

## ***Report from Havana Time for a Reality Check on U.S. Policy toward Cuba***

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### **Executive Summary**

Official U.S. and Cuban depictions of the effects of the U.S. embargo differ notably from Cuban economic reality. This report, based on the authors' recent visits to Havana and interviews with top Cuban officials, dissidents, and other private citizens, shows that the embargo is not responsible for Cuba's poor economic condition—as Havana claims—nor has it been effective at achieving Washington's goal of isolating the Cuban regime.

Since the collapse of the Soviet Union and the consequent loss of massive aid and trade preferences, Cuba has established more developed relations with the outside world and introduced limited reforms in areas including trade, foreign investment, and tourism without renouncing socialism. Cuba is thus no longer backsliding, but neither is it flourishing.

A dense network of American contacts with Cuba has also developed. About 3,400 American business visits to Cuba took place last year, and 80,000 Americans are visiting the island annually, in addition to thousands of Cuban Americans who, along with other Cuban exiles, remit \$1 billion per

year to Cuba. Much of that activity violates the spirit, if not the letter, of U.S. sanctions law.

Interviews with leading dissidents also reveal a preference for engagement with the United States and little support for maintaining the embargo. Moreover, many dissidents oppose proposed U.S. legislation that would provide aid to human rights and other activists in Cuba because it would compromise their independence and legitimacy.

Current U.S. policy toward Cuba is based on historical inertia, domestic political calculations, and emotionalism. The embargo will continue to be ineffective—especially given dwindling support for the policy, the ease with which Cuba gets around the sanctions, and the ways in which Cuba has been adapting to changing world conditions. The United States could help improve Cuba's poor human rights record and reveal Fidel Castro's regime as the main source of Cuba's economic troubles by lifting the trade and investment embargo, restoring the right of Americans to travel to Cuba, and rejecting any current or proposed official aid to groups inside Cuba.

**The embargo may be bad policy, but it is hardly the main cause of Cuban economic underperformance.**

## Introduction

In his address to the April 20–22, 2001, Summit of the Americas in Quebec, President Bush championed the powerful idea that free trade leads to free people.<sup>1</sup> That echoed the theme he enunciated during the presidential campaign when he said: “I view free trade as an important ally in what Ronald Reagan called ‘a forward strategy for freedom.’ The case for trade is not just monetary, but moral. Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.”<sup>2</sup> In the case of China, the administration acts on this principle. Advocating the renewal of permanent normal trade relations with China, Bush argued that “open trade is a force for freedom in China, a force for stability in Asia and a force for prosperity in the United States.”<sup>3</sup>

In the case of Cuba, however, the Bush administration—like those before it—shies away from putting this sensible philosophy into action. Instead of trade aimed at fostering the much-needed process of political and economic reform, Cuba encounters isolation and sanctions. At a ceremony on May 18 to mark Cuban independence day, Bush reiterated his opposition to any relaxation in sanctions and his support for a bill before the Senate to provide \$100 million to the Cuban opposition.<sup>4</sup> The Summit of the Americas gave Bush the opportunity to draw attention to Cuba’s absence, stating that “only democratic nations can attend the Summit of the Americas, and every nation in our hemisphere except one will be there.”<sup>5</sup> The implication that Cuba is an isolated entity echoed the earlier statement of Secretary of State Colin Powell at his Senate confirmation hearing on January 17, 2001. When referring to the “sweeping power of democracy” in the Western Hemisphere as represented by the election of Mexican president Vicente Fox, Powell cited the exception of “Castro’s Cuba [that] remains behind, destined to remain behind, trapped in the ‘50s until they see the error of their ways.”<sup>6</sup>

Those statements and proposals neatly encapsulate the view of Cuba as seen from the top of the American government, namely that of an errant nation without options or friends and with no prospect of salvation until it rejoins the Western club. The policy implication is that the four-decades-old unilateral U.S. embargo against Cuba is justified and on target and that the Bush administration will continue or even tighten it. Amb. Craig Johnstone, the U.S. Chamber of Commerce’s senior vice president for international, economic and national security affairs, has bluntly expressed the frustration felt by an increasing number of Americans: “Unilateral sanctions are the result of failed foreign policy—the last resort of politicians who have given up trying to actually do something about a problem and are looking only to posture.”<sup>7</sup>

Policies based on illusion and posturing are not, of course, confined to the American side of the equation. The 1991 fall of the Soviet Union presented Cuba with an unparalleled opportunity to cast off the shackles of the command economy. Cuba’s refusal to take that opportunity and its persistent maintenance of so many of communism’s most debilitating structures lend a hollow quality to Cuban outrage against the embargo. The embargo may be bad policy, but it is hardly the main cause of Cuban economic underperformance. Indeed, as discussed below, the common wisdom in the Havana diplomatic community is that the embargo suits the Cuban political leadership just fine because it deflects attention from the self-inflicted inanities of socialist mismanagement.

Although this paper takes issue with aspects of current U.S. policy, its starting premise is that structural reform in Cuba is long overdue and that the United States has a legitimate interest in encouraging the emergence of Cuba as a democratic, market-based society. Our conclusion is that the current regime of isolation and economic sanctions is not the best way to promote those desirable changes.<sup>8</sup> We prefer a policy of engagement. To support this view, we take advantage of

what we learned on visits to Cuba in February and April–May 2001 to present a considered overview of current conditions. On that basis, we analyze whether, in the light of those conditions, current U.S. policy is likely to produce the desired effect of inducing the Cuban authorities to “see the errors of their ways” and to introduce the changes that would so greatly benefit the Cuban people. This paper is based in part on extensive discussions that were held with Cuban officials, private-sector individuals, dissidents, and foreign diplomats as well as personal observations and exchanges with ordinary Cubans in Havana, Pinar del Rio, Playa Girón, Cienfuegos, Trinidad, Camaguey, Bayamo, Santiago, and points in between. It draws on those discussions and observations to set out possible implications for U.S. policy.

Cuba is a complex and complicated society. With the instruments of totalitarian control still in place, it is also a society where appearances are deceiving. Statements by public officials are rarely gospel truth. Official statistics and interpretations of law are not necessarily reliable. Legislation tends to follow practice—rather than the other way around. Nonetheless, even allowing for those caveats, certain conclusions can be drawn. The chief ones follow.

- The United States and Cuba are essentially conspirators in misrepresenting the effects of the embargo as more significant than is in fact the case. The Cuban economy is not flourishing, but it is also no longer backsliding.
- With the enthusiastic cooperation of many of the United States’ closest allies (Canada, the European Union, and Israel), Cuba has found ways to work around the U.S. embargo so as to weather the demise of the Soviet Union and more recent storms such as increases in world energy prices.
- Economic deprivation is a moderate but not a major source of social tension. It does not appear to be an engine of political reform.

- Cuban Americans, who support the embargo much more widely than any other group in the United States, also violate it most frequently and significantly. By sending remittances to the island they always violate the embargo’s spirit and sometimes violate its legal restrictions as well.
- The vast majority of those who are intended to be the chief beneficiaries of U.S. policy (the Cuban people and the country’s human rights and political activists) by all available evidence oppose the embargo and are at best skeptical of the value of U.S. official financial aid to the opposition in Cuba.
- As estimated by the U.S. International Trade Commission, U.S. firms are losing out to foreign competition in an amount ranging anywhere from \$684 million to \$1.2 billion per annum.

Those realities are significant. But U.S. policy toward Cuba is based more on emotions, domestic political calculations, and historical inertia than on rational calculation. Thus it turns its back on central principles of American democracy: that, absent national security threats, the U.S. government does not have the right to prohibit the travel and business of American citizens abroad and that economic freedom tends to breed political freedom. The policy thus fails to advance U.S. interests and U.S. values effectively. The Bush administration should undertake a fundamental review of the U.S. approach to Cuba. The first step could be a revival of the proposed presidential bipartisan commission to evaluate the policy that was killed by President Clinton in January 1999.<sup>9</sup>

## Conditions in Cuba Today

Cubans and some foreign observers have long pointed to Castro’s health and education programs as examples of the success of the revolution. To be sure, when Castro took power in 1959, he inherited a nation with

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unusually high indices in education, health, and other social areas. In his magisterial early history of the Cuban revolution, Hugh Thomas noted, "Cuba's standard of living measured by most gauges was always higher than most countries of the so-called underdeveloped world." And yet, he continued, since the benefits were so unevenly distributed in the population, particularly outside Havana, the country "certainly needed reform and more than most countries."<sup>10</sup> Policies since 1959 have taken education to all children and laid a good foundation for future growth when a new regime permits conditions that encourage individual and national growth. (Computer literacy is quite a different matter since it is extremely difficult for any unauthorized Cuban to get online.) Also, Cubans generally appear to be in good health and not particularly undernourished. But the caloric intake of the average person is relatively low, and aid agencies state that food for the needy covers only three weeks a month.<sup>11</sup> The United Nations is sending \$22 million to Cuba this year to help feed children and pregnant women in the poorest eastern provinces. But, according to Carlos Lage, the country's chief economist and a doctor by profession, Cuba's main problem is lack of food, not hunger.<sup>12</sup> In part that is because of a sustained government effort—assisted for almost three decades by Soviet aid and subsidies that amounted to from a quarter to a third of gross domestic product—to focus on preventive medicine and establish general practitioner clinics in towns all over the island.

Ambassador Vicki Huddleston, principal officer of the U.S. Interest Section in Havana, concludes that "Cuba has done an excellent job across the board on health care and education." Secretary of State Colin Powell, while remarking that Castro is "trapped in a time warp," added that he has "done good things for his people." Castro responded that Powell is the only secretary "who has dared say that Cuba has done something good."<sup>13</sup> Those statements notwithstanding, it must be pointed out that many other Latin American

countries have made significant strides in those fields over the past 40 years, starting from lower bases, without nearly the costs in human life and rights. Granting the importance of preventive medicine, free medical care is less valuable when routine medications are unavailable, a reality that cannot be blamed on the embargo. And free education loses much of its value when courses are in large part regime propaganda, freedom of expression is curtailed, and access to reading material is severely limited.

### **The Political Reality**

The political conditions the embargo is intended to improve remain little changed. Real power is in the hands of Fidel Castro and a tiny clique around him. The normal trappings of democracy (free speech, freedom of association, a free press, Internet access, and so on)<sup>14</sup> are nonexistent or heavily circumscribed, and people who dare to oppose the regime suffer frequent harassment. According to dissidents interviewed by one of the authors in February, there were then about 300 political prisoners in jail. Human Rights Watch has stated that Cuba "has developed a highly effective machinery of repression." In its 2001 report, Amnesty International reported that there was "a serious escalation in repression during the closing months of 2000" and that "journalists, political opponents and human rights defenders were subjected to severe harassment," including, among other things, short-term detention, house arrest, and threats.<sup>15</sup> According to dissident Elizardo Sánchez in an interview in February, rights conditions have declined every year since the Pope's visit to Cuba in January 1998, but harassment is now "low intensity."

The regime does not hesitate to make life difficult for private entrepreneurs if their success too clearly challenges revolutionary ideals. Drivers of pedicabs (three-wheeled vehicles introduced from Asia during the fuel crisis that began in the early 1990s) and youngsters trying to hustle a few dollars on the streets by leading tourists to private restaurants (called

*paladares*), salsa bars, or sexual companions are often harassed and sometimes arrested. (It is true, as some Cubans argue, that hustlers and omnipresent beggars can become a nuisance to visitors, so cops on every corner may also be there in part to “protect” the tourists.) Private restaurants in people’s houses, which operate under strict (but not always enforced) guidelines, open and close frequently depending on the whim of the government. Many *paladares* have closed in recent months in Havana, and over the past year the number of *paladares* in Cienfuegos, according to residents of the area, has declined from 19 to 3, in large part because the cost of licenses was increased to more than \$800 per month.<sup>16</sup> Private art galleries on the popular Obispo Street in Havana were closed between our visits in February and April. Economy Minister José Luis Rodríguez said on television in April: “We believe there’s no reason for the self-employed sector not to exist, if it follows certain regulations. But we don’t stimulate it because we don’t think it’s the solution to our economic problems.”<sup>17</sup> The government strategy seems to be to allow a certain amount of free enterprise but never let practitioners take their income for granted.

### The Economic Reality

While GDP comparisons are complicated, particularly since Cuba only recently moved from Soviet-style statistical methods to international standards, there is no doubt that the economy, which was heavily dependent on the Soviet bloc until it collapsed, still has not regained 1990 levels. Cuba has a dual-currency economy, and a foreigner can travel all over the island for a month and never touch a peso. (Cubans call their currency “pajamas,” because it is “for indoor use only.”) The average monthly salary of a government worker is about \$12, up some 7 percent over last year. A monthly pension may be no more than \$4. Rationed items, sold at very low prices for pesos only, generally last the typical family considerably less than a month.

Thus almost everyone needs to moonlight to get dollars so he can buy food and other items in “dollar” stores, the only places many

goods can be found besides in a flourishing black market that illegally offers everything from foods to cigars to services. It is common to meet highly trained doctors or educators driving taxis, renting out rooms in their houses, acting as travel guides, or involved in prostitution. One Cuban who rents a couple of rooms in his house, and pays about half the earnings to the state in taxes, still makes 20 times what he did before as a geological engineer.<sup>18</sup> And an attractive lady can earn more in two nights than a state-paid neurosurgeon does in a month. Many of the lithe and lovely mulatas at the world-famous Tropicana nightclub in Havana are available after hours for gentlemen who will supplement their meager state-paid salaries. The division between the people with and the people without dollars has created major problems for the government. The country’s leaders know U.S. dollars keep the economy moving and, when they are sucked in by state-run dollar stores, provide the state desperately needed hard currency. But only half to three-quarters of Cubans have access to those dollars, in very differing amounts, whether from family abroad or dollar-earning activities in Cuba. Government employees, who are paid in pesos, are particularly hard hit, and so the state has established production and other bonuses to reduce but by no means eliminate income discrepancies.<sup>19</sup>

One criticism often leveled at the Cuban government is about how it controls salaries received by Cubans who work for foreign employers, including the U.S. government. When a foreign employer attempts to hire Cuban employees, he must select workers from a prescreened pool of candidates offered by a Cuban state agency. The agency then requires the foreign employer to remit a “salary” in hard currency—usually around U.S. \$300 per month, payable to the state agency, not the individual employee. From this salary, the state pays the employee with an equal number of Cuban pesos, not in convertible pesos that in Cuba are equal to one U.S. dollar. This exchange translates into an effective tax rate of about 95.5 percent, which the govern-

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ment justifies in two ways. First, it claims the state has to pay for education, medical care, housing, and so on. Second, the government argues that it must try to maintain some equality between the salaries of those who work for foreign employers and those who work for the state. Since foreign employers know the salaries their workers receive from the state are hardly a living wage, they may provide their Cuban employees a supplemental salary known as a *haba*. This supplement is paid directly to employees, though not necessarily in cash. The U.S. Interests Section pays all Cuban employees a *haba* in U.S. currency, though the amount varies according to the grade and job description of the employee. Many employers in tourism offer their employees a basket of goods or coupons redeemable for certain items in dollar stores. Workers in joint-venture hotels are often able to buy such items as soap from the hotels at greatly discounted prices.

Housing is virtually free but also in very short supply, as it has been for decades, and extended families of necessity often live together, with 5 to 10 people often crowded into a couple of dark rooms. Although impressive restoration projects are under way, particularly in the Old Havana district, to save some of the island's magnificent colonial architecture—the Spanish Embassy is a splendid example of what can be done—much of Havana in particular is badly dilapidated, and many buildings are on the verge of collapse. Many restored buildings are converted into museums, though some also contain refurbished apartments. A census ordered in Old Havana in 2001 reportedly left many current residents worrying that they too might be moved out as the district is further expanded for the benefit of tourists.<sup>20</sup> During the drought at the beginning of the year, many parts of the island had running water only once a week. The electricity went off while we were interviewing Ricardo Alarcón, president of the Cuban National Assembly, who is the third most powerful man in the government (just below the Castro brothers) and regularly mentioned as

part of the post-Castro power structure.

Many Cubans say transportation is the greatest problem they face. When the economy collapsed in the early 1990s and the “special period” began, gasoline was (and still is) in such short supply and so expensive that much public transportation ceased to exist. Hundreds of thousands of clunky bicycles were imported from China, and bulls began replacing tractors in the fields. Although some American conservationists have seen this reliance on bulls and bicycles as a step forward, Cubans do not. Local and longer-distance rides now may be on a bus that can cost a month's salary for a hundred miles or on the back of a truck. Some hitchhikers standing in the shade along highways wave pesos in the air to show they will pay any driver who will give them a lift.

## **The Effects of the Embargo**

Although a central thesis of this paper is that the embargo's impact is not as significant as either its proponents in Washington or its opponents in Havana claim, neither is the impact zero. In bald economic terms, the U.S. International Trade Commission cites Cuban government figures on the cumulative damage to the Cuba economy up until 1998 as \$67 billion. Extrapolating from trade figures, the ITC estimates the annual loss to U.S. exporters at as much as \$1.2 billion.<sup>21</sup> Nonetheless, after factoring in the massive Soviet subsidies to Cuba, which peaked at \$6 billion annually in the 1980s, the ITC's conclusion about the effect of the embargo is that “U.S. economic sanctions with respect to Cuba generally had a minimal overall historical impact on the Cuban economy.”<sup>22</sup>

The embargo certainly raises the cost and complications of doing business. For example, Japanese auto manufacturers have to certify that their cars being exported to the United States do not contain Cuban nickel. Canadian sugar processors have to segregate Cuban sugar in separate silos. Cuba can suffer sudden interruptions of supply of modern medical

equipment if, for example, a Swedish manufacturer decides to use an American component. Since Cuba's moratorium on foreign debt payments to nonsocialist countries in 1986, commercial credit has been available only on disadvantageous terms, essentially keeping Cuba out of international capital markets—a situation that is not compensated for by aid from the World Bank and the International Monetary Fund since the United States has vetoed Cuban membership in those and other international financial institutions. (Of course, so long as domestic economic mismanagement continues, Cuba will never be an attractive credit risk.) The Cuban government is forced to offer overseas partners guarantees against penalties arising from such legislation as the Helms-Burton Act. Cuban officials lose no opportunity to state that their primary foreign policy objective is to have the embargo removed.<sup>23</sup>

Of course, the most onerous part of the Helms-Burton legislation, Title III, has never been implemented. This title would empower the U.S. government to hunt down foreign-owned companies accused of “wrongful trafficking in property confiscated by the Castro regime” and enormously complicate the asserted U.S. objective of resolving property claims U.S. citizens have against the Cuban government. U.S. allies worldwide condemn Title III as unacceptable extraterritorial legislation, and, although implementing it would neither bring down Castro nor further the cause of democracy in Cuba, it would further sour U.S. relations abroad, particularly in Europe. Recognizing those problems, President Clinton waived this title every six months, and in mid-July 2001 President Bush did the same. At the same time, the president proclaimed the embargo itself a “moral statement” that he will enforce more strictly than his predecessors did while simultaneously extending greater support to dissidents on the island.<sup>24</sup>

Some supporters of sanctions claim the embargo is justified because, they say, it is useful for fostering democracy and economic reform and protecting human rights—values

highly identified with the American global role—though there is no evidence to prove that this is true. Few Americans would quarrel with U.S. concerns that, as noted above, conditions in Cuba are deeply unsatisfactory for the vast majority of the people. Indeed, even while they pursue an active engagement policy diametrically the opposite of the U.S. approach, European officials unhesitatingly state that they share the American objective of achieving democratic reform in Cuba. Their disagreement is not over ends but over means. In rough terms, the disagreement could be characterized as an American preference for a “hard-landing” form of regime change (though U.S. officials claim they are working toward a “peaceful transition”) and a European desire to promote a “soft landing” whereby structures necessary for a democratic transition emerge in an orderly manner.

But, whether ill- or well-conceived, policies like the embargo must ultimately confront an on-the-ground reality. Unfortunately, Washington has not shown much interest in doing so. In January 1999 President Clinton even refused to form a presidential bipartisan commission to simply conduct a broad examination of U.S. policy toward Cuba, though the idea was supported by 25 senators and an array of prominent former high officials from both parties, including former secretaries of state Henry Kissinger, Lawrence Eagleburger, and George Shultz. Alarcón commented to us that “when your enemy has a wrong perception of reality, that is good.”<sup>25</sup> In other words, bothersome though it is, the U.S. embargo is not the all-consuming and crushing constraint on Cuban options that it is portrayed to be. His argument is that in respect to economic development, export markets, foreign investment, tourism, international relations, and biotech, Cuba has forged alternative sources of both supply and demand. He also points to an increasingly dense network of contacts with the U.S. private sector that advocates a change in U.S. policy and acts as a counterweight to official policy.<sup>26</sup> If those points are true, they go a long way toward bolstering the case for a change in U.S. policy toward Cuba.

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## **Economic Development and Export Markets**

When Fidel Castro took power in 1959, Cuba faced “five long-standing socioeconomic problems,” according to economist Sergio Roca. They were “low rates of economic growth; excessive concentration on sugar production and foreign trade; excessive dependency on one trading partner; substantial unemployment and underemployment; and sharp inequalities in income distribution and provision of social services.” During the decades that followed, before the intense crisis of the 1990s, the government lurched through a number of stages ranging from a moralistic command economy under or inspired by Che Guevara to pre-Gorbachev Soviet formulas.<sup>27</sup> The collapse of the Soviet bloc threw Cuba into its most severe economic crisis ever, but serious problems related to overcentralization, and the “inefficient use of material, financial and human resources” dated back to the beginning of the revolution and were periodically attacked by Fidel Castro. According to a Cuban economist, “The crisis became unmanageable by the mid-1980s.”<sup>28</sup> Then, with the demise of the Soviet bloc and Comecon in the early 1990s, the Cuban economy fell into a deeper crisis from which it is still recovering.

Although there are significant difficulties with Cuban economic statistics due to the fact that Cuba is not a market economy, it is generally accepted that, with the demise of the Soviet bloc markets, Cuba’s GDP dropped by at least 35 percent. That was because the Soviet Union’s massive foreign aid to Cuba came to an end and because Soviet bloc markets had long absorbed 80 percent of Cuban exports on a more or less guaranteed basis and sometimes at subsidized prices. In 1994 the peso fell to a low of 180 to the dollar. This “special period” of economic difficulties continues to this day.<sup>29</sup> Tying in the impact of U.S. policy in a typically propagandistic manner, Cuban Communist Party Central Committee member Raúl Valdés Vivó writes that the caus-

es of the “special period” of the 1990s are “basically two, which become only one.” They are “the tightening up—to insane levels—of the U.S. economic blockade at a time when Cuba had lost, with the disappearance of the Soviet Union, the external factor that allowed it to resist that economic blockade, the longest and most inclusive ever suffered by any nation.”<sup>30</sup>

If ever the time was ripe for the embargo to do its work, the early 1990s was it. Indeed, it almost seemed reasonable that a little more squeeze—the so-called Cuban Democracy Act of 1992 (the Torricelli Act)—might just bring Castro down. But by 1996, when the Cuban Liberty and Democratic Solidarity Act (Helms-Burton Act) was passed, there was not the slightest chance that new legislation would succeed. And it has done nothing but pump life into the old U.S. scapegoat for all Castro’s hopeless policies, put more fangs on the imperialist bugaboo Castro so loves to condemn, and antagonize the rest of the world. Today, according to Amb. Vicki Huddleston, “The purpose of the U.S. embargo on Cuba is simply to deny foreign investment, trade and finance that will build up the regime.”<sup>31</sup> While U.S. policy has made it more difficult for the Cuban government to do business in certain respects, it has been neither as draconian as Valdés Vivó claims nor as effective in achieving its objectives as is suggested by U.S. officials.

Cuban economic officials highlight the “diversification” and “restructuring” of the economy under market pressures.<sup>32</sup> For ideological reasons, they use these words in preference to “privatization” and “liberalization,” although there is no disguising that this is happening to a limited degree. Minister of Economy and Economic Planning José Luis Rodríguez speaks of the economy Cubans are building as a “socialist economy with a market,” rather than using “socialist market economy,” as the Chinese and Vietnamese do.<sup>33</sup> In 1992 the constitution was amended to abolish the Soviet-style state monopoly on economic activity, though state monopoly continues in many areas and three-quarters of the Cuban labor force still are employed by the state. The

reforms do recognize other economic structures such as joint ventures and allow direct private investment in selected sectors, with education and health care among those excepted. Today some 400 enterprises in the mining, petroleum, and sugar sectors have participation by private-sector individuals. In 1995 wholly owned private ventures were permitted, and in 1996 a system of industrial parks and free zones was introduced. In a bow toward individual incentives, government enterprises have introduced bonus schemes that provide individuals who meet productivity targets dollar accounts usable in dollar stores in tourist resorts. Those bonuses have been critical for peso-paid government workers who have little access to dollars.

Those measures have not turned Cuba into a Singapore, but they are more of a business school-like response to market forces than a reactionary socialist response. The measures have had some modest success. Although growth is now estimated by the IMF at 5.5 percent of GDP—an above-average rate for the Caribbean region—the increase comes after GDP declined by at least 35 percent after 1991.<sup>34</sup> This recent improvement has been achieved despite an unanticipated \$500 million drain on foreign exchange reserves in 2000 caused by higher energy costs. The peso has stabilized at a rate of 21 to the dollar. To a great extent, the market has forced Cuba to diversify out of the former Comecon markets, with no single foreign country representing more than 12 percent of total trade. Domestic productivity is responding to the various market pressures. In 2001, for example, 90 percent of the electricity needed is expected to be generated from indigenous fuels rather than imported oil, and private agricultural producers now provide nearly all the fresh produce used in tourist hotels.<sup>35</sup>

Although the economy is hardly emulating the growth path of the former Asian tigers and the country remains in a “special period,” there is no sense of impending crisis. Instead, government officials project a quiet confidence that the necessary responses to

market forces have been undertaken. In the words of one official: “We no longer have to be magicians. We now have some oxygen.”<sup>36</sup> Many Cubans would dispute that, having long contended that they do not benefit from a rising GDP or reconstruction that, they insist, is done mainly for tourists. Economy Minister Rodríguez acknowledged in a report to the National Assembly in January 2001 that the benefits of economic growth have not yet trickled down to the average Cuban.<sup>37</sup> Succinctly expressing a widely held view, a state factory worker in May whispered, “Fidel is a great guy, but it is time for him to move on.” He turned away and then returned to add, “And soon!” In 1981 a Cuban Ministry of the Interior survey in the Vedado section of Havana found that, in one form or another, 71 percent of the people were “enemies of Fidel Castro’s government.”<sup>38</sup> Twenty years later dissidents interviewed in Havana likewise estimated that not more than about 30 percent of the Cuban people support Castro today.

## Foreign Investment

Cuba is making determined efforts to attract foreign investment. Once again, success is modest but not insignificant. Over the past decade some \$1.7 billion has been invested and more than \$6 billion in foreign capital has been invested or committed.<sup>39</sup> Favored sectors are petroleum, oil and gas, mining, tourism, light industry, agriculture, construction, and telecommunications. More than half of foreign investment comes from member countries of the European Union and a further 20 percent from Latin America.

Although Cuba has no intention of turning itself into a “fiscal paradise,” foreign investors receive incentives whereby they can avoid utilities and labor taxes so long as the amounts that would have been paid in taxes are reinvested in the enterprise. Dividends and profits are 100 percent remittable, although anecdotal evidence from foreign investors suggests that actual profits to date

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**For the Cuban leadership, the tourist industry in particular raises tricky questions.**

have been minimal. The Canadian Department of Foreign Affairs and International Trade advises Canadian companies considering the Cuban market that "Cuba is not for the timid or the unprepared. The risks are substantial."<sup>40</sup> A new arbitration law has been passed for dispute resolution. Cuba has entered into 53 overseas reciprocal investment agreements and 5 double taxation agreements. Three hundred ninety projects based on foreign capital are in hand, and, to date, Cuban officials say, no firm has abandoned its investment. In the first two months of 2001, 250 fact-finding foreign investment missions visited the island. The Cuban authorities are able to be more discriminating about foreign investment since the early days of 1992 when a \$5,000 investment was considered sizable.<sup>41</sup>

Officials point out that 64 percent of foreign investment has taken place since the 1996 passage of the Helms-Burton Act that tightened the U.S. embargo against Cuba and established potential punitive actions against foreign investors there. The efficacy of this act is disputed. Some investors occasionally demand anonymity to protect themselves from the act, and Cuban officials assert that the central bank is alert to the money-laundering potential of such schemes. Cuban officials argue that no firm has canceled its investment in Cuba. The U.S. Interests Section, Havana, argues otherwise, saying that as of March 1998, 15 executives of three foreign companies had been excluded from entry into the United States and more than a dozen companies had pulled out of Cuba or altered their plans to invest because of the threat of U.S. retaliation.<sup>42</sup>

The Cuban experience with foreign investment has allowed officials to contemplate the day when the U.S. embargo is lifted. Alarcón states that, when that time comes, American investors will see that Cubans are "no strangers to capitalism." He has further pointed out that American investors may also discover that many of the choicest investment opportunities have already been seized by earlier arrivals and that the govern-

ment will limit investments to those sectors it believes will benefit the nation.

## **Tourism**

Some of the great tourist spots from the heyday of American tourism before 1959 continue to do a brisk business, among them the Hotel Nacional and the Tropicana de Cuba nightclub in Havana and the Hotel Casa Grande in Santiago, all of which were made famous by Graham Greene in *Our Man in Havana*. But most of the international tourist facilities have been built since 1990 when tourism began its rapid expansion, often via joint ventures. The number of visitors increased at an annual rate of 18 percent from 340,00 in 1990 to 1,774,000 in 2000. Tourism is projected to grow at about 6 percent a year until 2010. Canada is the largest single source of tourists, but there are sizable numbers from the larger European Union states, and efforts are under way to attract more visitors from Asia.

Gross revenues grew from \$243 million to \$1.95 billion between 1990 and 2000. Tourism now makes a vital contribution to the national economy, earning 43 percent of foreign exchange and employing nearly 9 percent of the civilian labor force. Foreign investment has played a major role, with more than 30 companies investing \$1 billion since 1990. By 2005 foreign companies will manage some 50 percent of the total tourist rooms, and foreign investors will control 20 percent of total capacity. An ambitious construction program, based on a study by PriceWaterhouseCoopers, foresees new construction, including golf courses to be managed by the Professional Golf Association of London.<sup>43</sup>

For the Cuban leadership, the tourist industry in particular raises tricky questions about both revolutionary purity and social cohesion. While the influx of dollars is welcome, indeed indispensable, tourism has accentuated the gulf between those Cubans who have access to dollars and those who do

not. Because of the lack of economic opportunities elsewhere in Cuba's repressed economy, tourism has been accompanied by a revival of prostitution and some drug use. Further, in as much as ordinary Cubans under normal circumstances are not allowed above the ground floor of tourist hotels, the phenomenon of "tourist apartheid" has emerged. Cuban officials acknowledge that problem and have mounted a vigorous publicity campaign to show the contribution of tourism to the renewal of domestic facilities. For example, the government has put programs in place whereby exemplary workers and honeymoon couples can be granted special access to tourist hotels. But our conversations with ordinary Cubans indicate that those efforts appear to do little to address the undercurrent of serious resentment of Cubans who are denied access to facilities in their own country. Thus Cuban interaction with the rest of the world in the form of tourists is having at least some of the transformational effects desired but not achieved by Washington's policy of isolation.

## International Relations

For 400 years Cuba was controlled by Spain and then from 1898 to 1990 strongly influenced by the United States and the Soviet Union, successively. For the past decade, however, Cuba has more than ever before conducted its own foreign policy and does so now in a style compatible with the international system. It maintains diplomatic relations with some 150 foreign countries. It is a UN member and founding member of the General Agreement of Tariffs and Trade and the World Trade Organization. In their relations with Cuba, foreign countries apply the normal diplomatic techniques. They offer political, cultural, and academic exchanges; specialist training; meetings with opposition, humanitarian, and religious groups; and commercial relations. Britain, for example, has provided training for Cuban narcotics officials and for the police; it has held exchanges on such sub-

jects as child abuse and child pornography; it offers scholarships for study in the United Kingdom; it has conducted parliamentary exchanges. Whatever their merits or demerits, none of those initiatives differs from the normal approach used elsewhere by the United States in its dealings with developing nations.

European officials acknowledge the special U.S. circumstances and are careful not to criticize the very different U.S. approach. They offer theirs as an alternative, saying, in the words of one European diplomat in Havana, that dialogue and development "spring from engagement across the board." They argue that relationships built in this way allow them to raise human rights issues, including individual cases. The U.S. government is skeptical about that, tending to believe that the Europeans pull their punches on human rights.

EU officials claim that, while they object to it in principle, the Helms-Burton Act does not represent a practical impediment to investment in Cuba. That attitude would have changed radically if the Bush administration had not followed the lead of the Clinton team in waiving for another six months the punitive measures under Title III of the act.

Alarcón claims that Cuba's former support for communist insurgencies in Latin America and Africa was a reaction against American financing of counterrevolutionary forces. That statement does not fit with the established facts of Cuban aid to the Sandinistas in Nicaragua and the FMLN (Farabundo Martí National Liberation Front) in El Salvador. Nonetheless, as U.S. policy toward the region has moved on, so has Cuban mischief-making. Cuba is part of the group of "friendly countries" involved in attempts to mediate the Colombian civil war and acknowledges good contacts with the FARC (Revolutionary Armed Forces of Colombia) and the ELN (National Liberation Army). But, so Alarcón claims, these involve good offices, not supplying lethal equipment. Most American officials agree with the Defense Intelligence Agency, which concluded in a May 1998 report that "Cuba does not

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People who dare  
to oppose the  
regime suffer  
frequent  
harassment.

pose a significant military threat to the U.S. or to other countries in the region."<sup>44</sup> That view is borne out in the State Department's *Patterns of Global Terrorism 2000*. That report continues to list Cuba as a state sponsor of terrorism, less on the ground of active involvement in contemporary terrorist activity than because it offers safe haven to ETA (Euskadi ta Askatasuna) fugitives and to representatives of the FARC and ELN.<sup>45</sup>

One case that has drawn considerable attention is Cuba's shooting down of two small planes flown by members of the Miami-based Brothers to the Rescue group in February 1996. Four Cuban Americans were killed in that incident, which sparked the immediate passage of the Helms-Burton Act. High Cuban officials in interviews in Havana denied that the government ordered the attacks. However, a Cuban agent was known to have infiltrated the Brothers group from the day after the shoot-down, and a court trial completed in Miami in mid-2001 found five Cuban nationals guilty of spying for Castro and one of conspiracy to murder in the Brothers case. The Cuban Communist Party paper *Granma* hailed the five spies as "patriots" who were defending Cuba from "terrorist actions by the Cuban-American mafia."<sup>46</sup>

We must note that during 2001 Castro has adopted an increasingly belligerent style in international affairs, verbally reminiscent of his approach a couple of decades ago. Some examples include the following. First, in the UN Human Rights Commission vote to censure Cuba in April, only Venezuela supported Cuba in voting no. Castro promptly condemned all the others and celebrated when the United States was booted off the commission several weeks later. Second, Castro charged that Latin American governments at the Quebec summit allowed themselves to become part of the latest U.S. imperialist scheme to "annex" them through hemispheric free trade; Venezuela again was the only government not to go along fully. Castro hadn't been invited, but he sent greetings to the protesters in the streets. Even Canada, the host of the event and one of

Castro's best international "friends," took some punches. Third, Castro cultivated ties to other countries that have expressed concerns with globalization, or the emergence of the U.S. "unipolar" world, beginning with Venezuela, where President Hugo Chávez perceives himself as the Fidel of the new millennium. China's president Jiang Zemin visited Cuba in April; boisterous and often anti-American celebrations were held in Cuba on May Day; and then Castro took off for Algeria, Iran, Malaysia, Qatar, Syria, and Libya. At Tehran University, to chants of "Fidel, Fidel, Fidel!" he predicted the downfall of the United States.<sup>47</sup> This shift must be noted, but it in no way justifies the continuation of current U.S. policy.

## Biotechnology

Cuba's achievements in the primary health care field are well-known; noteworthy features include availability of doctors, life expectancy, containment of HIV infection, and low infant mortality. Cuba's reputation in this field has led to a \$20 million per year industry of health tourism, mainly from Latin America, for patients seeking to avoid much higher costs in the United States. In the economic downturn since 1990, Alarcón admits that health care has suffered some setbacks, particularly acute shortages of routine medications, although no hospitals have closed. (American professional studies and recent emigrants from Cuba paint a much less upbeat picture and talk of "serious shortages of medical supplies.") Further, the rigid quarantine restrictions that have underpinned the containment of HIV would not pass muster with Western civil rights standards.<sup>48</sup>

But the biotech field has flourished, with some 40 institutes in the immediate Havana area. It is a small part of the Cuban economy (less than 2 percent), but that it exists at all is a commentary on the embargo's effectiveness. According to Cuban figures, biotech exports are about \$120 million per year. The Finlay Institute has developed a formidable reputa-

tion in the field of vaccines. Its main achievement is the development of a vaccine against Meningitis B (patented as Va-Mengoc-BC), which has been used extensively in Latin America, Central America, and the Caribbean and has recently been licensed to Smith Kline Beecham for use in the United Kingdom. British officials point to that accomplishment as a unique instance of a biotech transfer from the Third World to the first. Other vaccines that the institute is readying for commercial licensing are a leptospirosis vaccine, a cholera vaccine, and an improved diphtheria+pertussis+tetanus (DPT) vaccine.<sup>49</sup>

Officials at the institute complain about the embargo, which makes it difficult to maintain easy access to scientific journals and state-of-the-art medical equipment and to attend medical conferences in the United States. Again, the embargo has not prevented this field from emerging, but it is clearly impairing research.

## The American Connection

Of all the inconsistencies and aberrations of the embargo policy, the most fascinating is the increasingly dense network of American contacts with Cuba. For a country that is supposed to be suffering a near-total quarantine, Cuba fairly hums with American voices. For example, in February our hotel, the Parque Central, was crowded with a delegation from New York's Metropolitan Opera. At the same time a large delegation of up-and-coming business leaders was in Havana under the auspices of the Young Presidents Organization, an international organization that includes young business leaders from the United States. They had dinner with Castro.

In all, nearly 80,000 Americans, *not counting Cuban Americans*, visit Cuba each year. Some are there legally on journalist and cultural exchanges or on university travel and study programs. Others simply slip in through a third country or by sea. The Marina Hemingway, Havana's premier yacht harbor, is full of American yachts. American visitors

receive a warm welcome. Visitors are constantly accosted by Cubans trying to practice their English, but the streets are safe, much more so than those of Kingston, Jamaica, or San Juan, Puerto Rico. At the Ministry of Foreign Trade, María de la Luz B'Hamel comments, "We have learnt to distinguish between Americans and their government."

Corporate America is eyeing Cuba with interest. It is estimated that some 3,400 American business visits to Cuba took place in 2000.<sup>50</sup> The port authorities of such places as New Orleans, Houston, Jacksonville, and Baton Rouge regularly visit their Cuban counterparts. More than 700 U.S. companies have registered more than 3,000 trademarks in Cuba. Cuban officials point out that the embargo is entirely one-sided. There are no barriers in Cuban law to U.S. dealings with or investment in Cuba. But the officials warn that American corporations cannot expect to receive preferential treatment if the embargo is lifted. Having learnt from its experiences with European and Canadian investors, Cuba will not lay down a red carpet for the Americans. The Americans will "have to stand in line."

Perhaps most curious is the role of the Cuban Americans, whose numbers increase by at least 20,000 every year. That is the number of visas given out annually by the U.S. Interests Section in Havana: 3,000 to "in-country refugees," an equal number to join families in the United States, and 14,000 by lottery. In addition, many elderly Cubans in particular are given visas to visit family members in the United States. Cuban Americans who have lived in the United States for many years or decades are generally the most vocal supporters of the embargo. According to a poll released in October 2000 by Florida International University, three-quarters of them think the embargo doesn't work well or at all.<sup>51</sup> The same Cuban Americans send approximately \$800 million annually to family and friends in Cuba, whereas all Cubans living abroad send an estimated \$1 billion.<sup>52</sup> The dollars may be sent by Western Union or, more often, carried by the 100,000 to 120,000

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Cuban Americans who visit Cuba annually. If the objective of the embargo is to deny dollars to the Castro government, then Cuban Americans, in their admirable humanitarian support for their families, are the most consistent violators of the spirit and sometimes the letter of the sanctions.<sup>53</sup> Recent FIU and other polls suggest that the opinions of the Cuban-American population in Florida, even on passionate issues such as the Elián González case, are much less absolutist than they are generally portrayed as being by the proponents and opponents of the embargo.<sup>54</sup>

In contrast to the busy pattern of relations with the outside world, official exchanges between the U.S. and Cuban governments are sparse. There are contacts and discussions between Cuban officials and the U.S. Interests Section on immigration, narcotics, and the environment. Discussions usually take place in an atmosphere of mutual suspicion and recrimination. On immigration matters, for example, each side accuses the other of bad faith. The United States accuses the Cubans of dragging their feet on family reunion visas; the Cubans say that the Cuban Adjustment Act encourages illegal (and dangerous) flight and has effectively reduced emigration from Cuba. Cuban officials have no expectations of olive branches from the Bush administration. Informal discussions are occasionally held as well, as when Marine Gen. Charles E. Wilhelm, recently retired former head of the U.S. Southern Command, visited Cuba in February 2001 as a "private American citizen." Wilhelm talked with Cuban specialists about a wide variety of subjects ranging from narco-trafficking and planes that fly from Miami to Cuba, such as those of the Brothers to the Rescue, to increasing contacts between Americans and Cubans with respect to the U.S. naval base at Guantanamo. A recurring theme was the need for a more complete exchange of information on many issues by both sides.<sup>55</sup>

### Dissidents

Cuba's dissident movement has drawn considerable attention in the United States

because its members are the most active supporters of greater democracy and stronger rights on the island. Cuban officials from Alarcón on down told us to talk with anyone we wished on our visit so long as our contacts were "correct" and not part of a U.S. government-sponsored initiative to undermine the Cuban government. Indeed, dissidents are visible and regularly attend functions at the U.S. Interests Section and at EU embassies. Alarcón added, however, that Washington and Miami might be surprised at how many of the "dissidents" are in fact double agents. He warned, "You can never be sure who you are talking to." The government, he concluded, just tries to control the dissidents, not crush them.

Alarcón admitted that the dissident movement is not simply a creature of the United States, but he insisted that the United States has long been exerting great effort to "create an opposition in Cuba." The U.S. Agency for International Development has distributed 22 grants valued at about \$10 million. Recipients of government funding include the Center for a Free Cuba in Washington; Freedom House in New York (a favorite target of Cuban leaders); and assorted business, university, and labor groups.<sup>56</sup> In May 2001 a group of U.S. senators led by Jesse Helms (R-N.C.), Bob Graham (D-Fla.), and Joe Lieberman (D-Conn.) proposed \$100 million in cash, food, medicine, telephones, fax machines, and other items to be distributed in Cuba by nongovernmental organizations (NGOs) over the next four years.<sup>57</sup> The Cuban Solidarity Act of 2001, if it is passed, "gives the President a mandate and authority to increase all forms of U.S. support for pro-democracy and human rights activists as well as nascent independent groups in Cuba" and "mandates that the President take a series of emergency measures to hasten the liberation of the Cuban people." Among the "emergency measures" are instructions to get all other "relevant U.S. agencies to increase support to democratic opposition groups."<sup>58</sup>

Even more than earlier legislation, this act is utterly misguided, except in the eyes of

people in the United States whose goals are mainly vengeance (for which the act won't work) or votes (for which it may). The only other beneficiary of the legislation is Fidel Castro.<sup>59</sup> Cuban foreign minister Felipe Pérez Roque says the Cuban government supports the bill because "it is a move to convert into law and publicly recognize what it [the United States] has been doing until now, such as interfering in our country's internal affairs."<sup>60</sup> (Of course, in the 1950s Castro's 26th of July Movement, when fighting to overthrow the government of Fulgencio Batista, accepted arms and all kinds of other aid from the United States and elsewhere.)

Many or most Cuban dissidents will not accept money from foreign governments because, as dissident leader Héctor Palacios told one of the writers, it "burns." Cuban government intelligence is sophisticated and tracks and records the activities of Cuban NGOs. Assuming an NGO is independent and not a Cuban government front, it may play a positive role delivering medicines, for example. But its independence will be compromised if it becomes an intermediary in politically related matters. For example, two Czech visitors to Cuba were jailed for a month in January–February when they delivered a laptop computer and other items to Cuban dissidents. They were charged with trying to "promote internal subversion" because their trip had been paid for by Freedom House with U.S. government funds. At the end of May, some 40 Cuban "independent," or dissident, journalists on the island who send their materials abroad held a press conference in Havana to announce the formation of the country's first independent association for journalists. Association president Ricardo González, former Moscow correspondent for Cuba's official *Prensa Latina* and now one of the country's independent journalists, was asked about the proposed U.S. aid for dissidents. "The government of the United States has the right to take such measures as it considers pertinent," he said, "and so do we, and our decision is not to accept money from any government."<sup>61</sup>

Other prominent dissidents have publicly adopted the same position.<sup>62</sup> Alarcón asks how Americans would react if Cubans supported dissident groups, even through NGOs, in the United States. (Indeed, if it matched the U.S. effort on a per capita basis, Cuba would have to provide about \$2.5 billion in aid to American critics of Miami and Washington.)

In February, one of the present authors (and two other members of the American Journalism Federation delegation) spent several hours in Havana with four dissidents, including Elizardo Sánchez, Héctor Palacios, and Oscar Espinosa. Our conversation ranged widely over the past, present, and future. The dissidents stated that there are about 300 political prisoners in Cuba today, a figure widely accepted by the U.S. Interests Section and major human rights organizations. This is only a small fraction of those held earlier in the revolution, often under much crueler conditions. The government, they said, refers to the dissidents as just "four cats" yowling in the darkness. They said there are "several thousand" dissidents in the country, most of them personally known to each other.

While conditions improved slightly for Pope John Paul's visit to Cuba in January 1998, they have declined every year since, and this downward trajectory is expected to continue during 2001. The harassment is "low intensity," the dissidents we spoke to say, and sometimes consists of picking a person up and dumping him off 30 to 50 miles from his house, leaving him with the substantial and potentially expensive problem of getting home in a country with little transportation. Huddleston says: "People are imprisoned, but I'm not hearing about torture, I'm not hearing about arbitrary killings. . . . Where the oppression exists in Cuba, it is in regards to freedom to move, freedom to talk, freedom to invest in your own enterprise, freedom to do what you want as an individual."<sup>63</sup>

Education, dissidents say, is up to 40 percent propaganda, and those who work in the tourism industry must meet political requirements. Dissidents argue that the gov-

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ernment's response to discontent is repression, not modernizing reforms. The embargo, which all opposed, is a benefit to the hard-liners in the government, and Fidel Castro in particular, since U.S. policy is a scapegoat for their own errors and crimes. Since "isolation is oxygen for totalitarians," foreign visitors are much to be desired. Palacios told of the dissidents from 130–140 organizations around the island who gathered in Havana in late 1999 for a "summit" that coincided with the Iberoamerican summit being held in the capital at that time. In a vote, some 90 percent called for a lifting of the embargo. It would be far better to begin the transition while Castro is still around, they said, for there is great frustration and hatred among the people. The Helms-Lieberman legislation takes U.S. support for the Polish Solidarity movement in the 1980s as its model, but the cases are very different. Poland's longest border was with the hated Soviet Union, and a major movement grew in opposition to Soviet imperialism. Castro came to power as a popular caudillo, not marching behind Soviet bloc tanks, and there is no credible popular movement today against him, nor will there be under any foreseeable future conditions. A significant number of Castro's most passionate opponents and critics live in exile, while domestically Castro maintains a tight political grip that prevents any challenges to his power.

That Cuba's human rights record is indefensible is beyond dispute. Cuba's EU friends do not hesitate to condemn Cuba in UN human rights forums. And even Mexico, one of Cuba's staunchest supporters, has expressed concern over Cuba's human rights record.<sup>64</sup> It may also be the case that, in President Bush's words, "progress in this hemisphere requires an explicit commitment to human freedom." Bush celebrated the 99th anniversary of Cuban independence on May 20 with several hundred Cuban Americans in the White House. "Our goal," he said, is "freedom in Cuba."<sup>65</sup> The debate over Cuba and some other countries such as China and Burma revolves around whether

isolation or some form of engagement provides the best means to advance this goal. The dissidents themselves have no doubt about the answer. The vast majority argues unambiguously that the embargo plays into the regime's hands. It gives the regime an all-purpose excuse for shortages arising from mismanagement and allows the regime to rally Cuban public opinion and even significant support around the world.

## Open Questions

Three questions are the subject of vigorous debate in the diplomatic and foreign business community in Havana: Who will succeed Fidel? Where is the revolution headed? When will the embargo end?

Cuban officials, with some support from European observers, assert that in certain respects the transition has already taken place. Of course, as a personality and public orator, Castro still dominates the scene, and all big decisions remain in his hands. In addition, he comes from genetic stock rich in longevity. But, in a number of practical ways, the next generation is already in place. Alarcón stresses that the average age of members of the National Assembly is 43 and that a majority of the Central Committee was either very young or unborn at the time of the revolution. American observers view this analysis skeptically, arguing that little change has taken place and that Castro, as a supremely practical man, is doing all he can to maintain his total hold on power. In addition to the well-known names of Raúl Castro, Carlos Lage, and Ricardo Alarcón, others mentioned for possible post-Castro leadership include Francisco Soberón, president of the central bank; Ricardo Cabrisas Ruíz, minister of government; Marcos J. Portal León, minister of basic industry; and Martha Lomas Morales, minister of foreign investment and economic cooperation.

Does the revolutionary spirit live on? Alarcón says Americans hopelessly "personalize" policy and conclude that as soon as Fidel

is gone big changes will occur. Not so, he says. It is not uncommon to find younger Cuban officials who take pride in what they view as Cuba's socialist accomplishments. But their passion seems to have more in common with Scandinavian egalitarianism than with barricade-mounting ardor. Overall, there is a much greater sense that Cuba is a postrevolutionary society. In private, ordinary Cubans steer the conversation away from politics and toward their dreams of a better life. They have a palpable sense that the system is shortchanging them, and, while European diplomats warn against ideas of a "Prague Spring," there is little doubt that, given a free choice, most Cubans would send the present regime packing. In fact, it is not just Americans who envisage major changes soon after Castro's demise.<sup>66</sup> An analyst from Latin America with decades of experience with the highest-level Cuban leaders told one of the authors in May that what links Castro and many influential Cubans today is not socialism but an international vision. Cuba has established a major political presence all over Latin America, and when Castro dies the new leadership may seek to advance that vision by merging Cuba's existing political ties with Cuban-American money in order to pursue the country's economic interests in the region.

The official Cuban line is that the first priority is the removal of the embargo. Many foreign observers, however, conclude that this is not the case. Along with the dissidents, they believe that the embargo suits Castro's and some of his supporters' purposes well by deflecting attention from their inadequacies. This is not to say that the regime would not welcome some relaxation of the sanctions, for example as was proposed in mid-2000 for foodstuffs, but only on terms they consider favorable to themselves. Cuba would probably much prefer to buy rice from Louisiana than from Thailand. But the regime is not prepared to make any concessions to allow that to happen. Ironically, the embargo also suits Cuba's trading partners well enough, shielding them from what might be overwhelming U.S. competition and from cur-

rent or future Cuban production of such products as sugar, cigars, and rum. Alarcón jokes that European businessmen have asked him to go slow on getting rid of the embargo.

## Conclusion

The above should be seen as eyewitness reports supplemented by the reporting and research of others. In so complex and controlled a society as Cuba, things are often not exactly what they seem. As it is in all communist societies, disinformation is an essential component of government policy. False impressions cannot be wholly avoided. The overall picture is a mixed bag. But no one today would return from Cuba exclaiming in the manner of Lincoln Steffens about the Soviet Union that "I have seen the future and it works." Cuba has very substantial problems, mostly of its own making. Few if any outsiders now look to Cuba as a role model. That having been said, however, Cuba is not a country on its knees, praying for liberation.

Two very different policies are on display vis-à-vis Cuba. On the basis of a clear intellectual construct that it must have no truck with Castro, the United States follows a unilateralist policy of isolation, albeit one with 21 single-spaced pages of Treasury-sanctioned exceptions.<sup>67</sup> Some of the United States' closest allies, including Canada, the United Kingdom, Germany, and Israel, do the opposite, actively engaging with Cuba.

The core difficulty for those interested in debating U.S.-Cuba policy is that the discussion has lost nearly all connection with the merits of the case. U.S. officials argue that they do not treat Cuba as a special case and that U.S. policy there adheres to the norms for any country with which the United States has fundamental differences over governance and human rights. But officials who find it essential that Cuba be democratic before lifting the embargo have trouble explaining why Washington lifted its embargo on North Korea, by any standards a more repressive regime than Castro's, and unapologetically

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justifies engagement with China. With some glee and much irony, Cubans remark on these realities.<sup>68</sup> Whether one supports or opposes U.S. policy toward Cuba, the claim that it is nothing out of the ordinary is clearly a red herring. Cuba is in every way a special case. Indeed, that may constitute the essence of the problem. While the United States is broadly tolerant of a wide range of political and economic practices elsewhere in the world, in Cuba it demands a higher standard. As one top U.S. official said, U.S. policy toward Cuba is 80 to 90 percent domestic politics and has nothing to do with realities in Cuba or whether the policy has any realistic prospect of bringing about the democracy or peaceful transition Washington says it supports. The embargo not only no longer serves America's interests; it has become a serious liability to both the United States and Cuba.<sup>69</sup>

The new administration in Washington and the initiative for a free trade area of the Americas (FTAA), launched at the Quebec summit in April, should provide an ideal opportunity to review this uneven approach. To varying degrees all the United States' potential FTAA partners trade with Cuba, some of them, such as Canada and Mexico, in very significant volumes. They do not do so because they believe that trade will deliver overnight results or because they oppose the American objective of democratic progress in Cuba. Instead, their rationale is based on common foreign policy sense and on American models elsewhere in the world where economic engagement has achieved some gratifying results. At the very least, "engaging" governments are not interfering in the domestic affairs of other nations.

After four decades of stasis, it is surely time to accept the logic of this approach. The Reagan view of free trade as a "forward strategy for freedom" should be applied to Cuba. These actions should be taken unilaterally so that Fidel Castro cannot veto our policy, as he has so often done in the past. The United States should

- adopt the logic of U.S. policy toward

China that the best way of achieving reform in Cuba is through engagement, including the revocation of all legislation currently constituting the economic embargo in its many ramifications and the establishment of diplomatic relations with the Cuban government;

- withdraw existing U.S. government funding, through whatever form of NGO subterfuge, of activities that are clearly an interference in the domestic affairs of Cuba and reject the proposed \$100 million increase in funding for such activities; truly private support for such groups would not be a matter of government policy; and
- remove restrictions on visits by Americans to Cuba and Cubans to the United States.

Those actions would return U.S. policy toward Cuba to reality. Policymakers seem to think they can operate effectively out of Washington and Miami, or by speeding in a motorcade from the José Martí International Airport to the bunker that is the U.S. Interests Section. That is no way to grasp reality, and a firm grasp on reality is perhaps the greatest missing element in the debate.

## Notes

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13. Vicki Huddleston, "U.S.-Cuba Relations after Elián González," in Press and Culture Office, U.S. Interest Section, Havana, *Cuba Update*, April 2001. See also Steven Gutkin, "Castro Praises Colin Powell," *Washington Post*, May 12, 2001.
14. On the question of Internet access, see Taylor C. Boas, "The Dictator's Dilemma: The Internet and U.S. Policy toward Cuba," *Washington Quarterly* 23, no. 3 (Summer 2000): 57-67. On May 3, 2001, the Committee to Protect Journalists named Castro one of the world's top 10 enemies of a free press, the fifth time Castro has made that list. See <http://www.cpj.org>.
15. Human Rights Watch, *Cuba's Repressive Machinery: Human Rights Forty Years after the Revolution* (New York: Human Rights Watch, 1999), <http://www.hrw.org/hrw/reports/1999/cuba>; and Amnesty International, Report 2001, <http://web.amnesty.org/web/ar2001.nsf/webamrcountries/CUBA?OpenDocument>.
16. American and European officials calculate that some one-third of the *paladares* have been closed by ministerial order over the past two years. The owners of such establishments to whom we spoke confirmed that they live in constant apprehension of being taxed out of existence or simply closed down for some arbitrary violation of the law.
17. Quoted in Ron Howell, "Ordinary Cubans Feel the Lure of Capitalist Dollars," *Miami Herald*, April 29, 2001.
18. Ibid.
19. Further details on the endless search for ways to make ends meet may be found in David Gonzalez, "In Castro's Changing World, Clashing Voices," *New York Times*, May 30, 2001, p. A4.
20. J. A. Fornaris, "Censo de población crea temor en La Habana Vieja," *El Nuevo Herald*, May 29, 2001.
21. "The Economic Impact of U.S. Sanctions with Respect to Cuba," U.S. International Trade Commission, Publication 3398, February 2001, pp. xiii-xiv. This study, notably chap. 3, also contains much useful sectoral data on the Cuban economy.
22. Ibid.
23. In diplomatic circles in Cuba there is an active debate about whether removal of the embargo is really a priority target of Cuban leaders. Many observers believe that, despite lip service to removal, the top Cuban leadership is content to see the embargo continue as a convenient scapegoat for its own inadequate policies.
24. On Title III, see Mark Groombridge, "Missing the Target: The Failure of the Helms-Burton Act," Cato Trade Briefing Paper no. 12, June 5, 2001, esp. pp. 3-6. See also "Bush Announces Tighter Line on Cuba," Associated Press, July 13, 2001; and Tim Johnson and Nancy San Martin, "Bush: Ban on Cuba Lawsuits Remains," *Miami Herald*, July 17, 2001.
25. Ricardo Alarcón, interview with author, February 26, 2001.
26. A recent dramatic example was the March 24, 2001, reunion of Bay of Pigs adversaries that was

- joined by Castro. See Kevin Sullivan, "Vets Return to Bay of Pigs to Remember, Reconcile," *Washington Post*, March 25, 2001, p. A22.
27. Sergio G. Roca, "The Comandante in His Economic Labyrinth," in *Conflict and Change in Cuba*, ed. Enrique Baloyra and James Morris (Albuquerque: University of New Mexico Press, 1993), p. 88.
28. Evelio Vilarino Ruíz, *Cuba: Socialist Economic Reform and Modernization* (Havana: Editorial José Martí, 1998), p. 164.
29. The Cuba section of Central Intelligence Agency, *The World Factbook* (Washington: CIA, 2000) also uses these figures.
30. Raúl Valdés Vivó, foreword to Vilarino Ruíz, *Cuba*, pp. 14–15.
31. Huddleston.
32. The following sections draw on conversations with such officials as Maria de la Luz B'Hamel, Ministry of Foreign Trade; Ernesto Sentí Darías, first vice minister, Ministry of Foreign Investment and Economic Cooperation; and Enrique Martínez Ovide, vice minister of the economy.
33. See Valdés Vivó, foreword, p. 17. Vilarino Ruíz is one of the few Cuban economists who see (or admit) that "the Chinese and Vietnamese experiences have become references by which to access our own initiatives" (p. 102). In particular, see his description of the socialist market system being developed in China, Vietnam, and Cuba, the latter, we would add, in its very earliest stages (pp. 75–78).
34. Comparative figures for Caribbean growth are available in International Monetary Fund, *World Economic Outlook* (Washington: IMF, 2000), pp. 207–8.
35. Foreign technology, especially from Israel, has been particularly helpful in the agricultural sector.
36. Ernesto Sentí Darías, first vice minister, interview with author.
37. See Anita Snow, "Cuba Creeping toward Economic Recovery," *Miami Herald*, January 11, 2001; and Carlos Batista, "Mejora la economía de la isla, pero no para el pueblo," *El Nuevo Herald*, November 26, 1999.
38. Juan Antonio Rodríguez Menier, *Inside the Cuban Interior Ministry*, ed. William Ratliff (Washington: Jamestown Foundation, 1994), p. 61.
39. These figures are derived from Cuban sources but are confirmed by the State Department and the U.S.-Cuba Trade and Economic Council, New York. See <http://www.cubatrade.org/foreign.html>.
40. Canada, Department of Foreign Trade and International Trade, *Cuba: A Guide for Canadian Businesses*, Ottawa, June 1999.
41. The full legal framework governing foreign investment is set out in Law 77 promulgated on September 5, 1995.
42. U.S. Interests Section, Press and Culture Office, Havana, "Cuba: Country Information," *Cuba Update*, April 2001. For a masterly dissection of the Helms-Burton legislation, see Joaquin Roy, *Cuba, the United States and the Helms-Burton Doctrine: International Reactions* (Gainesville: University of Florida Press, 2000).
43. This section draws on an interview with Miguel Alejandro Figueras, adviser to the minister of tourism. PriceWaterhouseCoopers, the international consultancy group, has prepared a strategic plan for the development of Cuban tourism.
44. Defense Intelligence Agency, "The Cuban Threat to U.S. National Security," prepared in coordination with the Central Intelligence Agency, the Department of State's Bureau of Intelligence and Research, the National Security Agency, and the U.S. Southern Command Joint Intelligence Center. There are still occasional reports of alleged Cuban involvement of some sort with guerrillas abroad. See Gonzalo Guillen, "Apresan a guerrillero cubano en Colombia," *El Nuevo Herald*, June 5, 2001.
45. U.S. Department of State, *Patterns of Global Terrorism 2000*, April 2001, <http://www.state.gov/s/ct/rls/pgtrpt/2000/index.cfm?docid=2441>. See also Defense Intelligence Agency, *The Cuban Threat to U.S. National Security*, May 1998, discussed in Ratliff and Fontaine, pp. 30–35.
46. "Conducta heroica en las entrañas del monstruo," *Digital Granma Internacional*, June 20, 2001, pp. 20–21.
47. Anita Snow, "Castro Criticizes Latin Nations," *Washington Post*, April 26, 2001; Anita Snow, "Castro Mocks Americas' Trade Plan," *Washington Post*, May 1, 2001; and personal observations on May Day in Cuba.
48. Michele Barry, "Effect of the US Embargo and Economic Decline on Health Care in Cuba," *Annals of Internal Medicine* 132, no. 2 (January 18, 2000): 151–54; and Myriam Marquez, "Bad Joke: Health Care in Cuba," *Orlando Sentinel*, September 29, 2000.
49. This section is based on a visit to the Finlay

Institute and an interview with its president, Dr. Ricardo Montero Martínez. In answer to a friendly question, officials at the institute said that, no, the institute was not engaged in germ warfare preparations. In support of this, it may be noted that the United States makes no charges against Cuba in the chemical and biological warfare arena.

50. Joe Sharkey, "Business Travel; Trips to Cuba for Commercial Reasons Are Increasingly Becoming a Reality for Americans," *New York Times*, January 10, 2001.

51. Florida International University, Institute for Public Opinion Research, "2000 FIU/Cuba Poll." These polls, conducted every three or so years by FIU, give by far the most detailed picture available of the views of the Cuban-American community in South Florida. See <http://www.fiu.edu/orgs/iyor/cuba2000/index.html>.

52. Exact remittances are impossible to calculate since the amount sent or delivered almost certainly far exceeds the amount that is legally permissible. The figure of \$800 million is from Huddleston. The \$1 billion is estimated in *Encuentro en la Red*, May 30, 2001.

53. Former citizens of Cuba returning to visit the island must do so on their Cuban passports. They are not counted in the statistics on foreign visitors, and they are subject to arbitrary treatment by the Cuban government.

54. David Gonzales, "Cuban Exiles Mark a Painful Anniversary in Miami," *New York Times*, April 23, 2001, p. A7. See also Florida International University.

55. Carol Rosenberg, "Former Southcom Chief on Tour in Cuba," *Miami Herald*, February 14, 2001; and an internal report on the issues covered at the meetings.

56. Karen DeYoung, "More U.S. Aid Sought for Cuban Dissidents," *Washington Post*, March 8, 2001.

57. Christopher Marquis, "Helms and Lieberman Seek to Aid Dissidents in Cuba," *New York Times*, May 16, 2001.

58. The Cuban Solidarity Act of 2001, <http://foreign.senate.gov/solidarity.html>.

59. See Andrew Reding, "Playing into Castro's Hands," *Washington Post*, May 23, 2001, p. A33.

60. "Washington Has Lost Its War against Cuba," *Granma International*, electronic edition, May 25, 2001.

61. "Crean la sociedad de periodistas independientes 'Marquez Sterling,'" *El Nuevo Herald*, June 1, 2001.

62. Pedro Pablo Alvarez Ramos and Hector Palacios Ruíz, "Aid We'd Rather Not Receive," *New York Times*, June 18, 2001, p. A16.

63. Huddleston.

64. "UN Human Rights Body Faults Iran," *New York Times*, April 20, 2001.

65. Quoted in Charles Babington, "Bush Calls for Open Economies in Latin America," *Washington Post*, April 20, 2001. See also Randall Mikkelsen, "Bush Stands Firm on Cuba Sanctions, Slams Castro," Reuters, May 18, 2001.

66. Ratliff and Fontaine, pp. 52-56, suggest the possibility of a Chinese-style state-guided but serious market-oriented reform program.

67. See *Federal Register* 64 no. 92 (May 13, 1999): 25808-20.

68. George Gedda (Associated Press), "Cuba Muses about North Korea's Power," *Washington Post*, October 24, 2000.

69. Ratliff and Fontaine, esp. pp. 14-15, 30-35.

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