

A Policy toward Cuba That Serves U.S. Interests

by Philip Peters

Executive Summary

More than a decade after the fall of the Berlin Wall, Fidel Castro remains in charge in Havana, despising capitalism, taunting the Cuban-American community in Miami, theorizing about the evils of globalization, and keeping up with every imaginable statistic about Cuba. He has been in power for 41 years, outlasting U.S. strategies from the Bay of Pigs in the early 1960s to the tightened economic sanctions of the 1990s.

As Castro remains in control, new conditions have led to a reexamination of U.S. policy. Cuba's threat to hemispheric security ended when the Soviet Union dissolved, Soviet military support disappeared, and Cuban support for revolutionary movements in Latin America ended. As American sanctions have increased, Cuban dissidents and religious authorities have increasingly voiced their opposition to the embargo and to policies that seek to isolate Cuba. Economic reforms in Cuba are still incipient, but small enterprise, foreign investment, incentive-based agriculture, and other changes have had important impacts: they helped the economy survive its post-Soviet crisis, and Cubans working in

those sectors have gained experience with markets and augmented their earnings.

Cuban Americans have increasingly joined this discussion, as a younger generation of exiles values contact with the island and some first-generation exiles begin to question the effectiveness of the trade embargo. The Elián González crisis fueled doubts about the embargo when the young boy's plight captured American attention and weakened the pro-embargo hard-line position in public and congressional opinion.

The wide array of U.S. sanctions has failed to promote change in Cuba and has allowed Castro to reinforce his arguments that the United States promotes economic deprivation in Cuba and seeks to abridge Cuban sovereignty. It is time for the United States to turn to economic engagement. Whether or not the embargo is lifted completely, a policy that respects the rights of Americans to trade with, invest in, and travel to Cuba would more effectively serve U.S. interests in post-Soviet Cuba: defending human rights, helping the Cuban people, and connecting with the generation of Cubans that will govern that country in the early 21st century.

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Why Has Socialism Survived?

When Soviet communism fell, it was widely predicted that Cuba's island socialism would soon follow. The CIA prepared for high-level defections. Analysts pored over Cuba's trade and financial accounts looking for signs the economy would hit rock bottom. By 1992 power blackouts were widespread, fuel shortages were making Havana's streets almost devoid of vehicular traffic, and production in all sectors was in a nosedive. Cuban data show a 37 percent drop in gross domestic product per capita between 1989 and 1993. Shiploads of heavy Chinese bicycles with brand names such as "Forever" and "Flying Pigeon" (which Cubans call *chivos*, or goats) were arriving, soon to become a common mode of transportation.

Cuba's destiny seemed a matter of simple arithmetic: the loss of a Soviet subsidy that amounted to one-fourth of Cuba's national income, the loss of Eastern bloc trading partners that had accounted for three-fourths of Cuba's imports and exports, and the inefficiencies and perverse incentives of the socialist economic structure seemed sure to add up to economic collapse and a change of government.

Washington tried to accelerate this process in 1992 and 1996 by twice enacting new laws to tighten the embargo. Rep. Dan Burton of Indiana predicted in 1996 that, "in a few short years, there will be freedom, democracy, and human rights in Cuba, and we'll all go down there and have a good time."¹

But the collapse never came. For the first time, Cuba's communists, isolated from the political contagion that swept Eastern Europe, seemed to benefit from being so far from their socialist allies and so close to the United States. Economic hardship produced migrants but sparked no revolt. The nomenclatura has remained cohesive. Castro himself, reported by Dan Rather in 1996 to be "in visibly poor health," seems as healthy today as any 74 year old.² It bears noting that Angel

Castro, Fidel's father, died in 1956 at age 80, after a rural life that was surely harder than that of his son.

There are other reasons why Cuban socialism survived its post-Soviet crisis and seems stable today in spite of persistent economic hardships. Castro's political opposition does not begin to compare with the Solidarity movement in Poland or the Charter 77 movement in Czechoslovakia. Cuba's dissident community is small and not well-known inside Cuba; its ranks of current and potential activists are thinned regularly by emigration; and it is not supported by the kind of large public demonstrations that occurred in Eastern Europe. Castro's government, unlike the postwar governments in Eastern Europe, was not imposed by the Soviets; Castro's revolutionary movement replaced a regime that Cubans generally repudiated. This still earns Castro a measure of deference, if not genuine political support, even among Cubans who oppose his policies. "He's like a grandfather," a Cuban professional told me. "He may be wrong, but he still deserves respect."

Since the early 1990s Cuba has adjusted domestic policies to ease social and political pressures. The Catholic Church has been given slightly greater space in which to conduct its pastoral and charitable work, leading to higher attendance at masses and a vastly expanded capacity to deliver food and social services throughout Cuba. A series of limited market-based reforms—mainly in small enterprise, agriculture, and foreign investment—has produced a modest recovery that is improving living standards and beginning to erode the state's dominance in the economy.

Finally, as will be discussed below, hard-line U.S. policies designed to bring Fidel Castro down have backfired. Those policies place him in the world political limelight, renew his claim to victimhood, reinforce many of his favorite nationalist arguments, and miss opportunities to influence Cuba's future by blocking free interaction with American society.

The End of the Cuban Threat

Immediately following the fall of the Berlin Wall, the United States focused not on Cuba but on Eastern Europe and the disintegrating Soviet Union, where sweeping change commanded attention and the stakes were high. At the time, Havana was making no significant overtures to Washington or to the world at large. The Cuban-American voices that had long shaped a bipartisan policy consensus were urging a steady course. Those conditions combined to keep in place the policies the United States had pursued toward Cuba during the Cold War.

The centerpiece of those policies, the trade embargo, was instituted by President John F. Kennedy in 1962 in response to the mass expropriation of U.S.-owned properties by the revolutionary government. Over time, the embargo's core purpose was to exact a price for Cuba's "socialist internationalism"—Havana's alliance with the Soviet Union, its decades of political and military support for Marxist revolutionary movements in the Americas, and its sending troops to Africa.

Hence, the embargo was an understandable response to Cuba's threat to hemispheric security. Aimed equally at the Soviet Union and Cuba, the embargo was designed to make this Soviet satellite as expensive as possible for Moscow to maintain by denying Cuba an economic relationship with the United States. Any hardship inflicted by the embargo on the Cuban people was seen as an unfortunate but unavoidable result of American security concerns.

Security factors began to change in the early 1990s. Havana's link to the Soviet military and the flow of military aid came to an end. Cuba's support for Latin American guerrilla movements withered away. Cuba's military forces, starved for resources, went into decline. Officers and enlisted personnel were discharged, those who remained on active duty were trained less frequently and

made do without live ammunition, and infantry units began to cultivate crops for their own consumption. In 1998 a Pentagon report described the capabilities of the Revolutionary Armed Forces as "residual" and "defensive" and judged that Cuba did not represent a national security threat.³

The virtual collapse of Latin America's radical left in the 1990s also limited Cuba's capacity for "internationalism." Left-of-center parties dreamed no longer of building socialism but of carving out areas of influence in the region's new economic policy consensus, which is built on a smaller state and market reforms. El Salvador's FMLN guerrillas signed a peace treaty, formed a political party, and won seats in the legislature. Since losing power in a 1990 election, the leaders of Nicaragua's Frente Sandinista have dedicated themselves to venality and infighting but have not talked of a return to armed struggle. The guerrillas wreaking havoc in Colombia have their origins in the Marxist left but are funded by drug traffickers and articulate no clear ideology. To the extent that Venezuela's president Hugo Chávez threatens democracy, it is as a populist caudillo at home, not as a Marxist with cross-border military ambitions.

It may be that Castro still wishes that he could find and support serious Marxist revolutionaries in the Americas. Yet the change in Cuba's international conduct constitutes a sizable benefit for U.S. security interests and a fundamental change in the equation that long guided U.S. policy. Today Washington still has grievances with Cuba—human rights is at the top of the list⁴—but the remaining security issues are mainly possibilities, such as a migration crisis that could overwhelm Florida or the potential use of Cuban territory, by Cubans or others, to advance the drug trade. This new context calls for a reexamination of U.S. policy toward Cuba—not out of regret or to prepare Clintonesque apologies for past American actions but simply to determine how best to advance American interests in the altered landscape of post-Soviet Cuba.

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The David-and-Goliath Factor

Any attempt to envision a future for U.S.-Cuban relations should begin with a glance at the past. On the positive side, Cubans and Americans have long had a mutual affinity, and both cultures have been enriched by exposure to the other. Today, especially through popular culture, that affinity seems to be growing. In contrast, political relations between the two states have been rocky at best, and a David-and-Goliath pattern of U.S.-Cuban relations over the past century has colored Cuban perceptions of the United States.

The 19th Century

During the 19th century, America was ambivalent toward Cuba. Cuba was seen as a commercial opportunity and, as long as it remained in Spain's hands, a potential threat. To John Quincy Adams Cuba was "indispensable to the continuance and integrity of the Union itself." In 1854 Secretary of State William Marcy said, "The acquisition of Cuba by the United States would be preeminently advantageous in itself, and of the highest importance as a precautionary measure of security."⁵

At century's end, as Cubans were nearing victory in their costly, decades-long struggle to achieve independence from Spain, Congress supported U.S. intervention in Cuba but was divided between those who wanted Cuba to become independent and those who wanted Cuba to become part of the United States. There was ambivalence too in the Cuban independence movement—some wanted full independence, while others, including sugar interests, wanted Cuba to leave the Spanish empire and be annexed by the United States. When Spain was defeated, U.S. troops remained in Cuba, the Stars and Stripes were raised over Havana's El Morro fortress, and Congress enacted the Platt Amendment, a provision of a 1901 military appropriations act that was to be incorporated into the Cuban constitution. Driven

by economic interest, security concerns, and pure paternalism, the Platt Amendment limited Havana's economic and foreign policy powers and gave Washington an open-ended "right to intervene" in the newly independent nation to maintain a government it deemed "adequate for the protection of life, property, and individual liberty."⁶

The purpose here is not to apply 21st-century judgments to 19th-century attitudes or to a 1901 act of Congress; rather, it is to identify a searing historical experience that still resonates in Cuba—the loss of national independence at the very moment when it seemed to have been won.

Castro's Appeal

From his beginnings as a revolutionary leader, Castro claimed the mantle of independence fighter both to invoke this historical grievance and to add historical symbolism to his argument that the Batista government had ceded part of Cuba's sovereignty to foreign economic interests. In July 1953, when his guerrilla force first attacked government forces at the Moncada military barracks in eastern Cuba, Castro claimed to be carrying on the "unfinished revolution" begun by José Martí and other heroes of the 19th-century independence movement. In his victory speech at Santiago de Cuba in January 1959, Castro portrayed the revolution as the culmination of the 19th-century struggle led by Cubans who had "initiated the war for independence that we have completed."⁷ To this day, he claims to defend Cuba not simply as a communist resisting capitalism but as a patriot determined to keep an overbearing neighbor from once again imposing its will on Cuba.

None of this means that Castro's appeal to nationalism has made him an overwhelmingly popular figure. But, to the extent that Castro is perceived as a defender of independence, he stands to win support even from noncommunists—an intangible but important factor that helps explain Castro's political longevity. When Cubans, even those who oppose socialism, hear of foreign powers

offering “assistance,” their experience with Spain, the United States, and the Soviets gives them reason to be wary. If U.S. actions today raise the specter of new Platt amendments, the result will be support for Castro and increased resistance to change. It is no accident that, among the many epithets Castro hurls at his opponents in Miami, *la mafia anexionista* is a prominent one.

Reevaluating U.S. Policy

The economic and political isolation of Cuba was America’s goal in the early 1960s, and, in spite of periodic tinkering, it remains the goal of policy today. With limited exceptions, the embargo bans trade, travel, and investment. Contacts between officials are kept to relatively low levels. The economic objective is to block hard currency flows that could benefit the Cuban government. The political aim has been to deny Cuba’s government any prestige or “political victory” that might accompany improved relations.

To reexamine this policy framework today, it is useful to bear in mind five factors. First, any credible U.S. policy toward Cuba must place human rights at the forefront not simply to be true to American values but to keep faith with Cuban citizens who have stood up for human rights and who see dissent and free speech not as threats but as vital attributes of a strong, self-critical society.

Second, current American policy finds little to no support in Cuba. In 1992 a pastoral letter from Cuba’s Catholic bishops said that the U.S. embargo “directly affects the people who suffer the consequences in hunger and illness. If what is intended by this approach is to destabilize the government by using hunger and want to pressure civic society to revolt, then the strategy is also cruel.”⁸ In November 1999 a statement issued at “Encounter of Cuban Non-Government Organizations” said: “We do not support nor do we seek actions from abroad that isolate Cuba. Whoever wishes to act with moral integrity, to respect our sovereignty, and to

act in solidarity with Cuba, should always demand both the end of the embargo and a democratic opening in Cuba.”⁹ Oswaldo Payá, leader of the Christian Liberation Movement, directed a message to Congress in 1996: “The U.S. economic embargo against Cuba, in all its expressions, goes against the will and the needs of Cubans, and for that reason it should end. . . . We request that you take a first step, above all for justice and also in good faith toward the people of Cuba by lifting, unconditionally, the embargo against Cuba in food and medicines.”¹⁰ Another dissident group, the Democratic Socialist Current, says that the embargo has “allowed the Cuban government to present itself as the only defender of the interests of a threatened nation.”¹¹ It only stands to reason that Cubans would hold this opinion; Cubans like America, and people who have lived under communism have generally wanted to be connected to, not isolated from, the United States. It may be that there are Cubans who support the embargo but are afraid to voice that opinion, but in hundreds of my own private conversations across that island, I have never heard a Cuban express support for the embargo. Typically, Cubans associate relations with the United States with economic improvement, and they ask when relations might resume.

Third, the policy of denying hard currency earnings to the Cuban government carries a tradeoff: reduced American influence. It is impossible to isolate Cuba without also erecting barriers between Americans and Cubans, cutting off a free flow of people, activities, and ideas that could constitute a powerful source of American influence in Cuba.

Fourth, the United States has little to lose by experimenting with different approaches to Cuba. It is now clear that the pressure of U.S. economic sanctions will not bring down the Cuban government—and, if that policy had indeed “worked,” it could have produced a social collapse and a migration crisis that would have been costly for both nations. Unless one views U.S. sanctions merely as a means of expressing disapproval of the

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Cuban government, the policy has yielded very few measurable results, and the opportunity cost of change is negligible. Finally, the sanctions violate the rights of the American people to trade and travel—rights that Americans enjoy in parts of the world that are not considered national security threats and that hardly have enviable human rights records.

Conservatives, Farmers, Cuban Americans—and the Elián Effect

When the Cold War ended, those factors led many conservatives to join liberal activists and foreign policy analysts in questioning the efficacy of the U.S. policy toward Cuba. Richard Nixon called for an end to the embargo in his last book.¹² William F. Buckley Jr. followed suit in 1994,¹³ and in 1995 a *Wall Street Journal* editorial said it “somehow seems a failure of imagination” merely to keep the embargo in place.¹⁴

As the 1990s wore on, this reexamination gained momentum and spread to congressional Republicans. In October 1998 Virginia senator John Warner and a group of 24 senators asked President Clinton to name a bipartisan commission to reexamine Cuba policy. Former secretary of state George Shultz endorsed that idea. After a 1998 visit to Cuba, Sen. Arlen Specter of Pennsylvania called for U.S.-Cuban cooperation on medical research and drug enforcement. In December 1999 Rep. Mark Sanford, a conservative South Carolina Republican, traveled to Cuba and returned to introduce legislation to end the travel ban for all U.S. citizens. Last September, eight senior Republicans, including Reagan national security advisers Frank Carlucci and William P. Clark, called for major revisions to U.S. Cuba policy, including the sunseting of the 1996 Helms-Burton law, which tightened the embargo against Cuba, to give the next president and Congress an “unfettered opportunity” to start a new debate on Cuba.¹⁵

American farm interests further spurred

the debate. Hit by a market slump and recalling pre-1959 agricultural sales to Cuba, farmers pressed the Republican Congress to make good on its pledge to open markets overseas and pushed for a relaxation of sanctions against Cuba and other nations.

The Changing Politics of Cuban Americans

Openness to change also began to come from an unexpected quarter: the Cuban-American community. The generation of Cubans who fled to Florida in the early years of the revolution expected that Castro’s government would not last and that they would return before long to Cuba. Family stories abound: the grandmother who postponed buying an air conditioner in the early 1960s because “next year we’ll be back in Cuba,” or the roundtrip PanAm tickets that the family of Rep. Ileana Ros-Lehtinen (R-Fla.) bought when leaving Cuba in 1959. “Little did we know that Castro would outlive the airline,” the congresswoman said in 1995.¹⁶ Although there are exceptions, the majority of that generation holds views derived from the bitter experience of being driven into exile. Not only do those exiles reject Castro, but they want no contact with Cuba as long as he remains in power.

Younger Cuban Americans think differently. In a 1997 *Miami Herald* poll, a majority of Cuban Americans under age 45 supported “establishing a national dialogue with Cuba,” while their elders opposed it.¹⁷ This generational divide is reflected in the periodic controversies that erupt when Cuban entertainers perform in Miami. Those disputes, which serve as proxies for the larger debate about relations with Cuba, are becoming more frequent as interest in Cuban popular culture grows. Opponents of resuming relations with Cuba view the artists as extensions of the Castro government, while supporters, driven by the First Amendment or nostalgia, view the artists as independent Cubans whose works carry no official message.

Increasingly, the hard-line view has met with Cuban-American resistance. Last fall, a Miami

concert by Los Van Van, a popular Cuban dance band, was preceded by weeks of debate and protest. A poll showed that a majority of Cuban Americans over age 50 opposed the concert, while those under 50 favored it. Miami mayor Joe Carollo vilified the concert promoter, calling her “Havana Debbie,”¹⁸ and city attorneys tried to stop the performance. The concert proceeded, and thousands attended—but a mob outside assaulted concertgoers with eggs, rocks, and obscenities. The protesters were criticized by the *Miami Herald* and Cuban-American groups.

Signs of change are appearing even among first-generation Cuban Americans. Luis Aguilar, a respected historian who was a university classmate of Fidel Castro and now hosts a program on the Voice of America’s Radio Martí, has long supported the embargo, but he recently questioned its rationale. Noting that lifting the embargo might “give Castro a victory, give him greater economic resources, and betray those who fight the dictatorship on the island,” Aguilar nevertheless called for an inquiry to determine how Cubans independent of the government view the embargo and how it affects the Cuban people. Aguilar then used an analogy to imply that the embargo has lost its practical and moral justification:

It is possible to defend the bombing of a town, if this hard punishment succeeds in weakening or defeating an enemy. But if it is demonstrated that the bombardment, or any such action, is hurting the people but is far from weakening the military power of the enemy, it would be necessary to stop the attack and resort to other methods.¹⁹

The Shift in Public and Congressional Sentiments

Such sentiments were surely leading toward reevaluations of Cuba policy when they were fueled by the phenomenon of Elián González, the shipwrecked boy rescued at sea during Thanksgiving weekend 1999. Elián’s

survival story, the family tug of war, the machinations of Miami’s Cuban Americans and the Cuban government, and the Justice Department’s handling of the case all combined to create a long, compelling drama. Suddenly, Cuba had the public’s full attention, and the focus was on a bereaved boy and his father, not Fidel Castro.

The saga proved a disaster for the pro-embargo Miami exiles. In their hearts they were fighting Castro—“This boy cannot become a trophy for Fidel,” one leader said²⁰—but in public opinion they were seen as fighting the bedrock presumption in American family law that a fit natural parent is entitled to the custody of his child. The tactics of the Miami relatives and their legal team, and Miami demonstrations that included disrespectful displays of the American flag, only compounded the damage in U.S. public opinion, to say nothing of perceptions in Cuba itself of the exiles.

The case also accelerated a congressional movement to reduce economic sanctions. This movement began in August 1999 when the Senate voted 70 to 28 to approve Sen. John Ashcroft’s (R-Mo.) amendment to end all restrictions on food and medical trade with Cuba. Last July the House agreed by a 301-116 margin and went on to vote 232 to 186 to end the ban on travel to Cuba. However, the final results sent to the president’s desk were weak or contrary to the clear expression of those votes: food and medicine sales are to be allowed but private U.S. financing of such sales is banned and travel restrictions are codified into law by taking away the president’s regulatory authority to expand categories of permitted travel. This result can be attributed to deft maneuvers by Cuban-American representatives, their strong and determined core of support in the House Republican leadership, and passivity on the part of President Clinton and his administration. This result came about not by overturning previous votes but by overriding them in a House-Senate conference committee—a formidable play by embargo proponents, but one that indicates that their position is not sustainable over time.

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Economic Sanctions Have Run Their Course

Is the embargo indeed hurting the Cuban people, as Aguilar suggests? Clearly, Cuban domestic policy is the main determinant of Cuba's economic well-being. Socialist policies, in Cuba as elsewhere, stifle initiative, slow an economy's ability to adapt, and suppress output. The absence of economic relations with the United States is only a secondary factor in explaining the state of Cuba's economy today.

Still, it is clear that trade, travel, and investment from other countries are improving Cubans' living standards, helping Cubans learn about capitalism and the international economy, and expanding the Cuban private sector that emerged from the economic reforms of 1993 and 1994. An end to the U.S. embargo would have the same effects but on a greater scale because of our nation's size and proximity. If, as it appears from recent actions in Congress, the United States begins with limited forms of economic engagement, the economic impact and increased American influence in Cuba will nonetheless be substantial.

Ending restrictions on food and medicine sales is a minimal first step, even if it has no impact on the cost and availability of the food and medicine that reach the Cuban population. This part of the embargo has needlessly alienated the church and the Cuban people, provided endless fodder for the argument that the United States wishes to promote deprivation, protected America from no conceivable danger, and achieved no discernible positive result. Cuba's dissidents have repeatedly called for its removal, and it is wise that Congress has begun to heed their call.

The travel ban is a classic case of a policy that had a plausible rationale during the Cold War but cries out for repeal today. There is no longer a reason for U.S. policy to focus so heavily on restricting the flow of hard currency to a government that no longer threatens U.S. security. Absent a security threat, the travel ban amounts to a needless restriction on

American citizens' freedom and carries a cost: it restricts contacts with American society that would exercise a positive influence on Cuba. "If we have a million Americans walking on the streets of Havana, you will have something like the Pope's visit multiplied by ten," said Manuel David Orrio, an independent journalist in Havana, last year.²¹

The Clinton administration relaxed travel restrictions in 1999, but the entire system of federal licensing of travel to Cuba should be ended for all Americans, not just for Cuban Americans and the few other categories of U.S. citizens permitted to travel with minimal restrictions. American citizens' contacts with Cuban citizens and institutions represent opportunity, not risk.

Economic Engagement and Limited Reforms

Washington should go beyond those measures to allow greater economic engagement in Cuba. In addition to lifting the travel ban, sectors such as agriculture, housing, and telecommunications should be freed of *all* embargo-related restrictions so that full trade and investment could take place.

An economic opening of this type would support the market-based sector that has developed in Cuba's economy in response to the limited economic reforms in 1993 and 1994. Those reforms are slowly and quietly bringing about an economic transition in Cuba—a development that serves the U.S. humanitarian interest in the well-being of the Cuban people, our interest in a Cuba that is capable of functioning in a capitalist world, and our interest in avoidance of economic misery that could provoke a migration crisis.

Small enterprise was legalized in Cuba in 1993 in selected occupations. About 160,000 Cubans, or 4 percent of the labor force, have created a small service economy of taxi drivers, messengers, repairmen, family restaurateurs, seamstresses, tutors, and the like. Those entrepreneurs cope with tax and regulatory burdens, which are at times heavy and arbitrary, but still have had an important impact. The

entrepreneurs brought commerce back to streets that had lacked it for three decades and have made it possible for tens of thousands of Cubans to learn the skills of small enterprise. Those entrepreneurs relish their autonomy and want more of it. In a survey I conducted with Joseph Scarpaci of Virginia Tech, their average income was found to be more than triple the average Cuban salary.²²

In agriculture, market incentives were introduced to increase the supply of food. All producers—state farms, cooperatives, and private farmers—are now permitted to sell “surplus produce” (i.e., food produced in excess of the government-set quotas) on the open market. Farmers markets were created to bring that surplus to consumers. The result is that, in addition to the state’s heavily subsidized food distribution, a second legal source of food supply has been created on the basis of market incentives instead of state planning. Forty-nine farmers markets operate in Havana alone, and 304 operate throughout Cuba, giving consumers (especially those who receive family remittances or bonus pay in dollars from state enterprises or joint ventures) a chance to improve their diet and giving farmers an opportunity to benefit from the disposable income in Cuba’s growing dollar sector.

After three decades of shunning capitalist investments, Cuba made a selective opening to joint ventures with foreign corporations in 1993. The amount of foreign capital invested to date—about \$2 billion—is low by regional standards, but it has helped revive tourism, oil and mineral exploration, telecommunications, and other sectors. On the basis of interviews I conducted from western Cuba to the dusty mining town of Moa near the island’s eastern tip, joint-venture workers are among the best paid in Cuba, in spite of a bureaucracy that stands between workers and their employers and exacts a heavy labor tax.²³ Many of those joint-venture workers speak of superior “conditions,” referring to modern equipment, training, and benefits.

Expanded Options

By any standards, Cuba’s reforms have been

slow and limited. But, after three decades of a command economy joined at the hip to the Soviet bloc, even small moves toward capitalism are like rain in a desert—their impact is rapid and visible. Compensation is being tied to output. Workers are learning to operate in market settings. Young Cubans entering the workforce have options other than state employment. The most dedicated entrepreneurs I met are young: a discharged soldier who hawks pizza, a former secretary who runs a lunch stand, and a former government worker who is a neighborhood locksmith and is coping with customer relations for the first time.

The reforms bring considerable material benefit to workers and their families. An average government worker pays one-fifth of his monthly salary to buy a pound of rice, a pound of black beans, a pound of pork chops, two pounds of tomatoes, three limes, and a head of garlic at a Havana farmers market. A cleaning woman in a tourist hotel would pay 8 percent of her monthly earnings for that same market basket, the average entrepreneur 6 percent, a self-employed produce vendor 4 percent, and a 33-year-old manager in a Canadian joint venture 2 percent.²⁴

The Benefits of Economic Engagement

Travel

How would American engagement support this market-based sector? American travel would undoubtedly boost Cuba’s tourism sector, now the country’s top foreign exchange earner. Tourism would thus expand the stock of jobs that an independent journalist in Havana calls Cuba’s “most coveted,” as evidenced by the 20 thousand applicants who, according to his report, responded to a call for tourism industry employees in August 1999.²⁵ This industry’s salaries, tips, and bonuses would benefit thousands of Cuban workers and families.

It is often said that income from tourism goes almost entirely to the Cuban state, because tourists go to enclave resorts and see

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nothing of Cuban society. Yet, observations in cities across Cuba show that large numbers of visitors spend their time not in isolated resorts but in places where they can explore Cuban history and culture and mix with Cuban citizens. Those travelers leave tips, purchase goods from small-business entrepreneurs, and patronize private taxis and restaurants. Considering that the average Cuban monthly salary is about \$11, relatively small purchases by foreign travelers can significantly increase the earnings of an entrepreneur or make the difference between profit and loss.

Moreover, although some tourists might remain in enclaves, workers' earnings do not. I interviewed a musician who works at the Superclubs beach resort (a Cuban-Jamaican venture) and earns a \$40 monthly pay supplement, which brings his total earnings to four times the average Cuban salary. He spends part of his pay in the local economy near Varadero and sends part to his daughter across the island in Santiago.²⁶

Tourist spending also reaches parts of the economy that have no link to tourism. When a hotel worker earns \$25 in tips, a private restaurant earns a \$50 profit from foreign customers, and an artist sells a \$100 oil painting, those funds become disposable income that buys the goods and services of self-employed plumbers, tutors, repairmen, barbers, food vendors, and seamstresses. Those earnings are in turn spent at farmers markets, increasing the income of market vendors and generating demand that permits greater numbers of farmers to profit from open-market sales.

How Cubans Live, in Spite of the Law

Cuba's laws restrict enterprise in myriad ways, and it is common to cite those laws to argue against greater engagement. That is a mistake. The past decade of economic change in Cuba has been shaped not only by the law but also by what occurs every day, out in the open, in spite of the law.

For example, *paladares*, Cuba's famous private family restaurants, existed for years in an

undefined legal area before the government made them legal in 1993. Those restaurateurs and other small entrepreneurs find ways to obtain supplies that they cannot find or cannot afford through strictly legal channels. It is an open secret that, for every entrepreneur who is properly licensed, one or two operate without a license; many of those provide the transportation services that enable farmers to deliver produce to markets and families to move from one apartment to another. Foreign enterprises that operate joint ventures find dozens of ways to increase their employees' compensation by providing extra cash, food, or goods—those practices are not always legal, but they are widely known, and, as a Cuban analyst told me, without them Cuban employees "would not work."

Such are the natural results of a hybrid economy, in which elements of markets and capitalism are introduced into the framework of a state-dominated socialist economy. This inconsistent policy setting makes Cuba a difficult place in which to do business and provides a less-than-ideal climate for foreign investment, but over the past decade the juxtaposition of the two systems has pushed Cuba toward a more market-based economy.

That situation is not to suggest that American companies should enter Cuba to break the law or that Cuban laws should not be improved to permit market mechanisms to function more freely and more extensively. It is clear that the law only partially explains what is occurring in the Cuban economy and would provide an imperfect means of gauging the influence that an influx of new business activity would have. American engagement would expand Cuba's incipient private sector and add to its growth.

More Than an Economic Opening Is Needed

U.S. policy should also avoid sending signals that America hopes to use economic deprivation to promote political change and seeks to encroach on decisions that should

be made by Cubans. The embargo has long banned U.S. trade and investment, but the 1992 Cuban Democracy Act created a barrier to other nations' trade with Cuba by providing that any ship that calls on a Cuban port—even if it delivers humanitarian cargo only—is barred from U.S. ports for six months. A provision of the 1996 Helms-Burton law urges the president to “propose and seek” in the UN Security Council a “mandatory international embargo against the totalitarian Cuban government.”²⁷ Those measures, clearly targeted at the Cuban economy and intended to affect ordinary Cubans, make U.S. assurances that sanctions are aimed only at the government ring hollow.

The Helms-Burton Vision

The Helms-Burton law, also known as “LIBERTAD,” calls for a transition to democracy. The law lists the traits of a democratic transition—free organization of new political parties, free and fair elections, freed political prisoners, free press, and independent trade unions—at the end of which Washington would end sanctions and provide aid. However, the law provides that, even if all the conditions were satisfied but the election were to result in a government that included Fidel Castro or his brother Raúl, the elected government would not be considered “democratically elected,” and sanctions would remain in place. This allows the Cuban government to argue that the United States is concerned not with a democratic process but with telling Cubans whom they may and may not elect.

With Soviet support, a nuclear power plant was under construction in Juragua, Cuba, but before the reactors and nuclear materials were installed, construction was suspended when Soviet funding ended in 1992. There have been reports of construction defects and conflicting claims about the safety of the plant's design. Should construction resume, other safety issues might arise out of concerns that the project has been mothballed for nearly a decade. Instead of assessing the risks posed by the nuclear

power plant before deciding on a course of action, the Helms-Burton law virtually rejects the idea that Cuba be permitted to generate electrical power through nuclear energy. The law states, “In view of the threat to [U.S.] national security posed by the operation of any nuclear facility [in Cuba] . . . the completion and operation of any nuclear power facility . . . will be considered an act of aggression” against the United States. If the law's assumption is correct, and Cubans are indeed incapable of the safe operation of any nuclear reactor, then the law's taunting formulation seems almost designed to provoke Cuba to complete a reactor for reasons of pride—bringing about the very danger the law sought to avoid.

Expropriated Property

Where Helms-Burton broke the most significant new ground was in its use of property claims to deter new foreign investment in Cuba. Helms-Burton declares that foreign companies that invest in expropriated properties in Cuba are guilty of “trafficking” in those properties. Executives of “trafficking” companies may be barred from entering the United States, and Cuban Americans whose properties had been confiscated gain a right of action in U.S. courts to assert their claims.

Those measures have drawn a sharp response, including challenges in the World Trade Organization from America's principal trading partners who see the measures as extraterritorial applications of U.S. law. The legal novelty of the measures has sparked debate among international law scholars and deserves attention from a domestic perspective as well. The measures burden U.S. courts with cases of property confiscated from foreign nationals by a foreign government four decades ago; the only connection to the United States is that some who lost property have since become U.S. residents or citizens.

Legal considerations aside, the Helms-Burton property initiative is fraught with political risk. Any legislation affecting property matters can easily raise fears among Cubans that political change will make them

Foreign enterprises that operate joint ventures find dozens of ways to increase their employees' compensation.

To place Castro at the center of American decisions is to elevate him, giving him a steady claim on the world's attention.

lose what little they possess. What is known for sure is that Castro saw the Helms-Burton property provisions as a political plus. The text of the law was widely distributed and discussed in Cuban media and educational institutions.

The settlement of property claims deserves more serious attention than the Helms-Burton law gives it.²⁸ Cuban-American claims should be left for future settlement in Cuban courts. The U.S. government should focus on U.S. claims and begin talks to seek compensation for American properties expropriated in the early 1960s. If Cuba cooperates, this could result in a partial payment for all the 5,911 certified U.S. claimants and would be similar to the settlements reached between the United States and other communist countries. A more creative approach would be to give claimants permission to do business in Cuba. Conceivably, some claimants might agree on joint ventures that would satisfy claims not by drawing down Cuba's capital stock but through revenues of the new joint ventures. This step could be taken immediately, even as the larger debate about U.S. sanctions proceeds.

Looking to Cuba's Future

The most notable feature of post-Cold War Cuba policy is its sharp divergence from the approach the United States has taken toward other communist countries in the last quarter century. Except where security issues were in play—or, in Vietnam's case, the legacy of war—there has been little hesitation to allow flows of people, ideas, and commerce to advance American values and influence.

Cuba has been the exception because Fidel Castro has been exceptional—in his symbolism, his relentless ideological commitment, his leveraging of Cuban power to oppose the United States and to fight small nations' democratic aspirations, and his hold on his countrymen who have kept watch for

four decades, safe but never comfortable in Miami exile.

Proponents of U.S. sanctions want to deny Castro the political victory they think he would win if sanctions were lifted. But to pursue that objective is to defeat it. To place Castro at the center of American decisions is to elevate him, giving him a steady claim on the world's attention when—bereft of youth, resources, allies, and historical enemies—he would otherwise have very little.

American strategic interests are not in play in Cuba, and regardless of Cuba's future it is likely that America would be unscathed by a decade or more of low-level tension and competition with an aging Castro. But a passive posture with regard to Cuba's future ill suits a nation that has long strived to help build a democratic hemisphere.

The generation that won Cuba's revolution, takes pride in its frayed social welfare system, and managed to survive the catastrophic loss of Soviet support will soon pass. Cuba's future is now being built by a generation with a different set of expectations and emotional investments. These Cubans didn't conduct the revolution but were fated to grow up in it. They have seen their material well-being drop precipitously in the past decade and know that new doses of socialism will not restore it. Some want to see radical changes in their country, even while preserving the government-run health and education systems. Others seem turned off to all politics. To this generation the capitalist world is more inviting than threatening.

A new policy that relies less on isolation and more on the magnetism of American society would play to America's strength, and it would serve both nations' interests by building bridges to Cuba's next generation. It would also end a historical error in the making: the sad fact that, one century after Cuba threw off the Spanish empire and one decade after the Soviet Union vanished, the United States is keeping the Cuban people at arm's length and delaying their move, in a post-communist world, toward a future that the tide of history can only make more free.

Notes

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7. "Moncada Manifesto," on display in Havana's Museum of the Revolution, Santiago de Cuba, www.lanic.utexas.edu.
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23. Philip Peters, "A Different Kind of Workplace: Foreign Investment in Cuba," Alexis de Tocqueville Institution, March 1999.
24. Based on salary and food price data gathered regularly in Cuba by the author.
25. Vicente Escobal, "Veinte Mil Personas Prefieren Plazas en el Turismo," CubaNet, August 10, 1999, www.cubanet.org.
26. See Peters.
27. Title I, § 101, para. 2.
28. Helms-Burton is designed to use property claims and related sanctions to discourage new foreign investment in Cuba. It did, however, result in partial payment on one U.S. claim. When the Italian phone company STET invested in Cuba's national carrier ETECSA, it relieved itself of liability under Helms-Burton by making a payment to ITT, which holds a claim on the ETECSA precursor. See "ITT in Deal for Property Cuba Seized in '61," *New York Times*, July 24, 1997.

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