**Cuba to end exit permits for foreign travel**

 Cuba has announced it is removing the need for its citizens to obtain exit permits before travelling abroad.

State media said the move, to come into effect on 14 January next year, would "update" migration laws to reflect current and future circumstances.

Cubans currently have to go through a lengthy and expensive process to obtain a permit and dissidents are often denied one, correspondents say.

The move is the latest in a series of reforms under President Raul Castro.

Cubans who have permanent residency on the island will also be allowed to stay abroad for up to 24 months, instead of the current 11, without having to return to renew paperwork.

The BBC's Sarah Rainsford, in Havana, says the exit permit process is hated by most Cubans so this reform, which was much anticipated, will be widely welcomed.

Cuba previously saw people attempting to leave the country as traitors or enemies of the revolution, says our correspondent, but official recognition is growing that many Cubans want to leave for economic reasons and that the country can benefit from the cash and knowledge they bring back with them.

Now all that Cubans will need to leave is a valid passport and a visa.

However, the new law still argues for the need to protect Cuba's "human capital", our correspondent adds, so highly-qualified professionals like doctors, will continue to face extra hurdles to travel.

Government critics are also likely to experience further difficulties, as passport updates can be denied for "reasons of public interest defined by the authorities".

The restrictions have failed to prevent hundreds of thousands of Cubans emigrating illegally in the past few decades, many of them to the US where they have formed a strongly anti-Havana diaspora.

The US grants automatic residency to anyone who reaches it from Cuba.

**Brink of war**

For nearly half a century, Cuba was run as a command economy, with almost all activity controlled by the state.



But under President Raul Castro, who took over from his ailing brother Fidel in 2008, it has gradually eased restrictions in many areas of politics, business and society.

The latest reform comes on the 50th anniversary of the Cuban missile crisis, the closest the world has ever come to nuclear war as the US and the Soviet Union nearly went to war over Soviet missiles placed on the island.

But the crisis was resolved diplomatically when the Soviets agreed to remove the missiles in exchange for a US promise not to invade Cuba.

However the relationship between Cuba and the US remains hostile - they have no diplomatic relations and an American economic blockade of the era is still in effect.

Cuba has struggled economically since the collapse of the Soviet Union and now relies heavily on the support of the left-wing government of Venezuela.

**Cuba economy: Tax lessons as private sector grows**

**By Sarah Rainsford** BBC News, Havana



It is a process that fills many in the capitalist world with dread every year.

Now, for the first time, many in Communist-run Cuba are facing the same chore: filing a tax return.

It is more than a year since the government increased the number of licenses available for privately-run business on the island.

In Havana, myriad DVD dealers and watch repairers fritter sellers and cafes now jostle for custom on the roadside.

Cuba's new entrepreneurs are free to earn more than the small state salary most workers take home of under $20 (£13) a month. But unlike state employees, they now have to pay taxes.

 "It'll take a bit of work for people to understand they have to pay," says Maritza Ramos, a housewife-turned-seamstress who sells her colorful creations on a street stall.

"We haven't had that concept here for years, so it will take a bit of getting used to."

Cuba's revolutionary leaders abolished personal income tax in the late 1960s.

It was reinstated in a limited form in the 1990s when the government allowed some private businesses to operate, softening the blow as Soviet subsidies to the island disappeared along with the USSR.

**Money counts**

Now more than 358,000 people - 9% of the workforce - are registered as cuenta-propistas, or self-employed.

In the leafy garden of a Havana tax office, some of them queue to consult an adviser. A noticeboard is covered with cartoons explaining the new system; posters remind first-time payers that they're making a valuable contribution to the state.

"It's all strange," says retired military man Carlos Taquechel, 75.

State pensions do not go far, so he works in a supermarket car park. He and his wife also rent out a room to make ends meet.

Mr Taquechel says the difficulty is paying the monthly fixed-rate tax for their business. Income tax is calculated on top.

 Recently the couples have been unable to rent out the room, as a previous lodger caused damage that they are still repairing.

Even so, they still have to pay tax, they say.

"The system is new and needs polishing," Mr Taquechel says. "It's like when a child learns to walk. It will fall over many times, but get up again, more experienced. I think we're in that process now."

The government has made some adjustments, though talk of doubling the annual threshold for income tax to 10,000 pesos (£265; $416) has not yet become reality.

Currently, more than 90 activities qualify for a "simplified" tax system, a fixed monthly sum regardless of earnings. Palm-tree trimmers are the lowest contributors at 20 pesos a month.

Those with higher earning potential, including restaurant-owners and cab drivers, pay sales and income tax on top. There is a sliding scale of up to 50% for earnings over 50,000 pesos a year.

"We needed to update the economic model," says economist Joaquin Infante, who says Cuba is in a "critical" situation.

**Give and take**

Squeezed by a US trade embargo for five decades, the island was battered by the 2008 financial crisis and multiple, damaging hurricanes in the same year.

Cuba still has to fund its system of subsidized products and free universal education and health care.

"The revolution was very paternalistic. So [the reforms] being taken are to see more efficiency, more productivity," Mr Infante says.

"People also have to start paying taxes: contributing to the state, not just receiving."

The government plans to cut tens of thousands of state jobs in the coming years to reduce costs.

So Cuba's accountants are bracing themselves. Across the country, they are attending state-run courses in the new tax system.

Many are becoming cuenta propistas themselves: fathoming out other people's tax returns and making payments is now a good business.

The classes also teach the ethics of taxation. But that is where one student in Havana spots a hitch. His clients say high taxes risk strangling their businesses.

"Many feel they have to lie about the income they should pay tax on," Yordanis Avila says. "I think for the average Cuban, with his little street cafe, it's too expensive to tell the taxman the truth."

In an economy which functions largely in cash, with few receipts, tax evasion will be hard to tackle.

Still, Joaquin Infante estimates the expansion of small businesses has already netted the state 1bn pesos ($400m). It has also brought many workers at least partially out of the shadow economy.

"Seventy-five per cent of the new self-employed were either retired, not working or working illegally before," he says. "Those people are now contributing to the development of the country."

Many businesses have struggled this first year and a quarter have folded.

But those who have survived say they are better off now, even with high taxes.

"Of course!" says Maria Julia, a former transport ministry employee who now sells costume jewelry at a street stall.

"I can go a day or even two without a sale and the taxes are high... I'm never going to be a millionaire but there's always money to be made here."

**Cuba inches towards market socialism**

**By Robert Plummer** Business reporter, BBC News

 The guardians of Cuba's struggling socialist system seem to have decided that their revolution now needs a dose of evolution.

As the island prepares for its first Communist Party Congress for 14 years, to be held in April, changes to the centrally planned, state-run economy are beginning to take effect.

President Raul Castro has ruled out large-scale market reforms and clearly has no intention of abolishing the country's unique brand of tropical communism.

The very timing of the party Congress is intended to reinforce the notion of Cuba's indomitable socialist spirit in the face of the arch-capitalist US.

It is being coordinated to coincide with the 50th anniversary of Cuba's defeat of a US-backed invasion force at the Bay of Pigs in 1961.

Cuba's state media are already ramping up their advance publicity for the 16 April anniversary celebrations, which will include the inevitable big parade in Havana with the participation of leading athletes.

 **“**Only socialism is capable of overcoming the difficulties and preserving the conquests of the Revolution”

But despite the symbolism, harsh reality has set in on the financial front, with the admission that Cuba can no longer afford the jobs for life and the price controls that have allowed it to maintain its near-total control of economic activity.

**Debt burden**

In September last year, it was announced that one million Cuban public sector employees would be laid off, although the job cuts are now expected to take longer than initially planned.

At the same time, rules limiting private enterprise were relaxed, suggesting that many former state workers will become self-employed or join workers' co-operatives.

Most recently, in February, the government said it would phase out subsidies that had kept down the prices of home-grown sugar and imported rice.

And earlier this month, the country's hard-currency convertible peso, used mainly by tourists and foreign firms, was devalued by about 8%.

Obviously, the purpose of all this is to make the country more productive and balance the budget, but also to pay off more of its burgeoning foreign debt.

Reliable figures are hard to come by, but estimates suggest that Cuba's debt runs into many billions of dollars.

The Paris Club of creditor nations lists Cuba as its second-biggest debtor, with $30.4bn outstanding as of the end of 2009.

However, this includes money owed by Havana to the former Soviet Union. This debt has been inherited by Russia, which is now a full Paris Club member.

In the past, Russian officials have estimated the amount at about $20bn, but no updated value has been confirmed.

Outside the Paris Club, Cuba's biggest long-standing creditor is Argentina, with an estimated $1.8bn owed, thanks to a loan granted in 1973 by the short-lived government of President Hector Campora, which lasted less than two months.

**New lenders**

In general, these debts were incurred during the Cold War, when Cuba was a client state of Moscow and benefited from cosy preferential trade deals.

But after the final collapse of the Soviet Union in 1991, Fidel Castro put more effort into finding new benefactors than into reforming an inefficient system.

Subsidized Venezuelan oil eventually replaced subsidized Soviet oil, as Cuba looked to President Hugo Chavez for its energy needs.

 Then Mr Castro struck lucky with China, which rapidly became Havana's lender of last resort as it racked up still more foreign debt - perhaps as much as $4bn, according to some Cuban sources.

But officials in Beijing now preside over an economy that exemplifies "socialism with Chinese characteristics" - in other words, a state-led, market-oriented system that is communist in name only.

They did not intend their loans to provide the Castros with the wherewithal to block similar changes at home.

As a result, China is now pushing for Cuba to modernize its economy and has offered the benefit of its experience, not least because Beijing is fed up with Cuba's failure to meet its loan repayments on time.

For their part, Cuban ministers have realized that their country's debt mountain has become too big to service - and they intend to use the party Congress to further the reform process.

But they want the state to continue as the central economic planner, while a 32-page discussion document prepared for the Congress states that "only socialism is capable of overcoming the difficulties and preserving the conquests of the Revolution".

**Dependence fears**

In the run-up to the Cuban Communist Party's sixth Congress, there have been howls of protest from some international left-wing groups, who have figured out what is going on and do not like it one bit.

However, they rightly point out that for a country which sees Washington as its main enemy, Cuba is surprisingly dependent on the US economy.

Cuba imports 80% of its food and more than a quarter of all its foodstuffs come from the US, making it the island's number one food supplier.

Those who wish to forestall Cuba's moves towards market socialism want it to reduce this reliance on the US by looking to other Latin American and Caribbean nations for assistance.

Some have called on Argentina and other countries in the region that are owed money by Cuba - including Mexico, Panama, Brazil, Trinidad and Tobago and Uruguay - to show solidarity by cancelling its debts.

Others want Cuba to trade more with the other seven member states of Hugo Chavez's Alba group. This is a kind of economic co-operation agreement originally proposed by Mr Chavez in a bid to undermine plans for a hemispheric Free Trade Area of the Americas (FTAA).

The FTAA talks eventually collapsed of their own accord, but Alba struggles on, mostly for the benefit of various economic minnows hoping to benefit from Mr Chavez's largesse.

Apart from Venezuela and Cuba, these include Bolivia, Ecuador, Nicaragua and three English-speaking Caribbean countries - Antigua and Barbuda, Dominica and St Vincent and the Grenadines.

Alba is clearly a far cry from the Comecon trade bloc that sustained the Cuban economy in those far-off days before the fall of the Berlin Wall. It could just be the case that, having finally run out of alternatives, Cuba will now be forced into real economic change - or perhaps, socialism "with Cuban characteristics".

Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Directions: Read the Modern Cuba articles and think about what you know about Cuba. Then, on the chart, list Cuba’s 4 most pressing problems.

|  |  |
| --- | --- |
| Describe the Problem | Your Solution |
| 1. |  |
| 2. |  |
| 3. |  |
| 4. |  |

Answer the three questions on a separate sheet of paper.

1. Based on what you know about Cuba, what do you think the relationship between Cuba and the United States will be in 15 years?

2. What do you think Cuba will look like in 15 years? (think about: economy, health care, education)

3. If you were president of the United States in your second term, what would your foreign policy be about Cuba?