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# The United States and Cuba after D17

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## The United States and Cuba after D17

### **Abstract**

With the D17 announcement, US-Cuba policies were suddenly and dramatically transformed after decades of stale and repetitive relations. Guest editor Jorge Duany, director of FIU's famed Cuban Research Institute, invited a group of leading experts to examine the repercussions of the restoration of diplomatic ties and discuss the intractable obstacles to the full restoration of relations between the two countries. Although normalization of diplomatic relations and the prospect of change have produced an exciting time for scholarship and policy analysis, the conclusion fifteen months later is that rapprochement has been slower and more modest than expected.

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**The United States  
and Cuba after D17**



# Hemisphere

## FROM THE EDITOR

Dear *Hemisphere* readers:

As my colleague Jorge Duany indicates in the Letter from the Guest Editor in this issue of *Hemisphere*, prior to December 17, 2014 (D17) discussion about Cuba and US-Cuba relations seemed, for the most part, stale and repetitive. Not much new was worthy of reporting or analytical discussion. Cuba was not moving as quickly as many hoped toward economic and social reform, and in the political realm, Raúl Castro's Cuba was frozen in time. US-Cuba relations suffered from similar paralysis, despite President Obama's policy changes in the area of purposeful travel and some people-to-people programs. The incarceration of Alan Gross, the US government contractor sentenced in 2011 to 15 years in prison for bringing satellite and communications equipment to members of Cuba's Jewish community, and the continued imprisonment in the US of three of the Cuban intelligence agents known as the "Cuban Five," posed formidable obstacles to any kind of rapprochement.

With the D17 announcement, US-Cuba relations were suddenly and dramatically transformed, shifting faster than our ability to make sense of the overall impact on Cuba's political economy. Normalization of diplomatic relations and the prospect of change have produced an exciting time for scholarship and policy analysis. Florida International University (FIU) is at the forefront of analyzing and engaging the process and impacts of this historic development, across multiple disciplines.

As the flagship publication of the Kimberly Green Latin America and Caribbean Center (LACC), *Hemisphere* dedicates this special issue to tracking and analyzing the impact of diplomatic normalization on US-Cuba economic relations, the Cuban-American community, Cuban nationalism and other important areas. I am grateful to Jorge Duany, director of FIU's Cuban Research Institute (CRI), one of the preeminent centers for the study of Cuba and Cuban Americans in the United States, for putting together a superb lineup of scholars to examine the complex aftermath of D17.

President Obama's historic visit to Cuba in March 2016 was not the culmination, but an important milestone in what is to be a long but irreversible process that began on D17. It marked just one more step toward engaging and empowering the Cuban people, helping change current dynamics and creating space for Cubans, as the president stated during his extraordinary speech in Havana, to determine their own future. During the coming months and years, LACC and CRI will continue to engage not only the scholarly and policy communities through their various research and outreach activities, but also, through the Steven J. Green School of International and Public Affairs, will partner with other FIU components to participate in the University's goal of increasing ties with its academic counterparts in Cuba.

Frank O. Mora  
Director & Professor  
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Cover Image: Orlando Luis Pardo Lazo

# FROM THE GUEST EDITOR

When I came to Florida International University in August 2012, relations between the United States and Cuba seemed frozen in time, still characterized by Cold War tensions. Since December 17, 2014 (D17), many pieces of the puzzling connections between the two countries have shifted, some drastically, others more imperceptibly. On that date, President Barack Obama announced major changes in US policy toward Cuba, including taking steps toward reestablishing diplomatic relations, reviewing Cuba's designation as a state sponsor of terrorism, and facilitating certain types of trade and travel by US citizens to the island. On May 29, 2015, President Obama removed Cuba from the US Department of State's terrorism list; in July 2015, the United States and Cuba restored diplomatic relations and reopened embassies in their respective capitals, and in March 2016 President Obama's trip to Cuba marked the first time in 88 years that a sitting US president visited the island. Journalists, pundits and academics rushed to analyze this diplomatic milestone, portending a new era in US-Cuba relations.

Unfortunately, the practical outcomes of the US-Cuba rapprochement have been slow, modest and largely unilateral. The two highlights of 2015 were the announcements of the resumption of direct postal service and, eventually, commercial flights between Cuba and the United States. High-ranking representatives of both governments have met several times to discuss matters of common interest, from migration and human trafficking to confiscated properties and human rights. The US government has made extensive amendments to existing sanctions against Cuba, easing trade, communication, travel, remittances and other financial transactions with the island. The Cuban government, in turn, has insisted on four major conditions for "normalizing" relations with the United States: lifting the US embargo, returning the US naval base in Guantánamo, repealing the Cuban Adjustment Act, and discontinuing US broadcasting activities to Cuba (i.e., Radio and TV Martí). At the time of this writing (April 2016), serious impediments remain to the full normalization of relations.

This volume of *Hemisphere* examines the numerous repercussions of the restoration of diplomatic ties between the United States and Cuba. Among other questions, it assesses some of the intractable obstacles to relations between the two countries, the economic opportunities created by an eventual lifting of the US embargo, and the potential role of the diaspora in the future of the Cuban nation. I invited a group of leading experts on Cuban affairs from various disciplines in the social sciences and humanities to reflect upon the significance of D17 for the two former Cold War adversaries. Regrettably, I did not receive the contributions I requested from three scholars residing in Cuba in time for publication. Nevertheless, the volume samples a wide range of opinions on the economic, political and social consequences of the rapprochement between the US and Cuban governments. The result, I hope, is a balanced, kaleidoscopic and insightful treatment of many of the difficult issues raised by the new US policy toward Cuba.

Jorge Duany  
Director & Professor  
Cuban Research Institute  
Florida International University



Orlando Luis Pardo Lazo

Steven J. Green School of International and Public Affairs

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F E A T U R E

US-Cuba Economic Relations:

## Opportunities and Challenges

by Carmelo Mesa-Lago

After 55 years of hostility, the announcement by Presidents Obama and Castro initiating the normalization of relations on December 17, 2014 (D17) opened an important and positive new stage between the two nations. The pronouncement generated great expectations on both sides for rapid and successful progress, but was not grounded on knowledge of extant and future obstacles. Many journalists, businessmen, relatives and friends asked me about the imminent economic boom in Cuba, the reconstruction of Havana, the huge profits that US companies will accrue (McDonald's will pop up all over the island!), or how to arrange a beach vacation in Varadero. People thought that Cuba was now fully unlocked for Americans and virtually all assumed that the Helms-Burton Act (referred to in Cuba as the "blockade") was gone. Many well-intentioned friends wrongly assured me: "Now you won't have any trouble attending academic events in Cuba." Although many positive steps have been taken, mostly on the US side, the post-D17 dream will take a long time to realize. This article evaluates the potential short-, medium- and long-term economic impacts of the normalization process that began on D17. It begins by identifying and analyzing opportunities for both sides in key economic areas, goes

on to examine the constraints and challenges to a full normalization of relations, and ends by inquiring why economic results have been so slow to emerge.

### I. MAJOR ECONOMIC OPPORTUNITIES FOR THE US AND CUBA

Two well-known Cuban economists have praised the push toward normalization. According to Omar Everleny Pérez Villanueva, the results will be more in the medium- and long-term than in the short-term, but will improve the living standards of the Cuban people. Ricardo Torres stresses the historical ties between the two countries, the fact that the US is the major importer and technology leader in the world, Cuba's need for foreign capital, and the importance of Cuban Americans' knowledge and international contacts. The most promising economic areas are evaluated below.

#### 1. Tourism.

Tourism currently accounts for 52% of total foreign investment in Cuba. The effects of normalization could begin to be seen faster than in other sectors of the economy, but the full results will take more time. Cuba's advantages are its proximity to the US and its lure as "forbidden fruit" following the 54-year ban on travel to the island, prompting an outpouring of interest in visiting the island and a "discovery" flow.

Obama's amendments to existing regulations eliminate some red tape and allow 12 categories of travel, including educational, cultural, sports, religious and humanistic activities, family visits, journalism, professional research/meetings, and "support for the Cuban people." Major airlines plan to fly to Cuba and travel agencies are authorized to operate without special license. A tour package for one week costs about \$5,000 per person, with prices likely to fall as competition increases. Travelers are permitted to bring back \$400 in goods (\$100 in rum and tobacco) and can use US credit cards, with no per diem rate (it used to be \$188). MasterCard, American Express, Netflix and Twitter plan to expand operations in Cuba, but banking and telecommunications are essential prerequisites.

In the first half of 2015, the number of US visitors to Cuba jumped 50% and a higher upturn is expected for the entire year. With a forecast of one to two million US tourists, gross revenue from the tourism sector should increase from \$3 billion to \$4–\$5 billion annually. Benefits will mainly accrue to the state but also to rentals of private homes/rooms (which currently lodge 21% of all US tourists), *paladares* (small, privately owned family restaurants), taxi drivers and tourist guides.

## 2. Trade in goods and services.

The new regulations permit trade relations (imports and exports) with Cuba but are restricted to the non-state sector: self-employed, microbusinesses, non-agricultural and service cooperatives, private and usufruct farmers, and the building and repair of dwellings. US exporters/importers must provide proof that their Cuban partners are in the non-state sector. The Cuban government demands state trade without restrictions.

About 50 Cuban exports are now authorized to enter the US, including clothing, footwear, art, cosmetics, textiles, jewels, leather, furniture, bedding, mattresses, clocks, musical instruments, movies, wood, stone, paper, plastic and rubber articles, ceramics, glassware, cement, hats, umbrellas, toys, machinery, electrical equipment, vessels, and medical and surgical equipment. Most of these goods are not produced by microenterprises and some not even by the state. Also permitted are non-state export services, e.g., hiring skilled Cuban workers to carry out legal activities, translations, bookkeeping, software programming and language instruction. One key question is whether these goods and services would be competitive in the US market. Approved US imports to Cuba's non-state sector include computers, software, personal telecom equipment, animal fodder and medicine. The only imports permitted to the state sector are food, animals, fodder and medicine. A Freedom to Export to Cuba Act introduced in the US Senate would eliminate all trade restrictions, but the Republican leadership opposes it.

In 2013, Cuba imported \$14.7 billion in goods, partly subsidized and with credit, including \$2 billion in food to meet 70% of domestic

needs. As of 2008, Cuba imported \$710 million in US foodstuffs, making this country its main food supplier and fourth largest trading partner. US products are of good quality, price competitive, and closer than other providers (90 miles, or 2% of the 4,000 miles that stretch between Havana and Buenos Aires or São Paulo). The US Agricultural Coalition for Cuba, the National Corn Growers, and the Illinois Soy Bean Association are all lobbying to fully restore trade relations.

## 3. Remittances.

Current regulations eliminate previous limits on non-family remittances (which could be invested in microbusiness). In 2014, about \$4 billion in family remittances entered Cuba, representing 7% of the island's GDP and its second leading hard-currency source. This figure will probably increase in 2015, with the capacity to boost the non-state sector. A national survey conducted in Cuba in March 2015 reported that only 11% of recipients of remittances invest them in microbusinesses, but 70% said they would like to do so.

## 4. Oil and energy.

Cuba's crude oil production peaked at 3.7 million metric tons in 2003, thereafter stagnated, and in 2012 was 18% below the zenith; natural gas output peaked in 2007 at 1.2 billion cubic meters and had declined 12% by 2013. Causes of the fall were maturity of existing deposits, stagnation of new deposits, and Cuba's cancellation of exploration/production contracts with two Canadian companies. Spain, Malaysia-Russia, Venezuela and Russia began oil exploration in the Gulf of Mexico in 2012, but these efforts were unsuccessful. In 2014, Cuba suspended exploration due to previous failures and the

decline in oil prices, but Portfolios of Investment Opportunities in 2014 and 2015 gave priority to high-seas exploration and Russia recently granted Cuba \$1 billion to try for the third time.

In recent years, Venezuela has sent Cuba 105,000 barrels of oil per day, meeting 60% of domestic need. In 2007, the Cienfuegos oil refinery, built with Venezuelan help, produced 65,000 barrels a day. Under the arrangement, Venezuela exported crude oil to be refined in Cienfuegos and Cuba sold the surplus on the world market. It's not easy to assess if crude exports have declined due to the severe deterioration of Venezuela's economy, especially since any decline appears to be offset by the Netherlands Antilles; however, exports of oil derivatives from Cuba through third parties decreased by one-third in 2013–2014, and a petrochemical project with Venezuela was suspended.

US technology and experience would support oil exploration on the high seas, on shore and inland; increase extractive efficiency; and postpone the depletion of deposits, making Cuba more independent of Venezuelan oil and diversifying its investment and oil partners. But first, the embargo must be lifted.

## 5. Nickel.

Cuba has the world's fifth largest nickel reserves. Production peaked at 76,500 tons in 2001 but fell 11% by 2013. Nickel is Cuba's main export but a decline in production and world prices reduced its export value by 29% in 2010–2012. The island has four nickel plants, the first two US-built: Nicaro (built in 1947 and since closed), and Moa (built in 1957 and modernized/expanded by Sherritt). The Che Guevara plant, built by the Soviets with obsolete technology, has been

shut down temporarily. The Soviets also started construction of a plant in Las Camariocas; after the Soviet collapse, China pledged to complete it but soon withdrew as well. Venezuela currently has the project, but the plant is not in operation. The US has the technology and capital to renew Che Guevara and Camariocas, but current regulations prevent exporting Cuban ore to the US or investing in such facilities.

## 6. Agriculture.

In the last 55 years, Cuban agriculture has had a dismal performance due to excessive centralization. Land is mostly in state hands or controlled by incompetent state-run and -subsidized coops; farmers face a lack of economic incentives; and a highly inefficient state monopoly has a stranglehold on purchasing and distribution. Raúl Castro's structural reforms try to tackle such flaws, calling for distribution of idle state land in usufruct, increased autonomy for coops, supply of some inputs, and microcredit for private and usufruct farmers. So far, the reforms have failed to increase agricultural output: the annual growth rate averaged 1% in 2010–2013, with production of most items falling below 2005 and even 1989 rates.

Official preliminary figures for 2014 boasted an increase of 13.3% in agricultural output but significantly underestimate 2013 production; more reliable comparisons showed a sharp decrease. The Minister of Agriculture acknowledged that, despite all efforts to improve output, results were below expectations, and agriculture's contribution to GDP was only 4%. Because of the failure of agrarian reform, Cuba now imports more than \$2 billion in food that could be grown domestically.

Although Cuban economists recommend giving priority to investment in agriculture, only 4% of foreign investment is in this field, and so far only one Brazilian company has invested in the sugar sector. Current regulations allow for US export of tools, seeds, fertilizer and other supplies, but only to private and usufruct farmers.

## 7. Biotechnology and pharmaceuticals.

In 1986–1991, Cuba created and expanded the "Havana Scientific Pole" with significant investments in equipment, technology and expertise. The project encompasses seven centers that specialize in interferon and genetic crop improvements; immunological analysis; identification of congenital deformations and hypothyroidism; vaccines against meningococcal infections and encephalomyelitis; surgery/treatment of neurological disorders (cerebral palsy, Parkinson's disease, multiple sclerosis, stroke); treatment of brain diseases; biopharmaceuticals for the treatment of cancer and other non-infectious diseases; and nuclear medicine.

In their early stages, the seven centers generated substantial hard currency from selling patents in the US and exporting vaccines to Latin America. In 1992, due to the crisis caused by the USSR's disappearance, the Cuban government transferred most of the centers' revenue to the state, returning only a fraction and thereby dramatically reducing their investment. By the first decade of this century, some of the centers were languishing due to a lack of resources, poor access to technology, and the brain drain of technicians. Around 2013, the centers were unified, leading to a modest recovery. In the 1980s, Cuba was a major medication producer, but its success depended on raw

material imports from the socialist camp. These ceased after the bloc's collapse, and currently the island suffers from a severe shortage of medicine. Exports of pharmaceutical products—excluding medicine but probably including biotechnology—accounted for 5% of total exports in 2013.

Under normalization, a mutually fruitful exchange could evolve between Cuban and US universities and biotechnology institutes. Cuban experience and knowledge in biotechnology, neuroscience, immunology, vaccines and other fields would be beneficial to US scientists and in turn, Cuban scientists could gain from advanced US technologies. Current regulations won't help in these fields because Cuba's centers are state monopolies and exports and imports are banned.

## 8. Banking.

Almost all banking in Cuba is under state ownership/management. State banks collect people's savings and use them to give loans to state enterprises and state-controlled agricultural coops. Fifteen branches of international banks provide services to foreign customers (but not Cubans), and loans to foreign and mixed enterprises not eligible for government loans. The poor telecommunications infrastructure, low quality of network data and scarcity of ATMs are all factors that restrict the banking system. In 2008–2009, the credibility of state banks suffered when the government froze the bank accounts of foreign investors and suppliers. More recently, the government has authorized self-employed workers, members of new coops, private and usufruct farmers to open bank accounts. The Central Bank is granting microloans, although these are notoriously insufficient. Current banking infrastructure,





Cienfuegos, Cuba - January 20, 2016: In cities and towns all over Cuba, crowds of people gather in parks and public squares to access public Internet. (TEKIN TURK DOGAN/iStock)

electronic equipment and personnel are inadequate to meet the growing demand for services. Cuba's inclusion on the US Department of State's list of state sponsors of terrorism also has caused Cuba enormous difficulties in making transactions through foreign banks; the US imposed billion-dollar sanctions on banks that failed to report deposits and operations by the Cuban government, making such transactions a significant risk. Cuba's removal from the list of terrorist countries in 2015 should alleviate the situation.

#### 9. Telecommunications.

Cuba has well-trained computer professionals and Havana's University of Information Sciences enjoys good equipment and Internet connections. The lack of resources, however, prevents the acquisition of equipment

and advanced software, as well as access to the Internet by the population and companies. Cuba's computer-use rate per 1,000 inhabitants is one of the lowest in Latin America and the Caribbean, at 5% (30% have access to the state-controlled intranet); the cost per minute is the highest in the region and prohibitive relative to the average national salary. A recent effort has been made to provide computers to schools and, in March 2015, an agency opened in Havana for public and officially approved access to the Internet and Wi-Fi, attracting a flow of eager youngsters. The undersea cable between Cuba and Venezuela, which could expand Internet access and speed, began functioning in 2013, but only for government use. Current US regulations aim to improve this situation by promoting the export of computers and telecommunication

equipment but require that the Cuban government relax controls on communications and the Internet and permit foreign investment in telecommunications infrastructure.

#### 10. Infrastructure and housing.

Cuba has not repaired or expanded its aqueduct and sewerage infrastructure in more than half a century, except in Santiago. Leakages result in significant amounts of water lost as well as a high incidence of water-borne gastrointestinal disease; potable water plants have been cut dramatically and water for human consumption must be boiled. Due to an insufficient number of collection trucks, garbage accumulates in the streets, and no processing plants are available to turn waste into energy. Roads and bridges are in bad condition and transport is inadequate to

accommodate passengers and cargo. Cuba needs to import construction machinery and new techniques to improve its infrastructure, but current regulations prevent this. In 1960, the government confiscated most private homes, halted all rentals, banned mortgages, stopped private home construction and impeded the buying or selling of dwellings. Public housing construction was grossly insufficient to meet population growth and many dwellings decayed due to lack of maintenance, hurricane damage and building restrictions. The authorities approved private housing construction in the 1980s, but a severe shortage of building materials resulted in a drastic fall in production. Home construction dropped from 111,373 units in 2006 to 25,037 in 2014, and units per 1,000 inhabitants declined from 9.9 to 2.3. Officially, the housing deficit is 600,000 units but my estimate is one million. A 2011 law authorized home sales and purchases, releasing capital frozen for 55 years that can now be invested to start a microbusiness or change homes. Sales are only 3.6% of the housing stock due to the population's low purchasing power (a cheap dwelling costs \$5,000, but the annual average state-sector salary is \$240, meaning that it takes 21 whole annual wages to buy a home), an outdated property registry, lack of mortgage financing, and excessive bureaucracy (an application for a home construction permit demands procedures at four state agencies and takes an average of 132 days). New regulations seek to alleviate the problem by facilitating imports of construction materials. In the March 2015 survey cited above, 41% of the respondents said the US product or service they most desired was housing.

#### II. STEPS AND CHALLENGES TO FULL NORMALIZATION

Since D17, both countries have reopened their respective embassies and signed a maritime protection agreement. The US has taken a series of positive steps on its own to accelerate the normalization process and address economic issues that benefit Cuba.

These include: *a)* Facilitating American travel to the island; *b)* Lifting the cap on remittances, especially those for humanitarian purposes; *c)* Allowing exports to and imports from Cuba's non-state sector; *d)* Removing Cuba from the list of state sponsors of terrorism; *e)* Asking the US Congress to lift the embargo; and *f)* Introducing a Freedom to Export to Cuba Act in the US Senate that would eliminate all trade restrictions (the Republican leadership has blocked it).

On the Cuban side, the measures have been mostly political and not always reciprocal: 53 political prisoners have been freed, and Raúl Castro has praised Obama as a "decent" man, in contrast to 11 previous US presidents. Cuba continues to demand the return of the US Naval Base at Guantánamo (this is probably negotiable but is subordinated to a clause that Cuba can't rent the base to Russia or China) and has cut imports of US food and medicine. Castro has also taken some antagonistic actions: He failed to acknowledge Obama's positive overtures at the 2015 meeting of the UN Human Rights Commission, which overwhelmingly voted against the US embargo; unconditionally supported Venezuelan President Nicolás Maduro in his conflict with Obama prior to the VII Summit of the Americas in 2015; strengthened ties with North Korea and asked the UN to eliminate

sanctions against that country; and supported the Syrian government.

Normalization is further obstructed by several factors:

#### 1. Politico-ideological opposition on both sides.

Cuba's leadership is not united: While some officials support the opening, hardline opponents fear that the end of the embargo would eliminate a handy scapegoat for Cuba's economic problems or that the flood of tourists could unleash political and cultural trouble. Some of Cuba's actions actually provide ammunition for US supporters of the embargo. According to the 2015 survey quoted before, 97% of Cubans believe that the normalization process is good for the country. A backlash could occur if the process does not advance and people perceive their government as the culprit.

In the US, a bloc of eight Cuban-American members of Congress oppose Obama's opening and the lifting of the embargo, including Republican Senators and presidential hopefuls Marco Rubio and Ted Cruz, and Democrat Robert Menéndez. Opposition in the House of Representatives includes Republicans Ileana Ros-Lehtinen, Mario Díaz Balart, Alex Money and Carlos Curbelo, as well as Democrat Albio Sires. National surveys of the US population, however, consistently reveal widespread support for normalization of relations with Cuba and the lifting of the embargo. FIU's own polls of Cuban Americans in South Florida have similar findings; the latest, in 2014, reported 68% support for the reestablishment of diplomatic relations with Cuba and 52% for lifting the embargo. Fifty-three percent of registered voters said they would support a candidate in favor of restoring relations.

## 2. Cuba's economic capacity.

Cuba has a low capacity to sustain trade with the US without subsidies and substantial credit. Some crucial facts:

- The US economy is 226 times larger than Cuba's; at 11 million, Cuba's population is comparable to Ohio's, but Cuba's per capita income is 10% that of the US state.
- Cuba's economic growth in 2009–2014 averaged 2% annually—in 2014 it was 1.1%, ranked thirty-first among the 35 countries of Latin America and the Caribbean.
- Gross domestic investment was 8.9% of GDP in 2013, compared to 26% in 1989 (prior to the "Special Period") and 23% in the rest of Latin America.
- Agricultural growth averaged 1% in 2010–2013.
- The deficit in the trade balance of goods in 2013 was \$9.4 billion, the second biggest such deficit in Cuban history.
- The value of exports of goods has steadily declined since 2011, when it was already 12% below 1985 levels.
- Cuba depends on Venezuela for about one-fourth of its GDP, a dangerous figure because of Venezuela's dire economic situation (200% inflation, a projected 10% drop in GDP in 2015, and the worst economic performance in the region).

Under these circumstances, one would expect Cuba to do its part to push for normalization without yielding its sovereignty.

## 3. US embargo.

Since 1968 I have opposed the US embargo on Cuba based on arguments similar to those used by Obama on D17. In addition

to the Helms-Burton Act, the Cuban Democracy Act prohibits sales to Cuba by subsidiaries of US corporations abroad, and the Reform of Sanctions on Trade and Exports Act bans travel to Cuba by US tourists. The major economic obstacle that Cuba faces is not the embargo. The island maintains trade with and investment from many countries in the world. The embargo does have a range of negative effects, including cumbersome foreign banking transactions, more expensive US goods bought from third countries and higher cargo costs; however, Cuba's inefficient economic system and incapacity to generate exports to pay for imports are the fundamental hindrance. Recent reforms have been positive but slow, impeded by excessive regulations, controls, taxes and disincentives; so far, they have failed to produce tangible economic effects. Only the US Congress can lift the embargo, and to date it has ignored Obama's request that it take this step. If the embargo were lifted, Cuba would receive many more US tourists, and probably credit, but it would have to honor its commitments or credit would vanish. Trade and investment with the US would help diversify trade and ease the island's heavy dependence on Venezuela.

## 4. Tourism.

Until recently, most US travelers to Cuba had to go in groups with an itinerary and a guide. Tourism is not allowed, so the itinerary cannot mix educational or religious activities with a day at the beach. Travel agencies and airlines cannot sell tourist packages; violators risk being fined. Individuals attending professional meetings or conducting research must have the credentials for these activities. To attract return visitors after the initial "discovery"

flow, Cuba will have to improve the quality of its hotel infrastructure, services and amenities, as well as reduce the cost of renting a car. Cubana de Aviación will have to upgrade equipment before it can obtain permission to land at US airports.

## 5. Trade and services.

Current regulations ban Cuban exports of sugar, tobacco, rum, nickel, antique cars, live animals and animal products, vegetables, prepared food, chemicals, vessels, wool and cotton. Most of these goods are only produced by the state. Imports of US food declined 44% in 2008–2015 for several reasons. First, the US does not provide credit to Cuba, shifting trade to Argentina, Brazil and Spain, which do. Second, a stronger dollar has made US goods less competitive, and third, US tariffs are high outside of trade associations. In the short run, Cuba will have a significant trade deficit with the United States due to the little it has to export, a situation that could threaten many Cuban enterprises. In addition, Cuba will have to compete with Latin American exporters that have a long relationship with the US and preferential treatment through bilateral and multilateral agreements. To the best of my knowledge, the Cuban government has not yet authorized any US trade with the non-state sector. Particularly sensitive are imports of communication and electronic equipment. If trade is eventually authorized, it will probably be subjected to restrictions and high taxes.

Cuba is a large exporter of professional services, including physicians, nurses and teachers. This sector contributes about \$5 billion to the economy annually and is the leading source of hard currency.

*Paladares or private, small, family-run restaurants are now common across Cuba. Santa Clara's restaurant El Alba cooks traditional Cuban food exclusively with charcoal. (ROBERTO MACHADO NOA/LIGHT ROCKET/AFP/Getty Images)*



Main buyers are Venezuela and Brazil. Revenue from such services compensates for Cuba's deficit in the trade of goods. Buying countries subsidize salaries, do not scrutinize training and credentials, and face no language barriers. Shifting part of those professionals to the US won't be easy.

### 6. Investment.

At less than half the Latin American average, Cuba's domestic investment is low and restricts economic growth, leading several Cuban economists to argue for the need for foreign investment in all sectors. Officially, Cuba requires between \$2 and \$2.5 billion annually to jump-start the economy into reasonable growth. To achieve this, the country implemented a new law on foreign investment in June 2014. The new law replaces regulations enacted in 1995; among other things, it:

- a) Extends foreign investment to all sectors except health, education and the army;
- b) Exempts taxes on personal income, the labor force, customs for certain imports, profits for eight years, and sales tax for a year;
- c) Permits the opening of accounts in freely convertible currency at foreign banks;
- d) Allows direct imports and exports (the previous law did as well, but in practice this did not occur);
- e) Limits the period to authorize or deny investments to 45 or 60 days (no limit existed before, and the process often took years);
- f) Authorizes enterprises with 100% shares of foreign capital (this was also in the previous law but the state had 51% of shares except for 4% of total foreign investment);
- g) Allows investments by "legal persons" residing in Cuba as well as, apparently, Cubans residing abroad (although the latter is not clear);
- h) Offers guarantees to foreign investors, including compensation

in case of expropriation.

The law also maintains some incongruous rules. It does not permit free hiring of labor or transfer of property. Foreign investors cannot directly hire or dismiss their employees, but must instead go through a state agency. Investors disburse salaries in hard currency to the government, which in turn pays a fraction in pesos to workers (the exchange rate is 24 pesos to one US dollar) and pockets the difference. Foreign investments may be expropriated for reasons of public utility or social interest, and in several cases conflict resolution has been left to local courts instead of the International Court of Arbitration. A survey of businessmen in 2015 pinpointed five factors that restrict freedom to invest in Cuba: 63% identified bureaucracy, 50% excessive regulations, 43% legal procedures and guarantees, 39% state enterprise inefficiency, and 34% financial risks. The latter concern was heightened in September 2014, three months after the investment law came into force, when Canadian Cy Tokmakjian - the biggest investor in Cuba - was sentenced to 15 years in prison for corruption and his investments were confiscated. Five months later he was deported.

A magnet for foreign investment is the Special Development Zone of Mariel (ZEDM), established in 2013. It offers better incentives than the 2014 investment law, including longer tax exemptions on profits and sales, and a special labor regime that allows agreements between foreign investors and the state agency on issues including wages. A 2014 decree stipulates that workers receive 80% of the agreed wage, at a preferential exchange rate.

In 2014, a portfolio of opportunities for foreign investment listed 246 projects worth \$8.7 million. It

allowed foreign investors to partner with cooperatives but not the self-employed, who account for 64% of non-state activities. The portfolio set 25 priorities for foreign investment, including 36 projects in hightech, manufacturing and business oriented to export in the ZEDM; energy; and construction of two cement plants and 12 new hotels. A new version of the portfolio, released in November 2015, identifies 326 investment areas and specific priorities: access to advanced technology, substitution of food imports, expansion of exports, tourism, energy, mining, industrial infrastructure and biotechnology. In March 2015, 120 investment projects from China, South Korea, Western Europe, Japan, and Vietnam (including Toyota and Hyundai) had been submitted to Cuba, but no contracts had been signed. The number of such projects grew by 757% from D17 to April 2015, but as of November only eight agreements had been subscribed.

### 7. US and Cuban claims.

Claims by US citizens for property confiscated by the Cuban government total \$7 billion, in addition to \$12 billion in claims by Cuban Americans. Cuba recognizes US citizens' claims but rejects those of Cuban émigrés. In turn, Cuba claims \$180 billion in reparation for damages inflicted by the US embargo; the government provides an annual estimate of these damages, but many categories are questionable, including the loss of trade opportunities. A settlement on mutual claims would probably have to precede the lifting of the embargo. Both sides could decide to cancel their claims, but in that case the US would have to compensate the losses of its citizens. Other alternatives include reducing the

value of claims to a portion of their nominal value, Cuba waiving or substantially lowering its claims, and a debt-for-investment tradeoff subordinated to the lifting of the embargo. Cuba also demands an end to broadcasts by Radio and TV Martí; calls for rescinding the Cuban Adjustment Act, which grants asylum to Cuban émigrés who touch US soil; and rejects any changes to the political system or discussions on human and political rights.

### III. GREAT EXPECTATIONS AND POOR SHORT-TERM ECONOMIC OUTCOMES

One year is not enough to assess the outcome of normalization but, as the previous analysis shows, the initial great expectations for a rapid and fruitful economic rapprochement were not founded on solid knowledge of the situation's complexity and extant barriers. Despite Obama's positive and daring steps, the embargo is still a formidable obstacle. The new US regulations try to support the non-state sector on the island with more remittances and trade, as well as promote wider communications through electronic exports, the Internet and "people-to-people" travel. Havana has not given the green light, continuing to pursue its goal of state free trade with and investment from the US. Raúl Castro initially welcomed the opening but has followed up with antagonistic gestures that give ammunition to active supporters of the embargo in the US. His attitude is also baffling in view of the precarious economic conditions in Venezuela, which contributes one-quarter of Cuba's GDP, and the lack of other powerful nations willing and able to replace Venezuela in a worst-case scenario. With Obama's second term drawing to an end,

a narrow window of opportunity remains to reach major agreements, especially as no one can predict the attitude of the next president toward normalization. Raúl Castro has announced his retirement in February 2018; if the next person in the White House is not as amenable as Obama, there won't be a chance for Cuba's leader to settle with the US. Finally, the Cuban people are overwhelmingly in favor of normalization and, if it fails and the leadership is perceived as the culprit, a backlash is possible. The key question, therefore, is: Why hasn't Cuba been more eager for an opening? It is understandable that Cuba wants to keep links with its allies in Latin America, Russia and China and avoid giving the impression that it has capitulated to the US. But some actions appear unwarranted, such as the outspoken declarations of support for North Korea and Syria. Public repetition of demands on the US could be explained as bargaining chips but actually are counterproductive; they fail to move the process forward and would be more appropriate for the negotiation table.

Presidents Ford, Carter and Clinton started negotiations with Cuba under Fidel Castro, only to have them aborted by actions that torpedoed the process. I have shown elsewhere that Fidel did not want a thaw with the US because it would mean losing key tools of the regime: the enemy and the embargo. Raúl is a pragmatist; he offered multiple times to meet Obama and finally reached an agreement with him on D17.

The enigma of Raúl's attitude on normalization echoes his puzzling behavior on structural reform, which has been slow, contradictory, and without tangible economic effects. Plausible explanations include the divisions within the leadership

and fears that reform will unleash an unstoppable trend toward a market economy and political trouble that could destabilize the regime. And yet, the alternative is worse, particularly if Venezuela should collapse. Cuba should move forward with structural reforms and rapprochement with the US. Negotiations cannot succeed if both parties do not give up a little, and an unyielding attitude by one partner could derail the entire process.

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New Policy, Old Politics:

# Change and Changelessness in US-Cuba Relations

by Louis A. Pérez, Jr.

A momentous occasion indeed: August 14, 2015, the raising of the American flag to inaugurate the new US embassy in Havana, something of a mirror image of the raising of the Cuban flag on May 20, 1902 to inaugurate the new republic. It was very difficult not to be swept up in the exhilaration of the moment, and certainly not the time to allow objective reality mar a subjective mood: Just as May 20, 1902 was not the day to dwell on a new republic without the capacity to exercise national sovereignty and self-determination, August 14, 2015 was not the time to call attention to a new US policy pursuing old politics.

The euphoria greeting the US-Cuba rapprochement was as widespread as it was widely shared. “Historic diplomatic rapprochement,” exulted *The New York Times*, promising to lead to “full normalization of relations.” The restoration of diplomatic ties, pronounced the *Los Angeles Times*, represented a major advance in “normalizing relations between the US and Cuba.” Secretary of State John Kerry heralded the resumption of diplomatic ties as a step closer “to restoring fully normal relations between the United States and Cuba.”

These were promising months of reconciliation after dismal years of rancor, to be sure. But it is also true that formidable obstacles remain in the way of “fully normal relations

between the United States and Cuba.” Most immediately, the embargo remains in place. Radio and TV Martí continue broadcasting. The 1966 Cuban Adjustment Act remains unchanged. And, lastly, the United States retains control of the Guantánamo Naval Station, built on territory seized in 1901.

However formidable these obstacles may appear to be, they are not insurmountable. Each could be remedied and resolved through the exertion of political will and the exercise of good faith. The most troublesome obstacles to “normal relations” are not found in the present, but in the past, over 200 years of history during which the presumption of entitlement has developed into the default template from which US policy toward Cuba is fashioned.

Cuba and the United States moved toward rapprochement within two different paradigms of “normal relations.” The Cubans engaged the process of normalization within an explicit protocol of mutual respect; in the words of Foreign Minister Bruno Rodríguez, “on the basis of respect and equality, without any prejudice to the independence and sovereignty of Cuba, and without any interference in our internal affairs.” The Americans unabashedly pursued “normal relations” as a matter of instrumental purpose, as a means to change Cuba, restructure the economy, reform its political system

and reorganize the character of Cuban society; that is, to do what the United States has always done: insert itself into Cuban internal affairs to shape the course of Cuban developments. “We would hope to bring about change in the regime,” Assistant Secretary of State Roberta Jacobson acknowledged.

For a brief moment on July 20, 2015—the date that the United States and Cuba restored diplomatic relations and reopened embassies in each other’s capitals—Secretary of State John Kerry seemed to have subscribed to the paradigm of Cuban sovereignty and self-determination. “Cuba’s future is for Cubans to shape,” Kerry declared. “Responsibility for the nature and quality of governance and accountability rests, as it should, not with any outside entity; but solely within the citizens of this country.”

Sadly, Kerry’s statement did not end there. “But,” he continued, “the leaders in Havana—and the Cuban people—should know that the United States will always remain a champion of democratic principles and reforms... We remain convinced the people of Cuba would be best served by genuine democracy, where people are free to choose their leaders, express their ideas, practice their faith... where institutions are answerable to those they serve; and where civil society is independent and allowed to flourish.” In tone and tenor, in hubris and chutzpah, in the breezy



Secretary of State John Kerry (R) watches as Marines raise the American flag at the reopening of the US Embassy on August 14, 2015 in Havana, Cuba. Kerry’s visit was the first by a US secretary of state since 1945 and a symbolic act after the two former Cold War enemies reestablished diplomatic relations in July. (CHIP SOMODEVILLA/AFP/Getty Images)

way that self-righteous certainty presumes selfless moral purpose—“the people of Cuba would be best served”—Secretary Kerry’s thinly veiled rebuke to Cuba set the US purpose in relief.

The “license” of power is perhaps impossible to revoke; it informs the very history from which the powerful obtain moral validation, from which the warrant of power assumes such utter commonplace normality as to take on the appearance of the natural order of things, hardly noticed at all except as a confirmation that all is right with the world. The sight of Assistant Secretary of State Roberta Jacobson in Havana in January 2015 engaged in public sympathetic interaction with Cuban dissidents could not but give pause. One could only imagine the howls of indignation in the United States if an official Cuban delegation arranged a public meeting with representatives of Occupy Wall Street. A similar moment came in September 2015, when, in summarizing the exchange

between Presidents Obama and Castro at the United Nations, the US press secretary related that Obama had “reaffirmed our commitment to seeing that the Cuban government do a better job of not just respecting, but actually proactively protecting the basic human rights of the Cuban people.” No doubt an exhortation from Castro that the US government “do a better job” of protecting the lives of African-American men from the police would not have been received calmly in US political circles.

US policy has been conditioned by 200 years of history during which the Americans have presumed proprietary authority to manage Cuban internal affairs, shape outcomes and prescribe what “best serves” the interests of the Cuban people. Informing this stance is the moral conviction that the United States has the right—indeed, the duty—to guide the affairs of Cubans for their own best interests and that the Cubans have the obligation to accede to US guidance.

Cuba engages the United States to defend historic claims to national sovereignty and self-determination. The United States renews relations with Cuba to “bring about change in the regime.” These two versions of “normal relations” will be difficult to reconcile and portend the continuation of adversarial tensions. Part of the problem is that no usable models exist for “normal relations” between the US and Cuba. For nearly 200 years, “normal” has meant a presumption of US authority to impose its will on Cuba. The historic model of “normal relations” casts the United States in the role of the arbiter of Cuban destiny—always in the name of what “best serves” the interests of the Cuban people. *Plus ça change...*

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# Diplomatic Normality and Its Enemies

by Rafael Rojas

One of the most striking aspects of the negotiation process initiated by the governments of the United States and Cuba in early 2015 has been its explicit adherence to the realistic canon of contemporary international relations. Both governments, since the concurrent statements by Barack Obama and Raúl Castro on December 17, 2014, agreed that they would negotiate without renouncing divergent principles that put national interests above ideology. The teams led by Vice Minister Josefina Vidal and Assistant Secretary Roberta Jacobson respected that basic agreement, whose goal was a theoretical consensus between two states with differing ideologies.

The realist school of international theory, starting with Hans Morgenthau and his classic *Politics among Nations* (1948) and rearticulated in the last decades of the twentieth century in the works of Robert Keohane and Joseph Nye, was a doctrinal current essentially linked to the context of the Cold War. A central motivation of Morgenthau, a German Jewish intellectual and University of Chicago professor during World War II, was to explain relations between states through what he called “interest defined in terms of power” rather than the ideological confrontation that monopolized the public sphere during the Cold War. Echoing Machiavelli and Marx, Weber and

Freud, Morgenthau argued that the reality of international relations was hiding behind the façade of ideology. Morgenthau, who closely observed the conflict between the United States and Cuba, especially during the Bay of Pigs invasion and the Missile Crisis, later wrote that John F. Kennedy and Fidel Castro had acted rationally according to their respective interests. The old master’s observation angered politicians and intellectuals involved in the ideological battles of the Cold War. One of his critics was Maurice Halperin, a former agent of the Soviet NKVD and the American OSS (the forerunner of the CIA), who had advised Fidel Castro and Che Guevara in Cuba in the mid-sixties. After breaking with the Cuban government, Halperin accused Morgenthau of naivety in his analysis, because it underestimated the potential irrationality of an actor such as Fidel Castro.

Like all conflicts inherited from the Cold War, the dispute between the United States and Cuba has an ideological dimension that is impossible to hide. One only has to take a quick look at the domestic and international policies of the two actors in the confrontation to appreciate their contradictory global and regional strategies and profiles. Ideology cannot be excluded from the analysis of this conflict: Not only do both states assign it a central role within their policies but also, after more than half a century, their dispute has molded the values,

discourses, practices and even temperaments of the communities involved.

Despite the differences and asymmetries between the two nations, their governments have been able to understand each other, restore relations and outline a protocol for diplomatic normalization. While much remains to be done to satisfy the central demands of each party, the protocol itself is a major step in signaling the willingness to negotiate of two actors at odds for too long.

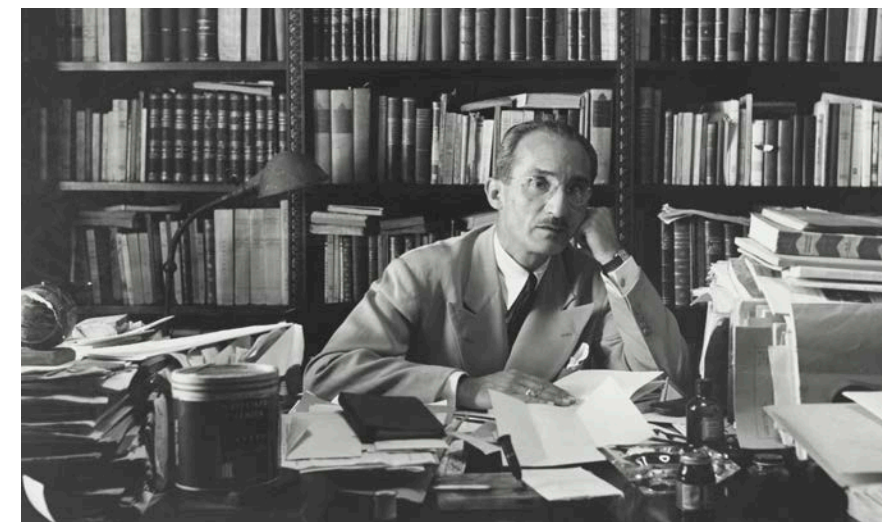
This progress is even more notable when one considers that the Cuban government is headed by a historic leader of the 1959 Revolution and one of the main architects of the Communist political and legal system that has characterized the island for the past 55 years. This government brokered Cuba’s inscription within the Soviet bloc, radically changing the hemispheric system and making the island the target not only of hostile policies of all kinds, but also the closest approximation to a nuclear holocaust in the West so far. The state that was built after the Revolution has produced a foreign policy unprecedented in its global activism among any Latin American or Caribbean country, and Cuba was the only socialist state within the Soviet bloc to openly reject the fall of the Berlin wall, the breakdown of the USSR and the transition to democracy in Eastern Europe.

On the US side, in contrast, the negotiations were led by President

Barack Obama, toward the end of his second term and with a polarized Congress controlled by a Republican majority. This ideological polarity motivated America’s first African-American president to rely more on executive orders to reshape US domestic and international policy, as evidenced by such examples as the Affordable Care Act, immigration, the nuclear deal with Iran, estrangement from Benjamin Netanyahu’s government in Israel and, of course, the restoration of relations with Cuba. Obama has pinned his hopes on these initiatives as his legacy and for his party’s chances for keeping control of the White House in the 2016 presidential elections.

Despite the rational motives of each actor, however, neither is univocal and both are subject to pressures and interests from their immediate environment and geopolitical partners. At least three pockets of resistance oppose the reestablishment of relations between the United States and Cuba: (1) Congressional Republicans, especially Cuban-American senators and representatives of both parties, who are reluctant to consider constructive ties with left-leaning Latin American and Caribbean governments; (2) the segment of the Cuban government that is most resistant to change and skeptical of the reforms Raúl Castro has introduced over the past three years; and (3) some currents of the Latin American left, especially those identifying with the Bolivarian Revolution, which are not eager to see an understanding between Washington and Havana.

To understand these tensions, it is useful to look back to the work of Cuban philosopher and essayist Jorge Mañach, who was exiled to Puerto Rico in the summer of 1960 following his disenchantment with the Cuban Revolution’s turn toward



Jorge Mañach, writer, scholar and statesman. (SERGE BALKIN/CONDE NAST/AFP/Getty Images)

Communism. At the University of Puerto Rico in Río Piedras, hosted by Chancellor Jaime Benítez, Mañach delivered a series of lectures on the Caribbean as a border between the two Americas that later appeared under the title *Teoría de la frontera* (1970), a posthumous and unfinished work prefaced by Concha Meléndez. In these talks, Mañach portrayed many of the protagonists in the conflict between the United States and Cuba as carriers of an idea of the border as an edge or limit, boundary or partition, when, he suggested, it could best be thought of as a “friction surface.”

Mañach was keenly aware of the asymmetry between the United States and its Caribbean neighbors. The Caribbean islands, in his view, represented an “uneven border.” “When a village is underdeveloped, as is now said, in the vicinity of a powerful nation, or equipped with different cultural elements..., the border necessarily implies something insecure and precarious,” Mañach noted. When one abandons the idea of the border as a “friction surface,” he explained, countries “lose the ability to communicate, giving rise to arrogance on one hand

and resentment on the other.” The function of borders in this context is limited to “preserving as much as possible the respective integrities, enclosing the two human groups in their corresponding places” (*Teoría de la frontera*, p. 43).

Mañach cited the ideas of Argentine economist Raúl Prebisch, the founder of ECLAC, in suggesting that increased economic activity was the key to leveling the border: “studying our natural resources, adopting modern techniques and saving habits, integrating markets, implementing internal systems of distribution and diversification of agricultural property, and industrializing. Above all, imposing on ourselves healthy forms of democratic political and social discipline.”

Today’s analysts may not use the same terminology as Mañach, but his idea of the border as a “friction surface” remains a valuable lens for viewing the challenge of diplomatic normalization between the United States and Cuba.

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## US-Cuba Relations: Waiting for Real Change

by Nora Gámez Torres

**A** year after D17, President Barack Obama explained the theory behind the change in US policy toward Cuba, which had remained almost untouched for half a century. “Our original theory... was not that we were going to see immediate changes or loosening of the control of the Castro regime, but rather that over time you’d lay the predicates for substantial transformation,” the president said in an interview with Yahoo News.

The results, however, haven’t kept up with the enthusiasm generated by the event, especially among US entrepreneurs. Apart from Airbnb and telephone companies such as Sprint, few have benefitted from the opening. Cuba’s removal from the US list of state sponsors of terrorism and the reappearance of embassies in the capitals of both countries are the results with the most symbolic and political weight so far. Cuba has made political hay out of its removal from the terrorism blacklist, but the United States did not attain a comparable achievement in 2015. According to a State Department official I spoke to via teleconference, direct mail, civil aviation, environmental protection, and the fight against drug trafficking are all subjects on which agreements have already been achieved or could be achieved soon.

A day before the first anniversary of D17, the two countries announced an understanding aimed at the

resumption of commercial flights to the island, but acknowledged that the negotiations will take months. The talks have stalled over million-dollar claims in US courts to compensate victims of the Cuban government’s actions. An agreement on compensation, rugged and difficult though it may be, will be a vital part of ensuring a real possibility for US companies to invest and operate normally in Cuba.

The island’s government has yet to respond to most of the incentives provided by the United States. The Obama administration has promulgated new regulations authorizing US institutions and companies to have a “physical presence” in the country, open bank accounts and hire Cuban employees. In theory, US companies could also begin exporting materials and supplies to self-employed Cubans. To date, however, the Cuban government has not even opened a wholesale market for small business owners and continues to monopolize all commercial activity.

For many US entrepreneurs eager to invest, the slow reaction of the island’s government seems puzzling. Even one of Fidel Castro’s own children, Alex Castro Soto del Valle, has complained that the process of change in Cuba is “too slow” because of bureaucracy, the objections of a “conservative” wing in the government, and corruption.

On the US side, despite efforts to lobby Congress, the embargo and the travel ban to Cuba for

most US citizens remain in effect. Nevertheless, as James Williams, a lobbyist in favor of lifting the embargo, notes, “while there are still many challenges in relation to US policy toward Cuba, we’ve made more progress in one year than in decades.”

Cuban Foreign Minister Bruno Rodríguez has criticized Obama’s measures as “very limited,” and the government has made ending an embargo a condition of “normalization.” Even in this country, legal experts such as Stephen Propst point out that the Obama administration could further expand the categories of allowed travel to Cuba and facilitate financial transactions, among other measures intended to relax the sanctions.

Obama might be inclined to do so if, as he told Yahoo News, the Cuban government accelerated its own reforms. At the same time, he seems to be taking into account criticism from Cuban exiles and members of Congress—above all, Cuban American senators and representatives—that his policy offers an “economic lifeline” to the island’s government. The president has promised to be “selective” and “cautious” in exercising his executive authority to promote economic change to avoid benefiting the “cronies of the regime.”

### The Island’s Political Climate

On December 10, 2015, International Human Rights Day, the Cuban authorities arrested more

than 150 members of peaceful dissent movements. Cuban-American congresswoman Ileana Ros-Lehtinen—one of the leading critics of the United States’ new Cuba policy—took the opportunity to reproach President Obama that “countless economic and political incentives have not stopped these authoritarian people from clinging to power,” a reference to “the Castro brothers and their henchmen.” Cuba remains a country of great contrasts and no miraculous announcement will change the island’s political reality overnight. Obama himself foresaw this problem from the start, and reiterated in December 2015 that he will continue to “press” to improve the human rights situation on the island. Raúl Castro, whom Obama described not as an “ideologue” but a “pragmatist,” although one “very committed to the existing regime,” promised early on to the Cuban National Assembly that, during negotiations with the United States, he would require “respect” for the political system established since 1959.

In sum, 2015 was a year with “positive and negative results” for the Cuban opposition, human rights activist Antonio Rodiles acknowledges. After freeing around 50 political prisoners earlier in 2015, the Cuban regime continued to arrest opponents on a large scale. (As of November 2015, the Cuban Commission for Human Rights and National Reconciliation reported 7,686 arrests). At the same time, however, dissidents have managed to give visibility to their demands through social media campaigns such as #TodosMarchamos (advocating for the freedom of all political prisoners), #Cubadecide (calling for a plebiscite), or the hundreds of videos the Patriotic Union of Cuba (UNPACU) posts on YouTube.

Rodiles has been one of the most

critical opponents of normalization and has taken the opportunity to express his views in Washington at Congressional hearings. The diplomatic turn taken by the United States has created a clear distinction within the Cuban opposition between those who support the new US policy and those who do not.

### Who Wins the Game?

If this were a game of chess, the Cuban government could be said to hold an advantageous position. It has secured the release of three of its intelligence agents, who were received back home as heroes. The United States has removed Cuba from its list of state sponsors of terrorism, issued a series of regulations to stimulate trade and travel to Cuba, and expressed a willingness to continue negotiations with Havana on multiple issues. Cuba has also drawn the attention of the business community.

But an early advantage doesn’t mean a solid position on the board. The Obama administration has a few months to make its legacy “irreversible” and will demand more than promises and meetings every three months. The enthusiasm of entrepreneurs could likewise fade unless Cuba enacts the legal reforms necessary to guarantee property and investments, unify its currency and allow the direct hiring of employees, key concerns of the business delegations that visited the island in 2015. It could decide to take these steps, but some measures require modifying Cuba’s Constitution. Any transcendental policy change would have to be approved by the Communist Party, during its 7th Congress in April 2016.

The end of 2015, with the devastating defeat suffered by Chavism in Venezuela, brought great uncertainty to Cuba. If the Venezuelan opposition, which took

control of the country’s National Assembly, decides to cut back on oil subsidies to Cuba, the island could lose the equivalent of a quarter of its economy and 35% of its foreign trade, economist Carmelo Mesa-Lago has warned. This could accelerate the pace of reforms and US rapprochement.

Obama raised the stakes in December 2015 when he said that he was “very interested” in visiting Cuba in 2016, but only if the “conditions are right.” Obama added that he would like to see progress in achieving “freedom and possibilities for ordinary Cubans” and asked to meet with dissidents and activists, conditions sure to displease the island’s government. Stronger demand for human rights could content the many Cuban Americans who still mistrust the turn in US policy toward Cuba, mostly because of the scarce political results it has achieved in this area and respect for civil liberties. Obama only has until the end of 2016 to prove that his policy is not just a promise but rather a risky bet with potential benefits both for Cuba and the US.

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Ramón Cruz, who left Cuba three years ago, visits a Check Cashing USA store in the Little Havana neighborhood of Miami, Florida to send a \$300 wire transfer via Western Union to his mother who still lives on the island. (JOE RAEDLE/AFP/Getty Images)

# The Cuban-American Community after D17

by Jorge Duany

The reestablishment of diplomatic ties between the United States and Cuba has raised numerous opportunities and challenges for both countries, including US citizens of Cuban origin, particularly those residing in South Florida. Here I will assess some of the main economic repercussions of the changes in US-Cuba relations for Cuban Americans.

Let me begin with some brief background on the recent emergence of a private, or non-state, sector of Cuba's economy, usually referred to as *trabajo por cuenta propia*

(self-employment). In May 2015, the Cuban government reported 504,613 self-employed workers, or approximately 10% of the island's labor force. Most of these workers were employed in three service sectors linked to the tourist industry: *paladares* (small family restaurants), *casas particulares* (bed-and-breakfast rentals to foreigners), and private taxis, including *bicitaxis*, *cocotaxis* and *almendrones*, as Cubans call vintage American cars. Other authorized private businesses include beauty and barber shops, car repair, construction, and repair of electrical appliances.

According to a 2014 survey by Maybell Padilla Pérez, one-third of the startup capital for these businesses originates in Cuban-American remittances, technically defined as transfers of money by migrants from the United States to family members on the island. Significant informal "investment" (through remittances) is already taking place in Cuba, but is not yet officially recognized by either the Cuban or US governments. At present, small-scale Cuban businesses, operated by family owners, are the main target for "investment" by Cuban-American

entrepreneurs. According to the Havana Consulting Group in Miami, Cubans living outside the island sent \$3.13 billion in total remittances to their relatives back home in 2014. Forty-eight percent of all Cuban Americans interviewed in the 2014 FIU Cuba Poll sent money to Cuba. According to Katrin Hansing and Manuel Orozco, about half (47%) sent money to Cuba by conventional methods (i.e., wire transfers through Western Union), while the other half (50%) used informal means (i.e., family members or *mulas*—unlicensed remittance carriers—traveling back home).

Cuban-American contributions to Cuba's economy are not restricted to remittances. Cuban émigrés also finance nearly 70% of Cuba's cell phone market, which amounted to more than three million phones in 2015. Cuban Americans make more than 50 million telephone calls per year to Cuba, and Cubans living abroad send millions of dollars in packages, including food, clothes, medicine and other assets. Nearly half a million Cuban Americans traveled to Cuba in 2013. They took with them merchandise worth millions of dollars, such as electrical appliances, spare parts, and other items used to develop and maintain businesses on the island. When Cuban Americans travel to Cuba, they often stay in *casas particulares*, eat in *paladares*, and purchase other goods and services produced by self-employed workers (*cuentapropistas*). In short, Cuban Americans are currently making a substantial contribution to the development of small private businesses in Cuba and, therefore, to improved living conditions for the island's population. Recent changes in US-Cuba relations are likely to expand opportunities for Cuban-American remittances, travel, communication and investment in Cuba.

What is the potential role of Cuban-American remittances in the island's economy? In 2015, about a third of Cubans polled by Bendixen and Amandi on the island said they received money from relatives and friends living abroad. Most of the money Cuban Americans send is spent on daily household subsistence needs in Cuba, such as food, medicine and housing repairs. Some remittance recipients are able to save a portion of the money and purchase assets such as cell phones, cars, machinery and computers. In Bendixen and Amandi's poll, 11% of respondents said they invested their remittances in productive activities, including setting up and sustaining small private businesses such as beauty parlors, cafeterias and *cocotaxis*. Many of the most successful businesses in Cuba today (including several *paladares*) were established with dollars sent by relatives living overseas. The money is often used to purchase goods, repair and remodel facilities, and meet payroll demands. A 2011 study by Orozco and Hansing found that remittances financed 27% of the day-to-day operations of small businesses in Cuba.

More broadly, the massive transfer of money from Cubans in the United States has a multiplying effect on the Cuban economy by bolstering consumer demand, particularly in agriculture, retail trade, communications, construction and, more recently, real estate. Remittances are now the second or third source of foreign currency on the island, after the export of professional services and tourism. They are part of a broad-based transnational economy that operates (largely informally) between Cuba and Florida, including retail trade, telecommunications, real estate and many kinds of services.

The potential impact of improved

US-Cuba relations on Cuban Americans depends largely on their attitudes toward the restoration of official ties between the two countries. Several polls conducted after December 17, 2014 have documented that many, if not most, Cuban Americans supported reestablishing diplomatic relations with Cuba. For instance, in a *Miami Herald* poll published on December 19, 2014, 44% of respondents favored normalization, while 48% opposed it (with a 4.1% margin of error). In a national US poll conducted by Bendixen and Amandi in March 2015, 51% of Cuban Americans favored normalizing relations with Cuba. Support for reestablishing diplomatic ties was even higher outside of Florida: 69%. In December 2015, another Bendixen and Amandi poll found that 56% of Cuban Americans agreed with President Obama's decision to normalize relations with Cuba.

The 2014 FIU Cuba Poll, conducted in May 2014, found that two-thirds of the Cuban-American population in Miami Dade County favored diplomatic ties with the island. Several other significant findings also emerged:

- Over time, more and more Cuban Americans in Miami have supported renewing diplomatic ties with Cuba—from 20% in 1991 to 68% in 2014.
- Fifty-seven percent of registered voters would likely vote for a candidate in favor of replacing the embargo with a policy of increased support for independent business owners.
- Fifty-five percent of the interviewees would invest in Cuban independent enterprises.
- Although split almost evenly on the question of the embargo, most Cuban Americans favor unrestricted travel, remittances,

*Ñoooo Qué Barato! is a discount store in Hialeah, Florida and popular shopping destination for Miami Cubans who buy inexpensive items to send to family and friends on the island. Para Cuba Lo Tenemos Todo is their tagline. (JUAN MONINO/iStock)*



the sale of food and medicine, and other kinds of trade with Cuba.

What legal and policy measures might promote the participation of Cuban-American businesses in the emerging private sector of the Cuban economy? An important first step is for the Cuban government to clarify the legal rights and obligations of Cubans living abroad. The latest legislation on foreign investment in Cuba does not specifically prohibit Cubans living abroad from investing in the island (and some Cuban officials have publicly expressed that they would welcome such an investment), but it remains ambiguous on the issue. Cuba must also provide stronger legal guarantees for “foreign” investors (including Cuban-American entrepreneurs). Travel, visa and remittance regulations should be more flexible and less expensive. Cuba’s official recognition of dual citizenship for Cuban Americans would probably facilitate their participation in the Cuban economy. In addition, experts have recommended that the government authorize all economic activities—including professional services—in the self-employed sector, and allow more employees per business. In the political realm, greater tolerance for diversity of opinion and respect for human rights in Cuba would certainly encourage Cuban-American investment in the island.

On the US side, lifting the embargo of Cuba will be necessary for a full normalization of US-Cuba trade relations. This is unlikely to occur before 2017, with Republicans in control of Congress. In the meantime, recent US amendments to regulations governing trade with Cuba have facilitated the entrance of US (including Cuban-American) businesses to the Cuban market, especially in agriculture, transportation, telecommunications,

finance and even education. Nevertheless, numerous legal and policy measures still restrict the flow of people, capital, merchandise, information and technology between Cuba and the United States.

To sum up, Cuban Americans will probably be one of the key social actors in the reconstruction of the Cuban economy after the restoration of diplomatic relations between Cuba and the United States. They are already sending large sums of money, purchasing goods, transferring technology and consuming services in the private sector of the Cuban economy. The role of Cuban-American remittances could be even more significant in the near future as a source of funding for independent business growth on the island. In several public opinion polls, most Cuban Americans have expressed strong support for the reestablishment of US-Cuba diplomatic ties and the expansion of the private sector on the island. Maximizing the potential contribution of Cuban Americans to the Cuban economy, however, will require substantial changes to the laws and regulations established by both the Cuban and US governments, especially the lifting of remaining trade, investment and travel sanctions. Perhaps then, economic exchanges between Cubans living on and off the island will become smoother and achieve their full potential.

*Jorge Duany is Director of the Cuban Research Institute and Professor of Anthropology in the Department of Global and Sociocultural Studies at Florida International University.*



# Cuba's Communist State Is Now a Client of Its Capitalist Entrepreneurs

by Tim Padgett



Future Cuban entrepreneur Mairene Valladares (right) with a Welcome, Obama t-shirt that she and her business-owner parents, Rubén (center) and Maida, printed. (TOM HUDSON/WLRN)

Rubén Valladares just might be one of the most important entrepreneurs in Cuba.

No, he's not a tourism tycoon. He's not a tech titan.

Truth is, he makes... paper bags.

"But we are the biggest provider of bags in Cuba," says Valladares, a slender, middle-aged man who finishes his sentences with the sort of raspy chuckle that helps people get through each trying day on this island.

Valladares is especially proud of the gift bags he made for President Obama's historic visit to Havana in

March 2016. They sport Obama's face between Cuban and US flags with a message in English: It's Time. Welcome to Cuba.

On the flip side is the logo of Valladares's packaging company, Adorgraf, as well as an unabashed commercial message borrowed from the new normalization of US-Cuba ties: "The First To Package A New Relationship."

Bags this nice don't pay for themselves, after all.

That's the sort of business acumen that changed Valladares's life four years ago. He was a middle manager making a middling salary at a state-run Cuban firm printing business cards. One day a shop owner picked up his order and mentioned he couldn't find anyone in Havana who could print his logo on sturdy paper bags.

"That guy, he made the idea for me," says Valladares, who had one of those capitalist epiphanies you see a lot more of in communist Cuba today.

A year before, President Raúl Castro had expanded the range of private businesses Cubans could start. So Valladares and his wife, Maida, launched Adorgraf making personalized bags – with handles, a deluxe feature in Cuba. (He makes sure I see the winding yarn grips on his Obama bags.)

The demand overwhelmed them –

and so did the money that poured in.

As in, 20% annual revenue growth. Valladares recently bought his family's first car—a shiny pink Russian-made Lada 1600. He has almost 30 employees, most of whom earn three or more times the \$20-a-month most Cuban workers make. They also get benefits such as family leave.

Adorgraf still has just a modest workshop that sits on an unpaved street near Havana's airport. To understand why the company is a player, check out the wall inside, where Valladares displays bags with his clients' logos.

"For example," he says, "Caracol, Gaviota, BDC International, Café Escorial..."

Most of them are large, state-run firms. And that matters a lot to Cuba's fledgling private sector.

Cuba today is home to half a million private business owners, or *cuentapropistas*. Not long ago they were considered folks making a few extra pesos in the island's threadbare economy.

But today they account for almost a quarter of Cuba's economy and employ almost a third of its workforce. And the fact that the state is now a *cuentapropista* customer means that private ventures have assumed a much more essential role.

"It's an important psychological step," says Augusto Maxwell, a



Rubén Valladares points to one of the printed bags he has made in his Havana workshop. His private company sells the bags to many Cuban state-owned companies. (TOM HUDSON/WLRN)



Cuban entrepreneur Caridad Limonta (left) who owns a clothing firm called Procle in Havana. Her son Oskar (right) will attend a business training course at Florida International University this summer. (TIM PADGETT/WLRN)

Cuban-American attorney who heads the Cuba practice at the Akerman law firm in Miami.

Maxwell was in Cuba in March during Obama's visit, and he says a big question now is whether the entrepreneurs' new clout might lead to more free-market reforms.

"That's a conversation between the Cuban entrepreneurs and their government," he notes.

And it's not any easy one.

"Oh, it is very complicated for us," Valladares tells me with a more exasperated chuckle.

So complicated that he has to stop speaking English and explain it in Spanish.

For example, he points out: The Cuban government still won't let private businesses buy materials directly from the wholesale market. It's a power thing. So when Valladares needs paper from the state-run wholesaler to fill orders for bags, his clients have to buy the paper first. Then he buys it from them.

It doesn't make sense in Spanish, either.

Which brings us to why Valladares printed up all those bags welcoming Obama, who is arguably the biggest champion of Cuban *cuentapropistas*.

"Social responsibility is very important," he says, "but I think it's very important that we the private sector push to change this situation. Maybe Obama can help to change this problem."

In fact, Obama just took another step toward that end. Only Congress can lift the trade embargo against Cuba. But last March the US issued new rules that let private Cuban firms buy and sell with America and access credit there.

Maxwell says that puts the ball once again in the Castro government's court.

"We've created the infrastructure that would allow them to plug into our side," he says. "Now it's up to the Cubans to figure out to what

extent the Cuban entrepreneurs can plug in."

Entrepreneurs like Valladares really aren't waiting to find out.

And neither is South Florida.

That's where Valladares hooked up last year with a Hialeah printing company, Florida Flex.

"We are importing from Hialeah," he says with a sly grin.

For months now Valladares has been engaged with Florida Flex in what *cuentapropistas* call Samsonite importing: Bringing raw goods—in this case, silkscreen printing ink and equipment—from Hialeah to Havana in bulging suitcases and boxes.

Florida Flex, which is owned by Cuban Americans, is also poised to bring some of Adorgraf's employees to Hialeah to train them in more advanced skills.

It's that kind of enterprising spirit that keeps Adorgraf's workshop humming. And it earned Valladares an invitation to Obama's event with Cuban entrepreneurs in Havana, where the President gave them a pep talk.

"Cuba's economic future," Obama told the entrepreneurs assembled, "depends on growth in the private sector."

That seems as plain as a paper bag.

*Tim Padgett is America's Editor at WLRN News. He has covered Latin America for nearly 25 years and received Columbia University's Maria Moors Cabot Prize for his body of work on the region.*

Gelato and a Balmy Evening Ride in an American Convertible:

# To Be or Not to Be in the New Cuba

by Ruth Behar

When I first started traveling to Cuba in the early 1990s, the few tourist stores had dark curtains in their windows. They allowed only a few people inside at a time, part of a concerted effort to hide their goods, suppress the desire for the vast world of material things unattainable to the majority, curtail envy, and control the viral spread of resentment. This tension is echoed in the 1985 Cuban film *Lejanía* (Parting of the Ways), by Jesús Díaz, which portrays an exiled mother in Miami who returns to Cuba after a decade away. She arrives loaded with suitcases full of clothes and electronics for the son she left when he was a teenager, but he refuses to accept the gifts, finding her consumerism repugnant.

I left Cuba as a child with my parents and returned as an anthropologist. I was in a strange role, able to move between the comforts of the emerging tourist industry and the decaying socialist sector that could no longer meet people's most basic needs. The years following the fall of the Soviet Union were a time of hunger and scarcity, and I wanted to slip money into the pockets of everyone I met. But most Cubans back then still believed in volunteerism, working for the good of the people and the

ideal of giving without putting a monetary value on human relationships. So I held back, not sure whether to offer charity, fearing I'd be taken for an obnoxious returning Cuban flaunting my privilege.

That era has ended for sure. I traveled to Cuba several times in 2015 to take the pulse of the island in the aftermath of restored diplomatic relations with the United States. Havana's José Martí Airport is now barely able to handle the numbers of US travelers passing through, taking hours to transport luggage to the carousels. Hotels are packed, upscale restaurants require reservations, and hipster spots such as Café Madrigal, with its exposed brick walls and edgy art, are bustling. Vendors peddle tourist tchotchkes on every corner and street musicians sing the "Chan Chan" song for a tip. Local entrepreneurs sell services from hairstyling to tutoring (the public education system isn't what it used to be) to other Cubans. Stores are stocked with everything from Nikes and knockoff Dolce and Gabbana T-shirts to toilet seats (in scarce supply until now). Elders on the street hawk a tube of Colgate or a razor in its package. Those still working at government jobs that provide a free lunch will try to sell their sandwich and soda for a profit.

This year, everything I've seen

and done in Cuba has become part of a complex reckoning, a need to respond to the question everyone is seeking to answer: What has changed in Cuba? But a more personal question has also haunted me: Who do I want to be in the new Cuba? A few experiences have left me uneasy about my own participation in the Cuba that is emerging.

One took place in a new gelato place in the gentrifying Habana Vieja zone, a crossroads of tourist sites, galleries, boutiques, restaurants and local residents with no running water in their apartments. Helad'oro is a private business that only accepts the Cuban convertible currency (CUC), pegged at 13% above the US dollar. (Government salaries are in the Cuban peso, and most people earn the equivalent of \$20–\$30 a month.) It offers gelato in flavors such as mojito and pineapple. Prices are less than you'd pay in Europe or the US but expensive for the average Cuban. On the day I was there, a Cuban artist-friend and I chose simple one-scoop cones and sat down on the slippery new orange plastic chairs. As we dug into our gelato, we saw two boys, aged 10 or 11, their faces pressed against the shiny glass windows, staring at us. They were Afro-Cuban and clearly from the neighborhood. A blond, German-speaking tourist family, with two children the same age as

the boys outside, also sat down for gelatos. When they saw the boys staring, they invited them inside and offered to buy them a treat. A male employee scolded the boys for bothering the customers and ordered them to leave. Apparently, it was not the first time the boys had begged for ice cream. The couple purchased the gelato anyway and brought it to the boys outside and they stood eating it there until the employee drove them off.

Ice cream is a political subject in Cuba. The state-run Coppelia, where the superb Tomás Gutiérrez Alea film, *Strawberry and Chocolate*, begins and ends, is a socialist ice cream cathedral created soon after the Revolution in 1966. An outdoor pavilion surrounded by banyan trees, it has the capacity to serve up to 35,000 people a day. Coppelia was a utopian effort to bring ice cream to the people. If you're willing to wait on a long line, you can still get affordable ice cream in Cuban pesos, or an expedited line caters to those who pay 25 times more in CUC. In the early 1990s, when milk was scarce and one meal a day was all that most Cubans could hope for, people would line up at dawn at Coppelia to buy ice cream for breakfast. A wide range of flavors was offered in the early days, when the Russians subsidized the economy, but the moment the Special Period hit Coppelia was reduced to offering only one "feminine" and one "masculine" flavor, strawberry and chocolate (thus the title of the movie). Flavors to this day remain limited and the quality of the ice cream has deteriorated. Not surprisingly, a reviewer on Trip Advisor raved about Helad'oro and its "all natural ice cream," exclaiming, "Forget the very low-standard Copellia" (sic).

Although the gelato was indeed

delicious, I felt sad consuming it while the neighborhood kids were being mistreated. It felt to me like a portent of the times ahead and the daily injuries of class division and humiliation that are spreading in Cuba, even as exciting opportunities arise for those in a position to benefit from them. I am a child of exiles and can't ever forget that, but I guess a part of me has always wanted to believe in the ideals of equality and justice symbolized by the Revolution. It has been heartbreaking to observe the disintegration of those ideals in everyday life. How is it that Cuban doctors have managed to reduce infant mortality below US rates, yet little boys in Havana still beg for gelato? That wasn't supposed to happen in Cuba.

I had another uneasy experience at the end of a week I spent with a group of scholars and artists who enjoyed seeing all the signs of the cultural and artistic rebirth in Cuba. On our last night in Havana, we took a breezy ride in six classic American cars, impeccably restored convertibles painted in colors from serene blue to flamingo pink. The vintage cars seemed to have been waiting all those years in Cuba just so Americans would come back one day and take a spin in them.

It was a perfect balmy evening for a ride, but the thrill of being driven around ocean-misted Havana like a 1950s movie star died when we passed a crowded bus station and I saw fellow Cubans waiting to catch a bus home for the equivalent of a penny. They looked weary. I turned away, afraid to catch their glance.

Moments before sunset, the fleet of gaily painted automobiles, sounding their singsong horns, stopped at the Plaza of the Revolution in time for us to see the outlined images of revolutionary heroes Che

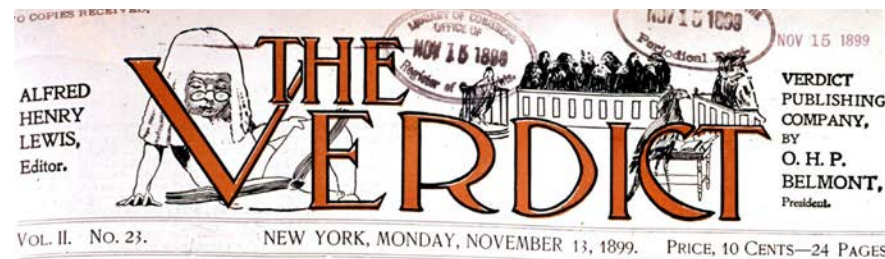
Guevara and Camilo Cienfuegos burst into bright lights. It was a beautiful sight, definitely worthy of a picture. Everyone was snapping photos. Soon I couldn't help myself; I did, too. Dutiful child that I am, I thought of my parents: Would they be upset? I wasn't sure anymore to which Cuba I belonged—the Cuba of the people waiting for the bus; the Cuba of exiles like my parents, who'd left and didn't want to return; or the Cuba of people like me, coming back with our privileges and our nostalgia to see how the island is changing.

Cuba's independence leader, José Martí, who spent years as an exile in New York, once wrote that he had two countries, "Cuba and the night." As we left the plaza and drove on to dinner at one of Havana's most exquisite restaurants, I found myself saying a prayer under my breath: May Cuba find its way through the long dark night that lies ahead.

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# Cuban Nationalism and the Future of US-Cuba Relations

by Michael Parmly



Satirical cartoon in 'The Verdict' against Theodore Roosevelt and the Platt Amendment, 1899. Library of Congress. (12/UG/AFP/Getty Images)

Cuba's... geographic realities give it physical unity; the absence of formal impediments to the spontaneous relations among its inhabitants produces demographic unity; the uniformed forces give it police unity. From 'colonial times,' Cuba possesses unity in its traditions, and the essentially common destiny experienced by its various regions affirms its historical unity. The combination of those elements has been sufficiently intense to give a certain psychological nature to the population that one can speak of 'a Cuban character.'

This description, part of Antonio Guiteras's political platform for the political organization "Joven Cuba" in 1934 (quoted in *Antonio Guiteras: Su pensamiento revolucionario*, Havana, 1974, p. 183), is a useful summation of a concrete reality. Even today, Guiteras's pronouncement remains an accurate profile of the island nation of some 11.2 million people. Just last year, Cuban Foreign Minister Bruno Rodríguez echoed these sentiments at the flag-raising ceremony at Cuba's Embassy in Washington, D.C., crediting "the free and unshakable will, unity, sacrifice, selflessness, heroic resistance and work of our people, and also the strength of the Cuban Nation and its culture," for making possible that historic occasion.

The qualities lauded in both statements are part of a rich cultural tradition that can be traced back at least as far as Félix Varela in the

early nineteenth century, through Carlos Manuel de Céspedes several decades later and José Martí at the turn of the twentieth century, and on to the present day. Something had to account for Cuba's ability to maintain a separate identity during the half-century when the US dominated its economy and society, and then the five decades of deep hostility between the island and its northern neighbor. The factor that preserved Cuba's independence, as much as anything else, was Cuban nationalism.

Admittedly, the term "nationalism" can be controversial, evoking such concepts as National Socialism and xenophobia. To the extent that nationalism is a belief in an aggressive superiority complex, or worse, racial antagonism towards a country's neighbors, that opprobrium is justified. But a sense of nationalism that contributes to national unity, without an antagonistic foreign antithesis, and that helps energize a population in pursuit of positive, constructive objectives—an increase in well-being for the majority, or progress towards legitimate foreign policy objectives—represents a positive factor in international affairs. In its most strident form, nationalism can be used as a sort of rallying cry "to man the barricades." In its more benign form, however, it can be a tool for governments to explain the need for short-term sacrifice to produce long-term benefits for the population as a whole. The latter description characterizes the type of nationalism most commonly seen in Cuba.

The components of nationalism are multiple and vary with each case (and for that matter, with each historical era). History and geography, demography and economics, and culture in the broadest sense—all are important

elements in explaining why a population responds to and believes in nationalistic stimulation. Most important, nationalistic peoples believe deeply in themselves. Why was—and is—nationalism important to Cuba?

Whenever a population lives in the shadow of a larger neighbor, that population seeks to ensure the autonomy of its own identity. Since at least the middle of the nineteenth century, Cuba has been concerned with preserving its independence. A desire to dominate Cuba, even if not the stated policy of successive US administrations, was a fairly constant theme of prominent American politicians, from then-Secretary of State John Quincy Adams and his 1823 comparison of Cuba to "ripe fruit" ready to fall into the lap of the United States, through Senator Henry Cabot Lodge, who wrote in 1895 that "the island of Cuba... will become a necessity."

In the first half of the nineteenth century, slaveholding interests in the United States saw the sizeable slave population of Cuba as a logical reason for coveting the island as a further expansion of slave territory. When most of the rest of Spain's holdings in the Western Hemisphere won their independence in the early nineteenth century, prominent Americans—including many in government—saw the moment as propitious to try to buy Cuba from Spain. The US insistence on including the Platt Amendment in the body of the Cuban Constitution as a condition for withdrawal of American troops at the turn of the twentieth century served as further confirmation for many Cubans of the US desire to control the island's political destiny. Cubans had good reason to worry about their independence, and Fidel Castro's desire to break ties with the US was a logical continuation of

that sentiment.

Cubans' belief in a separate identity continues to the present time. Relations with Venezuela became intimate at the beginning of the twenty-first century, but Cuban officials recoiled at the suggestion that Havana "depended" on Caracas. Cubans remain reluctant to affirm that the evolution of Cuban socialism should follow a Chinese or a Vietnamese model. Above all, most do not want to see a return of the 1930s, '40s and '50s, when the US dominated Cuban economic and social life.

Raúl Castro would be well advised to use Cuban nationalism as a rallying cry to mobilize the Cuban population to engage in the major rebuilding that the island so desperately needs. In Barack Obama, he has an interlocutor ready to respect Cuban identity.

*Michael Parmly is a retired US Foreign Service Officer who served as Chief of Mission at the US Interests Section in Havana, Cuba from 2005 to 2008.*

# Cuba and the 2016 Presidential Elections

by Dario Moreno and Maria Ilcheva

The decades of mutual hostility that characterized the Cold War between the United States and Cuba thawed significantly on December 17, 2014, with the dramatic announcement that the two countries would reestablish diplomatic relations. The surprise announcement, which followed 18 months of secret negotiations between the two countries, was designed to create a new political reality for Cuba policy for future administrations to follow. To achieve the diplomatic breakthrough, Obama's Cuba policy team not only abandoned incrementalism but also dropped many of the demands of past US administrations regarding human rights and democratization, demands the Castros have repeatedly rejected. By fundamentally changing the relationship Obama hopes to permanently improve US-Cuba relations.

The president's inability to get Republican support for his Cuba policy, however, may endanger its long-term viability. US relations with Cuba became an early issue in the 2016 presidential election. While the presumptive Democratic nominee, Hillary Clinton, favored the new policy, two of the Republican frontrunners adamantly opposed normalization. Cuban-American senators Marco Rubio and Ted Cruz, both strong early contenders for their party's nomination, pledged to downgrade the US embassy in

Havana to a diplomatic interest section and restore tougher limits on US government and business dealings with the island.

Senator Cruz told Fox News host Neil Cavuto that the rapprochement with Cuba "will be remembered as a tragic mistake." He criticized the decision as part of the larger failure of US policy under Obama: "The president believes appeasement works. When it comes to dealing with tyrants and bullies, whether it is Russian President Vladimir Putin, whether it is Iran, or whether it is the Castros in Cuba, he believes that a position of weakness is how we should negotiate, and that doesn't work."

While Senator Cruz has been outspoken in his criticism of the president's policy, Senator Rubio consistently raised it as a campaign issue. Cuba is an integral part of Rubio's world view and a hardline foreign policy committed to the restoration of US power and influence. From his seat on the Senate Foreign Relations Committee, Rubio has been a powerful critic of the president's foreign policy, opposing negotiations with Iran over its nuclear program, pressing for more support for the Syrian rebels, and calling for increased military assistance to Ukraine to counter Russia's influence.

Rubio clearly outlined his foreign policy views and his objections to the new Cuba policy when he addressed the Council on Foreign Relations on May 13, 2015. Arguing that the new policy towards

Cuba would only strengthen the island's communist dictatorship, he pledged as president to roll back Obama's concessions. Rubio said:

*First, on day one, I will give the Castros a choice: either continue repressing your people and lose the diplomatic relations and benefits provided by President Obama, or carry out meaningful political and human rights reforms and receive increased US trade, investment, and support. Second, I will restore Cuba to the state sponsor of terror list until it stops supporting designated Foreign Terrorist Organizations, helping North Korea evade international sanctions, or harboring fugitives from American justice. Third, I will do everything in my power to provide support to Cuba's pro-democracy movement, promote greater access to uncensored information for the Cuban people, and deprive the Castro regime of the funding for its repressive security state.*

Clearly, with Rubio in the White House rapprochement with Cuba would end.

Obama opted for a dramatic and surprising rapprochement because, given the sensitivity of Cuba policy, his team believed that any incremental approach was doomed to failure. Although he could not lift the embargo without congressional approval, he used his substantial executive powers to undermine it. Executive action was the fastest and only route for the president to commence immediate



A couple watches TV coverage of a US presidential election in Havana. (STR/AFP/Getty Images)

policy changes, and with Congress unlikely to take action he seems to be seeking additional opportunities to act unilaterally. At the daily press briefing on November 4, 2015, State Department spokesman John Kirby confirmed that President Obama was reviewing various "options" to ease the trade and financial embargo on Cuba through executive action. Obama also made a historic visit to Cuba in March 2016, the first by a sitting US president in 88 years.

The Obama administration recognized that a slow, measured approach is likely to be overtaken by events. Kissinger's effort to establish a dialogue with Cuba was disrupted by the Angolan crisis in 1974-1975, and Clinton's "calibrated approach" was interrupted by the Brothers to the Rescue shoot down in 1996. Incremental approaches also tend to fail because they do not change the fundamental relationship and are easily reversible. In 1975, Ford lifted the embargo on trade with Cuba by subsidiaries of US corporations in third countries; in 1992, the Cuban Democracy Act re-imposed them. In 1977, Carter lifted the travel ban to Cuba; in 1982, Reagan restored it. President Obama hopes that fundamentally altering US-Cuba relations will make change irreversible.

As it turned out, however, Obama underestimated the commitments

of the two Republican Cuban-American senators to maintain the hardline policy toward their parents' homeland, as well as their political skill in making the president's foreign policy easy political fodder in the 2016 campaign. In response to the announcement of the thawing of US-Cuba relations, Senator Rubio called Obama "the worst negotiator that we've had as a president since at least Jimmy Carter and maybe in the modern history of this country." Senator Cruz called the policy "disastrous" and accused the administration of being "blind to the fact that they are being played by brutal dictators whose only goal is maintaining power."

The dynamics of the 2016 presidential race shifted attention from Cuba to other issues of importance to voters. In March 2016, Senator Rubio withdrew from the race after losing the Republican primary in his home state, Florida, to Donald Trump. As of April 2016, Ted Cruz is the only remaining candidate who maintains a hardline approach towards Cuba. If elected, he has promised to use executive action to reverse Obama's concessions to Cuba, as other presidents have done in the past, but the unexpected rise of Donald Trump as the Republican frontrunner and the increasing likelihood that he will be his party's

nominee make any course correction on Cuba unlikely. In September 2015, Trump asserted that "the concept of opening with Cuba is fine... but we should have made a better deal." Trump has not revealed specifics of this "better deal" and has largely treated Cuba with nonchalance during this election cycle. In a 1999 *Miami Herald* interview, however, he asserted:

*Yes, the embargo is costly. If I formed a joint venture with European partners, I would make millions of dollars. But I'd rather lose those millions than lose my self-respect. I would rather take a financial hit than become a financial backer of one of the world's most brutal dictators, a man who was once willing to aid in the destruction of my country. To me the embargo question is no question at all. Of course, we should keep the embargo in place. We should keep it until Castro is gone.*

Given Trump's vicissitudes of opinions and rhetoric, the course he would take on Cuba, if elected, is anyone's guess.

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# Canada's Island in the Sun? The Impact of D17

by Catherine Krull

After more than half a century of productive relations with Cuba, Canada can expect the Obama Administration's decision to normalize US-Cuban relations to have an adverse effect on its interests. From both the Canadian and Cuban perspectives, Ottawa's formal diplomatic connection with Havana has been important. Canada and Britain were the only powers to recognize Fidel Castro's regime from the moment it took power in 1959. Despite periodic difficulties—the 1962 missile crisis, the Castro government's Angolan intervention in the 1970s, and the periodic distaste of both Canadian Liberal and Conservative governments in the 1990s and 2000s for Havana's domestic human rights record—Cuban-Canadian relations have remained positive over the years.

Canadian anti-Americanism is always just below the surface and is one element of Canada's desire to pursue a sovereign foreign policy, despite pressure from Washington to support the Cold War embargo and, after the Soviet Union's collapse in the early 1990s, the intense economic warfare engendered by the Torricelli and Helms-Burton acts. Ottawa has opted instead for a policy of "constructive engagement" toward Cuba, based on three pillars: 1) investments by

Canadian corporations, chiefly hotel companies and resource extraction firms such as Sherritt International. (Under the terms of the Helms-Burton act, Sherritt's corporate officers face criminal charges should they travel to the United States); 2) trade (as of 2009, CAD\$317.9 million in Canadian exports and CAD\$500.4 million in Cuban imports); and 3) people-to-people contacts. By 2013, one million winter-weary Canadian tourists had flocked to Cuban beaches and cities and learned first hand about everyday Cuban life. Conversely, especially after the onset of Cuba's "Special Period" of economic hardship beginning in the early 1990s, about 15,000 Cubans who left the island settled in Canada, precisely because it was not Miami. Cuban émigrés to Canada often perceive it as less racist—even if this is not necessarily true—and more liberal in its domestic social and economic policies than the United States. Normalized US-Cuban relations will probably not have much of an effect on the emigration pattern of Cubans wishing to leave the island for a new life in places other than the United States, and Canadian tourists will continue going south. And Canada might still have some residual political strength; even the strongly anti-communist Conservative government then in office in Canada (under Stephen

Harper, 2006–2015) played a role in facilitating the negotiations that led to Obama's announcement of normalized relations.

In the short term, D17 will not significantly affect existing Canadian investment, trade and transnational links. If anything, improved US-Cuban relations, a weaker embargo, and market opening in Cuba would likely benefit Canadian interests. In the long term, however, as the embargo disappears, Canadian trade and investment will be dwarfed by the much larger and powerful United States as its agribusiness, consumer industries and, perhaps, banking and financial institutions seek to recover ground lost since 1959. Politically, under the Liberal government that took office in October 2015, Canadian-Cuban relations should remain on an even keel.

For Ottawa, the main challenge posed by normalizing US-Cuban relations is the residual influence of US cultural capital on the island. Some Canadian universities with long-established agreements with the University of Havana have already noticed a Cuban preference for expanded agreements with US institutions. In other endeavors, such as medical research, Cuban advances will find a larger and wealthier market that goes beyond Canada and the other countries that have enjoyed a monopoly on

Cuba's interest under the embargo. Canada will find it difficult to compete after full normalization as easier access by Cubans to American music, cinema, television and other cultural commodities—and the reverse, which will certainly include increased US imports of Cuban cigars, rum and music, plus the appeal of sun-drenched beaches for US tourists—cements US-Cuban

transnational ties. With memories of its pre-1959 status as an exotic tropical locale, Americans will perceive Cuba as a desirable place to invest, trade, visit and establish exchanges of all types.

Cuban President Raúl Castro is scheduled to retire in 2018, and whoever leads the government after that will need to devote more attention to the United States than

to any other country. Canadian-Cuban people-to-people contact will continue and, perhaps, expand, but Cuba will no longer be Canada's exclusive island in the sun.

*Catherine Krull is Dean of the Faculty of Social Sciences and Professor of Sociology at the University of Victoria in Canada.*



*Mario Sanabria pushes his bicycle loaded with tourist trinkets through the surf of the Atlantic Ocean. Sanabria lives in Matanzas (a nearby city) and hustles the Canadian visitors that flock to the resort area of Varadero. (CYRUS MCCRIMMON/THE DENVER POST/Getty Images)*

# Cuba after D17

by Orlando Luis Pardo Lazo



*Goodbye, CCCP.* A quarter of a century after the demise of the Soviet Union, its iconography continues to appear on Cuban streets. (Obispo Boulevard, Old Havana)



*The end of history.* Slogans and car bodies converge in a parking lot near post-revolutionary ruins. (Reina Street, Central Havana)



*Socialism, sovereignty, independence.* The dictionary of despotism in neo-Castrist Cuba conserves its candid calligraphy. (Miramar, Havana)



*Yankees, come home? In 2006, the Cuban government erected 140 flagpoles to obstruct critical messages running on an electronic ticker at the US Interests Section. A decade later, neither the black flags nor the ticker remains, and the US Interests Section is now the newly inaugurated US Embassy. (Vedado, Havana)*



*Like a parody of the canonical cha-cha-chá made famous by the Aragón Orchestra: "The Americans have arrived, and they come dancing with cash-cash-cash..." (Central Havana)*





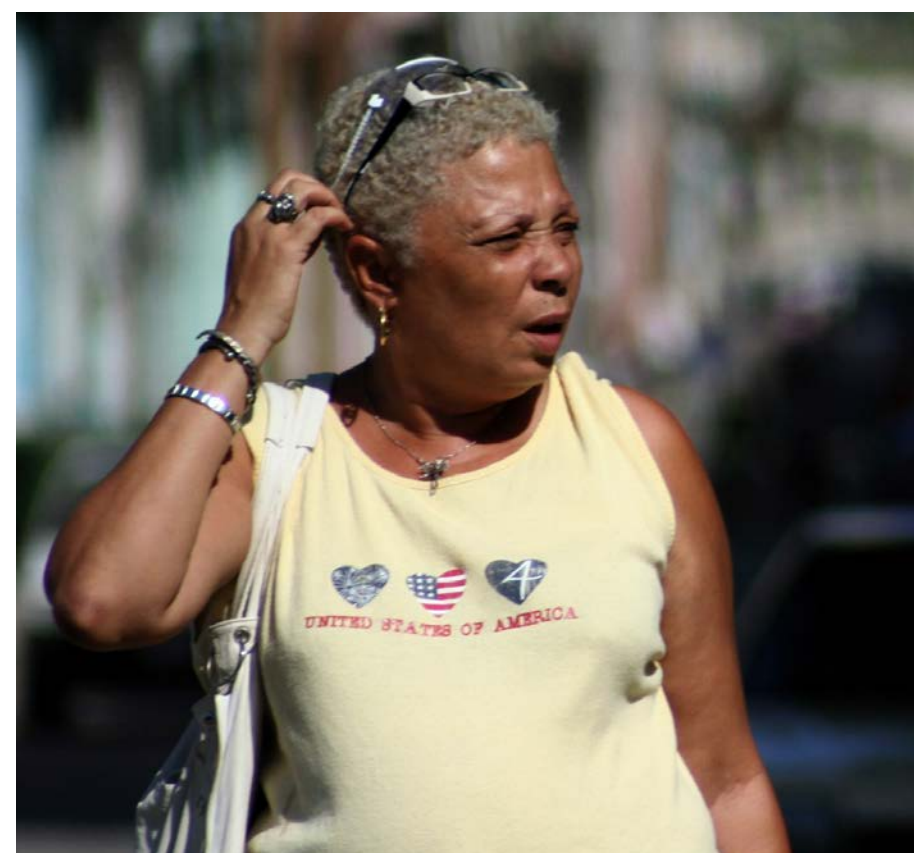
*The art of waiting along Havana's seafont has transformed into anxiety about landing. Granma yachts are now cargo and cruise ships. (Central Havana)*



*McCastro self-employment. New Cuban entrepreneurs are more than willing to spur the battered national economy...if they can survive the totalitarian obstacles along the way. (Miramar, Havana)*



*A cobbler revolution. When a display of patriotic fervor is required, it's almost impossible to find a cheap flag that's not sold in convertible currency. (Central Havana)*



*Fashion's own Bay of Pigs. After decades of censorship, US logos and flags have peacefully invaded Cuban landscapes. (Central Havana)*



*From brainwashing to image-washing. The Cuban auto-transition from power to power may change its variables, but the equation will remain the same. (Lawton, Havana)*

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