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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.

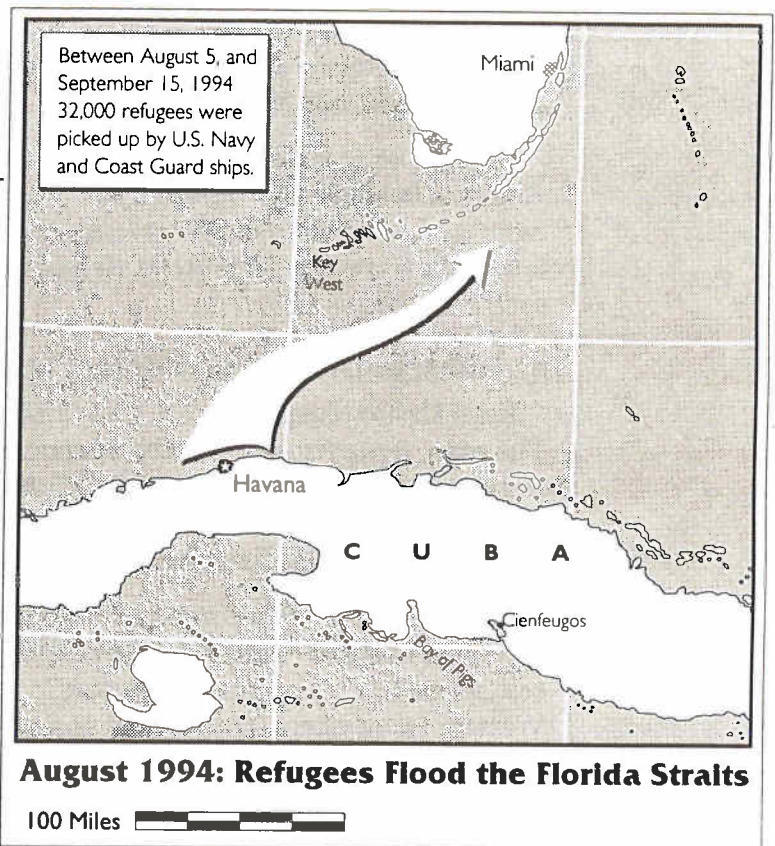
cles or on foot. Over half of Cuba's work force is now unemployed, although unemployment officially remains a crime punishable by imprisonment.

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



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.

The Castro regime agreed to prevent any more refugees from setting out to sea, while the United States agreed to increase the number of visas issued annually to Cubans to at least 20,000. Although Castro had insisted that any talks with the United States must deal with the embargo, the agreement was limited to immigration. U.S. Secretary of State Warren Christopher left open the possibility that future talks could be expanded to other issues if the Castro regime agrees to comply with longstanding U.S. demands for economic and democratic reforms in Cuba. "If [Cuba] take[s] steps toward democracy, if they take steps toward the free market, if they take steps to ease the human rights situation, the United States will respond in a carefully calibrated way," said Christopher.¹⁷

A GROWING MOVEMENT TO LIFT THE EMBARGO

The Secretary of State's remarks were not an isolated development. They reflected growing sentiment among many U.S. policymakers, and Americans in general, who favor lifting the trade embargo on Cuba. Now that the Cold War is over, many Americans appear to believe that the time has come for the United States to remove the embargo against Cuba unilaterally without demanding any political or economic concessions from Fidel Castro. For example, former President Jimmy Carter has noted that "It's time for [the United States] to begin discussions on how we can alleviate this embargo which has caused tremendous suffering among the people of Cuba and has distorted this hemisphere's concept of freedom and democracy."¹⁸

The list of those who favor lifting the embargo goes beyond the United States, though. NAFTA partners Mexico and Canada, two of Cuba's largest trading partners, also are among the most forceful proponents of ending the embargo. Practically every country in Latin America and the Caribbean wants it lifted. Australia, France, Germany, Italy, Spain, and Russia openly oppose it. In October, the U.N. General Assembly, for the third consecutive year, passed a non-binding resolution calling on Washington to end the embargo.¹⁹ Among the 184 delegations at the U.N., only Israel backed the United States, where a growing chorus of liberals and conservatives, ranging from Jesse Jackson to William F. Buckley and *The Wall Street Journal*, also are saying that it is time to end the embargo.²⁰

"Exporting Capitalism": The Comparison with China

Those who favor lifting the embargo often point to the examples of Vietnam and China to justify their position, claiming that eliminating the embargo will encourage the growth of a free-market economy which will undermine the communist regime. Such comparisons are not valid.²¹ Capitalism is destroying communism in China, but the driving force is not international trade. It is a strong domestic market economy tolerated by

17 Reuter, "U.S. Plans No Talks with Cuba," Washington, D.C., September 11, 1994.

18 Reuter, "Former U.S. President Carter Calls for Talks with Cuba," Atlanta, Ga., September 21, 1994.

19 Randall Hackley, "UN-Cuba," Associated Press, New York, October 26, 1994.

20 *The Wall Street Journal*, "Lift the Embargo"; William F. Buckley, "All That Castro is Left With is His Pride," *The Houston Chronicle*, September 2, 1994; Jesse Jackson: "China Gets Red Carpet and Cuba Gets the Rack," *News Tribune*, April 3, 1994.

21 "Cuba Isn't Ready for a China-Style Opening," *Business Week*, September 12, 1994.

the communist government. China's market economy is dominated by many millions of small entrepreneurs who are devouring the communist command economy. Moreover, China's market economy has been growing in depth and diversity since the mid-1980s. Free trade is promoting faster market growth and expanding the personal freedom of millions of Chinese, encouraged by entrepreneurs and investors from Taiwan, Hong Kong, and elsewhere who are providing the capital, entrepreneurial skills, and international trade contacts which are compelling China to transform its economy. In the process, a vast and prosperous middle class is being created.

In Cuba, however, the Castro regime is not willing to liberalize the economy and create a free market. Cuban exile communities in the United States, Latin America, and Europe are not willing to work with Castro, and market initiatives by the Castro regime to encourage them to do so are very recent, dating from 1993 for the most part. The basic orientation of the hard-liners surrounding Castro is to contain and restrict all initiatives that unleash individual entrepreneurship and creativity. For example, the government has arrested people for earning "too much" money in the dollarized informal economy, the variety of legally permitted "family businesses" has been restricted, and tax rates on the income of self-employed Cubans have been increased.²² Moreover, Cuba's constitution and legislation specifically prohibit all private initiative, notwithstanding recent reforms allowing self-employment by Cubans in approximately 140 categories of economic activity from which all professionals (the core of any middle class) are expressly barred. For over three decades, the regime has operated on the basis of divide and rule. Castro's bitter enmity toward the Cuban exile community precludes the possibility of replicating in the Caribbean what China's exile community has accomplished in China.

None of the alleged "market reforms" undertaken to date in Cuba are true free-market initiatives. Free enterprise remains highly restricted. Foreign investors doing business in Cuba today deal mainly with Castro's regime. Cuban partners in joint ventures and mixed companies are approved by Castro as "safe." Moreover, unlike China, Cuba has barely started to open up its economy, and what little has been done to date has been permitted with great official reluctance and with the objective of assuring the communist government's political survival. China's economic transformation has been under way since 1978, when important agricultural reforms were introduced, including the right of peasant farmers to grow the crops they wished and retain some of their profit. Moreover, the government of China has encouraged the marketization of the country's coastal provinces, and since 1992 the Chinese constitution has incorporated the concept of the "socialist *market* economy." Although China remains a communist nation where political freedoms are sharply restricted, the ruling regime has permitted vigorous development of the private sector, thus laying the seeds for its eventual demise and potential replacement by a politically pluralist, more open society.

The Myth of Lost Opportunities for Americans. Many of those wishing to see the embargo lifted also argue that American businesses will lose out to competition from other countries whose governments do not restrict trade and investment in Cuba. But this argument is weak. Before the communist revolution, the United States was Cuba's larg-

22 Stokes, "The Cuban Conundrum."

est trading partner: nearly 80 percent of Cuba's two-way volume of trade involved the U.S.²³ Regardless of when the embargo is lifted, the United States will quickly regain its prominent role in the Cuban economy. Moreover, the Cuban-American community, totaling over 1.8 million people, will be an important source of investment capital and management experience.

CREATING THE CONDITIONS FOR CHANGE IN CUBA

Castro's recent comments and actions make it clear how fruitless it would be for the United States to make concessions now. Even without access to U.S. markets and investments, there are many steps Castro could take to improve economic and political conditions within his country, but he refuses to do so. These include:

- ✓ **Adopting free-market policies** that include a reform of Cuba's constitution and passage of laws to abolish all legal prohibition of private enterprise and property ownership.
- ✓ **Holding democratic elections** in the context of a politically pluralist society in which the Communist Party is compelled to compete with democratic organizations and political parties.
- ✓ **Freeing all political prisoners** currently in Cuban jails.
- ✓ **Disbanding the Interior Ministry's security police** and the Committees for the Defense of the Revolution, which function as thought-control police and as spies in every neighborhood in Cuba.
- ✓ **Eliminating the Marxist political indoctrination**, which is a central feature of Cuba's education system.
- ✓ **Restoring all confiscated assets and properties** to their rightful owners, or agreeing to pay appropriate compensation for what the regime has stolen from them.

Without these steps, lifting the embargo would only assure Castro's continuing repression of the Cuban people. Those who advocate doing so are violating their own professed commitment to hemispheric democracy and the individual's right to self-determination. Castro is a ruthless, charismatic dictator and is a potential danger to all democratic, freedom-loving nations. He is an anachronism, but a dangerous one. The embargo, however, is not an anachronism; it is a legitimate instrument for achieving the goal of a free and democratic Cuba.

Thus far, the Clinton Administration has been steadfast in refusing to discuss the economic embargo. It is correct in doing so. To hasten the collapse of the Castro regime and communism in Cuba, the Administration should also:

23 Victor A. Canto, Tom Cox, and Arthur B. Laffer: "Cuba Part 1: The Background," A.B. Laffer, V.A. Canto and Associates, La Jolla, California, 1991.

- ☛ **Maintain the embargo until irreversible economic and political reforms leading to democratic capitalism are in place.** Tightening the economic screws may lead to more disturbances and riots, as well as increased repression as Castro struggles to remain in power. However, the embargo remains the only effective instrument available to the U.S. government in trying to force the economic and democratic concessions it has been demanding of Castro for over three decades. Maintaining the embargo will help to end the Castro regime more quickly.
- ☛ **Admit no more Cuban refugees into the U.S. beyond the 20,000 per year agreed to during negotiations in September.** Allowing the unrestricted entry of Cuban refugees during the Cold War was valid and necessary while Castro's regime was still powerful and its political control of the island was undisputed. But circumstances have changed in the past five years, as the Clinton Administration realized when it changed U.S. policy toward Cuba during the August refugee crisis. Continuing to allow Cuban refugees unrestricted entry to the United States serves only to prolong Castro's rule by providing him a much-needed safety valve to relieve the pressure of growing social discontent.

However, the 24,000 refugees now at the U.S. Naval Base at Guantanamo and the 8,000 more in Panama should be processed for admission to the United States as soon as possible. The near-concentration camp conditions in which they are being kept are unsustainable, and the cost of maintaining them is high.²⁴ The Clinton Administration agreed in September to process and admit up to 20,000 Cubans a year. To clear out the bases in Guantanamo and Panama, the Administration may be able to process the refugees there for early admission but reduce the total number of refugees admitted in the next three to five years by a proportional number.

The Cuban people must understand that it is up to them to solve the social, economic, and political crisis caused by the Castro regime. U.S. taxpayers should no longer be compelled to finance the costs of Castro's unremitting tyranny. The Cuban people have the power to determine their own government. The energy and courage invested in braving the shark-filled Florida Straits would be spent better in Cuba, working to bring down Castro.

- ☛ **Demand that U.S. allies in the Western Hemisphere, including Mexico and Canada, stop coddling Castro and start calling for real changes.** The Clinton Administration was successful in getting the United Nations to condemn the military regime in Haiti. There is no reason it cannot exert equally persuasive diplomatic pressure to get similar resolutions regarding Cuba through that body. The Administration should strive to convince the international community not to do business with Cuba until the jails are emptied of all political prisoners, until Castro's repressive security forces are disbanded, all illegally confiscated properties and assets

²⁴ See John Luddy, "What 'Restoring Democracy' in Haiti is Costing the U.S. Military," Heritage Foundation *F.Y.I.* No. 43, October 21, 1994. The Pentagon bore the brunt of the costs, estimated at \$124 million for "migrant operations" before Haiti was occupied, to care for the tens of thousands of Haitian refugees that the U.S. has housed since the refugee crisis began in June 1994.

are returned to their rightful owners or appropriate compensation is paid, the constitution and laws of Cuba are reformed to legalize free enterprise and private ownership of property, free-market policies are adopted, and democratic elections are held in a pluralist political context which allows the Cuban people to elect the leaders they choose.

☞ **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.** In recent years, many of the region's elected leaders have tried unsuccessfully to persuade Castro to open Cuba's economy and democratize its political system. Castro has rejected all of these overtures while gaining the support of these Latin American and Caribbean nations in pressuring the U.S. to lift the embargo.

At the same time, Castro's intransigence has not slowed efforts by many of these countries, including NAFTA partners Mexico and Canada, to expand trade relations with Cuba. In June 1994, Mexico surpassed Spain as the largest foreign investor in Cuba when a Monterrey firm paid \$1.5 billion for a 49 percent stake in the state telephone company, Empresas Telecomunicaciones de Cuba (ETEC).²⁵ Spain is Cuba's second-largest trading partner, dominating the island's tourism industry, but Canadian companies are aggressively courting Castro's regime, particularly in the mining and energy sectors.²⁶ The U.S. should use its leverage as the most important trading nation in the hemisphere to correct this. For example, the NAFTA trade relationship carries an implicit agreement with the shared goal of building a trade zone in the Western Hemisphere based on free markets and respect for democracy. Those principles apply to all other countries in the Americas seeking closer trade relations with the U.S. and U.S. investment to help develop their economies. The Clinton Administration should not be timid in pressing its case in this regard.

☞ **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.** U.S. policy toward Castro long has idealized an outcome in which Cuba makes a peaceful transition to a free-market democracy. With Castro's collapse more likely in the near term than ever before, however, the U.S. government does not appear to have a policy for dealing with the likelihood that it will take place amid bloodshed, armed

25 The investment by Grupo Domos forms part of an arrangement between the Cuban and Mexican governments, brokered by Mexico's Export Bank (Bancomext), to swap \$340 million in Cuban debts for stakes in Cuban industries, including Varadero's Hotel Tuxpan and the transfer of the island's largest cement plant to Cemex. In September 1994, Mexpetrol, a consortium of private Mexican oil companies and state-owned Pemex, announced a \$200 million joint venture with Cuba's state oil company to operate the Cienfuegos refinery, one of three on the island, which at full capacity can process 65,000 barrels a day of crude oil. Glassmaker Grupo Vitro, which owns U.S. glassmaker Anchor Glass and reported total world sales of \$3.5 billion in 1993, also confirmed in September that it may acquire a glass bottling plant in Cuba. On September 13, 1994, UPI reported from Mexico City that Mexican construction, transportation, and tourism firms "are poised to increase trade and investment" in Cuba if the U.S. lifts its trade embargo, with "much of the increase in trade probably channelled through Miami."

26 Canadian oil and mining companies now active in Cuba include Sherritt Inc., Canada Northwest Energy Ltd., MacDonald Mines Exploration Ltd., CaribGold resources Inc., Joutel Resources Ltd., and Miramar Mining Corp. These companies are studying investments valued in excess of US\$100 million in oil exploration, and gold, copper and nickel mines.

conflict, and chaos. A recent Rand study²⁷ argues that the Departments of Defense and State must conceive such a strategy “according to three general tasks: *Containment of the crisis*, with the aim of damage limitation for both the United States and Cuba. *Alleviation of the crisis*, for the purpose of reducing human suffering among refugees and noncombatants on the island. *Resolution of the crisis*, unilaterally or multilaterally, by diplomatic or other nonmilitary means....” The study’s most important conclusion is that the end of Castro’s regime could come at any time during the next 12 to 36 months, and that the U.S. government should seek to develop flexible responses for Castro’s demise, depending on whether it takes place in a climate of violence or peaceful transition. The Clinton Administration should prepare now for the transition that could begin without significant warning.

- ☞ **Reinforce the U.S. Naval Base at Guantanamo in anticipation of attack by pro-Castro forces.** The Clinton Administration should consider the possibility that a desperate Castro might attempt to provoke a violent U.S. military response which could galvanize Cuban support for the regime based on old fears, nurtured for decades by Castro’s propaganda machine, of “Yanqui” imperialism and colonialism. In this context, Cuban refugees now at Guantanamo should be admitted to the U.S. or transported to other safe havens. Once that is done, the Administration should reinforce the base with tactical aircraft and at least a brigade-sized combat unit capable of holding off a surprise attack.
- ☞ **Provide financial and other support to more than 150 dissident groups within Cuba that are struggling to bring down Castro.** Such groups include the Catholic Church, which is dedicated to peaceful change. No support should be provided to dissident groups intent on triggering violent change, for the United States must avoid inflaming anti-American sentiment at all costs. Dissident groups dedicated to peaceful change will be the basis on which a civil society will be created in a post-Castro Cuba, and their growth should be encouraged and supported in much the same way the Reagan Administration clandestinely supported Lech Walesa’s Solidarity labor movement in Poland after martial law was imposed in late 1981. Such support would include financing of publications and income subsidies to permit dissidents to support themselves and their families.
- ☞ **Increase the broadcasting activities of Radio and TV Martí.** These broadcasts should urge the Cuban people to bring down Castro peacefully and should specify that under no circumstances will the U.S. interfere militarily in Cuba’s domestic affairs. They should also stress that what the U.S. wants is a stable, friendly relationship with a democratic, free-market Cuba and that the U.S. is willing to negotiate with the Cuban government as long as Castro implements the comprehensive political and economic reforms he needs to revive his stalled economy.

27 Edward Gonzalez and David Ronfeldt, “Storm Warning for Cuba,” Rand National Defense Institute, 1994, p. 141.

CONCLUSION

The 32-year-old trade embargo against Cuba may finally be producing its intended results of destabilizing the island's communist government and weakening Fidel Castro's control of the Cuban people. Castro has resisted change for over five years since losing the Soviet Union's financial support, but his final collapse may be closer than ever before. Nevertheless, he continues his visceral loathing of democracy and the free market, all the while demanding the embargo be lifted without condition. It seems clear that Castro believes his survival hinges on the embargo's elimination.

Paradoxically, just as Castro's communist government may be close to falling, a chorus of voices in the U.S. has risen to call for the lifting of the embargo. They cite several reasons: to ease the suffering of the Cuban people, to capitalize on the trade and investment opportunities other countries allegedly are enjoying in Cuba, and to establish the bases of a free-market economy that in time will compel democratic reforms as well. But the greatest beneficiary would be Fidel Castro, whose 35-year-old communist dictatorship would be fortified overnight if he were allowed access to the billions of dollars in financial aid from multilateral agencies, credit guarantees, and investment that would start flowing into Cuba.

The United States must not abandon the Cuban people by relaxing or lifting the trade embargo against the communist regime. Instead, the U.S. government must reject all pressures to ease the embargo until all of the objectives for which it was imposed are achieved. Anything less would constitute an unacceptable breach of faith with the Cuban people, who today are among the very few people left in the world who still suffer the brutality of a communist dictatorship.

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