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WHY THE CUBAN TRADE EMBARGO SHOULD BE MAINTAINED

INTRODUCTION

With the end of the Cold War and collapse of the Soviet Union, there has been a growing chorus of cries for the United States to lift the economic embargo on Cuba. This chorus has included even such responsible anti-communist voices as those of former President Richard Nixon¹ and the editorial page of *The Wall Street Journal*.² Such calls are curious, coming as they are just when it appears that the 32-year-old embargo may be bearing fruit. Five years after losing the financial patronage of the former Soviet Union, Fidel Castro's communist regime is facing severe shortages and growing popular discontent. Cuba's economy has shrunk by more than half since 1989, the black market is more dynamic than the formal command economy controlled by the state, and Fidel Castro's efforts to build a huge tourism industry and attract billions of dollars in new foreign investments have proved dismal failures.

This economic collapse has imperiled the stability of the Castro regime. The Soviet Union's demise robbed Castro of his ideological base and about \$4.5 billion a year in direct subsidies, exposing the complete failure of the communist revolution to improve the lives of the Cuban people. Moreover, as the economy's collapse has accelerated, popular discontent has increased to levels that threaten the survival of the regime. That was made clear in August, when thousands of Cubans rioted in Havana's Old Waterfront district, and by the subsequent flight to sea of more than 30,000 Cubans of all ages. Another indication that Castro's grip on power is slipping is the increased repression of organized dissident groups by Cuban security forces.

1 Richard M. Nixon, *Beyond Peace* (New York: Random House, 1994), p. 138.

2 "Lift the Embargo," editorial, *The Wall Street Journal*, August 26, 1994.

While the embargo may finally be working, Castro remains defiant. He refuses to allow true free-market reforms and rejects democratic political reforms. Instead, he is conducting an aggressive international campaign to get the embargo lifted without making any economic or political concessions in return. Castro is trying to force the United States to lift the embargo in order to resuscitate his dying communist regime with billions of dollars in trade, investment, and international aid.

Although the United States today stands virtually alone in its insistence on maintaining the embargo, it must stand firm. Thus far, the Clinton Administration has resisted pressure to lift the embargo. To hasten the transition to a post-Castro Cuba, the Administration should:

- ☞ **Maintain the embargo** until irreversible economic and political reforms leading to democratic capitalism take place.
- ☞ **Admit no more Cuban refugees** into the U.S. beyond the 20,000 per year agreed to during negotiations in September. The 32,000 Cuban refugees now at the U.S. Naval Base at Guantanamo and in Panama should gradually be processed for admission to the United States.
- ☞ **Demand that U.S. allies** in the Western Hemisphere, including Mexico and Canada, stop coddling Castro and start calling for real change.
- ☞ **Link future free trade agreements** between the United States and Latin American/Caribbean nations to redoubled efforts by these countries to persuade Castro to liberalize Cuba's economy and political system.
- ☞ **Prepare for the possibility** that Castro's collapse could unleash a lengthy period of social and political unrest, and perhaps even civil war, in Cuba.
- ☞ **Reinforce the U.S. Naval Base** at Guantanamo in anticipation of attack by pro-Castro forces.
- ☞ **Provide financial and other support** to more than 150 dissident groups within Cuba that are struggling to bring down Castro.
- ☞ **Increase the broadcasting activities** of Radio and TV Martí.

THE CUBAN CRISIS

Cuba today is suffering its worst economic crisis since Fidel Castro seized power in 1959. The island's gross social product (equivalent to gross domestic product) has plunged nearly 60 percent, including this year's projected contraction of 5 percent.³ Power blackouts occur daily in Havana and other major cities. Over two-thirds of the island's industrial facilities are shut down almost permanently due to a lack of raw materials. Gasoline is very scarce, and automotive transportation is at a virtual standstill. Animal power is used for heavy agricultural activities, and most Cubans get about on bicy-

3 Bruce Stokes, "The Cuban Conundrum," *National Journal*, September 17, 1994, p. 2143.

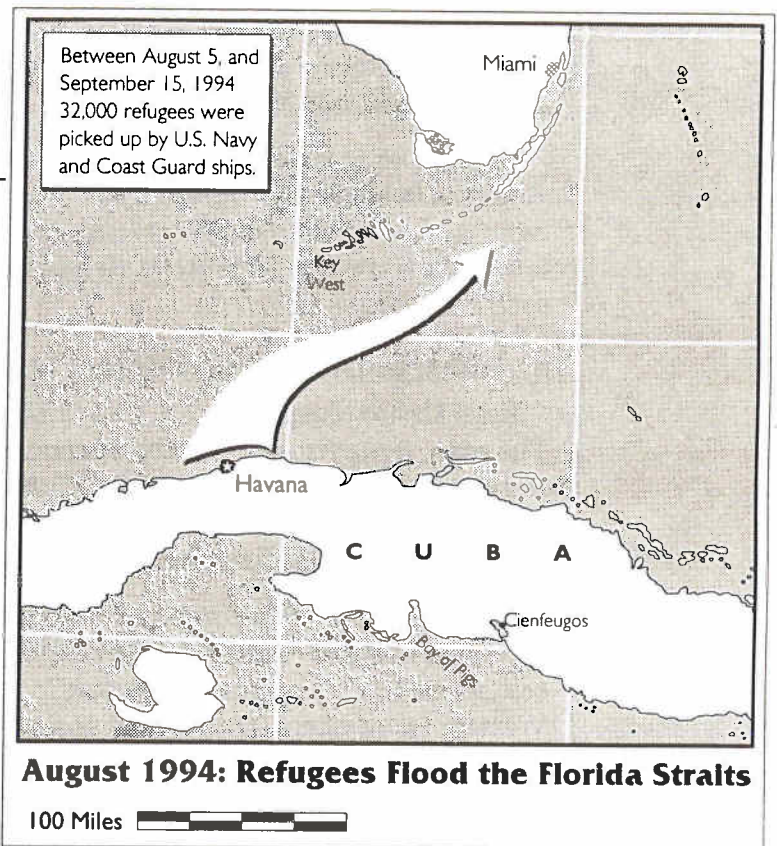
cles or on foot. Over half of Cuba's work force is now unemployed, although unemployment officially remains a crime punishable by imprisonment.

Since July 1993, when the Castro regime authorized the use of U.S. dollars, Cuba's own currency has become worthless. Although the official exchange rate between the peso and the U.S. dollar is one-to-one, the black market rate in August was 130 pesos to the dollar. No one will work for pesos, since the minimum wage is now equivalent to about three dollars a month. Productivity has dropped 45 percent since 1990, according to Cuban economists, and many state

employees no longer bother to go to work.⁴ Instead, they have joined the fast-swelling ranks of self-employed or black market workers whose economic activities are marked by the struggle to survive from one day to the next without earning too much income lest they be charged with illegal enrichment and jailed.

Many Cuban women have turned to prostitution in a desperate effort to feed their children and families, since government rationing provides only half of the average family's monthly nutrition needs. In May, Cuba's minimum wage would buy "only a two-pound chicken, or a pound of pork, or four liters of milk in unofficial markets."⁵ Many Cuban families now survive on one daily meal consisting of rice, beans, soy, and water. For months, Cubans have been deprived even of bath soap. Infectious diseases once thought to be eradicated, such as tuberculosis and malaria, are returning as Cuba's free health care system collapses. Hospitals lack even the most basic supplies such as bandages and surgical thread for sutures. There are not enough pencils and ruled paper to supply the country's school system.

Although some Cuban economists said the economy would "hit bottom" in 1994,⁶ the poor performance of the critical sugar industry indicates that the crisis actually will grow substantially worse during 1995. Sugar production has dropped from an estimated 8.1



August 1994: Refugees Flood the Florida Straits

4 Jerry Kloski, "I'd Rather Live in Haiti." An edited version of this unpublished article will appear in the forthcoming issue of *Cuba Survey*, September 1994.

5 Stokes, "The Cuban Conundrum."

6 EFE Spanish News Agency, "Expert Says Economy to Hit Bottom in 1994," Havana, October 4, 1994.

million metric tons in 1989 to barely 4.2 million metric tons last year.⁷ This year's crop will be even lower; one reliable estimate forecasts 4 million metric tons for 1994 and 3.5 million metric tons for 1995.⁸

Before Castro took power in 1959, Cuba ranked third in per capita income in Latin America, behind only Argentina and Venezuela. Today, after 35 years of socialism and more than \$75 billion in Soviet economic and military aid, Cuba's per capita income is one of the lowest in the Western Hemisphere, possibly even approaching the levels of such countries as Haiti.⁹

The Embargo Didn't Cause Cuba's Misery

Fidel Castro blames the U.S. trade embargo for the collapse of the Cuban economy. The truth, however, is that Cuba's economic destruction was caused by the regime's ruinous economic policies. Specifically, Castro's command economy, based on a 1976 constitution and laws which prohibit private enterprise and ownership of property, completely destroyed the free market in Cuba, hindering economic growth and prosperity.

The United States first imposed a trade embargo on Cuba on February 3, 1962, in response to Castro's confiscation of privately owned properties and other productive assets, as well as his aggressive support for violent communist revolution throughout the Western Hemisphere. The original goals of the embargo were to compel Castro to open Cuba's economy and establish democracy, to weaken Cuba's communist regime, and to force Castro to relinquish power. From the beginning, however, many industrialized countries have refused to cooperate with U.S. policy towards communist Cuba and have continued to maintain diplomatic and trade relations with the dictatorship. This includes such important U.S. partners as Canada and Mexico.

Soviet patronage and subsidies in excess of \$4.5 billion a year enabled Castro to resist the U.S. trade embargo until 1989, all the while claiming a fictitious "success" for his Marxist revolution and building one of the most repressive and murderous regimes in the annals of communist totalitarianism. At least 13,000 Cuban citizens have been executed since 1959, and over 100,000 have been jailed for opposing the Castro regime, including at least 28,000 still in prison today.¹⁰

7 Stokes, "The Cuban Conundrum," citing data supplied by Economist Jorge Plinio Montalvan.

8 Reuter, "Man puts Cuba 94/95 sugar output at 3.5 mln tonnes," London, September 28, 1994.

9 It is difficult to measure GSP per capita with any accuracy for several reasons, including the broad differential between the official and black market exchange rates (the official rate is one peso to one U.S. dollar, while the black market rate was 130 pesos to the dollar in August 1994); the fact that the black market or informal economy now accounts for over half of Cuba's GSP, but its real dimensions are difficult to quantify; and because none of the Cuban government's economic statistics are considered reliable. However, studies by independent economists such as Dr. Manuel Lasaga, director of the research and consulting firm Strategic Information Analysis, Inc. (StratInfo), confirm that the Cuban economy and GSP per capita have plunged precipitously. For example, in a May 1994 study on the Cuban economy, Dr. Lasaga projected that GSP, measured in 1981 pesos, will contract 5.8 percent in 1994 to 13.77 billion pesos, which, at the official exchange rate works out to a GSP per capita of US\$ 1,252, assuming a population of 11 million Cubans. But measured at the August 1994 black market rate, GSP per capita would be an impossibly low US\$ 9.60. The Heritage Foundation's forthcoming *Index of Economic Freedom* uses an estimated GSP per capita of US\$ 750.

10 Dr. Adolfo Leyva de Varona, "Propaganda and Reality: A Look at the U.S. Embargo Against Castro's Cuba," Cuban American National Foundation, July 1994.

The collapse of the Soviet Union deprived Castro not only of billions of dollars in yearly subsidies, but also of the ideological bases which had sustained his totalitarian regime ever since he came to power in 1959. Even before the Soviet Union fell apart, however, Cuba's lengthy economic decline already was accelerating. In 1989, Cuba reported a trade deficit of \$2.73 billion on exports of \$5.39 billion and imports of \$8.12 billion. By 1993, the trade deficit had dropped to an estimated \$310 million, but exports had fallen by over 70 percent to \$1.53 billion while imports had contracted nearly 80 percent to \$1.84 billion.¹¹ Moscow's refusal in 1990 to sign a new five-year trade agreement with Cuba marked the end of the special relationship between the two nations which had sustained Castro's tyranny for thirty years.

When Castro lost his Soviet support, many analysts forecast the swift collapse of his dictatorship. In November of 1991, for example, Cuba specialists at the Soviet Academy of Sciences predicted that the cutoff in Soviet economic assistance would "fully paralyze" the Cuban economy within a year.¹² Yet Castro has survived. His endurance in the face of economic devastation and resulting political instability has been aided by the fact that Cuba's population totals about 11 million. This relatively small population—roughly similar to Ecuador's and about half the size of Venezuela's—has made it easier for the regime to use repressive measures to contain the spread of dissident groups. At the same time, it has made it easier for Castro to absorb the impact of the loss of Cuba's Soviet patronage. Three years after the Soviet Union's collapse, however, Castro is running out of time.

Castro's Determination to Retain Power. Nevertheless, Castro flatly rules out any possibility of compromise and reconciliation. In a lengthy interview published September 25, 1994, by the Venezuelan daily *El Nacional*, Castro repeated his oft-expressed demand that the U.S. lift the embargo unilaterally without demanding any concessions in return.¹³ Alternating between defiance and self-pity, Castro said:

The U.S. plan is to starve Cuba into submission, but even if [the U.S.] were to hurl an atomic bomb at Cuba, nothing would change. There is no solution but to end the embargo.... If [Cuba] had Venezuela's oil and other economic resources, we wouldn't even have developed tourism.... Lifting the embargo is fundamental.... The embargo is causing us terrible damage today when the socialist bloc no longer exists and we have lost 70 percent of our trade and imports.... What country in the world would have resisted the five years that Cuba has resisted?... The suffering hurts all of us, but we won't exchange the independence of this nation for a plate of beans.... [U]nder no concept can lifting the embargo be conditioned to issues that affect our independence. The Cuban position is a worthy one: Lift the embargo without any conditions. It's the only honorable course.

11 Central Intelligence Agency, "Cuba: Handbook of Trade Statistics," August 1994.

12 Carlos Alberto Montaner, "Moscow's Perspective on Fidel Castro's Cuba," *The Wall Street Journal*, November 29, 1991.

13 Manuel Abrizo, "Castro to the U.S.: If They Want My Head, I'll Give It To Them," *El Nacional* (Caracas, Venezuela), September 25, 1994.

Growing Signs of Trouble

Cuba's economic collapse has accelerated in 1994, and social unrest has increased dramatically. On July 13, at least 30 Cubans trying to flee the island on a hijacked tugboat drowned at sea when four Cuban government ships swept the decks of the fleeing tugboat with high-pressure water hoses and rammed the aged wooden vessel until it broke up and sank. Of the 72 people believed to be aboard, only half survived.¹⁴ Over a ten-day period between the last week of July and the first week of August, three passenger ferries were hijacked in Havana harbor by Cubans desperate to flee their country. On August 5, thousands of Cubans rioted in the Old Waterfront district of Havana, throwing rocks at police and trashing dollar-only stores after the police dispersed a crowd drawn to the harbor by rumors that boats were waiting to carry them to freedom in the United States. At one point, hundreds of Cubans tried to board Chinese and Canadian freighters in the port. The rioting, which lasted over four hours and involved up to 15,000 people, was the worst Cuba has experienced in more than three decades.¹⁵

Castro responded predictably by blaming the riots on the U.S. embargo and threatening to permit the wholesale flight of Cubans from the island unless the embargo was lifted. A week after the August 5 riots, he ordered his security forces to halt all activities aimed at preventing the departure from Cuba of anyone wishing to leave. This decision triggered the flight over a one-month period of tens of thousands of Cubans who set sail in rickety home-built rafts in a desperate attempt to reach the U.S. Dozens of U.S. Coast Guard and Navy ships were sent to the Florida Straits, where over 32,000 refugees were rescued and transported to the U.S. military base at Guantanamo on the southeastern tip of Cuba.

A New U.S. Policy

In response to the refugee crisis, the Clinton Administration tightened economic sanctions on Cuba and sought negotiations with the Castro regime to end the flight of refugees. On August 19, President Clinton announced that Cuban refugees would not be permitted unrestricted access to the United States, reversing a 28-year-old U.S. immigration policy. Previously, all Cuban refugees that reached U.S. shores or were rescued at sea by the U.S. Coast Guard were granted political asylum and permanent resident status one year after entry into the U.S. under the provisions of the 1966 Cuban Adjustment Act.

On August 23, U.S. Attorney General Janet Reno also announced that Cuban citizens fleeing the island illegally would be denied the opportunity to apply for political asylum in the United States. In addition, the Clinton Administration turned up the heat by banning some \$400 million a year in cash transfers by Cuban-Americans to their relatives in Cuba, by cutting back U.S. charter flights to Cuba, and by increasing Radio Martí and TV Martí broadcasts to Cuba.¹⁶

Following a week of negotiations in New York City, U.S. and Cuban officials announced on September 9 that an agreement had been reached to end the refugee crisis.

14 Cynthia Corzo, "Ordeal at Sea: 30 Cubans Died in Ramming," *The Miami Herald*, July 16, 1994.

15 Mimi Whitefield and Susana Bellido, "Boat Rumors Spark Riots in Havana," *The Miami Herald*, August 6, 1994.

16 U.S.-Cuba Business Council, "Cuba Bulletin No. 10," August 31, 1994.

