

# Cuba-U.S. Policy

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In 2011, the Sixth Communist Party Congress announced an effort to modernize the socialist system of Cuba through economic and social reform. However, recent occurrences including the death of Venezuelan President Hugo Chavez, the announcement of Cuban President Raul Castro's retirement in 2018, and shifts in Cuban thought particularly amongst the youth have left Cuba vulnerable and uncertain about the future. Stewing 90 miles off the Florida border, Cuba's perplex situation raises the question of what U.S. policy should be towards Cuba. In this paper, I argue that the U.S. should begin engaging in bilateral discussion and economic negotiations with Cuba, ultimately aiming to bring an end to the half-century long embargo. Today, the opportunity to advance both U.S. and Cuban interests lies in economic policy. The current circumstances of Cuban vulnerability and late timing in President Barack Obama's administration leave the U.S. executive in a favorable time to refine the U.S.' outdated "Cold War approach"<sup>1</sup> to Cuban policy.

This paper is composed of five sections. The first section is an overview of the economic situation of Cuba. It will consider the history and consequences of the U.S. embargo against Cuba. It will also address current economic and social reforms, as well as Cuba's international relationships. The second section will consider options for establishing bilateral relations between the U.S. and Cuba. Section three will reflect on general and circumstance specific hurdles to overcome when establishing relations. Section four will then assess both the positive and negative consequences for lifting the embargo and establishing relations for both the U.S. and Cuba. The final section will review all of the sections and offer final conclusions on the matter.

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<sup>1</sup> Ted Piccone, "Time to Bet on Cuba," The Brookings Institute (2013): accessed March 24, 2013, url: <http://www.brookings.edu/research/opinions/2013/03/18-cuba-piccone>

## **I. Economic Overview**

In 1958, the U.S. embargo on Cuba began as a ban on the trade of artillery to Cuba in response to the Cuban alliance with the Soviet Union. In 1962, President John F. Kennedy expanded the embargo to include restrictions on all trade and travel. The next provision to the embargo was The Cuban Democracy Act, enacted in 1992. The Cuban Democracy Act expanded the embargo to restrict trade between subsidiaries of U.S. companies and Cuba and prevented Cuban-Americans from sending remittances to Cuba. In 1996, the Helms-Burton Act added two more conditions to the embargo. It prohibited nations that trade with the U.S. from trading with Cuba. It also pronounced that the embargo remain effective until Cuba established a transitional or democratic government. In recent years, however, President Obama has allowed Cuban-Americans, educational groups, and religious programs to visit Cuba. Although not a direct expansion on the embargo, the U.S.' declaration of Cuba as a state sponsor of terrorism in 1982 is of tangential relevance. The consequences of being placed on the list include the ban of all arm sales, as well as items of dual use including, medical equipment. The U.S. must also deny any Cuban requests for loans from the World Bank or other international lending institutions.<sup>2</sup>

There is no doubt that the embargo and Cuba's enlistment as a state sponsor of terrorism have had profound consequences for the Cuban regime and people. A couple of economic consequences include a lack of national resources and an impoverished lifestyle for Cubans. The Castro regime even seems to have used the embargo to its political advantage. The regime has posted numerous anti-blockade billboards throughout the country, fueling an anti-Americanness into the Cuban identity. However, it seems that neither the embargo nor inclusion on the list of

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<sup>2</sup> Paul Haven, "Key U.S. Decision On Cuba Terror Designation Coming," The Huffington Post (2013): accessed March 23, 2013, url: [http://www.huffingtonpost.com/2013/03/23/cuba-terrorism\\_n\\_2939613.html](http://www.huffingtonpost.com/2013/03/23/cuba-terrorism_n_2939613.html)

state sponsors of terrorism are the central reason for Cuba's impoverished state, for even if the embargo were lifted, the current economic system would prevent Cuba from eradicating the large percentage of people living in poverty. So, the foremost reason for suffering amongst the Cuban population is the Cuban economic model controlled almost entirely by the Castro regime. One example of such control is employment. Since the revolution, nearly 90 percent of all Cubans have been employed by the state and paid low salaries averaging 25 dollars per month. In a recent issue of Times Magazine, one Cuban explained the system as such that "we pretend to work, they pretend to pay us." Until the regime allows for a private sector, Cuban internal and external commerce remains hopeless. For this reason, Cuba is pursuing seemingly profound refinements in its economic and social structures.

In 2011, the Sixth Communist Party Congress published *The Guidelines for the Economic and Social Policies of the Party and the Revolution*. Although the list "may not constitute a coherent national development model," this list of 311 guidelines "demands important shifts in thinking, which, if acted upon, would transform Cuban political culture and social ethics." Several important changes, including the purchase and sale of homes, the creation of cooperatives outside of the agricultural sector, and the gradual elimination of the ration card are aimed at decentralizing power to municipalities and non-state enterprises. The new economic freedom seems to answer to the younger generation of "ambitious Cuban youth who are frustrated at the lack of opportunities for productive and well-paid employment"<sup>3</sup>. However, it is not an absolute solution to Cuba's economic problem.

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<sup>3</sup> Richard Feinberg, "Reaching Out: Cuba's New Economy and the International Response," The Brookings Institute (2011): accessed March 24, 2013, url: <http://www.brookings.edu/research/papers/2011/11/18-cuba-feinberg>

Another dimension of the economic situation is the recent death of Hugo Chavez. Chavez' death will be a significant roadblock to overcome before any further economic or social progression can be made. Over the past decade, Cuba has become almost entirely dependent on its trade relationship with Venezuela. However, since the Cuba-Venezuela oil for doctors trade agreement rested on the personal relationship of Castro and Chavez, it is unlikely that the next president of Venezuela will continue the generous agreement. The majority of Cuba's energy is produced by oil, so the end of this agreement places the Cuban regime and people in a vulnerable situation. One option for Cuba to secure access to oil is off-shore drilling. However, U.S. sanctions are large hurdles to overcome if that option is explored.

So, the U.S. embargo, Cuba's outdated economic structure, as well as Cuba's international relationships are but a few interconnected factors that make up Cuba's complex economic situation. It seems impossible to make any economic progress unless all areas are addressed. *The Guidelines for the Economic and Social Policies of the Party and the Revolution* are a start to improving the system. However, until the U.S. ends the embargo and Cuba establishes reliable international relationships, the Cuban economy will remain stagnate and impoverished.

## **II. Options for Bilateral Relations**

The vulnerability of Cuba, as well as the late timing in President Obama's term make it a favorable time for the President to pursue the beginning steps in reestablishing a relationship with Cuba. The relationship should be built through bilateral discussion and negotiation on economic policies, which should begin with the executive decision in April of 2013 to remove

Cuba from the list of state sponsors of terrorism. In a recent article, the Brookings Institute published a short list of recommendations for the development of a U.S. and Cuban economic relationship.

One recommendation was that the U.S. ought to begin engaging in dialogue with Cuba on the possibilities and potential benefits of economic cooperation on issues such as “migration, travel, counterterrorism and counter-narcotics, energy and the environment, and trade and investment.” The Brookings Institute recognized that “such talks could result in provisions that strengthen border security, protect Florida from oil spills, break down the walls of communication that prevent our diplomats from traveling outside Havana and help U.S. businesses export more goods, and thereby create jobs.” Moreover, if it really is the interest of the U.S. to change the Cuban regime, the U.S. ought to support empowered Cuban individuals take advantage of the recent economic liberties rather than oppress both the government and the people through the embargo. A second recommendation was that the U.S. should offer financial and technical assistance to small business entrepreneurs. Thirdly, the U.S. should “expand the list of exports licensed for sale to Cuba, including school and art supplies, water and food preparation systems and telecommunications equipment.” Finally, the U.S. ought to “grant general licenses for journalists, researchers, humanitarian organizations and others to facilitate people-to-people exchanges.”<sup>4</sup>

Since the revolution, Fidel Castro has expressed willingness to cooperate with the U.S. In a speech during his office, Fidel is noted to have said: “That is our position. We will continue waiting with all necessary patience.”<sup>5</sup> If that is the truth, and both Cuba and the U.S. would

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<sup>4</sup> Piccone.

<sup>5</sup> Fidel Castro, (speech published in Granma International, Havana, Cuba, December 26, 2011).

benefit from lifting the embargo, then it only makes sense to end the embargo. If the speech was merely propaganda for the Cuban people, then it seems to be the case that if the U.S. lifted the embargo and the Cuban regime was uncooperative, then the Cuban regime would likely suffer from distrust and dissatisfaction amongst the Cuban population. So, after the establishment of an economic relationship, the U.S. ought to offer some sort of condition under which the embargo may be formally lifted in accordance with the Helms-Burton Act. For example, the U.S. could propose a deal that that would formally lift the embargo if upon Raul's retirement in 2018, Cuba held a fair democratic election subject to international inspection.

### **III. Hurdles**

No matter how the U.S. goes about establishing a relationship and lifting the embargo, there are difficulties and necessary conditions to be aware of. For example, it is often argued that when U.S. and Cuban relations begin to warm up, one country does something to "throw ice on the warm relationship."<sup>6</sup> The most recent example of Cuba doing such is the jailing of Alan Gross, a U.S. government sub-contractor for USAID. Gross was imprisoned in 2009 for distributing technology to Cuba's Jewish community without the required contract.

A second consideration in trying to establish a relationship is both the American and Cuban people. In a Foreign Affairs article, Julia E. Sweig noted that "Cubans, though enthusiasts of American culture and dynamism, regard Washington not as a beacon of freedom against tyranny, but as an imperialist oppressor that has helped justify domestic repression."<sup>7</sup> It is a

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<sup>6</sup> Damien Cave, "Easing of Restraints in Cuba Renews Debate on U.S. Embargo," The New York Times (2012): accessed March 23, 2013, url: [http://www.nytimes.com/2012/11/20/world/americas/changes-in-cuba-create-support-for-easing-embargo.html?pagewanted=all&\\_r=2&](http://www.nytimes.com/2012/11/20/world/americas/changes-in-cuba-create-support-for-easing-embargo.html?pagewanted=all&_r=2&)

<sup>7</sup> Julia E. Sweig, "Fidel's Final Victory," Foreign Affairs (2012). Print.

common factor of Cuban pride to recall that Cuba is the first and only Latin American country to defeat the Yankee imperialist power. Moreover, Cubans are reminded daily of this identity through anti-American propagandism through billboards and textbooks. Despite this identity, Cuba claims to remain open to cooperation with the U.S. It may not be the case that an explicit part of the American identity is anti-Cuban, however, it is worthy of consideration to question whether the American public would be in favor of ending the embargo.

Lastly, there are also circumstance-specific difficulties that one must keep in mind when making bilateral decisions. For example, one aspect of the embargo is travel restrictions. If either the U.S. or Cuba articulated interest in lifting restrictions, both countries must consider the threatening consequences. The lift of travel restrictions from Cuba may result in an immigration crisis to Florida. The lift of travel restrictions to Cuba may result in a flood of tourists to the country. Tourism is Cuba's largest industry. However, the central Cuban government makes all of the financial decisions and employs the large majority of Cubans. So, if it were the case that a rush of American tourists to Cuba placed a large sum of money into the Cuban system, the government may potentially invest the money i.e., reconstruction of ruined buildings, without ever considering raising the average Cuban salary.

Another circumstance-specific consideration that one must be mindful of is related to off-shore oil drilling. One option Cuba has to make up for its situation with Venezuela is to pursue off-shore oil drilling in the gulf. Although this is a rational choice for Cuba in their current situation, the embargo "prevents Cuba from having adequate access to the range of tools needed to drill safely or respond to emergencies should one develop."<sup>8</sup> Moreover, if a disaster like the

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<sup>8</sup> Center for Democracy in the Americas, "As Cuba Plans to Drill In the Gulf of Mexico, U.S. Policy Poses Needless Risks to Our National Interest," Washington D.C. (2011) p. 23.



BP oil spill took place in Cuba's waters, it would be impossible for U.S. firms to respond timely because it is impossible under current law to pre-clear the correct technology needed.

Lastly, it is necessary to observe that the pattern of Cuban economic partners over past decades tend to sour after countries grow tired of the required effort and costs of pursuing business relations with Cuba. This difficulty is illustrated in the pre-revolution Cuban relationship with the U.S., the post-revolutionary relationship of Cuba with the U.S.S.R., and the most recent dependency of Cuba on Venezuela. It is unknown whether the Cuban regime's difficulty in engaging in business is the result of the embargo or their method of practicing business.

#### **IV. Positive and Negative Consequences of a Cuba-U.S. Relationship**

Long term benefits of establishing a U.S.-Cuba relationship would surely outweigh the negative consequences for both the U.S. and Cuba. For the sake of consistency, this section will consider the potential positive and negative benefits of the general lift of the embargo. Benefits for the U.S. include business opportunities for midwest farmers, as well as large companies. If Cuba decides to engage in oil drilling operations with the U.S. rather than China, the U.S. would eliminate two enemies from the Florida border, for Cuba would no longer be defined an enemy and China would no longer sit in Cuba as an offshore balancer of the U.S. Moreover, if the U.S. ends the embargo and provides assistance for oil drilling, the U.S. could establish a deal to receive some portion of the findings, as well as establish a plan for the possibility of an emergency oil spill. The U.S. could also benefit from cooperation in the medical field. Since the Cuban education and health care systems are socialized, medical school tuition is funded by the

state. Moreover, the Cuban health care system is revered for its availability and quality of general practitioners. In the U.S., there is a shortage of general practitioners, as most students in medical school eliminate the option of becoming a general practitioner since it is nearly impossible to pay off tuition debt. Therefore, the large majority of doctors in the U.S. all specialize. So, the U.S. and Cuba could establish a medical program or agreement whereby Cuba would send general practitioners to the U.S. in exchange for receiving specialized doctors.

With regard to the negative consequences the U.S. may suffer, it is necessary to revisit the current timing and situation of Cuba. Cuba is vulnerable, seeking to fill the loss of an economic partner and political hero, Hugo Chavez. It is necessary that the U.S. act soon. However, any chance of reestablishing a relationship may be trivialized if the U.S. acts untimely or inconsiderately. If the U.S. waits too long, China or Saudi Arabia may fill the breach, and the hostile relationship would continue inconsistent with both U.S. and Cuban interests.

Cuba would also benefit from lifting the embargo. One benefit that would likely come with the lift of the embargo would be U.S. support for the new economic and social reforms for the country. The decentralization of the economy may also lead to an eventual change in the political structure. Under such changes, Cubans could find greater opportunities and incentives for employment, solving the paradox of the revolution that “effectively endowed citizens with abundant human capital, but sadly left them without the tools or incentives to fully employ their acquired talents.”<sup>9</sup> A larger number of the educated population could work in their field of study and seek employment in private sectors, making a higher income than the state-set salary. Cubans will likely find a significant increase in the quality of daily life if the government leaves

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<sup>9</sup> Feinberg, p. 6.

behind the outdated socialist model. Cubans may be able to afford more access to food, better quality of living conditions, and relaxation knowing they can afford basic necessities. There may also be an increase in the quality of services, as well as consumer demand. The state could modernize their banking system to loan and invest money, rather than just hold individuals' money in checking and savings accounts. The state would have access to "the range of tools needed to drill safely or respond to emergencies should one develop,"<sup>10</sup> as well as medical supplies. Private businesses would also benefit from less restrictions, as well as an increase in Cuban customers and tourists able to afford their services.

Negative consequences of the embargo for the Cuban population seem minimal to nothing. However, if the embargo is lifted and the economic reforms have significant decentralizing effects on Cuba's economic system, the obvious effect for the regime would be a great loss of power.

## **V. Counter Argument**

The most common argument in favor of the embargo is that it will suffocate the oppressive Cuban regime. It may also be argued that in times of such vulnerability of the regime, it is most important to hold ground and not lift the embargo, for in a time of vulnerability the embargo is most likely to achieve its purpose of bringing the regime to an end. Although this argument exists amongst hardliners, the common trend seems to be a preference for gradual, peaceful evolution in Cuba. While the embargo attempts to undermine the Cuban economy and regime, Cuba has received development assistance from other countries. Neither the U.S. nor

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<sup>10</sup> Center for Democracy in the Americas, p. 24.

Cuba are unitary actors, both exist within the global economy and community. For this reason, it seems unlikely that the U.S. embargo alone is enough to end the Cuban regime. So, although the economic system in Cuba is outdated, it is also the case that the U.S. political policy towards Cuba is outdated and ineffective.<sup>11</sup> Furthermore, Richard Feinberg notes, “prolonged efforts to impoverish an economy run counter to long-standing U.S. foreign assistance policies and our fundamental humanitarianism, that favor attention to the basic human needs of the poor majorities in developing countries.” Feinberg notes that the occasional exemptions to the sanctions against Cuba that the U.S. has granted in past years i.e., allowing for the sale of some foods and medicines, as well as the liberalization of family travel and remittances, support these fundamental American traditions.<sup>12</sup>

## **VI. Conclusion**

In conclusion, the embargo has prevented the flow of talent, resources, and good will between the U.S. and Cuba for half of a century. Lifting the embargo would benefit both the U.S. and Cuba. Cuba could offer the U.S. medical, tourist, and political benefits; the U.S. could offer profound banking, resource, and humanitarian benefits to Cuba. Whether or not ending the embargo would have immediate effects, it is time for the U.S. to put an end to it. President Obama can make decisions without worrying about the stakes of his political career, for he is in his final term of office. Furthermore, Cuba is vulnerable and needs international support. Ending the embargo would show Cubans that the U.S. is not merely an oppressor. If the embargo is lifted and the Cuban government fails to cooperate, the Cuban populace may come to realize that the

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<sup>11</sup> Feinberg.

<sup>12</sup> Ibid.

problem is not the U.S., but their own regime. It is time to begin bilateral discussion, establish economic negotiations, and bring an end to the half-century long embargo.

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