The Heritage Foundation Committee Brief

The Heritage Foundation 214 Massachusetts Avenue N.E. Washington, D.C. 20002-4999 (202) 546-4400

A Special Report to the Senate Foreign Relations Committee

No. 14 6/23/95

KEEP THE EMBARGO ON CUBA

By Kim R. Holmes
Vice President and Director of Foreign and Defense Policy Studies[1]

Since the U.S. imposed a trade embargo on Cuba 32 years ago, much has changed in the world of communism. Fidel Castro's patron, the Soviet Union, has collapsed. Communist China is embracing capitalism. And Marxist-Leninism is a creed that survives only in a few dreary outposts like North Korea and Cuba.

Because communism is on the run, some people believe that the embargo on Cuba should be lifted. Since the world has changed so much, they ask, why bother worrying about this last redoubt of communism in the Caribbean? Critics of the embargo argue that Fidel Castro no longer threatens the security and vital national interests of the United States. They also insist that the trade embargo is a Cold War anachronism that serves only to perpetuate Castro's stranglehold on the Cuban people. They maintain that the embargo has never worked because Castro remains in power and that the best way to encourage economic and democratic reforms in Cuba is to end the embargo and trade with Castro.

These arguments are dangerously misguided. To be sure, the world has changed—but this should not mean that Cuba should be treated any differently. In fact, it should not be treated differently at all. The point is that while the world has changed, Cuba has not—at least not enough to justify lifting the embargo.

The U.S. imposed the embargo on Cuba because Castro was a communist dictator who repressed his people, stole the property of foreigners, and threatened U.S. security and interests. The embargo should be lifted when Cuba becomes a free-market democracy committed to the rule of law and peaceful relations with the U.S. and its neighbors. So far these conditions have not been met. Fidel Castro remains a repressive dictator who still threatens U.S. security and interests. Moreover, ending the trade embargo now would not promote economic and democratic reforms in Cuba.

Castro has no intention of allowing a free-market economy in Cuba, and he will never permit free democratic elections in Cuba as long as he remains in power. Castro does not believe in free markets and democratic government. Castro wants to supplant the subsidies of his former Soviet patrons with new financing provided by the World Bank, the Inter-American Development Bank, and other multilat-

1 Substantial portions of this were delivered in testimony before the Senate Foreign Relations Committee, Subcommittee on Western Hemisphere and Peace Corps Affairs, on June 14, 1995. The author gratefully acknowledges the assistance of John P. Sweeney in the preparation of this testimony.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

eral institutions. Castro wants the world's democratic governments, taxpayers in free societies, and private investors to provide his communist dictatorship the financial means to prolong the captivity of the Cuban people indefinitely.

Lifting the embargo would not hasten the end of Castro's regime, but prolong it. It would not ease the remaining threats to U.S. security, but perpetuate them. And it would not create a free-market democracy in Cuba, but rather give a new lease on life to an authoritarian socialism that not only would continue to impoverish the Cuban people, but also would set a bad example for other emerging free-market democracies in Latin America.

CUBA AND U.S. NATIONAL SECURITY

While it is true that Castro no longer has the ability to export violent communist revolution on a large scale throughout the Western Hemisphere and Africa, he has not renounced the use of violence to overthrow democratically elected governments. America's leaders would do well to remember that one of the constant and enduring characteristics of Fidel Castro's career has been his lifelong hatred of the United States and everything it stands for in the world.

Some of the ways in which Castro threatens U.S. national security include the following:

- ✗ **Castro continues to allow the operation by Russian intelligence officials of an electronic listening post at Lourdes.** The Russians argue that the post is needed to monitor U.S. compliance with its missile treaty obligations, yet American compliance is not a major issue in dispute between the U.S. and Russia. In fact, Lourdes is an intelligence gathering facility at the service of Russian spies.

- ✗ **Russian nuclear missiles may not be targeted at America from Cuban soil, but Castro is determined to complete — with Russian help — construction of a $2 billion nuclear reactor only 240 miles South of Miami.** This tropical white elephant could easily become America's Chernobyl in the Caribbean. According to a 1992 report by the U.S. General Accounting Office, there is evidence of shoddy construction at the facility, including bad welding, and the nuclear technology being used in the plant is dangerously outdated. A nuclear accident at the Juragua reactor in Cuba could conceivably endanger millions of American lives in the southeastern United States.

- ✗ **If Castro is permitted to recapitalize his communist regime with billions of dollars in Western aid, he could easily threaten economic and democratic reforms throughout Latin America.** The region has achieved extraordinary progress in the past decade toward economic and political reforms. Prospects for sustained economic development and democratic stability have never been greater in Latin America and the Caribbean. However, despite the explosive growth in trade throughout the region, popular support for free-market policies is still shallow, and the political institutions of Latin America's emerging democracies are fragile. In the wake of the Mexican crisis, Catholic bishops and left-wing political organizations throughout Latin America have redoubled their calls for the restoration of statist policies to replace free-market policies with socialist policies. In this uncertain regional environment, allowing Castro back into the community of civilized nations in the Western Hemisphere would be analogous to inviting a fox into a chicken coop. Without any doubt, Castro would continue to press his personal war against the United States, seeking at every turn to undermine vital U.S. interests in institutions such as the Inter-American Development Bank and the Organization of American States.

Because of Castro's hostility to the U.S., it would be foolish to think that his favor could be bought with aid, investments, or other American help. No one should expect that lifting the embargo would produce a friendly or cooperative Fidel Castro. The Cuban dictator will take the money Americans and others give him, but no one should expect him to embrace democracy, free

markets, and the American way of life. Even with the embargo lifted, Castro's regime would likely remain very unfriendly to the U.S. and its interests. The benefits of taming Castro with aid and investments, which would be few in any event, would be far outweighed by the long-range trouble caused by the willful perpetuation of an anti-American authoritarian regime in Cuba more or less indefinitely. The longer Castro's regime survives, the more opportunities there will be for him to host and support any guerrilla or subversive movement that may arise in Latin America in the future.

✗ **Castro has not renounced his long-established policy of promoting the spread of Marxist-socialist revolution throughout the developing world.** Although he no longer has the capability to export troops and weaponry to conflicts in Africa and Latin America, he still provides political support for extreme leftist organizations bent on the violent overthrow of democratic regimes in their countries.

"NO" TO LIFTING THE TRADE EMBARGO

Opponents of the trade embargo insist that it has never worked in 32 years. They argue that Castro has not been forced from power and that the United States is the only country in the world that still refuses to trade with Castro. Critics of the trade embargo also contend that it punishes the Cuban people unjustly and deprives U.S. companies of the opportunity to invest billions of dollars in Cuba at a time when the entire world is beating a path to Castro's door.

However, these arguments are not convincing. Consider the following points:

☞ **In fact, the trade embargo has been effective.** Arguing otherwise ignores history. Castro was able to resist the trade embargo only because he was receiving over $5 billion a year in subsidies from the Soviet Union. This money allowed Castro to finance the buildup of one of the world's most repressive and murderous communist regimes while disguising the utter collapse of the Cuban economy caused by his failed Marxist revolution. Since the loss of this Soviet patronage in 1991, the economic and human devastation Castro produced in Cuba has become increasingly clear in Cuba and throughout the world. The effectiveness of the U.S. trade embargo can be measured by the increasing desperation of Castro to force the American government to end the embargo. Another way of measuring the embargo's effectiveness is the growing intensity with which Castro's security forces have been repressing dissidents in Cuba.

The embargo is having an effect. It is unrealistic to have expected the embargo to bring down the Castro regime so long as the Soviet Union existed. It is realistic now to expect a possible collapse of Castro's regime now that the Soviet Union has disappeared. To lift the embargo now, when its pressure is most felt, would be a tactical mistake and a strategic blunder.

☞ **Cuba is not China.** Some proponents of lifting the embargo on Cuba argue that if a strategy of open engagement is good enough for communist China, it should be good enough for Cuba as well. While it is true that expanding U.S. trade with China in the past twenty years has contributed to the development of a vigorous free market in China's coastal regions, and that China's opening markets have become the seedbeds of its democratization, the same cannot be said for Castro's Cuba. China's free-market reforms have been supported for a long time by the government of China. Private investment in China has been fueled to a great extent by Chinese expatriates from all over the Pacific region, including those from Hong Kong and Taiwan. China's free markets are being created by hundreds of millions of Chinese citizens who are so numerous that it is beyond the capacity of the Chinese government to control all of their activities. It also should be remembered that China has been opening up its markets since the mid-1970s.

None of these conditions exist in Cuba. The level of openness in the Chinese economy is decades ahead of that in Cuba, which remains a highly repressed economy.

For example, property rights do not exist in Cuba. The current Cuban Constitution bans the ownership of private property, prohibits free enterprise in Cuba, and does not allow the hiring of Cuban workers by Cuban employers—unless the employer happens to be the Cuban state.

Moreover, unlike China, there are no expatriate Cubans willing to invest any of their hard-earned savings in Cuba as long as Fidel Castro stays in power. The reason for this is that Cuba's expatriate community in the United States and in other countries understands that Fidel Castro cannot be trusted and that any foreign investment in Cuba as long as Castro controls the island will merely be used to strengthen his communist regime and prolong his tyrannical repression of the Cuban people.

☞ **Castro is not committed to market reforms.** This is evident in the way the regime treats private property, foreign investors, and its own workers. For example, all Cuban properties and plants offered to foreign investors by Castro's regime were previously confiscated without compensation from their legal owners, whose numbers included both Cuban citizens and foreign investors. Castro is doing business with stolen property, and eventually foreign investors who forget the rule of law in their quest for profit will have to answer for their actions before a court of law in a free Cuban nation.

Second, Cuba has only 11 million inhabitants with a current per capita income of less than $10 a month in real prices. They have little hard cash with which to buy U.S. goods and services, and the island's technologically obsolescent manufacturing facilities, unlike those in China, produce little that U.S. consumers would find appealing.

Third, foreign investors who do engage in business with Castro do so only with Cuban "investors" approved by Castro's communist regime. Moreover, Cuban workers employed by these enterprises do not receive an income that reflects the full value of their work in U.S. dollars or other hard currencies. Instead, their salaries are collected in hard currency by the state and paid out in Cuban pesos at the official rate of exchange of one peso per dollar. Thus, these foreign investors not only are dealing with stolen property, but also are exploiting Cuban workers for the benefit of Castro's communist regime.

Fourth, Castro has said repeatedly that he has no intentions of allowing a free-market economy to flourish in Cuba. He talks instead of a "socialist market economy" in which the state would remain the sole "owner" of all property and economic activity in Cuba. Castro's reluctant experimentation with free food markets in recent months has been intended to ease popular frustrations by making more food available to Cuban consumers—food that Castro's collectivized, command-economy policies have been incapable of producing for decades without billions of dollars in Soviet subsidies. In fact, Castro's control of the Cuban economy is so great that, in recent months, the Cuban peso is believed to have strengthened because the government has been engaging in black market commerce to push down prices and build up the peso.

CONCLUSION

The trade embargo against Cuba is the most effective weapon in America's foreign policy arsenal for dealing with Fidel Castro. It matters not if other countries think the embargo should be lifted and Castro re-admitted to the community of civilized nations. The U.S. has long conditioned the embargo's removal on Castro's compliance with the following basic demands:

1. free and democratic elections must be held in Cuba;
2. a free-market economy must be allowed to develop, and the property and assets stolen from their rightful owners must be returned to these owners, or else compensation must be paid at fair market value;

❸ all political repression of dissidents must cease immediately, and all political prisoners must be freed from jail; and

❹ Castro must renounce his stated goal of promoting global violent revolution and step down from power, allowing the Cuban people to exercise their legitimate human rights to become a free people in a democratic society.

These are noble and principled demands. They are the philosophical platform on which the trade embargo against Cuba has stood for over three decades. The world has changed in those three decades, but today these principles have greater moral authority than ever before. America's leaders should not allow themselves to be fooled by Castro's propaganda. The Cuban dictator may indeed be a toothless tiger without his Soviet patrons, but he has not changed his stripes at all. America's leaders would do well to remember that old and tiring tigers can be unpredictably dangerous. Now is not the time to ease up on Castro and snatch defeat from the jaws of victory. Instead, Congress and the Clinton Administration would be wise to increase the pressure against Castro and hasten the day when Cuba at long last will be a free nation.