



# INTERNATIONAL POLICY REPORT

## EVER CHANGING, ALWAYS THE SAME THE STATE OF U.S. - CUBAN RELATIONS

By Wayne Smith and Jennifer Schuett

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Change and continuity are the two words that best describe Cuba and its relations with the United States. Change is happening on the island, and though seemingly small, it can be viewed as a step towards liberalization. After nearly 50 years of the predictable leadership of Fidel Castro, power has been handed down to his brother Raul. But the transfer of power is not what has everyone talking. Instead, it is the recognition of problems on the island, the easing of restrictions on private businesses and the encouraging of public discussion that has everyone talking about change in Cuba.

Similarly, in Miami change has been long in coming. "The Miami of ten years ago is not the Miami of today," noted prominent Cuban-American civil leader Alfredo Duran. The community once known for its hard-line positions against the Castro regime has become disenchanted with a foreign policy of isolation and embargos. Community leaders are now talking about the need for dialogue and engagement; the need for a change in policy.

Washington has been slow to take note of these changes and the opportunities they present for meaningful engagement. The Bush administration has not moved to take advantage of the changing times, and the administration continues with an unproductive policy, standing on the sidelines with no role on the changing island. Unfortunately, this continuity is expected in Washington until after the presidential elections.



WITH A DEMOCRATIC CONGRESS, EXPECTATIONS FOR A CHANGE  
IN CUBA POLICY WERE HIGH.

# **IMPERATIVES FOR A NEW CUBA POLICY**

## **OCTOBER 16, 2007 • WASHINGTON, D.C.**

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The Center for International Policy brought together a number of experts to discuss the new situation in Cuba and the possibility of new directions in U.S.-Cuban relations. The conference, Imperatives for a New Cuba Policy, was co-sponsored by the New America Foundation, USA\*Engage, and the U.S. Council for International Business. Steve Clemons opened the conference, noting that in light of the changes, a mutually beneficial relationship shouldn't be hard to work out.

## **CONFERENCE AGENDA**

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- **INTRODUCTION**

**Steve Clemons**, New America Foundation

- **PANEL ONE – POLITICAL ATMOSPHERE: TIME FOR CHANGE?**

**Wayne S. Smith**, Center for International Policy and former chief of the U.S. Interests Section in Havana

**Col (ret.) Lawrence Wilkerson**, College of William and Mary and former chief of staff in the Department of State under Colin Powell

**Phil Peters**, Lexington Institute and former State Department appointee of Presidents Reagan and Bush

- **PANEL TWO – THE CUBAN-AMERICAN COMMUNITY: NOT THE MIAMI OF TEN YEARS AGO**

**Alfredo Duran**, Cuban Committee for Democracy

**Joe Garcia**, Miami-Dade Democratic party chair

**Tony Zamora**, U.S.-Cuba Legal Forum

**Alvaro F. Fernandez**, Cuban-American Commission for Family Rights

- **PANEL THREE – TRADE & INVESTMENT: SUBSTANTIAL GROWTH, LIMITED OPPORTUNITIES**

**Robert Muse**, Muse and Associates

**Timothy Deal**, U.S. Council for International Business

**Daniel O'Flaherty**, National Foreign Trade Council

- **KEYNOTE SPEAKER– SENATOR GEORGE McGOVERN ON AGRICULTURAL TRADE: WHAT COULD HAVE BEEN (COULD BE?)**

## Political Atmosphere: Time for Change?

In his last major policy speech in November 2005, Fidel Castro warned that Cuban socialism could be destroyed from within. He cited a rampant black market, from pilfered goods to illicit businesses, as the cause, and he called for increased state controls and for the end of private restaurants and taxis.

But under Raul, the debate took a different turn. He said the black market exists as a result of low wages. He had the state pay farmers what it owed them and he tripled the price paid for beef and milk. Raul did not close private restaurants and taxis, as Fidel had called for in 2005. And in his first major policy speech last July 26<sup>th</sup>, he ridiculed the bureaucracy and an agricultural system that simply does not work. Raul called for structural changes and a debate as to how best to bring about these changes. And he has pushed debate down to the grassroots level. All this has led to expectations that change is coming. Phil Peters questioned why Raul would stoke those expectations if he did not intend to meet them. The atmosphere in Cuba has already changed and Peters predicted meaningful reforms on the island will begin shortly.

Will the U.S. be in a position to take advantage of the changing situation? Colonel Lawrence Wilkerson wasn't sure. "The U.S. hasn't been capable of anything resembling diplomacy since September 11<sup>th</sup>, 2001. Its whole foreign policy is broken and in many situations it is being written off as irrelevant." Wilkerson once described our Cuba policy as "the dumbest policy on the face of the earth." He could think of no better way to signal that we are again capable of diplomacy and of a sensible foreign policy than by announcing in January of 2009, following the inauguration, that we are ending that policy and will move to engage with Cuba and lift travel controls. Once the travel controls are lifted, the whole policy will begin to unravel. But, Wilkerson asked, "Will the winning Democratic candidate be prepared to make such an announcement?"

Other panelists and specialists agreed that 3 the Bush administration's Cuba policy is the worst ever. "Under it," explained Wayne Smith, "we will not deal with the Cuban government, but neither do we have any means of changing it or even influencing it to adopt policies more to our liking." Rather, "we are simply left on the sidelines mumbling to ourselves about elections and transitional situations." No one on the island is listening to the U.S. government, least of all the Cuban people. But as bad as the Bush policy is, no meaningful change should be expected from Washington in the near future.

After the Democrats took both houses of Congress, many expected rapid progress. But change in Washington has been hindered for several reasons: leading Democratic presidential candidates have not taken a clear position on the issue; thousands of dollars are spent lobbying Congress for continuity; and other issues have taken priority. Thus, legislation to lift travel restrictions has not yet been pushed forward, though preventing Americans from traveling violates their rights and is entirely counterproductive to American foreign policy goals.

Worse than Congress' standstill on the travel ban was the defeat in August 2007 of an amendment put forward by Congressman Charles Rangel (D-NY) to



THE USITC ESTIMATES THAT AMERICAN FARMERS COULD GAIN AN INCREASED \$92 TO \$195 MILLION IN TRADE ANNUALLY IF TRAVEL RESTRICTIONS AND PAYMENT METHODS FOR CUBA WERE CHANGED.

4 simplify the complicated process by which the Cubans pay for U.S. agricultural exports. According to the U.S. International Trade Commission (USITC), this legislation would have paved the way for an increased \$92 to \$195 million in sales annually for American farmers.<sup>1</sup> While both Democrats and Republicans favored the amendment, sixty-six Democrats, in many cases encouraged by donations from a Cuban-American PAC, crossed party lines and voted against it. With this political atmosphere, it seems unlikely that we will see significant changes to U.S. - Cuba policy come out of Congress in the near future.

Despite the challenges in Washington, there is reason to remain optimistic about a changed policy after the presidential elections. Even if the winning candidate is not enthusiastic at first, there are powerful factors working in favor of change. The Cuban-American community, which until now has been against any change in policy, is coming around to a more constructive position. And who is opposed? An

ever diminishing handful of Cuban exiles in Miami whom time has simply passed by.

### The Cuban-American Community: Not the Miami of Ten Years Ago

Miami has long been known as the home to the Cuban-American community. For years it served as the base for hard-liners pushing for a strong embargo against Cuba. The concentration of citizens with emotional and historical connections to Cuba makes this community a passionate advocacy group and at times the only constituency with a voice in the matter of U.S. foreign policy toward the island. Led by the powerful Cuban-American National Foundation (CANF), along with a Bay of Pigs veteran's organization, the community has historically encouraged a tight embargo and continues to prepare for a post-Castro government in Cuba.

At the collapse of the Soviet Union in 1992, the community held emergency meetings to decide the fate of the island, drafted two constitutions and a peace accord, and prepared reconstruction plans. However, all of these proved to be futile and ineffective attempts to affect Cuban domestic affairs. Unlike most cities, "Miami has its own foreign policy," former CANF member and Bay of Pigs veteran Tony Zamora<sup>2</sup> explained. Zamora remembers that "as the 'foreign minister' of Miami, I would encourage foreign diplomats to take a hard line against Cuba."

But this characterization of the Cuban-American community is a thing of the past. "The Miami of ten years ago is not the Miami of today," stated Alfredo Duran. He, as well as Zamora and other former CANF members, is taking a different position. Where these Cuban-Americans once encouraged a tough stance against Cuba, today they are pushing for engagement. U.S. foreign policy has been "a matter of electoral politics," explained Alvaro Fernandez, "and this policy must be stopped." As Joe Garcia explained, the Cuban-American community's attempts to change Cuba have been irrelevant because they are not engaged on the island. After years of supporting an isolationist policy, Cuban-Americans now express the need participate in a meaningful dialogue.

Changes in the community are visible in the people and at the polls.<sup>3</sup> One proof of this change is voter



JOE GARCIA TALKS ABOUT THE TREMENDOUS CHANGES HAPPENING IN THE CUBAN-AMERICAN COMMUNITY.

registration. Cubans who came to the U.S. in the 1960s-80s overwhelming registered as Republicans.<sup>4</sup> However, this trend has drastically changed. Though the current registration shows Hispanic residents as 25 percent Democratic, analysts believe these numbers are much higher. The reason for the discrepancy, as Duran and others explained, is the “Grandmother Factor: you do not want to tell your grandmother you are a Democrat.”

Another indication of change is the discussion in Miami. “People are speaking out more against the embargo” and taking more rational stances as they “adjust to reality,” said Duran and Garcia. Especially in the 21<sup>st</sup> and 25<sup>th</sup> districts, represented by Lincoln Diaz-Balart and Mario Diaz-Balart respectively, polls indicate that a majority of Cuban-Americans do not agree with the current U.S. policy toward the island.<sup>5</sup> The political atmosphere is changing; “there is a tremendous current in the Cuban-American community” pushing for a more rational foreign policy.

## Trade & Investment: Substantial Growth, Limited Opportunities

Despite the gradual changes in Cuba and the “tremendous changes” in Miami noted by Garcia, Washington has remained the same. As Dan O’Flaherty explained, “until the current law is changed, there will be no broad opportunities for trade. In fact, trade with Cuba has decreased in the past two years due to the Trade Sanctions Reform and Export Enhancement Act. But this decrease in U.S.-Cuba trade has not amounted to a depleted Cuban economy as some would have hoped.

On the contrary, the Cuban economy has been growing at rates of eleven percent,<sup>7</sup> what O’Flaherty called “substantial growth.” The success of the Cuban economy is due in large part to high nickel prices, Venezuelan oil subsidies and doubled trade with China.<sup>8</sup> The discovery of five potentially

high quality oil fields in the Florida Straits has also aided the economy, with bidding for drilling rights coming from Malaysia, China and Canada, among others. 5

When looking at the investment market in Cuba, Timothy Deal noted that it is “hard to be optimistic.” Before 1958, ninety percent of all foreign direct investment in Cuba was American. But today there are numerous obstacles coming from both the U.S. and the Cuban government. The embargo, the Cuban-American Democracy Act and the Helms-Burton Act, effectively block American investment. On top of this, Robert Muse explained, there are more than 5,900 certified property claims totaling \$1.9 billion that need to be resolved. From the Cuban side, Law 52 (passed in 1982) limits foreign partners to 49 percent ownership. Likewise, Law 77 (passed in 1995) restricts the types of business ventures that foreign investors may undertake.<sup>9</sup>

“Cuba seeks limited foreign investment on limited terms” explained Deal. The Cubans do not want McDonalds or Wal-Mart. Though the number of foreign firms in Cuba has dropped in recent years, the amount of foreign currency has improved due to the increased involvement of Venezuela and China.<sup>10</sup>



DAN O’FLAHERTY AND ROBERT MUSE SPEAK ABOUT THE BARRIERS TO U.S. TRADE AND INVESTMENT WITH CUBA.

**6** Beyond legal barriers, American investors see Cuba as a relatively small market with high risks and are less inclined to push for a change in U.S. foreign policy. However, Deal predicted that a bilateral-investment treaty could reduce some risk, creating greater interest in investment in the growing Cuban economy.

“Our Castro Fixation vs. the Alliance for Progress.”

While the Cuban economy is growing and more money is coming in, agricultural production remains weak. Indeed, it is perhaps the weakest link in the Cuban economy. Cuba has launched efforts to increase production, but at best that will take time - so it will continue to import much of the foodstuffs it needs for years to come. Meanwhile, U.S. farmers have a marked advantage in that they are the closest major producers, allowing for lower cost and faster deliveries.

### **Senator McGovern on Agricultural Trade: What could have been (could be?)**

The greatest room for current American trade and investment in Cuba is in the agricultural sector. Upon returning from Cuba in October 2007, Senator George McGovern noted that conditions for dramatically increased U.S. agricultural sales to Cuba are excellent – conditions on the Cuban side, that is. However, rather than concentrating on the real problems in the hemisphere – economic underdevelopment and social injustice – the U.S. government seems absorbed by the fear of Fidel Castro. He added that not much had changed in that respect since 1963 when the senator gave his first speech before the U.S. Senate, entitled

American farmers began selling agricultural products to Cuba in 2001 under the Trade Sanctions Reform and Export Enhancement Act of 2000 and by 2006 Cuban purchases had reached \$600 million.<sup>11</sup> “They could have gone much higher,” explained the senator, “but the Bush administration imposed a cumbersome system of payments through international banks.” Cuba then reduced purchases, noting that it had to be certain of deliveries and needed a less complex system of payments. If Cuba were to pay for products as other countries do, U.S. agricultural exports to Cuba could climb to at least 1.5 billion dollars per annum.<sup>12</sup>



SENATOR GEORGE McGOVERN AND WAYNE SMITH FIELD QUESTIONS ABOUT THEIR OCTOBER 2007 TRIP TO CUBA TO DISCUSS AGRICULTURAL TRADE OPPORTUNITIES.

McGovern recalled the amendment put forward by Congressman Charles Rangel earlier this year to simplify the method of payments. The amendment, he said, “could only have helped the American farmer – and helped the Cuban people by providing them with more food.” Defeating the amendment did not advance the cause of human rights nor did it help American farmers as it could have, the senator contended. “Perhaps it is time for our farmers and other agricultural entities to hold their members of congress accountable in such matters!” The Cubans want to buy and Americans must insist that the government move toward removing the impediments to increased sales.

Cuba is on the cusp of change. By contrast, there has been little change in Washington. U.S. policy toward Cuba remains as ill-conceived and counterproductive as ever. There is hope, however, that the changing equation in Miami, pressure from economic interest groups, and a majority of Americans supporting normalization with Cuba will lead to a changed policy after next year's elections.

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### Endnotes

- 1 *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions.* United States International Trade Commission. Investigation No. 332-489. USITC Publication 3932. July 2007. p. vii.
- 2 Zamora is currently the president of the U.S./Cuba Legal Forum, Inc., and president of the Foundation for Normalization of U.S./Cuban Relations, Inc.
- 3 Survey of Cuban and Cuban American Resident Adults in Miami-Dade and Broward. NDN, Bendixen & Associates. September 2006. Also, FIU Cuba Poll, the Institute for Public Opinion Research and the Cuban Research Institute of Florida International University. 1,201 randomly selected Cuban-American respondents were polled in Miami-Dade County and 606 in Broward. Interviews were completed on March 16, 2004. The margin of error for the overall poll is plus or minus 2.4 percent. This is the seventh in the series of FIU/Cuba Polls conducted since 1991.
- 4 According to Alfredo Duran, 90 percent of Cuban Americans were registered as Republicans.
- 5 Survey of Cuban and Cuban American Resident Adults in Miami-Dade and Broward. NDN, Bendixen & Associates. September 2006. Also, FIU Cuba Poll, the Institute for Public Opinion Research and the Cuban Research Institute of Florida International University. 1,201 randomly selected Cuban-American respondents were polled in Miami-Dade County and 606 in Broward. Interviews were completed on March 16, 2004. The margin of error for the overall poll is plus or minus 2.4 percent. This is the seventh in the series of FIU/Cuba Polls conducted since 1991.
- 6 Joe Garcia. Imperatives for a New Cuba Policy. Hosted by the Center for International Policy. Oct. 16, 2007. Washington, D.C.
- 7 According to the CIA records, Cuban growth rates of 11.1 percent in 2006. The World Bank calculates a rate of 8 percent. The Cuban government estimated 9.5 percent for 2007.
- 8 In 2006 Chinese trade doubled, accounting for 35 percent of Cuban trade. (O'Flaherty)
- 9 Law 77 bans expropriation without compensation and limits international associations, joint ventures and foreign ownership.
- 10 According to Deal, in 1996 Cuba had 600 foreign firms. That number today stands around 400.
- 11 The act allows exports and certain reexports of "agricultural commodities" to Cuba under the License Exception AGR, including most agricultural products and excluding agricultural equipment, pesticides, herbicides or technology. Bureau of Industry and Security, U.S. Department of Commerce.
- 12 According to Pedro Alvarez of the Cuban agency that imports foodstuffs, ALIMPORT.

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