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**STRENGTH OF THE AMERICAS CHAIN**

**- ARC WELDING THE FINAL LINK -**

**(U.S. Policy for Post-Castro Cuba)**

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# Report Documentation Page

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*Waiting for a crisis to force us to act globally runs the risk  
of making us wait too long*

*Isaac Asimov*

The end of the Cold War was a great triumph for the United States, her allies and the people who suffered under the Soviet grip. The war was long and expensive in both national treasures and treasured human life. Some revisionist arguments and 20-20 hindsight forecasters have insisted that the costs were too high since the downfall of the Soviet empire was inevitable regardless of the battles we fought. It is not that the socialist empire failed the people, but more that Communism as a system was simply bad business that failed to prosper and provide. The dwindling number of Communist nations and other oppressive states are beginning to understand the ineffectiveness of their systems and the ensuing social chaos apt to follow. It has become more apparent than ever that hungry, mistreated people will only take so much abuse before they explode.

Within the international geo-political environment, social chaos is leading to increased instability throughout more and more regions. Eastern Europe and the former Soviet republics are suffering the problems of post-Soviet control, ethnic strife and unsettling nationalism. Southeast Asia's difficulties include the domination of two Communist nations (China and North Korea), racial strife, population explosions and economic competition. The African continent suffers from catastrophic population growth, famine, tribal wars, disease and oppressive leadership. The point being made is that there is considerable instability throughout the globe.

While all is not perfect within the Americas chain that runs from Canada in the north to Chile in the south, the region has a better potential for stability and democracy than any other. Haiti is undergoing democratization, North America is attempting to strengthen economic prosperity through associations like NAFTA and generally the entire Americas chain is moving forward and the buzz word is stability. With one exception: Cuba. Today, Cuba is on the brink of extraordinary changes it hasn't experienced since 1959 when Fidel Castro embraced the covenants of Communism. Like many former Soviet states, Cuba's economy is in profound crisis.

with no program for recovery or reform. The question becomes, what will appear in its place? It is from this perspective that American leadership is essential for the Cuban people to enable them to overcome social and economic strife.

Other than the current U S dominated embargo policy against Cuba, the U S offers no other enlightened alternative designed to demonstrate a genuine willingness on their behalf. The question becomes, what should we present them? This paper provides three areas of discussion to answer the question. First, it builds the case for a policy change needed to realize stabilization for the Americas chain. Next, it emphasizes economic reform as the priority needed for stabilization. Finally, it provides examples of specific policy recommendations followed by an important caveat--if ever there has been a time for patience towards Cuban reform, it is now.

### **Building the Case for Change**

As previously stated, stability and democracy within the Americas is not yet complete. The final link in that chain is Cuba and it appears it is near ready for an arc welding to the rest of the Americas chain. The layman will remark that an arc weld fuses two parts resulting in a stronger union than previously existed. A strong and stable relationship with Cuba is clearly in the interests of the U S. Cuba was once intimately linked to our economy and culture and once again is a potential market for U S goods, a source of raw materials and investments.

Since 1959, Cuba has been shaped by the policies of one leader, Fidel Castro. His goal of a utopian planned society, nationalized private property, and centralization of economic administration and industrialization has failed under the hard realities of the world. It currently appears that Castro's iron-handed 36-year rule is at risk. But now, "the Cuban's public frustration over the misery and repression of his rule is beginning to outstrip fear." (3-7) Discontented and despondent Cubans are increasingly frustrated as the repression of his rule is beginning to outstrip fear. Potential for turbulence is approaching a new point. The time has come for the United States to review its policies towards Castro and prepare a new plan to integrate a post-Castro

Cuba into the Americas community The benefits are many: economic stability, increased trade, eventual democratization and increased strength throughout the entire chain

The U S embargo began in 1960 as the means to achieve the end of Communism in Cuba Although still embracing Communistic doctrine, Cuba no longer poses a threat to U S national security interests now that she has been abandoned by Moscow The embargo is basically a unilateral policy hold-out from the Cold War and a hemispheric issue on which the United States stands is isolation (17 A21) The United Nations General Assembly called the embargo a "Cold War relic that punishes Cubans and should give way to renewed trade and political dialogue between Washington and Havana " (13 A18) Yet we fail to look south to the only nation we refuse to assist because we can't stand one single individual On the other hand, it is interesting that we have dialogue with Communist China and Communist North Korea, both well known for intolerant brutality - but we won't talk with Cuba

This short sighted failure may prove dangerous As one individual still loyal to socialism and Castro stated, "If we (Cuban government) don't reform and the U S blockade remains, the only possibility is an explosion Cuba is a time bomb " (2 51)

Although Castro has not completely abandoned Communism, he has not been able to come up with anything to replace it It is certain he probably will not use the Russian reform model as an example either In the early stages of Boris Yeltsin's term as president of Russia, he and practically all of his advisors embraced Western advice to "shock" the Russian economy into the 20th century by making numerous simultaneous and fundamental changes in economic policy The political and economic turmoil that resulted, however, caught almost everyone by surprise The social safety net all but collapsed while development of a free market faltered, leading hard-line critics to accuse Yeltsin of economic sabotage (10 59)

Castro has not remained in power this long by imitating the blunders of others (save perhaps those of Communism) He wants to ensure that any economic opening he allows will not unleash a political explosion Unfortunately for the Cuban people Castro hasn't yet reconciled that Communism died in the very place it was conceived, born and nurtured eventually choking

to death. Although he experimented with free farmers' markets in 1979, he abruptly ended them in 1986 citing the fact that some farmers and middlemen were becoming relatively wealthy. This threatened the ideal of a society in which all citizens were supposed to be more or less equal in their standards of living (8 A7). Nevertheless, he offers no additional guidance to his people who continually endure shortages and rationing. A strong case exists for the U.S. to step in and provide an alternative to the embargo.

### **Economic Prioritization: Transition to Democracy**

Until the Soviet Union's breakup, 80 percent of Cuba's export sales were guaranteed by the Soviet-led Council for Mutual Economic Assistance (CMEA). CMEA sought the economic integration of the world's socialist countries and so Cuba's economy was structured similar to those in Eastern Europe and particularly with that of the Soviet Union (6 141). However, the fall of the Soviet Union produced wrenching economic and political transitions. One Cuban expert concluded that to overcome these problems, it is necessary to transform domestic management, making it responsive to external demand, thus promoting investment in the most profitable exports (11 213).

This is exactly what the national security strategy of the United States calls for. "Our national security strategy is based on enlarging the community of market democracies while deterring and containing a range of threats to our nation, our allies and our interests. The more that democracy and political and economic liberalization take hold in the world, particularly in countries of geo-strategic importance to us, the safer our nation is likely to be and the more our people are likely to prosper" (16 2).

Rather than an embargo demanding democratization first, Cuban reforms emphasizing economic prioritization may be suited best for a U.S. framework. Entrepreneurial spirit should have survived fairly well in Cuba given the fact that communist rule existed for only 35 years and due to the large Cuban-American population to the north that serve as examples of success. While democratization is a parochial U.S. goal, is it possible to have economic stability without it?

Chinese reform programs for instance have managed to make great strides in terms of both quality and quantity of output in agriculture and industry without significant social upheaval, privatization of state property, or political turmoil (10 59) To strengthen the argument, experiences in China, Chile, South Korea, and Turkey, among others led some scholars to conclude that authoritarian states had more successful social and economic outcomes in the long run if they began their reform efforts in the economic sphere As a rule, these states have fewer short-run problems with inflation and political stability In contrast, states that begin with political reform find it harder to manage the pace of change and because of this, have a counterproductive incentive to centralize power (10 63)

The signs of change in Cuba are evolving Cuba is experimenting again with ways to spark life into its national economy The government has once again opened a farmers' market where people can buy food with pesos and not dollars There are new flea markets where newly self-employed people can peddle their wares The government made it legal to own dollars in late 1994 and continues to look for ways to get the hard currency recirculated in the economy Materials and consumer products previously tightly controlled by the state, are now available for sale These minor concessions though are still under centralized government control and little effort is underway to provide privatization of property, business and investment In August 1994, for the first time since Castro took power, there were open, anti-government demonstrations Although they only lasted a few hours, "32,000 people on makeshift rafts left the island looking for a better life " (5 A14)

Cuba's leaders have apparently acknowledged the discontent General Raul Castro (Fidel's brother and defense minister) said, "Today the military, political and ideological problem of this country is to find food " (14 A13) The Washington Post reported, the government's gamble is "the Clinton Administration, as it did with China eventually will play down the lack of political freedom here and let Americans visit, trade and invest " (14 A13)

The Clinton Administration must now be actively engaged during this time of transition to influence what will come after Castro Philosophically, this would represent a significant

divergence in direction for President Clinton considering the political support he receives from rich and powerful Cuban-American and Cuban exile leaderships and followers who support the embargo. Cuban-Americans and exiles embrace a mindset similar to that of reformists in the former Soviet Union who claimed that Communism was no longer viable, leading to the conclusion that it had to be abandoned. This means first and foremost breaking the strangle hold Castro has on the country (12 39). Some groups believe the only means to accomplish this feat is through a harsh embargo that eventually leads to the Cuban people's overthrow of Castro and his government. Almost all Cubans argue that the U.S. and the exiles would do better to encourage change on the island with economic incentives, as Washington has done with other Communist holdouts like China and Vietnam (2 52). Where do we go from here?

### U.S. Policy Recommendations

End the economic embargo: ending the embargo is the first priority and the single most important transitional signal. It opens opportunities for U.S. investors to gain momentum to overtake increasingly escalating foreign investments in Cuba. The Center for Strategic & International Studies estimates that foreign exchange earnings could reach \$5.5 billion in two years if Cuba adopts a fundamental market oriented restructuring. And, additional estimates show that U.S. trade could top \$1 billion in the first year after the embargo is lifted (1 32).

Develop economic assistance programs: assist Cuba in adopting reform from within. The plan should emphasize decentralization to replace its command-administrative philosophy and to promote individual and co-operative activities. The results should improve the overall allocation of its resources (7 378). Expect cautious reactions in Cuba. Ronald Reagan was faced with the similar dilemma when he stated, "How do we stop the spread of Communism in Latin America without making the people of Latin America think Uncle Sam is a bigger threat to them than the Communists?" (15 238). Economic aid cannot stand alone as the dominant link to U.S. assistance. Aid must be balanced with enhanced trade assistance programs.



Special IMF programs: Cuba will require specialized attention early in its economic reform. Expanding trade with other foreign market economies will be difficult in the beginning due to a significant hard-currency debt problem, lack of external credit and scarce international reserves. Cuba's hard-currency debt in 1990 was \$7.3 billion with a GNP estimated at \$17 billion (43 percent debt burden). In 1986, Cuba stopped payments of principal and interest, virtually halting any new loans. There are no indications that Cuba does not intend to meet its debt obligations. With IMF assistance and a free market, Cuba's creditors might find it more attractive to restructure debt payments, adding increased flexibility for the government and greater comfort levels for investment. U.S. industries are anticipating the possibility of trade and investment opportunities.

Internally, Cuba must direct its resources in the following development of four programs: agriculture, oil, pharmaceuticals and tourism. The goals of these programs are: (1) to restructure Cuba's trade, economy and labor force so that the country can resume development in a completely changed international environment, (2) to rapidly generate the hard currency needed to survive in the meantime (6-153).

Agriculture: sugar cane production, once Cuba's cash crop and backbone of its export market, has fallen prey to antiquated equipment provided by the Soviet Union, poor harvests, bad irrigation and centralized decision making. World-wide sugar production (their main export product) has increased while prices have decreased. Adding to the problem are higher export transportation shipping costs, and decreased export quality and supply. Still, Cuba depends on sugar for over 73 percent of its total export market (11-213). The 1994 sugar harvest was disastrous due to a scarcity of fuel and equipment. The 1995 prediction is even more bleak. Worldwide sugar production is up and demand for Cuban sugar is down.

Similarly, its vegetable and citrus crops suffer from poor management and infrastructure. A significant amount of annual crops and harvests spoil and rot because they don't even make it to markets or ports. The causes are insufficient labor due to low wages, inadequate delivery systems (vehicles, transportation networks) and inefficient warehousing and marketplaces that transfer it

all to consumers U S free market assistance programs can aid in new equipment investments, enhanced marketing techniques that make Cuba's sugar available in a wider area throughout the region and increased farm to market success Labor/management reforms will lead to stabilized wages, larger employed work force and more effective production

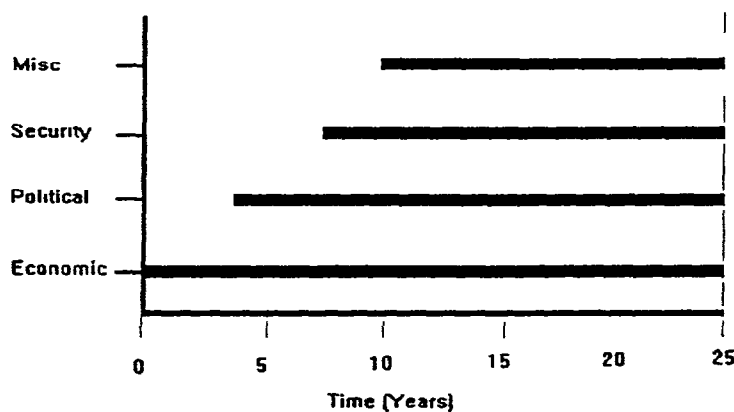
Oil exploration: Cuba has never been self sufficient in oil production but has potential for it Moscow used to provide Cuba most of its oil needs Cuba however in turn resold the oil for hard currency And, now the sales of sugar, tobacco and nickel only provide enough income to buy half of the petroleum products consumed three years ago (4 A22) Some U S producers like Texaco see Cuba as a hot prospect for refining oil and establishing a retail network on the island (1 33) Oil exploration, extraction and refinement can lead to self sufficiency and provide a source of oil for the Americas that is cheaper due to decreased shipping costs Cuba would realize a new supply of cash for investments, and debt reduction payments

Pharmaceuticals: Cuba considers itself the Third World leader in genetic engineering and biotechnology, boasting its reputation as advancements from its population that has a 96 percent literacy rate Biotechnology and pharmaceutical research and products are in significant demand throughout the world With its educated work force and greatly reduced start up costs, it becomes an excellent candidate for early on U S investment and assistance into this Western-dominated market

Tourism - Tourism is now a primary means of obtaining hard currency and the government is encouraging Western investment Spanish firms for instance have participated in tourist hotel joint ventures Cuba's climate, beaches, keys and history are potential bonanzas for regional tourism However, attracting tourists is the most important step towards convincing investors that they can profit in Cuba Considering that a significant tourist market target is Americans, the U S should assist in construction, management training and advertisement The tourist dollar would in turn give a boost to other fringe industries (auto rentals, shopping, service industry)

### A Caveat: Patience

Stated previously, we must have patience during the reform process. A nation as bankrupt and economically broken, but desperate for something new, will take time to recover. We cannot expect immediate results because they won't happen. We must ensure though that Cuba understands that economic reform is worthless unless it is linked to social and political reforms. For instance, U.S. support to Mexico provides a good example of economic resurgence. Regardless of recent setbacks in Mexico's economy and the devaluation of the peso, Mexico will recover. U.S. willingness to support Mexico with loan guarantees provided a significant signal of long term commitment. Our insistence on immediate and concurrent reformatory results in democratization, privatization, free markets, environmental protection, human rights are probably too much to ask. Graduated success is paramount. There is plenty to do in and for Cuba and we must prioritize. Illustration One depicts a basic framework to emphasize this (where economic reform takes priority, followed by political reform, national/territorial security and then other types of reform including human rights, environmental, etc.)



(Illustration 1- Graphic Timeline for Cuban Reform)

Long range success for Cuba and the geo-political stability for the Americas will obviously require Cuba's eventual political reformation. Cuba's transition from the command economy to a market economy carries great risk for the current government who stands to "lose

much of its control over the economy and society " (9 39) However, firm convictions to economic enhancement while accepting this risk is important and must be achieved within What type of political form should this take? At this time, we should wait and determine what the Cuban people are interested in By all means, whatever form it takes, it should result in stability for the nation and region We should hope for and assist in the development of democracy, but at an appropriate pace Russia's current situation is an example of too much too fast Russia is witnessing a public disappointment, not with democracy as such, but with the quasi-democracy that emerged in the ruins of communism Ordinary Russian citizens " perceive the absurdities and defects of their current political system as characteristic of genuine democracy In this environment, the democratic idea turns out to be increasingly discredited (R 256) And in some cases in Russia, the problem reflects " an aggressive craving by some people for the restoration of the former totalitarian order providing people with a certain 'guaranteed' standard of living " (18 249)

It's certain that the Russian reform model is inappropriate for Cuba--mainly because it has failed and Cubans know it No specific framework exists to bring Communist states into the free market, and it is appropriate that there isn't one since each national transition plan must contain unique characteristics Demanding too much in a very short period of time will lead to frustration, confusion and a feeling of "let's go back to the way it was it wasn't great, but it was stable We must avoid this at all costs

### **Conclusion**

The image of a seamless chain of inter-cooperative nations that make up an *Americas community* should be greeted with great promise in the U S Even during times of deficit reductions, an apparent mandate from the 1994 Congressional elections to look inward and solve our own internal problems first we cannot ignore an opportunity to help Cuba Ending the embargo and assisting Cuba through a new U S -Cuba policy is simply good business for us Cuba and the Americas chain Economic stability in Cuba will eventually lead to political stability and

in turn, more investments will come. Without political stability, global capital markets, corporations and consumers will turn away. Cuba's government and people will hopefully be strong enough to make concessions that are in the best interests of Cubans. At the same time, we must be patient and willing to accept the risk of occasional setbacks as Cuba integrates its economy. Cuban officials describe the revisions as carrying a steep social cost and acknowledge they could lead to other changes difficult to predict or control. Cuba's leading economic planner, Carlos Lage, optimistically stated "What at one time was not admissible, or what we thought was not admissible, can become admissible as our economic opening goes forward. The gravity of the situation can force us to take measures that at one time we could not conceive of" (4 A1)

The United States should share the same optimism because it would be tragic to allow the current situation to continue until we determined that Cuba had become an imitation of Haiti. We stand to gain too much from an enlightened approach towards Cuba, where the future of the Americas chain is finally welded solidly together.

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