

CATO INSTITUTE

POLICY FORUM

CUBA POLICY IN THE BUSH ADMINISTRATION:  
FUTURE DIRECTIONS AND OPPORTUNITIES FOR CHANGE

Wednesday, June 20, 2001

Moderator and Presenter:

Mark A. Groombridge, Center for Trade Policy Studies,  
Cato Institute

With:

Mark Falcoff, American Enterprise Institute;  
John S. Kavulich, II, U.S.-Cuba Trade and Economic Council;  
and Ignacio Sosa, One World Investment

The Cato Institute  
F.A. Hayek Auditorium  
Washington, D.C.

## P R O C E E D I N G S

MARK A. GROOMBRIDGE,  
CENTER FOR TRADE POLICY STUDIES, CATO INSTITUTE

MR. GROOMBRIDGE: Good morning. I'm Mark Groombridge, a Research Fellow here in the Center for Trade Policy Studies.

I have to admit all of us were just in the back room discussing a little bit how stunned we were at the number of people who were signing up for this event. Frankly, when I was organizing it, I was anticipating about 40 to 50 people registering, and we've had over 200 registrants. I don't know whether to thank or to curse you for that.

But, in any case, I think it gives clear testament to the importance of our topic here today, which is Cuba policy in the Bush administration. And I think perhaps the numbers here also reflect the fact that Cuba policy in fact is quite divisive here in the United States.

Externally, it puts the United States at odds with many of our most important allies, notably, the European Union and Canada. Domestically, there are divisions, as well, not so much between Democrats and Republicans, but within each party itself. Moreover, those who have most reason to care about today's topic, Cubans and Cuban Americans who have fled Castro's oppressive regime, have sharp differences, as well. No doubt, these intellectually honest disagreements over U.S. policy toward the Island will surface here today. What we should keep in mind, though, is that while our strategies may differ, all of us -- well, virtually all of us -- probably share the same goal. Which is to say, to see Cuba escape from the chains of 40 years of oppression and failed economic policies.

While we have seen a resurgence of economic and political freedom in the rest of the hemisphere, Cuba remains an anomaly and an anachronism. Economically, Cuba is at best muddling along. Unlike their counterparts in China, the Communists in Cuba have demonstrated remarkably little willingness to reform their failing economic system. Most Cubans today remain shackled to the state-owned economy, one which has proven itself to be remarkably un-vibrant.

Political freedom suffers, as well. The U.S. State Department Human Rights Report documents that the Cuban Government continues to intimidate, detain and arrest dissidents and human rights activists. Private groups, such as Amnesty International, concur. In their annual report from last year, they concluded that "dissidents, who included journalists,

political opponents and human rights defenders, suffered severe harassment during the year." Several hundred people remained in prison for political offenses, some of whom were recognized by Amnesty International as being prisoners of conscience.

Alas, despite the fact that Cuba's economic/political system is the weakest link and should say good-bye -- forgive my impression there, I tried to throw a little humor into it -- Fidel Castro remains in power. In many ways, he has proven himself to in fact be the strongest link. Some 40 years and 10 Presidents later, Fidel Castro is still around. Over the last four decades, the United States has attempted to remove Castro by applying a variety of economic, political, social, and sometimes even military pressures. Castro has not budged.

What should the United States do? Why do we continue along this path when there is very little evidence of our policies working? Or perhaps it might be better to pose the following question: What can the United States do? Most of us are well aware that much of what happens in Cuba will be determined, and rightly so, by the Cuban people themselves.

Next month, President George Bush will confront these difficult issues head-on. The specific issue the President will be forced to address is not the Cuba embargo at large, which the President supports, but the Cuban Liberty and Democratic Solidarity Act. Popularly known as the Helms-Burton Act, the first two titles address the circumstances under which a U.S. President may repeal the embargo. Titles III and IV are at the center of international controversy.

Title III of the Act creates a new private right of legal action for U.S. citizens against foreigners who knowingly traffic in property confiscated by the Castro regime following the 1959 revolution. Title IV of the Act bars the granting of U.S. entry visas to those who are corporate officers, agents or shareholders with a controlling interest in firms that traffic in such expropriated property, as well as their spouses and minor children of these individuals.

When Helms-Burton was first introduced in Congress, both President Clinton and the United States State Department were strongly opposed to the legislation. This quickly changed, though, in February 1996, when Cuban MiG's shot down two civilian aircraft in international airspace, killing three U.S. citizens and one U.S. resident. Congress then passed the Act by overwhelming margins, and it was signed into law roughly three weeks later, on March 12, 1996.

Since its passage in 1996, and in correct anticipation of a foreign backlash, implementation of Helms-Burton has largely been suspended by presidential waivers. These waivers must be renewed, however, every six months. President Clinton issued his

last waiver on January 17th, just before leaving office. This July, President Bush will have to decide whether or not to issue a similar waiver.

It is my firm opinion that the President should do so. I believe that Helms-Burton misses the target. It antagonizes our allies, further isolates ordinary Cubans from the influence of American ideas, and strengthens the hand of the very government that it intends to undermine. In theory, Helms-Burton claims to protect private property rights of U.S. citizens by punishing foreign companies that engage in wrongful trafficking in property confiscated by the Castro regime. No one denies that compensation is owed to U.S. citizens and companies for property which nationalized after Castro's revolution in 1959. The question is: Who owes that compensation?

Common sense and international law says that it is the Cuban Government, not foreign companies, that owe compensation. It is disingenuous to say, as well, that foreign companies are trafficking in stolen property. Cuba has settled expropriated property claims with literally every single other country besides the United States. The only reason it has not done so yet with the United States is because we have no formal diplomatic relations with the country, and therefore there is no legal mechanism, much less of an incentive, to resolve such claims.

Not surprisingly, attempts to bring foreign companies into our fracas with Cuba has recreated a painful thorn in our relations between the United States and some of our most important allies, such as Canada and the European Union. In response to Helms-Burton, both Canada and the European Union have passed what is referred to as "clawback legislation." In other words, any company which complies with the ruling on Helms-Burton will be fined in their home country. In the case of Canada, that can be 1.5 million Canadian dollars.

Interestingly, the United States passed very similar legislation in 1977, when the Arab League did something similar, and said that any company doing business with Israel could not do business with the Arab world. The United States Senate, Congress and the President signed into law a clawback legislation at that time.

Helms-Burton goes even further than the Arab boycott, though, by creating a private right of action in U.S. courts for individuals who were not U.S. citizens at the time the expropriation of property took place; in this case, Cuban exiles who have subsequently emigrated to the United States and become U.S. citizens. Never before have U.S. courts been called on to make rulings on the actions between foreign governments and their own citizens.

Such an action is likely to backfire, too. It is estimated now that Cuba owes U.S. citizens roughly \$6 billion. But if Cuban exiles who are now U.S. citizens get compensation, as well, these claims will be inflated to roughly \$100 billion. I doubt many of us think that the Cuban Government would be in a situation to pay such a high amount.

I also find little reason to believe that Helms-Burton will do anything to speed the downfall of Castro. By tightening the embargo against Castro, it simply gives Castro yet another excuse for his own failed economic policies. I am of the opinion that no one likes Helms-Burton and the U.S. embargo at large more than Fidel Castro himself. It is the only reason anyone in the international community pays any attention to him. It also ties the hands of our President unnecessarily. Helms-Burton establishes very strict conditions under which the U.S. embargo may be repealed.

The history of democratic transitions throughout the world, and Latin America in particular though, suggests that the President of the United States should have a high degree of autonomy in responding to such fluid and complicated situations, something that characterizes virtually all democratic transitions. Consequently, I actually agree with the U.S. State Department's original assessment that Helms-Burton would "leave the United States on the sidelines, unable to support clearly positive developments in Cuba when such support might be essential."

The murder of U.S. citizens over international airspace of course demanded a strong U.S. response. But Helms-Burton misses the target. It is the latest example, in my opinion, to show that the United States has less a Cuba policy than a Fidel Castro policy. It is one thing for our country, however, to continue our embargo. It is another thing entirely, though, to try to extort compliance from our closest allies. Doing so unnecessarily and unwisely creates trade tensions and will complicate matters in the World Trade Organization even more. This serves neither the interests of the United States, the multilateral trading system, and certainly not the interests of the Cuban people.

Helms-Burton is only part and parcel of our overall Cuba policy, though, and it is important to situate this Act in the broader context of U.S.-Cuba political and economic relations. And as tempted as I am to pull a Castro and speak for another four to five hours, I fear the masses might actually rise up and overthrow my dictatorial reign here at the podium. So, I believe also that since our panelists are probably more qualified than I to establish this broader context, I will turn the panel over to them.

Our first speaker is somebody that I had the pleasure of working with several years ago when I was a scholar at the American Enterprise Institute. That individual is of course, as most of you already know, Mark Falcoff, who is a Resident Scholar there at this time. Mark has had a very distinguished career in academia, government and now as probably the world's leading conservative commentator on Latin America, although I'm not quite certain what that means. People keep calling you that. Perhaps you might enlighten us.

In any case, Mark has written numerous articles, has written five books, and, I might add, his next book, forthcoming with the American Enterprise Institute, is on Cuba. It is titled "No Ordinary Country: U.S. Relations with Cuba, Past and Future." Please join me in welcoming Mark Falcoff, Resident Scholar of the American Enterprise Institute.

(Applause.)

MARK FALCOFF,  
AMERICAN ENTERPRISE INSTITUTE

MR. FALCOFF: I thought in a conference like this the best thing to do would be to start out by sketching a kind of policy map. And that's what I propose to do.

Current U.S. policy towards Cuba is shaped and limited by five different drivers. They are, in no particular order, inertia, property claims, historic grudges, basic values, and domestic politics. Evidently, some of these are interrelated, but I propose to take each one up as if it were discrete.

The first is inertia. Our foreign policies tend to gather weight not on the basis of their particular merit but how long they have been in place. This doesn't mean that they lack merit; merely that the longer that they are in place, the more difficult it is to change them. Longevity means the constant accretion of legislation, with each new law reinforcing its predecessors; the development of interest groups in the general public and of issue caucuses in the Congress; and of a rhetoric that constantly reaffirms and justifies existing policy.

To change any policy of more than four decades' standing is like turning around a huge battleship: there must be a compelling reason to do so; there must be a broad and wide consensus among policy elites and the policy community in favor of such a change. In the case of Cuba, such a consensus does not presently exist, though it may in the future. I will come back to that point later.

The second driver is property claims, to which Mark has already made reference. These have played a surprisingly, or perhaps not so surprisingly, important role in our relations with

Latin America, and particularly in those countries that style themselves revolutionary or semi-revolutionary or quasi-revolutionary. The United States, remember, didn't even have diplomatic relations with our closest Latin American neighbor, Mexico, between 1917 and 1923 because of the expropriation provisions of the Constitution of 1917. Only after the framework of a property settlement was reached did the two countries resume normal diplomatic relations.

And while it's arguable, surely, that the Nixon administration would have opposed the Allende regime in Chile even in the absence of property disputes, President Allende's refusal to recognize any financial responsibility to compensate American copper companies expropriated during his term undoubtedly hardened Washington's resolve and created additional complications for Chile that would not otherwise have existed. This is just by way of background.

At present, there are 5,911 certified claims for expropriated property in Cuba filed with the U.S. Foreign Settlement Claims Commission. Calculated at a rate of a simple 6 percent annual rate of interest, which is the rate authorized by the Commission, this means that by next year, Cubans will owe uncompensated American property owners something like \$6.4 billion.

The failure of the Cuban Government to compensate these claimants has been vastly complicated by its decision to rent or lease or, in some cases, sell former U.S. property to third parties. And as Mark has pointed out, by way of response, the Helms-Burton Act establishes sanctions for the executives of companies who traffic in stolen property, dragging major U.S. companies and Canada into what should be a confrontation between two states, the United States and Cuba, into a whole conjunction of parties.

While Cubans may rightly regard the figure \$6.4 billion as well beyond their reach, even if they were of a mind to recognize the legitimacy of each and every American claim, it should be noted that Latin American states have a long history of settling expropriations at something like 10 to 20 cents on the dollar. There is no reason to think that at the end of the day Cuba would have to exceed that norm.

As I suggested just a minute ago, the real problem arises when states refuse to recognize their obligation to provide any compensation at all for expropriated property, rather than failing to meet some objective standard of restitution. And the Cuban Government seems to understand this, at least implicitly, since, as far as I am aware, it has never formally abjured its obligation to compensate U.S. claimants. It merely

quarrels with other policies of the United States, which it claims prevent it from meeting its obligations.

As far as American investors are concerned in the Cuban case, I think it very likely that many would waive all or part of their outstanding claims in the future in exchange for the opportunity to do business on the Island once again. My point is that while property claims are very much on the bilateral agenda and do provide fuel for some very nasty rhetorical exchanges, they are far from insuperable, and do not constitute a real obstacle to the resumption of normal relations.

The third is historic grudges. The central paradox of U.S.-Cuban relations is that while Americans and Cubans have a long history of friendship and mutual attraction, they also nurse a number of resentments against each other. On the U.S. side, there is the feeling that we either gave or helped to give Cuba its independence in 1898; that the Island received preferential treatment through the sugar quota, which made it one of the most prosperous Latin American republics; that U.S. domination of the Cuban economy was in sharp decline in 1959; and that, on balance, the Cubans had no reason to turn against the United States, much less leap into the arms of our principal adversary; that for 30 years, opposition to U.S. interests worldwide was the organizing principal of Cuban foreign policy, even to the point of wasting huge resources, both human and economic, in far-off lands of no real importance to the Island itself; that the country funded and encouraged revolutionary forces and terrorists in Latin America, and even, to some extent, the United States.

The Cuban brief against the United States is even longer and more self-serving. The United States supposedly snatched the fruits of victory in 1898 for itself, blindsiding the patriot armies, and forcing the infant republic to pay for the withdrawal of the American occupation force with the Platt amendment. The Platt amendment gave the United States the right, supposedly, to intervene in Cuba, a right that it exercised twice in the first decades of the 20th century.

The United States supposedly supported the tyrant Geraldo Machado. And when his downfall was inevitable, tried to replace him with a pliant puppet. When the Cuban people rose up against the puppet in 1933, the United States refused to recognize their authentic leaders, and pried Colonel Fulgencio Battista loose from the revolutionary junta so that he could produce a regime which the special envoy of President Roosevelt felt was worthy of recognition.

The 1934 U.S.-Cuban Reciprocity Treaty forced Cuba into a permanent monoculture, and foreclosed the possibility of industrial development. For nearly 30 years, Fulgencio Battista, either as President or strongman behind the scenes, was the

United States' man in Havana. When the people of Cuba rose up against him, they were killed by weapons provided by the United States. Since the victory of the revolution in 1959, everything good that has happened in Cuba has occurred against the will of the United States, and everything bad is its fault. Needless to say, this is not an exhaustive list.

I might just add that many of these views are not limited to official historians in today's Cuba, but have long been held by bourgeois Cuban historians, as well.

The fourth is basic values. In a world, and particularly in a geopolitical environment, in which democracy, human rights and free markets have become the aspiration, if not always the norm, Cuba stands apart. Its continued defense of the Communist idea gives it a nearly unique position in the world today. From the U.S. point of view, the persistence of Communism in Cuba renders our victory in the Cold War slightly short of conclusive.

From Cuba's point of view, its own survival in the face of U.S. hegemonism suggests that, after suffering devastating defeats in many countries around the world, Marxism may yet live to fight another day, with a tropical island mainly known for sugar, rum and the rumba somehow becoming the saving remnant of the vision otherwise discredited by the experience of many peoples. In this sense, the U.S. conflict today with Cuba, and Cuba with the U.S., is about which values will prevail at the end of history.

Fifth and finally, there is U.S. domestic politics. I don't suppose at a gathering like this there is much need to elaborate on its role in shaping and reinforcing our own U.S. Cuban policy except to say that it is fairly obvious that the political geography of the issue is now changing. Many people in the business and agricultural community believe that the trade embargo forces us to forego a wonderful market while other countries get rich in Cuba. I happen to believe they are ludicrously wrong, but that hardly matters. They are beginning to make themselves felt among Republicans in Congress and in the Statehouses, and particularly in the farm States, and also among the general public.

The balance is still in favor of the traditional constituency that has guided our policy since 1959. But for how much longer, no one can say. If current trends continue, it seems to me the balance will eventually tip in favor of normalization. Needless to say, it can be helped along or speeded up by events in Cuba itself. But no one can predict what those events will be or when they will occur. I would merely urge this audience not to assume that the death of Fidel Castro will necessarily be that defining moment.

(Applause.)

MR. GROOMBRIDGE: Thank you, Mark.

Our next speaker is John Kavulich. Since 1994, John has served as the President -- a non-compensated position, I might add -- of the U.S.-Cuba Trade and Economic Council, Incorporated, in New York City. The U.S.-Cuba Trade and Economic Council is a private, membership-based, nonprofit, nonpartisan organization, headquartered in New York City, New York.

For those of you who don't know, it probably provides some of the best economic analysis of the events going on on the Island itself, and I would encourage you -- because John probably won't do that himself, so I will shamelessly promote him and his organization -- I would encourage you to get on their e-mail list. It is quite instructive and informative.

John also has had a very distinguished career, both in government and as a private sector consultant. He has testified before Congress and the International Trade Commission on Cuba several times, and he has written and appeared in a number of journalistic publications, such as the Wall Street Journal, Financial Times, Washington Post, and he has appeared on several news stations, such as ABC, PBS News Hour, et cetera, and is probably one of the most qualified individuals to discuss the economic situation.

And I would like to turn the microphone over to him.  
John.

(Applause.)

JOHN S. KAVULICH, II  
U.S.-CUBA TRADE AND ECONOMIC COUNCIL

MR. KAVULICH: I will attempt not to embarrass Mark or myself, with that introduction.

The Bush administration is unlikely to move in any direction with respect to Cuba that can be considered other than incrementally. And that is largely a result of domestic political realities in the United States, but also, and often undervalued, domestic political considerations by the Cuban Government within Cuba. The relationship simply isn't about U.S. policy toward Cuba. It's about Cuba policy toward the United States. And neither country, despite what may be said publicly, wants a substantial or immediate change in the status quo.

Now, for the Bush administration, the change in the Senate has altered the dynamics a bit. When the Senate was in the control of the Republican Party, the wishes of Republican

Senators, especially the chairmen of committees and chairmen of subcommittees, while they were considered, they were not taken all that seriously in terms of what would be the consequence for the Bush administration if they did not accede to the wishes of a chairman or a subcommittee chairman, because they were in the same party as the President.

But now that dynamic has changed. And so although unlikely is a substantial change in terms of legislation as the fuel of the relationship between the U.S. and Cuba, what is likely is, when those chairmen and those subcommittee chairmen who are now Democrats, ask for consideration by the administration, that the administration will respond more favorably. And I'm specifically talking about licensing issues, whether they be before the Treasury Department or before the Commerce Department. Because now, once again, Cuba is a commodity, and the administration doing something for a Democratic Senator may be able to be of value at a later date when it comes to trading a vote, trading support on another issue.

In addition, there is unlikely to be any substantial change in policy between the two countries until President Castro is no longer on the scene, whether that be living or whether that be just out of power. In addition, and this might hurt some feelings from an ego standpoint, but no one needs Cuba. There isn't a single U.S. company that in order to survive needs the Cuban market. I don't believe there is any country in the world that needs the Cuban market to survive. And that also plays into how Cuba is perceived.

Finally, driving the Bush administration's desire for the status quo is that those who want the status quo are more committed than those that don't want it. And what I mean by that is, increasingly, whether it's through issues regarding licensing or issues regarding legislation, those groups that support a maintenance of current U.S. policy or more of a constriction of U.S. policy operate more as a monolithic group, whether it be they have more money or they not have more money, whether it be from an ideologic standpoint or just pragmatic, but they seem to operate from a more monolithic standpoint. Whereas those that want a change, there is often infighting amongst themselves over who may be perceived as the friendliest toward the Cuban Government or who may be perceived as more friendlier or more "in" with a certain member of Congress. And they're constantly fighting with each other. And I think that has been one of the reasons why, in large measure, there have been failures with legislative actions.

Having said that, though, the left and the right are moving toward the center when it comes to Cuba issues. I've done

some speaking engagements during the last many months with representatives of the Cuban-American National Foundation. And during those discussions, they have said, you know, we're finding that we're agreeing more and more with what John is saying. And that is somewhat scaring us. But, again, we see the left and the right coming to the center because the debate is shifting from, are we making statements about what we may want to see, either in Cuba or what we may want the U.S. to do toward Cuba, simply to make noise, simply to get in the newspapers, to are we doing it because there is a goal to seek a change in U.S. policy, whether that change be expansive or that change be constrictive?

Now, with respect to Helms-Burton, Mark carefully walked through it, but I think it's important to understand a little bit of sort of the unspoken history on Helms-Burton. Because when Helms-Burton was first proposed in the Congress, the framers and the lobbyists, they said clearly to the U.S. business community: This is for you. This is going to help bring the U.S. and Cuba closer to a resolution of the issues of the claims. That's what this is about. It's about you.

And the certified claimants said, well, this is very good; however, there are some issues that we have. Principally, there are some elements to this where we don't see how it's going to bring a resolution closer. We see how it might maintain the status quo. We see how it might make the situation less likely to be resolved, but we don't see anything that really stands out and says, okay, this is going to help resolve the issue.

And rather quickly, the framers of the legislation at the time told the U.S. business community to mind their business. That, in truth, this wasn't about resolution of the claims. That this was about issues not having to do with any of the 5,911 certified claimants. This had to do with, in particular, one company that was registered in Bermuda, that used lobbyists, used supporters in that to basically develop a piece of legislation that, if it became law, would be to the detriment of the certified claimants.

And it's interesting that none of the 5,911, including the largest, and I think it's about 30 of them that represent almost 50 percent of the entire value, \$1.8 billion, that they didn't lobby on behalf of Helms-Burton. There was one CEO that wrote a letter to a group in Miami -- not the Cuban-American National Foundation. And the reason that that CEO wrote the letter was because they received the letter saying that we were going to boycott unless you supported the Libertad Act. And the CEO wrote back and said, we've reevaluated the Libertad Act, and now we see that it may do what we want it to do. And so you don't have to boycott us. But, other than that, none of the

certified claimants were out there lobbying for it. They were against it.

Now, the question, though, has Helms-Burton had an effect on Cuba? The answer is yes. Which leads to the question: Has it had the desired effect? And then you have to ask: Well, whose desired effect, the framers or those it was meant to help?

Now, from the framers' standpoint, has it caused non-U.S. companies to back away from commercial activities that they were already in in Cuba or that they were engaged in in Cuba? Yes. Did it cause some companies that were considering doing things in Cuba not to do them? Yes. But did it move the resolution of the issue of the claims any closer? We haven't yet seen that.

Yesterday I received an e-mail from a U.S. subsidiary in Europe. And the U.S. subsidiary, their legal counsel, they were literally moments away from signing an agreement. And what they were going to do was -- and I won't name the company or name the country or name the product -- but it's a small product, a non-strategic metal product. And the German subsidiary got an order from a German exporter. The German exporter was going to export that product to a company in Spain. The Spain company, in turn, was going to export it to a Cuban Government-operated company. And the U.S. subsidiary contacted us, said, we were ready to do this but someone read a newspaper article, Helms-Burton, are we allowed to do this? And the answer was, no, they're not. So, that stopped that sale. So, it has had an effect.

In terms of where the Bush administration is going to go with Helms-Burton, we have always believed that they are likely to continue to suspend Title III. And they are equally likely to ramp up enforcement with respect to Title IV. And the reason is that by moving forward with not suspending Title III, that recreates, or exacerbates, a continuing problem with the European Union. So, it has a multilateral effect. But by ramping up Title IV enforcement, it's strictly a bilateral, with some multilateral sort of appendages.

For example, under Title IV right now, a company from Spain, Sol Melia, which is a hotel company that manages and has equity in some properties in Cuba, there is a family that has sought for several years to get the State Department to sanction under Title IV; meaning that the senior-level executives, substantial shareholders, et cetera, of that company would not be eligible to visit the United States. The Clinton administration stalled it.

The Bush administration thus far hasn't been that aggressively pursuing it either. However, the family resides in the State of Florida. The law firm representing the family

resides in the State of Florida. And for domestic political reasons, it's likely that the President will continue to suspend Title III, allow Title IV, because there is some domestic political value to it.

In addition, even if the President doesn't suspend Title III, the history has been that the European Union and the United States use a lot of rhetoric, walk right to the abyss, but then come back, and basically say, we agree to disagree, we'll use the mechanisms of the WTO, and we'll bring this up another day. Because, quite frankly, neither the United States nor the European Union wants the mechanisms of the WTO to implode because of Cuba. It's not worth it to them. So, Cuba, once again, finds itself as a tradable commodity.

With respect to current legislation in the Congress, there are nearly 20 pieces of legislation that have been introduced since January before the House and the Senate, some relating to baseball, some relating to trade. One, the Helms-Lieberman bill, which, for those of you who don't know, it is basically a vehicle to provide at least \$100 million to aid dissidents and others in Cuba to, what I guess it would be fair to say, help build a civil society and, in essence, undermine the current government.

When Jesse Helms was chairman of Foreign Relations, likely that bill was going to get a hearing, likely it was going to get to the floor. Unlikely from there, but quite likely it would have been passed. It would have been close. Maybe they would filibuster it. But quite likely it would have passed.

But now Joe Biden is the chairman of Foreign Relations, and Chris Dodd is the chairman of the subcommittee where that bill would first have a hearing. Well, it's going to be interesting to see if Senator Dodd gives that bill a hearing. I think most people hope that he does, and most people expect he will, because of courtesy to the former chairman and because the cosponsor happens to be his colleague from Connecticut. But it will be interesting to see what kind of hearing they allow.

On the other side, Dodd has introduced legislation. The question with the Dodd legislation is whether it's truly designed to be a mechanism to implement change, or is it a mechanism strictly designed as a statement of policy to talk about change. The business community, quite frankly, hasn't truly been all that consulted with respect to the Dodd legislation. And there have been problems with legislation introduced by the Senator in the past in terms of conflicting with what the business community would like to see. Much of that has to do with a debate that has been framed by we either want all or we want nothing. But not oftentimes is there in the middle "want something."

There is a legislative outline that we provided for some of you that may become part of that something, where it's about incremental change in terms of providing benchmarks to allow for U.S. companies to more actively engage in commerce with Cuba. And then there are also the infamous regulations on the food legislation that were due out in February, and they now are due out in the middle of July. There has been a lot of discussion about why the delay in the regs; what are the regs going to look like? Well, the regs are going to be restrictive.

Now, for those of you who say, well, the Bush administration is really going to clamp down hard on U.S. policy toward Cuba, the way the regs have been dealt with should give you some pause. And for those on the other side, it should give you some pause. Because if the Bush administration had clearly wanted to send a message regarding how it was going to treat the relationship with Cuba, those regulations could have been issued on the 22nd or 23rd of January. They could have been issued quickly. They could have been very restrictive, very constrictive.

Now, of course, they would have been open for comment, they could have been changed later, but it would have been assembled. It didn't happen. It didn't happen because, internally, in the interagency review process at State, at Commerce, at Treasury, at Justice, the White House, the professionals, the career government employees, especially the attorneys, had a lot of differing views on just what the wording of the legislation meant. In some cases it was poorly written. In some cases it was well written.

But another reason that the regulations are likely to be restrictive has to do with how they have been lobbied. Those that have wanted an expansive group of regulations have seemed to rely on sending congressional staff, sending letters, et cetera, to members of the administration. Whereas those that want it constrictive, want a restrictive set of regulations, have been having their members of Congress call Andy Card or go meet with Condi Rice or whatever. So, there has been a different level of commitment. Which goes back to what I said before. It seems that those who want to maintain the status quo seem to want to work harder than those who want to change.

Finally, in terms of where the Bush administration is with respect to what they're doing now, no question that there has been an increase in enforcement with respect to travel to Cuba. Now, that was begun under the Clinton administration, toward the end of their administration. But the Bush administration has ratcheted it up, particularly with respect to fully hosted travel, which, for business people, we advise against because of the fact that there are a lot of categories

under which business people can go to Cuba, using licensed travel providers. And I will give a plug. They are on the Treasury Department Web site. And there are some of them located here in D.C.

Having said that, though, there has been a slowdown in issuing the licenses. Now, the old fact is saying that it has to do with the fact that there aren't political people in some jobs. But it really seems to be the fact that the administration has just said, let's just slow it down and let's just sort of see where we're going to go. But, in the meantime, we can use that reasoning, saying, well, we want to slow things down because people aren't in place, as an excuse.

Finally, with respect to U.S. companies, the bloom is clearly off the rose on the proverbial Cuba. U.S. companies are becoming more circumspect, frankly more conservative, when it comes to Cuba issues. Companies want to make certain that they're considered to be catalysts for change and not catalysts for the status quo. They don't want to do business with Cuba, or with any other country, at all costs. They paid attention to what happened in Seattle. They're paying attention to issues of worker rights.

And what we've seen, beginning two years ago, with actually Dwayne Andreas, former Chairman and CEO of Archer Daniels Midland, he wrote a piece in *Cigar Aficionado* that really was a catalyst for a lot of this change. And what he said was that if the U.S. Government were to ever unilaterally make changes, that Cuba would either have to accept those changes or create transparent excuses. That was the first time any CEO had really come out and said anything other than Cuba has 11 million people, they know U.S. brands, they prefer U.S. brands, we would like to be able to sell to them.

So, what we're seeing, in terms of whether it's testimony before the International Trade Commission, interviews, et cetera, is that the relationship in terms of how U.S. companies see Cuba has changed. And I don't think it's going to go back. And I'll end there.

Thank you very much.

(Applause.)

MR. GROOMBRIDGE: Now for something completely different, that is to say, a hedge fund manager and a philanthropist himself. Ignacio Sosa is Principal and Co-Founder of One World Investments, a limited partnership, a Boston-based asset management company. The firm manages over \$260 million worth of investments in emerging market securities. Before co-founding One World Investments, Mr. Sosa headed Bank Boston's Global Emerging Market Investment Bank. And prior to this, he

held several senior positions in emerging market divisions of Bankers Trust, and lived in New York City and Tokyo.

A Cuban American, Mr. Sosa also serves as President of the newly founded Love Thy Neighbor Foundation, a Boston-based nonpolitical and non-religiously-affiliated group, dedicated to meeting the basic needs of the people of Cuba. A native of Camaguey, in February 2001, Mr. Sosa returned to Cuba for the first time since leaving the country at the age of four in 1960.

Mr. Sosa comes from a very politically active family from Cuba. His grandfather served as Senator for the Province of Camaguey, and held cabinet-level posts under various Cuban presidents. His uncle served as Camaguey's last governor prior to the 1960 revolution. His father, brother and numerous cousins actually participated in the Bay of Pigs invasion.

Here to share his insights, Ignacio Sosa.

(Applause.)

IGNACIO SOSA,  
ONE WORLD INVESTMENT

MR. SOSA: Thank you, Mark.

The first thing I would do is ask you to please suspend your disbelief that a Wall Street person could possibly be telling the human side of any story.

(Laughter.)

MR. SOSA: But that's what I'm going to attempt to do here. And, frankly, since in my professional life I do invest in emerging markets and I've traveled to six continents at this point, and travel frequently, I have seen the changes that have occurred in Eastern Europe and I've seen what is happening in the former socialist countries, and I can see the potential of Cuba, which is why I'm so enthusiastic about its future.

Let me just say a few things and tell you a little bit about what I saw in Cuba and why I think the Helms-Burton law and the Cuban embargo are just wrong. John mentioned that there are very few people on the sort of anti-embargo, anti-Helms-Burton law, who are committed. Well, I'm committed. The Cuban National Foundation does not represent me. It does not represent a lot of Cubans. And I would make the analogy that Al Sharpton does not represent the African American community either. It's just that they're both the loudest speakers for their constituencies.

When I went to Cuba in February, my idea was to go to Cuba and listen. Which, by the way, is something that many in the Cuban American community of Miami have never done. So, while they sit in Miami, sort of pontificating on the future of Cuba and what needs to be done, not one of them has ever been there since they left at age four or five or 10, or whatever, nor have

they asked anybody, what is it that the people of Cuba want, all 11 million of them.

And what I found was that I believe that the shortages of medicine, of the basic needs that people have, which are not being met in Cuba, we Cuban Americans may not be the cause of this -- we all know what the cause of it is; it's the regime that exists today in Cuba -- but we do have a responsibility to end it. I don't believe that children who are four years old, five years old, who have brittle bones, who are asthmatic because they cannot get calcium or they can't get asthma medicines, I do not believe that these people should be pawns of other people's political views. And that's in fact what is happening.

So, it just pains me that in a country like the United States, which believes in freedom -- and here I am at a libertarian institute no less -- I am not free to travel to Cuba. I am free to go to Vietnam, which killed 55,000 American soldiers. I'm free to go to China, which employs slave labor. But I am not free to go to Cuba. I don't get that. I don't get that. I don't understand it. And I think it's wrong.

And every Cuban American who goes to Cuba and who sees for themselves what the situation is like and what they can do to end it is a Cuban who is laying another brick for the foundation of what will be the new Cuba. And each of us has a responsibility. We shouldn't be wasting our time banning Cuban musicians from performing in Miami, and all these other ludicrous things. We should be listening to Cuban people and helping them in whatever way we can.

The issue of spending dollars in Cuba, this is an issue which Cuban Americans, many of them in Miami, are particularly obsessed with. I guess the argument is that if you spend a dollar it goes to Castro. That may be so. I would ask them how many Chinese products they have bought and where does that money go to?

But, more importantly, when you go to Cuba and you spend money, and particularly if you invest money -- which is what I really would like to focus on; I mean, at the end of the day, I come from the investment side -- if you set up companies that are mixed companies, you are setting up companies in Cuba which basically, for the first time, will start producing goods and services that anybody with a choice would want to buy. That's what makes capitalism great.

People in Cuba don't know how to make products that anybody would want to buy. They basically follow a different method. Whether you believe in that method or not, the fact of the matter is more investment will produce better products, better goods and services, that other people would like to buy.

And why is that important, apart from the fact that it will provide medicine to children who need it, food on the table of people who need it? Apart from that, which I think is in and of itself important, I think what foreign investment also will do is make people more reliant on their wits, less reliant on seeking rents, more on seeking profits. And yes, you can tell me that the Cuban Government doesn't pay the workers in these mixed companies 100 percent of what they get paid in dollars. That's true. They tax it very heavily. But I can tell you that these jobs are the most coveted jobs in Cuba. People want these jobs. There aren't enough of them.

By working in these companies, I just cannot emphasize this enough, people are made less dependent on the government, more dependent on their wits. They start seeing how marketing works, how finance works, how all the things that make an economy in today's world work. They don't know this. And the Helms-Burton law and the Cuban embargo, all it does is in fact make them not learn. So, it's incredible to me that after 42 years of something that has not worked -- because Castro is still there; if that's the goal of this law, it has not worked -- why is it that we're not willing to try something new?

The human cost has been enormous. Families that can't see each other -- I remember on the plane back from Miami, half the plane was crying because they can't go back. They have to go back once a year if they have a relative. And if you don't have a relative, I don't care if your family descends from 18 generations of Cubans, you cannot go back unless you come up with some cockamamie one of the four exemptions. You have to be a reporter. So, if you're a businessman, you have to become a reporter. Or you have to become a student. You know, all these things which to me run totally against what freedom is all about, and freedom to travel.

And it pained me to see so many people crying, because they can't go back. Just the human cost of this, I cannot emphasize to you enough, it's something that Cuba will bear as a scar for years to come. So, why not end it now?

I leave it to the politicians and to others, to the think tanks, to come up with what they want Mr. Castro to do. But it's just like free trade. For years the United States used to argue that Japan didn't practice free trade, but we did. Then one day they decided that they were going to impose sanctions on Japan, similar to how we've imposed sanctions on Cuba. Well, guess what? Free trade, period, leads to freer societies. Sanctions don't work. They haven't worked anywhere that I know of.

South Africa, for example, the same people who advocate Helms-Burton and other sanctions on Cuba, these were the same

people that came up with the Sullivan Principles in South Africa. I don't know how many of you know this. This was a mechanism by which, if you were a company, you came up with a list of items that you would follow if you invested in South Africa. You would give work to blacks. You would have fair labor practices, et cetera. And in exchange for that, you agreed to invest in South Africa and therefore sort of eased the pressure on those who were calling for a unilateral embargo or an embargo on South Africa.

Well, why can't we have the same thing in Cuba? Why can't these same people come up with a list of principles for which Americans and others can invest in Cuba that would make it acceptable to human rights advocates and, at the same time, give the people of Cuba a break?

This whole thing just amazes me. Frankly, before I went to Cuba -- I was born in Cuba. I left when I was four years old. I've lived in different countries and been to a lot of different places. I wasn't that interested in Cuba. I'll be honest with you. It seemed like some place that I had never been to and probably would never go. It just seemed irrelevant. And maybe perhaps John is right, it is irrelevant for most of the world.

But after being there, I realized it's not irrelevant. You have 11 million people right next door, well educated, with a work ethic that needs to be developed. And it's up to all of us, I think, in this country, but particularly the Cuban Americans, to try something new so that it works for the people of Cuba. And maybe it won't be perfect. And maybe whatever it is that we try won't lead to Cuba becoming Singapore tomorrow or any other sort of emerging Tiger. But whatever we can do to ease the suffering of the children of Cuba, and whatever we can do to give people in Cuba hope and opportunity is well worth throwing aside a policy that has failed for 42 years.

And I guess that's all I have to say. Thank you very much for having me.

(Applause.)

MR. GROOMBRIDGE: If history is any guide, we probably have some questions. The only thing I ask is that you first identify yourself and any professional affiliation that you might have, just for the sake of the microphone.

MR. THERIOT: Lawrence Theriot, Lawrence Theriot & Associates, consultants here in Washington.

Last year in the Congress, or in the previous Congress, there was a move I think on the House side to limit Treasury's ability to fund enforcement of the travel ban. If for some reason, either from the executive branch or from the Hill, the travel ban were summarily lifted on U.S. citizens traveling to Cuba, what do members of the panel believe, firstly, the

Government of Cuba's response would be, and then what would be the likely impact both on the Cuban economy and on the Cuban political and social situation?

MR. KAVULICH: If the U.S. unilaterally lifted the travel ban -- and please, I know there are some folks here from the Cuban Interests Section, so I don't mean to be flippant -- but I think Cuba would probably immediately embargo us. Because it's logistical. There would be a huge demand of people who would want to go, and there would be an incredibly limited supply in terms of infrastructure, hotel rooms, rental cars, buses, cell phones, restaurants, et cetera.

And I can tell you that several years ago, Cuban officials, point blankly, said that they would not welcome an immediate change. They would like to see an incremental change, because that would give them an ability to sort of move with it. But I think there would be a tremendous push of people into Cuba. There would be a lot of money going in. But I think it would almost be sort of like a flood stage. I think it potentially could cause a lot of political problems within Cuba, as well.

MR. GROOMBRIDGE: Any other panelists wish to comment?

(No response.)

MR. GROOMBRIDGE: Next question.

MR. KILL: I'm Ted Kill, from Development Alternatives, a consultancy in Bethesda.

Mr. Sosa did a good job of putting a human face on the problem in Cuba. And Mr. Kavulich said that any policy change will probably be incremental. Well, the United States is already giving aid funds to Cuba. What does the panel think is the potential that this increased public pressure to address the human needs in Cuba will have a political outlet in terms of greater aid funding for Cuba and maybe even long-term USAID projects in Cuba?

MR. FALCOFF: I'd be interested to know more about this. I'm not aware of the fact that we're giving Agency for International Development funds to Cuba at the present time.

MR. KILL: We're procuring goods for Cuba. We don't have any actual projects.

MR. FALCOFF: Do you know anything about this, John?

MR. KAVULICH: Are you talking about the Helms-Burton money, the money that goes to the various groups to bring in books and all sorts of things like that?

MR. KILL: Yes, and copy machines and fax machines.

MR. KAVULICH: Well, not copiers and faxes. My understanding is there is several million dollars -- I guess \$4 million or \$5 million since 1996 -- that has been authorized under the Libertad Act, Helms-Burton, that would go to U.S. groups. I think Frank Calzon got \$400,000 to \$600,000 to take

books to Cuba, and that sort of thing. I know that there have recently been some audits done. I couldn't tell you how much of that stuff has actually gotten into Cuba. So, I really don't know. The USSR was sort of the same way. It was just a lot of money for consultants. I don't know.

MR. GROOMBRIDGE: Ernie?

MR. PREEG: Ernie Preeg, Manufactures Alliance.

I have a question about incremental change related to Title III. But I first wanted to commend the whole panel. I thought it was an excellent panel, particularly the very moving comments by Mr. Sosa, not only his words but as a native of Camaguey, since my dear wife of 39 years is Camagueyan.

The question is, it is the U.S.-E.U. agreement that is sort of sitting there. And I take issue with only one comment you made, sort of saying, well, other third-country investors are going in where the U.S. has a claim unresolved and it really should be governments. Well, really, this is path-breaking. It has never happened before, where a government expropriates a U.S. company and then sells it to a third company. In other words, to me conceptually, I think there is a lot more common ground that we shouldn't do this, "we" industrialized countries. And that's in the U.S.-E.U. agreement.

So, what I'm getting to is, on this difficult question of whether to extend Title III every six months -- not to get into the Cuban-American thing, which is a real bear -- would it make sense, and is there any discussion of reopening the U.S.-E.U. thing, and the Bush administration could go a little further? Because the E.U. had said, no official export credits to any European company that does this. And in principle, we're there, but could they go a little further and say that any new investments, we would oppose, more strongly?

And there are only a few existing ones, quite small I think -- U.S.-E.U. There is the big Canada thing. So, I've always seen that there might be something here, where if Bush could say we have to go somewhat further -- and then we would go to Congress to see if we could get our side -- which is to change Title IV, et cetera. So, I wonder whether this is an incremental change that might be useful in terms of where Bush goes with these six-month Title III extensions.

MR. SOSA: I guess I want to address the whole issue of property rights in Cuba just very quickly. One of the most damaging aspects of this Helms-Burton legislation is in fact this issue of who owns homes in Cuba that have been taken over by families or by governmental entities or whatever. If there is one thing I heard when I listened in Cuba, it was that people are very, very concerned that Cuban Americans are going to come in there and throw four families out of a house that hasn't been

occupied for 42 years. And by the way, the plumbing is falling apart and it hasn't been painted and it hasn't been fixed, but at least it's a roof.

And this aspect of Helms-Burton is just totally counterproductive, because it's a real fear that it has instilled in people on a day-to-day basis in Cuba. And frankly, we've seen what has happened in Eastern Europe, which it hasn't been that people have rushed in and thrown other people out of their homes. I just simply cannot understand why anybody would spend any time focused on taking back properties that haven't been cultivated or haven't been invested in, or homes that haven't been lived in for 42 years.

MR. FALCOFF: I would like to comment on that. First of all, maybe I need to read Helms-Burton again, but I don't see anything in Helms-Burton that suggests that Cuban Americans are going to get their property back. What it does say -- again, I would welcome being corrected if I'm not reading it right -- is that the United States would lend certain kinds of advice and facilities to Cuban Americans, to help to support any claims that the U.S. -- it's written in such a vague way, that it could easily be finessed. I wish I had the Act right in front of me so I could read it to you.

It is certainly true that the Cuban Government tells the Cuban people on a daily basis that this is what is going to happen. I heard Castro say this exactly at the meeting that I participated in with him last February. But I don't believe that's in Helms-Burton at all.

Now, what the Cubans may hear on Radio Cubanísima from Miami, I cannot say, because I don't listen to it. It's possible that they get this impression from listening to Miami Radio. The position of the Cuban-American National Foundation is very different. It is not that the homes should be given back. They very emphatically understand the political impact of this.

Finally, in looking at Cuban law, which I did in the chapter on property in the book that I'm writing, I discovered some very interesting things. Namely, that even the pre-revolutionary legislation of Cuba, the different laws, the Constitution of 1940, and even the Spanish Civil Code of 1889, going back to the Colony, establishes what we would call squatters' rights after a certain period of time. So, frankly, this is a non-issue except to the extent that the Cuban Government wants to whip it up.

And as I say, I need maybe to go back and reread Helms-Burton, but I don't read it that way. I can understand how that perception could exist in Cuba.

MR. SOSA: And I appreciate that you don't read it that way, but my point is that in the world of people and their

everyday lives, if a law has come out addressing this issue and it is vague, and there are lawsuits now as we speak in the courts, you can draw your own conclusions. People aren't stupid. And certainly whoever wants to exploit this for their own political benefit is going to exploit it.

My point is, why have this addressed at all? Why not just say that whoever owns their home is entitled to own their home?

MR. FALCOFF: Excuse me, Ignacio. It's not for the U.S. to tell Cubans in Cuba who owns what in Cuba. That's the decision of some future Cuban Government or the present Cuban Government. There is nothing in U.S. law -- we have no right to decide who owns what in Cuba if they're not a U.S. citizen.

MR. SOSA: Right. But there are lawsuits now that are inspired by the Helms-Burton law which in fact do that.

MR. GROOMBRIDGE: I am going to return to Ernie's point in terms of the trade aspect. I think that, in terms of the U.S. and the E.U., my personal belief is that you can't just look at Helms-Burton in a vacuum in terms of U.S.-E.U. relations. In other words, there might be some need for some damage control in this administration on improving European-American relations for issues having absolutely nothing to do with Helms-Burton. And by that, even though I'm fully in favor of Kyoto being DOA personally, it is very well known that the Europeans are not.

Other issues of carbon emissions, et cetera, this whole environmental perception and missile defense, I actually personally am optimistic of an U.S.-E.U. protocol on Helms-Burton, incrementally, largely for -- I think it was John who was mentioning that, in terms of the WTO, no one wants Helms-Burton to disrupt the WTO. I agree with John 100 percent on that. And also, given the broader context of relations between the United States and the European Union, you're likely to see some forward movement on it. But the President is in a difficult position. I wouldn't want to be him.

MR. KAVULICH: One point on that. When President Bush was in Spain with Prime Minister Aznar. Did I say that right? I was hesitant there, because remember what happened to him.

(Laughter.)

MR. KAVULICH: During the press conference, he was asked about issues relating to Helms-Burton. And the President said that he knew that there was an issue coming up next month with respect to Helms-Burton. He knew that there was an issue relating to a Spain-based company. And his quote was: I told the Prime Minister we'll work it out.

Now, I don't know, I've never been a diplomat, but it seemed to me that if the administration were trying to telegraph that they wanted to not suspend Title III, that you might choose

different words, as opposed to letting them know we will work it out. He didn't say "We'll try to work it out." And again, maybe I'm not being fair to the President in terms of being too literal, but it seemed that they were telegraphing that they're going to try to work it out. Therefore, it's just the continuation, it's a problem, it's an irritant, we agree to disagree, and then we move on.

MR. GROOMBRIDGE: Yes, in the back?

MR. ESCOBAR: Jesus Escobar, from the Mexican News Agency. My question is for Mr. Kavulich and Mr. Falcoff.

With the change in the leadership of the Senate, what do you think will be the future of Mr. Otto Wright to be Assistant Secretary for the Western Hemisphere?

MR. GROOMBRIDGE: Will Otto get the nomination? Or, he got the nomination, but will he get confirmed?

MR. FALCOFF: I don't know. I don't think it has probably changed things very much one way or the other. I think the chances of his getting confirmed were about roughly the same before the change as presently. It was always a touch-and-go affair, not so much because of the numbers in the Senate as because of political grudges going back to the Reagan administration held by certain Senators -- nothing more -- or their staffs, more likely.

MR. KAVULICH: I would say that in the Senate the numbers are still in Otto's favor. It would be questionable whether Senator Dodd and Senator Kerry would object to even giving him a hearing, in the spirit of, as the Democrats and Republicans keep talking about, this new bipartisanship and all that. And it would seem that he is likely to get a hearing. And I think the numbers are still there, because, if I remember correctly, there are still two Democrats on the committee that would vote for Otto, I believe.

MR. GROOMBRIDGE: I'm optimistic he will be confirmed.

MR. TURZA: Nicholas Turza, United States Army.

Everything we have been discussing so far, we've pretty much come to the conclusion that while there is a moral imperative for change, there seems to be also a general consensus that the status quo will remain the status quo. Much of foreign policy is more dictated, though, by windows of opportunity that happen in too short a time frame to have conferences such as this.

My question is: If Fidel Castro were to pass some time within the Bush administration, what then within that, probably where there would be like a week, where then there would be an important time to make a policy shift? What should the Bush policy be then if Raoul Castro tries to take control, if someone else tries to take control? Not within this very stagnant

political status quo, but rather within that window of opportunity for change, what should the Bush administration do if such an opportunity presented itself?

MR. GROOMBRIDGE: I just want to comment on one very discrete and interesting aspect of Helms-Burton. Part of my concern about Helms-Burton, as I mentioned -- and I concur with the original U.S. State Department assessment of this -- which is that it ties Titles I and II. We mostly talk about Title III, but Titles I and II deal with what defines the Cuban Government and how you can repeal the embargo. Helms-Burton explicitly states that a Cuban Government which includes either Fidel or Raoul Castro, under those two situations, you may not repeal the embargo. And that is sort of one of my concerns.

My broad answer to your question would be that if Fidel Castro died, I don't know that I would feel very comfortable saying what would happen. I would have no idea. I would defer to one of the other panel members.

MR. FALCOFF: Let me just comment on that briefly, first, about Helms-Burton. Helms-Burton has a laundry list of conditions that must be met for the embargo to be lifted. They codified the embargo. Up to that time, the President of the United States had the power to lift it without any congressional approval. I have always doubted the constitutionality of that provision, but it has never actually been tested before the Supreme Court. I wonder whether it would survive a test, given the inherent right of the President of the United States to recognize foreign governments. That's "by the way."

The other thing about the long laundry list which has been criticized as more specific than any we've ever had for any government -- and this has been complained of bitterly -- but my own view is that any process of change in Cuba -- and that could even include a government headed by the unlovable Raoul -- but they release a bunch of political prisoners and they start to do a lot of things that show there is some kind of change under way, the coalition behind Helms-Burton will begin to break up. Because all kinds of people will want to reposition themselves in the new reality.

It's a little bit like what happened in the Gorbachev era. A lot of us didn't know what to make of what was going on in the Soviet Union, but it broke up the Cold War coalition because some people thought there was an opportunity for some real change. And that's probably what could happen. So, I don't feel that those provisions of Helms-Burton are quite as cast in stone as many critics say. The political reality is that if there is a sign of some meaningful change, you're going to see some significant movement here.

MR. GROOMBRIDGE: Mark, let me ask you this. I'm primarily a student of Asia, so I'm used to studying dictatorships over there. You typically see Asian dictators grooming a successor. Is Fidel doing that?

MR. FALCOFF: He has announced that Raoul is the heir apparent, the most charmless man in Cuba.

(Laughter.)

MR. FALCOFF: The way that I would look at it -- I don't know how many people in this room can remember when Peron came back to Argentina to run for President the last time in the 1970's, and there was a big discussion about who would be his Vice President. Because the man was nearly 80 years old, and they didn't even know if he would live through a six-year term. And of course he didn't. They figured whoever he picks as his Vice President is going to be the person who will define whether Peronism goes left, right or center. And he didn't want to make that decision, so he named his wife, Isabelle, a former cabaret dancer, to be the Vice President. And that allowed him to put off the decision.

And I believe the naming of Raoul as his successor -- and it's quite clear; he is not ambiguous about this -- I think this is a way of putting off those things, and also keeping everybody else in his court around him kind of on hold. But once he's gone, who knows what can happen? It's just hard to say. The most impressive person I met in Cuba was Ricardo Alarcon, the President of the People's Assembly of Popular Power, or whatever it is. This person could well be the Joaquin Balaguer of Cuba, to use the Dominican Republic scenario.

MR. GROOMBRIDGE: A question in the back?

MR. MILLIKAN: Al Millikan, Washington Independent Writers.

The prominent Cuban Americans in the Bush administration, do you see any of them wanting change in Cuba? And also, with the religious, cultural, medical, and journalistic exchanges going on now, do you see that impacting anything that's happening?

MR. KAVULICH: I think that in terms of the Bush administration and prominent Cuban Americans, I would concur with everything that has been said on this panel. Which is to say that it's still a policy -- the specifics are still up in the air, but I would agree -- I forget, I think it was Mark, who said that foreign policy is like a battleship. So, a few appointments here or there aren't going to sort of suddenly result in dramatic changes in any foreign policy, and I don't think Cuba is an exception.

In terms of the role of journalists and medicine and the role they can have, I would probably defer to you, Ignacio.

MR. SOSA: I would say that the Elian Gonzalez episode really was a catalyst in a way that probably the more conservative Cubans were not hoping it would be. That whole situation, the way it was portrayed in the media, the way it came across globally, really put all of us in a very bad light. It made us seem like we didn't really care about this child, that all we cared about was to make political points, that we didn't care about the letter of the law, more importantly. And, frankly, there were moments of violence involved.

And what this has done, in my opinion -- and this is strictly my opinion -- is that it has led some of the more conservative, shall we say, of the Cuban American community to reassess, because their image was hurt deeply by this. So, I think you're going to be hearing more voices that want greater trade and greater travel and greater help, frankly, for the people of Cuba. Because we are losing, Cuban Americans, are losing the American popular opinion race. I just cannot emphasize enough the damage done by this whole Elian Gonzalez thing and by the various congressmen screaming on CNN at whoever was a supporter of Elian reuniting with his father.

So, I think things are changing. I would ask the media not to always assume that the Cuban-American National Foundation speaks for us, and to seek out other voices, and let them explain what they have to say.

MR. ELLIM: Michael Ellim, from George Washington University.

My question, or rather, point, is to Mr. Sosa. You talked about the health of the Cubans and the extent to which it was being ruined, especially children, by the embargo. But I was more concerned about the education system. If one of the things that the revolution has achieved, it is a very high standard of universal high-quality education. This has been established by World Bank surveys, by international surveys. To me it seems a pity that this is one of the things that the revolution may lose if the embargo continues.

One of the benefits of the revolution -- and I'm looking forward to the future -- if the human resources are the major resources of the Cubans -- and you talk about that, the fact that they are skilful, they are ingenious -- look what they have done with those 1955 Desotos. They have done marvelous things. If the embargo continues, the education system, along with the health system, could be so affected that the Cuban people themselves, or Cuba itself, will take generations and generations to recover.

The USAID has as its major policy the development of human resources in developing countries. Cuba is a shining example of one developing country that has made a success of both

its health and its education. And nothing could do it more harm than the embargo at the moment. So, I think this is an unfortunate short-term policy, not thinking about the long-term policy for the future. But I like your comments.

MR. SOSA: First of all, I have to agree with you on the educational front. The revolution, I will say, has given people the ability to read and write. And given what the alternative is in Latin America, I would say this is a very significant point. But, again, it's a question of, what do you do with human capital? Do you develop it? Do you allow them to use it, to make Cuba a productive society? Or do you just simply let it go to waste?

It reminds me that one of the things I kept thinking about the whole time I was there was the United Negro College Fund, the one that had the slogan that a mind is a terrible thing to waste. Well, that's what's happening. People's minds are being wasted. They're not being utilized to the maximum extent. And I agree with what you're saying about the educational system.

The medical situation in Cuba, to me, is much more acute -- and the food situation. Because, frankly, if I'm a student, it's very difficult for me to focus on Algebra if I'm hungry or if I'm asthmatic and I can't breathe. So, what you have in Cuba is, like I said, 300,000 doctors, probably quite skilled. God knows, they're being exported all over the place, so I'm assuming that they're relatively competent. But what can they do when they go see a person who comes to see them with an ache? They can only console them and say, "I'm so sorry; that's too bad."

Well, we have a responsibility, those of us Cuban Americans, to say, "Listen, I will give you the medicines that you need so that you can do more than consoling." But this Helms-Burton makes it very difficult, because I can't finance it. It's incredibly difficult to send medicine. If you try sending medicine to Cuba, it's something like \$15 a pound.

MR. GROOMBRIDGE: Mark, did you want to comment?

MR. FALCOFF: Just a comment. The deteriorating state of Cuban health and Cuban malnutrition has a lot to do with the economic system of socialism and what has happened in Cuban agriculture. I can tell you that the agricultural productivity, things like meat, chicken, pork, have virtually disappeared from Cuban tables. This isn't due to the embargo. This has to do with an economic system whose logic deliberately creates scarcities for purposes of political control. And I think we need to keep that in mind when we look at the deteriorating state of Cuban health.

MR. GROOMBRIDGE: Yes, a question in the back?

QUESTION: I'm glad to speak in the name of the Cuban Interests Section. I have to say that I do agree with several of the statements that the people here have said. With some others, of course I do disagree profoundly. But regarding the situation of the health care in Cuba, of course one of the issues I have to deeply disagree with is the one that the situation of the health care in Cuba has nothing to do with the embargo.

Two-thirds of the Cuban population were born after 1959. And two-thirds of the Cuban population has suffered the embargo for more than 40 years, and I'm one of them, and my son is one of them. So, you are not talking to somebody that doesn't know what the embargo means. I am one of them, and my colleagues from Cuba know what it means. And I'm pretty glad that somebody living out of Cuba for so many years has been able to recognize that, even though we have ideological differences.

What you have to say is that Cuba, even under 40 years of the embargo, not being able to receive even a single aspirin from the U.S. because of it, has been able to have an infant mortality rate that is much, much lower than Washington, D.C. It's very, very hard to believe how a country like Cuba, with the problems that we have -- we recognize our problems, we have several economic problems, but nobody can ignore what this embargo is making us do. We have to buy our rice, instead of from the U.S., we have to go to Asia or somewhere else.

It's the same with medicine. The embargo affects the people, not the government. And the embargo is making the people feel that this government is wrong; not the people. The American people are welcome in Cuba. There is no anarchy. No American has been murdered, and there is no enemy or anarchy, nothing like this in Cuba. But the embargo cannot be separated from the situation that Cuba has now. And this is my point.

MR. GROOMBRIDGE: Ignacio, did you want to respond?

MR. SOSA: I said early on that I think that to focus on who is to blame is the wrong equation. It reminds me of the book by Thomas Friedman, "The Lexus and the Olive Tree." Are we going to work on building a better lexus, or are we going to be fighting over the same olive tree?

I don't really care whose fault it is. I think most of us know whose fault it is. I care about making it better. All I'm saying is the Cuban embargo prevents us from making it better. And the ones who lose are 11 million people, not the ones who are enforcing this embargo. That's my only point.

MR. GROOMBRIDGE: John, you wanted to comment?

MR. KAVULICH: I need to make one factual correction. U.S. companies have been permitted to export health care products to Cuba, and have done so. And the Cuban Government has purchased them. True, it has been made problematic with respect

to the fact that direct correspondent banking does not exist; therefore the payments have to go through third countries. And, in some measure, financing isn't available. But MediCuba has purchased products from U.S. companies.

In January of last year, 300 representatives of 97 U.S. health care companies participated at the U.S. Health Care Exhibition in Cuba. Some of them did get some orders. A second U.S. Health Care Exhibition has been planned for next year. And a first U.S. Food and Agribusiness Exhibition has received one of the licenses necessary from Treasury and is awaiting the second license. And that is hoped to be held in Cuba. So, while it has been problematic, those sales are existent.

A quick example, from 1980 to 1992 -- and in 1992, the Cuban Democracy Act was signed into law -- the total value of foreign subsidiary trade with Cuba during that 12-year period -- just that 12-year period -- was about \$4.5 billion. And in large measure, that was bulk food commodities and the remainder in health care products.

MR. GROOMBRIDGE: I'm getting hungry, so maybe we'll do just two more questions before we wrap up.

MS. LANDAU: Anya Landau, from the Center for International Policy. I have two questions that I'd love to hear from all the panel members on.

One, I would like to know whether you agree with the statement that a majority in both houses, and in fact of the American public, favor humanitarian trade with Cuba and lifting travel restrictions to Cuba. My second question is, which sectors or groups in the U.S. have the best chance of moving the issue, in terms of changing U.S. policy? And that is, who might reach the level of commitment we have spoken on, and influence, as for instance the CANF and certain members of Congress have already done? Thank you.

MR. GROOMBRIDGE: Does anyone care to start?

MR. SOSA: Well, your first question is yes. I believe a little bit what John said. I think most people, frankly, don't care that much about the whole situation and can't figure it out, because it doesn't make any sense. So, I would say most people, if they really thought about it, probably would argue in favor of more trade, more liberalization, more travel, et cetera.

Secondly, who is going to drive it forward? Well, I really have to keep harping on this point: we really shouldn't forget that Cuban Americans have to play the most decisive role. But, even then, there are only 1.2 million of us outside of Cuba; there are 11 million of them. We have to just keep in mind that they have to decide what is best for Cuba. We can only help. We can provide aid. We can certainly raise the level of the dialogue. But it's not up to us to decide what's best for 11

million people that most of have never even talked to, not to mention not seeing what they do day to day to eke out a living.

So, this is a very long-winded answer to your question, but basically, it's up to Cubans in Cuba to help convince their compatriots, I think, to a large extent, their relatives in Miami, that this doesn't work and that it's time to try something new.

MR. GROOMBRIDGE: John?

MR. KAVULICH: In terms of the majority, Congress, the House, the Senate, yes, because they have been on record as doing so under various types of votes. As far as the American people, I haven't seen the vote; I've seen polls, as you have. The polls say yes.

In terms of those constituencies, in large measure, where we are today is a result of three converging events: Elian, China and the agricultural lobby. In terms of China, during the debate on normal trade relations, Cuba came into it because there was the discussion of, if China, why not Cuba?

In terms of Elian, it galvanized a lot of constituencies and individuals to just say, what are we doing, and the manner in which some people of Cuban descent were portrayed on the media, or portrayed themselves in the media, did not do them service.

And then, thirdly, the agricultural lobby -- and that also goes into your second point. Basically, the debate on Cuba used to be Democrat versus Republican, liberals versus conservatives. When the agricultural lobby came in about two and a half years ago, basically what they did is they took a macro issue and they made it micro. They took, well, we can export \$700-\$800 million to Cuba a year. They took U.S. exports, \$52-\$54 billion a year. And that really didn't resonate with anyone. It's like the deficit or the budgets, trillions of dollars, people can't understand that.

But what the ag groups did is they said, okay, let's go to the farmer in Illinois or the farmer in Nebraska, and we'll say, last year you, Mr. Farmer, your gross income was \$100,000. Well, because of this new Cuba order for wheat or soy or whatever, your share of that order is going to be \$5,500. Well, now that money is real to that guy. He looks at that \$5,500 and he says, well, gee, that could be the down payment on a new tractor. That could be partial payment for a vacation for my family. That could be the dress that my daughter wants for the prom. That money is now real.

The local ag groups went to the State. The State went to the regional. The regional went to the national. Now, most ag States are represented by Republicans. So, what happened was that what had been a traditional liberal/conservative, Democrat

versus Republican issue, became Republican versus Republican, with the Democrats standing on the side saying, this is bizarre. And what you had were conservative Republicans battling liberal Republicans to see who was going to more be in tune with what the ag lobby wanted.

And that all goes to your second question about which groups. The agricultural lobby still is important. However, it's equally important that when the ag lobby is lobbying for change that they use real data. Because far too often in the Cuban debate, there has been a preponderance of information that has been so spun out of control that it has no bearing on reality in terms of what Cuba could import, what it would want to import, why it would want to import it. And then, secondly, local Chambers of Commerce, because local Chambers of Commerce in congressional districts can be used to influence members of Congress in those districts. Tip O'Neill said it and we all follow it: All politics is local.

But when you get the "left-wing" groups in there, the religious overtones and that sort of thing, it really doesn't sway members of Congress. They don't care.

MR. GROOMBRIDGE: I'm going to just briefly make a point. To me, it has been interesting to watch within the think tank community how -- and I would reiterate what Ignacio said -- there has been a general recognition now on the folly and failure of unilateral sanctions. And that literature has tended to focus more broadly. And Cuba has always been sort of the one exception, where you would see congressmen or certain people not touch that sacred cow.

Our Vice President has spoken at the Cato Institute on the folly of unilateral sanctions, and so we all sort of understand where we want to go. The Cuban situation is a little bit unique. But I would add that I think that the battleship will move slowly on Cuba, but I make a plug for think tanks, to say that there is shocking consensus within Heritage, AEI, Brookings, IIE -- Ernie Preeg himself has chaired and set up his own program in the past and done a lot of work on the folly of unilateral sanctions -- and so there is strong bipartisan consensus, at least within the Washington think tank community, on the folly of unilateral sanctions. And we are now able to discuss that a little bit in the context of Cuba. Maybe we have no influence, but I wouldn't want to say that.

One more question?

MR. FOX: I just want to make a comment.

MR. GROOMBRIDGE: Okay, one comment.

MR. FOX: Just a quick comment. I'm Albert Fox, with the Alliance for Responsible Cuba Policy.

I think it's important for everyone to have clarity, that there is a big distinction between Cuban Americans and the self-appointed leaders of Cuban Americans. That is a big, big distinction. Because I think that the 70 to 80 percent of Cuban Americans support lifting the embargo in their heart of hearts.

MR. FALCOFF: I would have to respectfully disagree with that. You should take a look at the poll of the Florida International University, done in October of last year. It does show a surprising number -- surprising to many of us -- the percentage; I think it came to about 25 percent, or maybe a little higher, that were in favor of lifting the embargo, but not 80 percent, surely.

MR. FOX: Let me comment on that. If you look at the Elian Gonzalez case, what you have in Miami is that you cannot publicly state your position. And that's the point.

MR. FALCOFF: I don't doubt there is some truth to that. Although, what are we supposed to do with these poll numbers?

MR. GROOMBRIDGE: I'm going to take one more quick question.

MR. TRUMBLE: My name is Charles Trumble. I'm from Dartmouth College, and I'm also an intern at CIP.

As everyone knows, under current Cuban law, you can't hire Cuban workers directly; foreign companies have to contract Cuban workers through the government. A lot of businesses in the United States are opposed to this. And I was wondering, if we were to lift the embargo, if one of the stipulations would be that we were able to contract Cubans directly.

And the second part of this, is that even feasible? As you pointed out, positions in the tourism sector are highly coveted, even though they only make about 5 percent of what they are contracted at. If we had a company paying a Cuban worker \$1,000 a month or \$2,000 a month, this would create a lot of problems within Cuban society. So, is this even a feasible option?

MR. SOSA: I talk to people who in fact have these mixed tourism jobs. And I hope I'm not saying anything out of turn in front of the people from the Cuban Interests Sections, but, frankly, most companies seem to find ways around the law. And that's just a fact of life. If I have an employee and I want that employee to do what I want him to do, I've got to pay him. That's just reality. And I'm going to find a way to do that, and most people do. It's not what you officially get paid at these companies, it's what you get paid unofficially that matters.

A bellhop, I can't imagine how much they get paid, but if you make \$5 a day on tips -- which is pretty low for a bellhop - your monthly income is probably three to four times

what a surgeon makes. So, forget about the statistics and the official numbers and all this. Ask the people who are involved in this sector, how do they get paid and do they like it, and would more people like to have these jobs? The answer is yes, they would.

MR. GROOMBRIDGE: John?

MR. KAVULICH: If U.S. companies were permitted to go into Cuba now, under the current government, would they demand to be able to pay workers directly as a condition? No.

Would they seek to gradually do so, in essence, lobbying from within? Yes.

Are Cuban companies today? And it's an important distinction that has been made. The companies, where they are mixed, whether they're joint venture, economic association, where there is a non-Cuban entity partner, there is always a Cuban Government partner. And it takes both of these entities to agree to pay these under-the-table bonuses. And I say that because Cuba is a country in transition. And, by definition, that means uncertainty. And it also means don't necessarily pay attention to what people say; pay attention to what they do and to what they allow. And there is an awful lot of monthly gift packages, monthly little cash gifts, that the workers receive.

And the Cuban Government, it's on the books that they make allowances for this. And ironically, the first Cuban companies to start the practice were ones run by your charismatically challenged colleague Raoul Castro.

(Laughter.)

MR. KAVULICH: So, it has happened, and it will be a transition.

MR. GROOMBRIDGE: Hopefully we can continue this discussion upstairs. Lunch is available.

Please join me in thanking our panelists for a very good forum.

(Applause.)

(Whereupon, the Cato Institute Policy Forum was adjourned.)