considered antithetical to socialism, is now considered acceptable on the condition that it is not "concentrated" (República de Cuba 2011: 5, 11). The critical concern has therefore become how the state might leverage its considerable institutional capacities to optimise and guide economic performance.

Critics argue that unlike China, Cuba's commitment to "updating the socialist system" constitutes a justification for maintaining the 50-year-old status quo, and that in light of the regime's longevity, "nothing much will change" (Azel 2011). Others view the 2011 reforms as "a significant realignment of the paternalistic relationship that has existed between the state and its citizenry since the revolutionary period began in 1959" (Lavery 2011: 4). Even Cuba's long-time critic, Freedom House, has found that "the opening of a private sector, while still limited, is driving genuine change in Cuba" (Moreno and Calingaert 2011: 25). Especially significant, argues Cuba analyst Arturo Lopez-Levy, is the loosening of restrictions on the sale of real estate and automobiles:

There is much political continuity in Raúl Castro's government, but the recent announcement that Cubans will be able to sell and buy houses and their used cars represents an important change. These are visible economic reforms with direct impacts on Cuban lives. The marketisation of these assets unleashes Cuban entrepreneurial spirit and might increase the remittances received from relatives and friends abroad (Lopez-Levy 2011a).

Effective implementation of the 2011 reforms will require a phased and coordinated approach, and in this regard China can provide some useful lessons. Among the insights Cuba has derived from China – with varying degrees of attentiveness – are the gradual sequencing of reforms under the management of a state-appointed reform commission (Lavery 2011: 65; Lopez-Levy 2011b: 9, 2011c: 43-44), the adaptation of socialist principles to national conditions (Mao et al. 2011: 199), the military management of commercial activities (Klepak 2010), the attraction of investment from emigrants (Ratliff 2004: 21-22), and the testing of liberali-

sation in target territories prior to wider implementation (Heilmann 2008).

In November 2010, president of the Cuban National Assembly Ricardo Alarcón visited Beijing and officially recognised the relevance of China's economic evolution to Cuba's development. Raúl Castro had already expressed this sentiment during his visits in 1997 and 2005, which focused on labour market reform and the creation of hybrid state-market economic structures. In China's experience, particularly since joining the World Trade Organization, these transformations were achieved through a blend of state oversight and privatisation, an approach that Chinese officials now routinely recommend to Cuba. When Chinese Vice-President Xi Jinping and CNPC President Jiang Jiemin visited Havana in June 2011, they not only signed memorandums of understanding on oil and gas investments, but also discussed banking and economic planning. According to Feinberg, the Chinese government would like to see Cuba quicken the pace of reform, and has offered to help lay the groundwork: "Cuba", said a Chinese official, "needs assistance in making five-year plans" (quoted in Feinberg 2011: 31-32). As Feinberg notes, "Some observers opine, albeit with some exaggeration, that China has become Cuba's IMF!" (Feinberg 2011: 42).

Cuban leaders have rejected the notion that they intend to follow a "China model" of development. A historically accrued wariness of excessive foreign influence has long coloured the character of the island's international engagement, and relations with China appear to be no exception. Spanish colonialism in the nineteenth century, along with US domination in the first half of the twentieth century and Soviet micro-management in the second half each provoked strong nationalistic responses. Cuba learned from the Cold War that it was poorly served by Soviet-style centralised bureaucratic structures, an admission made by Fidel Castro himself (1988). In the wake of the Soviet collapse, the Cuban government began to experiment with decentralisation, manifested in the constitutional reforms of 1992, which facilitated the division of Havana into 93 (subsequently 105) Popular Councils, and the passage of Decree Law 143, which allowed local management of Havana's historic centre, the country's most dynamic economic zone. While the "revitalisation" of Old Havana under the Office of the Historian of the City was a considerable success, the broader push for decentralisation exhibited more ambivalent results. The liberalisation of resources and the devolution of executive capacities did not keep pace with local plans, and overly

rigid structures of monitoring and compliance diminished local creativity (Fernández Soriano 1999).

Chinese enterprises have found themselves subjected to the meticulous regulations of the Cuban state. Technical cooperation is carefully monitored and subsumed by central policy objectives, leading Chinese entrepreneurs to complain about missed opportunities for expanding trade and deepening investment. Hu Jintao's visits to Cuba in 2004 and 2008 drew public attention to education and human capital development, but the executives accompanying him were focused squarely on economic affairs. As a member of the Chinese entourage put it, "We want to see more opening and opportunities for investment, but they [Cuban officials] are using China to justify even stronger regulations" (Yan 2008). According to Chinese officials quoted by a US diplomat in Havana, discussions between China and Cuba about carrying through Chinese-style reforms had become "a real headache" (Wikileaks 2010).

Political orthodoxy has also generated headaches for Cuba. The buses purchased from Yutong under a bilateral governmental accord, for instance, arrived in bulk in 2008, but their relentless use on dilapidated roads caused many to break down simultaneously in late 2010 and early 2011. According to an official close to the project, Cuban negotiators incorrectly assumed that open-ended "political goodwill" signified that Yutong, a state enterprise, would provide the Cuban fleet with on-going maintenance and replacement parts. Electronics manufacturing has suffered similar setbacks: In the absence of independent quality control, televisions, rice-makers, and appliances assembled in Cuba under Chinese brand names have lived notoriously short lives. The extensive circulation of spare parts recovered from antique Russian and US appliances has done little to service the sleek, energy-efficient, but incompatible Chinese models. Together with the progressive economic recommendations of Chinese officials, these setbacks have served to remind Cuban leaders of the point conveyed to Fidel Castro during his 1995 visit to Beijing: Political ideology no longer subsumes economic pragmatism.

Since the early 1990s, state-to-state cooperation has enabled Cuba to leverage Chinese support for the development and coordination of basic industrial infrastructure. The bilateral relationship has now moved into a new phase marked by strategic planning of economic opening and controlled privatisation. Tensions and disagreements are to be expected, but since Raúl Castro assumed power in 2008, Cuban authorities have shown sincere interest in learning from China's experiences with liberalisation.

The Chinese government has a vested interest in the success of Cuba's reforms, reflected in the negotiation of the first Five-Year Plan for Sino-Cuban cooperation in June 2011. As a long-time financier of Cuba's development, many are looking to Beijing to underwrite the credits and loans aspiring entrepreneurs need to grow small businesses.

As Cuba's need for capital deepens, its leaders have expressed "no principled position against relations with the IMF or World Bank" (quoted in Feinberg 2011: 67). Having defaulted on IMF loans and reporting requirements in the early years of the revolution, Cuba preempted expulsion by voluntarily withdrawing from the institution in 1964 (and subsequently repaying its debt). The United States remains firmly opposed to Cuba's reentry, but as Feinberg has argued, Cuba-IMF dialogue could prove beneficial across a range of topics, from developing micro-enterprise to sharing insights from previous Eastern European and Asian transitions (Feinberg 2011: 74, 78-83). The internal evolution of the IMF to accommodate changing global conditions, including China's deepening influence, makes engagement with Cuba more likely. Growing international reliance on the *renminbi* and greater provisions for public spending are important in this regard, but equally important are Cuba's domestic reforms, which are bringing the island into closer alignment with conventions of economic governance. China sits at the crossroads of these local and global developments, encouraging Cuba toward rapprochement with international norms even as it works to reform them.

Conclusion

The Latin American operations of Chinese state enterprises, undertaken through state-to-state channels with "no strings attached", challenge orthodox conventions of international cooperation. Alarmist reports of worst-case scenarios and potential threats, from disregard for human rights to telecommunications espionage, obscure the more encompassing and genuine challenge of building dialogue with China on Western hemisphere affairs. As Daniel Erikson has written, the energy of policymakers and publics would be better directed at leveraging China's intensifying engagement with multilateral institutions as a basis for discussing regional codes of governance and approaches to state intervention (Erikson 2011: 132). The changing internal dynamics of the IMF, including the

increase of China's voting rights, suggest that this process is now underway.

Recent changes in Cuba indicate that even in a country at diplomatic odds with the United States, Chinese initiatives are not inimical to mainstream principles of development and governance. Long-term market expansion, coordinated industrial sectors, and state oversight of private initiative are goals that drive the engineers and policy advisers behind Sino-Cuban projects. These goals also resemble the principles advocated by Latin American, European, and US officials in the wake of the GFC. The Cuban reforms formalised by the 2011 Communist Party Congress will support a further convergence of positions, as they propose a more balanced mix of state and market forces. Although Sino-Cuban initiatives are managed under the banner of state-to-state cooperation, Chinese support for Cuba's liberalisation agenda is prompting the Western hemisphere's only communist nation toward alignment with international norms.

As China becomes a more active and assertive global player, distinct perspectives of the state will continue to generate tensions over international development cooperation. However, China's growing influence in the IMF, the United Nations, and other multilateral institutions will create important opportunities for dialogue on the costs, benefits, and timing of state intervention. It is crucial that the international community develop ways to assimilate Chinese understandings of the state into prevailing regimes of governance and simultaneously adapt these regimes to the changing geopolitical landscape.

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