U.S.-Cuba Relations

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The island nation of Cuba, located just ninety miles off the coast of Florida, is home to 11 million people and has one of the few remaining communist regimes in the world. Since 1959, American policy planners have had to consider the implications of an unfriendly communist dictator a mere 90 miles from Key West, Florida. Due to Fidel Castro’s health and age, there is a very distinct possibility that there will be a new leader in Cuba in the very near future.

Opening up our markets to Cuba and ending the embargo and trade sanctions would allow the US to have a hand in shaping the post-Castro Cuba. Cuba has the potential to be a leader in a region beset by poverty and instability. Moreover, violence and economic collapse in Cuba could easily start a massive exodus in the direction of Miami. Establishing close economic ties will be the key to jump-starting the economy and promoting the stability the U.S. needs on its borders. Stability in Cuba is in the best interest of the United States.

This paper briefly examines the history of Cuba, the background of the current U.S. foreign policy towards Cuba, the effect of Castro’s death on Cuba’s foreign and domestic policies, and the implications for U.S. policies and possible alternatives posed by a post-Fidel Castro Cuban government.
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U.S.-CUBA RELATIONS

Cuba has been of great policy and strategic concern to the United States for over forty years. Since 1959, American policy planners have had to consider the implications of having an unfriendly communist state in close geographic proximity to the United States. Fidel Castro has proven to be a “thorn in the side” due to his ties with the former Soviet Union, Cuba’s intervention into several countries in the Caribbean region, and his repressive dictatorial rule of the Cuban people. This essay will endeavor to examine the history of Cuba, the history of U.S.–Cuban relations, the effect of Castro’s eventual death on Cuba’s foreign and domestic policies, and implications for U.S. policies posed by a post-Fidel Castro Cuban government.

HISTORY OF CUBA

Christopher Columbus landed on the island of Cuba on October 28, 1492, but colonization of the island didn’t begin until 1511. The Spanish transformed Cuba into a supply base for their expeditions to Mexico and Florida. Despite frequent raids by buccaneers and naval units the island prospered throughout the 16th and 17th centuries. Following the conclusion of the Seven Years’ War in 1763, the Spanish government liberalized its Cuban policy, encouraging colonization, expansion of commerce, and development of agriculture.

During the 1830s, Spanish rule became increasingly repressive, causing a movement among the colonists for independence. Revolts and conspiracies against the Spanish regime dominated Cuban political life throughout the remainder of the century. In 1868 revolutionaries under the leadership of Carlos Manuel de Cespedes proclaimed Cuban independence. The ensuing Ten Years’ War was terminated in 1878 by a truce granting many important concessions to the Cubans, however, the Spanish government continued to oppress the populace. On February 23, 1895, mounting discontent culminated in a resumption of the Cuban revolution. The U.S. government intervened on behalf of the revolutionists in April 1898 prompted by the sinking of the battleship Maine in the harbor of Havana, precipitating the Spanish-American War. The terms of the treaty signed December 10, 1898 terminated the
conflict, and Spain relinquished sovereignty over Cuba. An American military government ruled
the island until May 20, 1902, when the Cuban republic was formally recognized. The Cuban
constitution, adopted in 1901, incorporated the provisions of the Platt Amendment, U.S.
legislation that established conditions for American intervention in Cuba.

U.S. corporations invested heavily in the Cuban economy, acquiring control of many of
its resources, especially the sugar-growing industry. Popular dissatisfaction with U.S. control
was aggravated by recurring instances of fraud and corruption in Cuban politics. The first of
several serious insurrections against the government occurred in August 1906. In the next
month the U.S. government deployed troops to the island, which remained under U.S. control
until 1909. A second uprising took place in 1912 in the Oriente Province, again resulting in U.S.
intervention.

Mounting economic difficulties, caused by complete U.S. domination of Cuban finance,
agriculture, and industry, followed World War I. Gerardo Machado y Morales, campaigned on a
reform platform and was elected president in November 1924. Economic conditions continued
to deteriorate during his administration, including an ambitious public-works program that was
achieved by floating huge international loans. Before the end of his second term, he succeeded
in acquiring dictatorial control of the government. All opposition was brutally suppressed during
his administration, which lasted until a general uprising in August 1933, supported by the Cuban
army. A lengthy period of violence and unrest followed Machado’s overthrow, with frequent
changes of government. During this period the U.S. instituted various measures in an effort to
calm unrest in Cuba. Stability was finally accomplished following the impeachment in 1936 of
President Miguel Mariano Gomez and the passage of a new constitution in 1940.

Fluctuations in world sugar prices and inflation kept the political situation unstable in the
post World War II era. In June 1948 a 10 percent reduction in retail prices was decreed in an
attempt to offset inflation. Living costs continued to rise, leading to unrest and political violence
culminating in March 1952 when former president Batista, supported by the army, seized power.
Batista suspended the constitution, dissolved the congress, and instituted a provisional government, promising elections the following year. After crushing an uprising in Oriente Province led by a lawyer named Fidel Castro on July 26, 1953, the regime seemed secure. When the political situation had been calmed, the Batista government announced that elections would be held in the fall of 1954. Batista's opponent, Grau San Martin, withdrew from the election, charging that his supporters had been terrorized. Batista was reelected without opposition, and on his inauguration February 24, 1955, he restored constitutional rule and granted amnesty to political prisoners, including Castro.²

The Batista government instituted an economic development program, and together with a stabilization of the world sugar price, improved the economic and political outlook in Cuba. However, on December 2, 1956, Castro with some 80 insurgents revolted against the government. The army crushed the force, with Castro fleeing into the mountains. Castro then organized the 26th of July Movement, and for the next year, using guerrilla tactics, opposed the Batista government. His forces made steady gains, and on January 1, 1959, Batista resigned and fled the country. A provisional government was established, and Castro became Premier in mid-February.

Shortly after assuming power, Castro began exhibiting leftist tendency. Although Castro did not profess to be a Marxist, he perceived a grave threat from the U.S. and from Cubans living in the U.S. wishing to overthrow his regime. In 1961 he was forced to turn to the Soviets for survival, and signed the first bi-lateral trade agreement with the Soviets.

When the Castro government expropriated an estimated $1 billion in U.S. owned properties in 1960, the U.S. responded by imposing a trade embargo followed by a complete break in diplomatic relations in January 1961.³ Tensions between the two governments peaked during the April 1961 "Bay of Pigs" invasion and the October 1962 missile crisis.
Many of Castro's policies alienated Cuba from the rest of Latin America. Cuba was expelled from the Organization of American States (OAS) in 1962, due to their efforts to promote rebellions in Venezuela, Guatemala, and Bolivia.

Cuba's survival continued to depend heavily on economic aid from the Soviet Union and Soviet-bloc countries. In 1972 it signed several pacts with the USSR covering financial aid, trade, deferment of Cuban debt payments, and also became a member of the Council for Mutual Economic Assistance (COMECON).4

The first congress of the Cuban Communist Party was held in late 1975. The following year a new national constitution was adopted and created a National Assembly. The assembly held its first session in December 1976 and chose Castro as head of state and of government.

In July 1975, the OAS passed a “freedom of action” resolution that in effect lifted the trade embargo and other sanctions imposed by the organization against Cuba in 1964. Relations with the U.S. also began to improve; U.S. travel restrictions were lifted, and in September 1977 the two nations opened offices in each other's capitals. However, the U.S. warned Cuba that relations could not be normalized until U.S. claims for nationalized property had been settled.

With the collapse of the USSR in the early 1990s, Soviet-bloc aid and trade subsidies to Cuba ended. The basis of Cuban-Soviet trade was the exchange of Cuban sugar for Soviet petroleum. Cuba was the main beneficiary of this exchange because the USSR offered Cuba concessional prices for its sugar and subsidized the oil that it exported to Cuba.5 Cuba's sugarcane production dropped to a 30 year low in 1993 and worsened in 1994. Greater numbers of Cubans attempted to flee the country for economic reasons. One such group hijacked a ferry and attempted to escape, only to be sunk by the Cuban Coast Guard. The sinking sparked violent antigovernment demonstrations, to which Castro responded by removing exit restrictions from those who wished to leave for the United States. Already facing an influx of refugees from Haiti, the U.S. countered by ending automatic asylum to fleeing
Cubans because the U.S. considered that they were fleeing economic rather than political conditions. More than 30,000 people were picked up at sea by the U.S. Coast Guard and taken to the Guantanamo Bay Naval Base or to refugee camps in Panama. The crisis came to an end when the U.S. agreed to issue 20,000 entry visas each year to Cubans wishing to enter the country.

THE CUBA OF TODAY

For over forty years, the Cuban people have been promised that their life would improve under the socialist/communist system. Although some improvements have been made toward education and health care, the overall economic outlook remains bleak. Rationing of most consumer goods is a fact of life, and those goods not rationed are either scarce or unavailable.

Cuba is undergoing a halting process of transition as the Castro regime grapples with the severe economic crisis caused by the collapse of communism in the former Soviet Union and Eastern Europe. Although Cuba is experiencing some economic reform, the Castro regime has not changed all that much. The regime clings to its old socialist vision, represses dissidents and other civil society actors, and insists on the retention of one-party rule. Nevertheless, the crisis has forced the regime to begin a transition toward a more liberalized economic system.

Castro has recently instituted several economic reforms. In 1990, Cuba opened its borders to foreign investors in an attempt to bring in hard currency. Four years later, the government allowed the Cuban people to be self-employed, rather than employed by the state. However, foreign firms cannot hire workers directly because the state provides the work force through a special government employment agency (ACOREC). Additionally, the Cuban State exacts revenue from foreign investment through wage confiscation of approximately $361 million per year, one of the largest sources of government revenue. On average, the state receives from foreign investors $450 per month per worker but pays workers in Cuban pesos the equivalent of approximately $10 per month.\(^6\)
In February 1996 Cuban authorities arrested or detained at least 150 dissidents, marking the most widespread crackdown on opposition groups in the country since the early 1960s. Later that month, Cuban jet fighters shot down two civilian planes that Cuba claimed had violated Cuban airspace. The U.S. and the U.N. condemned the shoot down of the planes as a flagrant violation of international law. As a result of this incident, U.S. President Bill Clinton abandoned his previous resistance to stricter sanctions against Cuba. In March 1996 he signed into law the Helms-Burton Act. The legislation aimed to tighten the U.S. embargo by making it more difficult for foreign investors and businesses to operate in Cuba.

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In March 1996, the Central Committee of Cuba's Communist Party held a rare full session and endorsed a harder stance against dissidents, as well as against Cuban businesses that had been allowed to engage in free-market joint ventures with foreign companies.

In 1996, the Central Committee decided to pursue economic recovery through the promotion of growing industries such as tourism. The tourist sector had grown over 50%, bringing $1.3 billion annually in gross revenues to Cuba. The tourism policy represented a major victory for the liberalization of the Cuban economy. Additionally, the Cuban government opened the floodgates to foreign investment by deciding to allow 100% foreign ownership in all sectors of the economy except health, education, and the military. Foreign investors were informed that they would receive full protection of their assets, the right to remove profits from Cuba in hard currency, and the right to acquire and develop non-residential properties. Cuba received a positive response from foreign investors to its policy reforms. The government continues to balance the need for economic loosening against a concern for firm political control.

Castro recently agreed to three modest liberalizing reforms for the domestic economy. The first provides for the "dollarization" of the economy, which permits Cubans to possess hard currency for the first time. The second reform allows for limited self-employment by individuals and their families in 140 trade, craft, and service categories, but it does not open the door to
private enterprise because it prohibits the hiring of non-family employees. The third reform establishes more-autonomous cooperatives as a means of raising sugar and agricultural production. However, farmers remain without production incentives because they are denied title to their land and must sell their crops to state purchasing agencies at fixed prices. Even though some of these reforms may appear to be moving the country slowly toward capitalism, Cuban industry is still state-owned and operated.

While these concessions reduced public animosity over the government’s handling of the economy, they also served to undercut the regime’s claims to legitimacy. The nationalist posture has been undermined by its promotion of foreign investments and tourism; the collapse of the communist world; and the inability of the government to provide for the basic needs of the population. These factors suggest that, to regain legitimacy, the regime must revitalize the Cuban economy and do so soon.

Cuban leaders know that market-oriented firms work better. The economy has somewhat recovered since 1993. The economy was hurt by the worldwide recession in 2001-2002, but Cuban leaders believe that the worst is over. Moreover, they believe that no new significant economic reforms are necessary because the recovery remains on course.\textsuperscript{10}

Cuba’s ship of state has been on an erratic course of limited economic liberalization. The regime boosted the economy by allowing foreign investors in such areas as tourism, oil exploration, and biotechnology. However, Cuba lacks the infrastructure and the domestic market to attract foreign investors on a large scale. This limitation, together with the resistance of Castro and other conservative leaders to market reforms make it unlikely that Cuba's economy can transform in the direction of a productive, market-oriented system.

Public opinion polls reveal that a substantial proportion of the population is alienated from politics, particularly young people. Public support for the revolution was reinforced by advances in education and health care, but has limited significance today. The “children of the revolution” see few possibilities for effective political participation, rewarding careers or
substantial improvement in their economic situation. Unemployment has increased, wages are low, and polls indicate that young people do not feel represented by the system.

The Political Bureau of the Communist Party of Cuba is one of the regime's keys for continued survival. Three out of four of its members joined the Political Bureau since 1989 and have governed Cuba for over a decade. The median birth year of its members is 1943. They expect to govern Cuba after Castro's passing, and they believe that they can govern it effectively according to their preferences. Castro has also moved to cut the Central Committee from 225 members to 150. The consolidation of power in the hands of a few is designed to facilitate the transition of power from Fidel to his younger brother, Raul.

If the economy worsens and popular discontent rises, Cuba could experience an increased state repression. Much will depend on the position of Cuba's Revolutionary Armed Forces (FAR). Since 1991, the size of the Cuban military has been reduced by about half, most of its equipment is unusable, and about 70 percent of soldiers' time is devoted to non-military labor. A key role for the Cuban military has been to run agricultural and business enterprises such as department stores and tourist resorts. A Colonel in the Cuban Air Force who defected to the U.S. in 1994 testified to a growing discontent among professional officers in the Cuban military. If the cohesion and loyalty of the FAR hold, the regime may remain in power for a time, but if army units waver in the face of mounting social unrest, Cuba could be torn apart.

HISTORY OF U.S.–CUBA RELATIONS

The U.S. and Cuba share a long history of mutual mistrust and suspicion. Tension and confrontations have marked the relationship for over 40 years. The U.S. recognized the Cuban government, headed by Fidel Castro, on January 7, 1959. However, bilateral relations deteriorated rapidly as the regime expropriated U.S. properties and moved towards adoption of a one-party Marxist-Leninist system.
Following Castro's rise to power, President Dwight Eisenhower cut off economic relations with the country in response to Castro's confiscation of American property, the regime's human rights violations, and its close ties to the Soviet Union. Additionally, the U.S. established an embargo on Cuba in October 1960 and broke diplomatic relations the following January. On April 17, 1961, U.S. supported and trained anti-Castro exiles landed an invasion force in the Bay of Pigs in southern Cuba. Ninety of the invaders were killed, and some 1200 were captured. The captives were ransomed, with the tacit aid of the U.S. government, at a cost of about $53 million in food and medicines.

In the fall of 1962, the U.S. discovered Soviet supplied missile installations in Cuba. U.S. President John F. Kennedy announced a naval blockade of the island to prevent further Soviet shipments of arms. After several days of negotiations, on October 28, Soviet Premier Nikita Khrushchev agreed to dismantle and remove the weapons. For the rest of the 1960s U.S.-Cuban relations remained hostile. Tensions were lessened in 1965 when the U.S. and Cuban governments agreed to permit Cuban nationals who desired to leave the island to immigrate to the United States. More than 260,000 people left before the airlift was officially terminated in April 1973.

In the 1970s during the Nixon administration, the U.S. and Cuba began to explore normalizing relations, but the talks were suspended in 1975 when Cuba launched a large-scale intervention in Angola. However, in September 1977, the U.S. and Cuba established interest sections in their respective capitals to facilitate consular relations and provide a venue for dialogue, and both currently operate under the protection of the Embassy of Switzerland. Cuban international engagements in the 1970s, such as deploying troops to Ethiopia and allowing Soviet forces on the island, continued to strain bilateral relations.

In the 1980s the focus of friction in U.S.-Cuban relations shifted to include immigration. In April 1980 an estimated ten thousand Cubans stormed the Peruvian embassy in Havana seeking political asylum. Eventually, the Cuban government allowed 125,000 Cubans to depart
for the U.S. from the port of Mariel, an incident known as the “Mariel boatlift”. Efforts to explore the prospects for improving relations were initiated in 1981-82 under the Reagan administration, but ceased as Cuba continued to intervene in other countries in Latin America. Additionally, in 1983, the U.S. and regional allies forced the withdrawal of the Cuban presence in Grenada. In 1984, the U.S. and Cuba negotiated an agreement to resume normal immigration, and to return to Cuba those persons who had arrived during the Mariel boatlift who were “excludable” under U.S. law.

The U.S. trade embargo continues to weaken Cuba’s deteriorating economy. When demonstrations fueled by food shortages and prolonged blackouts occurred in Havana in August 1994, the Cuban Government allowed 30,000 Cubans to set sail for the U.S., which resulted in a number of deaths at sea. The two countries in September 1994 and May 1995 signed migration agreements with the goal of cooperating to ensure safe, legal, and orderly migration.

For over forty years, the U.S. has not imported any Cuban products, nor allowed any American food, medical supplies, or capital to enter Cuba. Two recent pieces of legislation have tightened the economic restrictions on Cuba. The Cuban Democracy Act, passed by Congress in 1992, further isolated Cuba from the world economy by prohibiting any foreign-based subsidiaries of U.S. companies from trading with the country, and codified the U.S. trade embargo into law. The bill’s goal was to cripple the Cuban economy in order to bring down Castro “within weeks”. More recently, in February 1996, President Clinton signed the Helms-Burton Act. The law was a retaliatory measure against the shooting down by the Cuban military of two unarmed U.S. civilian airplanes flying just outside Cuba’s territorial waters. The Helms-Burton Act states that American citizens can sue foreign investors who utilize American property seized by the Cuban government. In addition, those who “traffic” in this property or profit from it will be denied visas to the United States. Supporters of the legislation believe that prohibiting foreign investment will quicken Castro’s downfall. No other country has joined the U.S. in the
trade embargo against Cuba; in fact, the Helms-Burton Act angered nations that do business with Cuba.

Over a decade after the breakup of the Soviet Union and the end of the Cold War, Cuba continues to be troublesome for U.S. policymakers. Although Russia and the former eastern bloc countries have undergone widespread democratic and free-market economic reform, Cuba remains one of the only communist dictatorships in the world. Removing Castro from power and implementing reform in Cuba are top U.S. foreign policy priorities, but lawmakers disagree on the best course of action. While some argue that the U.S. trade embargo has proved ineffective and inhumane, others respond that the U.S. should continue to apply pressure on Castro until he is toppled from power.

Opponents of the U.S. trade embargo point out that crippling the Cuban economy is only bringing great suffering to the Cuban people, not weakening Fidel Castro. They believe that the U.S. is acting inhumanely by denying people basic essentials like food and medical supplies. However, supporters of the embargo argue that isolating Cuba from the global economy is the most effective way to weaken Castro’s political support, and bring about his resignation or his overthrow. Critics of the embargo argue that the economic sanctions have failed since the U.S. embargo has been in place since 1962 and Fidel has endured. Those who make this argument disregard the fact that Cuba has had diplomatic and commercial relations with most other countries. Latin American and European countries have engaged the Cuban government in diplomatic and trade relations, and tried many times to persuade the Cuban government to take steps toward political liberalization without any success. All aspects of U.S. policy with Cuba, such as the current trade embargo, immigration practices, have provoked heated debates across the United States. While most Americans agree that the ultimate goals should be to encourage Castro’s resignation and promote a smooth transition to democracy, experts disagree about how the U.S. government should accomplish these aims.
The fundamental goal of U.S. policy toward Cuba is to promote a peaceful transition to a stable, democratic form of government and respect for human rights. The U.S. policy has two fundamental components: maintaining pressure on the Cuban Government for change through the embargo and the Libertad Act while providing humanitarian assistance to the Cuban people, and working to aid the development of civil society in the country.\textsuperscript{21}

U.S. policy also pursues a multilateral effort to press for democratic change by urging our allies to actively promote a democratic transition and respect for human rights. The U.S. Government opposes consideration of Cuba's return to the OAS or inclusion in the Summit of the America's process until there is a democratic Cuban government. The U.S. has repeatedly made clear however that it is prepared to respond reciprocally if the Cuban government initiates fundamental, systematic democratic change and respect for human rights.

"Constructive engagement" by Canada and members of the European Union, has not changed the regime's behavior. The Castro regime has devised a system that raises costs and obstacles to foreign businesses, and provides an enormous profit for the regime. Additionally, Cuba has defaulted on payments to a number of creditors, governments and private businesses in Russia, France, Italy, South Africa, and Chile. The regime owes international creditors approximately $16-20 billion, in addition to the $20 plus billion it owes Russia for Soviet-era aid.\textsuperscript{22}

Because Castro's government in Cuba is "bankrupt, dictatorial and anachronistic," there is broad agreement among the nations of the Western Hemisphere on the need for democratic reforms within Cuba.\textsuperscript{23} President Bush's "Initiative for a New Cuba," aims to facilitate a transition to democracy in Cuba. Announced in May 2002, the initiative challenges the Castro government to implement political and economic reforms, including the holding of free and fair elections for the National Assembly and the introduction of measures to open Cuba's state-controlled economy. The president has pledged to work with the U.S. Congress to ease the U.S. trade embargo and to lift travel restrictions between the U.S. and Cuba if concrete reforms
are undertaken. Lifting current restrictions would “benefit the Castro regime at the expense of the Cuban people and the long-term American interests in a free and democratic Cuba.”

    Castro and Cuba may continue on their own path regardless of what the U.S. does. Even though reformers have emerged within the regime, major efforts by the U.S. to facilitate further liberalization could backfire if they strengthen the Castro regime.

CUBA POST FIDEL

After he fainted briefly during a speech on June 23, 2001, 75 year-old Cuban leader Fidel Castro named his 70 year-old brother Raul as his successor. Raul is not a strong, charismatic, popular leader like Fidel; he is, however, politically shrewd. Raul has been working diligently to ensure that the Cuban regime will not end or descend into chaos with the passing of Fidel. As first vice president of Cuba, minister of defense, and second secretary of the Cuban Communist Party (PCC), Raul Castro has used his power since the early 1990s to reorganize, rejuvenate, and strengthen the elements of government power. A simultaneous demise of Fidel and Raul would lead to an immediate crisis, in which the military would most likely step in. There would probably be a three-way power struggle between the military, Ministry of the Interior, and Castro’s inner circle of advisors.

The Revolutionary Armed Forces (FAR) will be the pivotal player in the future of Cuba, because it remains Cuba’s most respected public institution. The fact that the FAR has not fired on civilians and has accepted civilian authority under Castro’s leadership could bode well for the future. Since 1993, Raul Castro has advocated economic reform within the regime and has argued that the military is best equipped to lead that process. The FAR controls Cuba’s major weapons systems and most of the country’s property, making it perhaps the most critical factor in post-Castro stability. Raul Castro also asserted civilian political control over the FAR by giving it a much greater stake in the regime’s survival by providing them with managerial opportunities and better living standards than that of the general population. The military’s growing involvement in the economy was promulgated largely due to the collapse of the Soviet Union
and with it, more than $6 billion a year in subsidies to Cuba. Raul also has brought a new and younger generation of leaders into the central government by replacing virtually all of the party’s 14 provincial secretaries with officials under 40 years of age.

Critical to the development of democracy in any country is the formation of a strong multiparty system that will allow citizens to express themselves politically and influence the government and its policies. Historically, newly established democratic countries often need assistance to effectively govern which differs significantly from the rubber-stamp role performed by legislatures in communist countries. Cuba will have to develop rules and procedures, committee structures, and communications mechanisms.

Economic policies that lead to growth and broad dispersion of property ownership, while protecting vulnerable groups, will help guarantee political stability. Cubans should expect that all citizens in a democratic Cuba would enjoy equal rights. Cuba is likely to welcome cooperation and assistance from the international community, particularly the U.N. or the OAS, to help it ensure that human rights are respected in Cuba during its transition. They must free political prisoners and take action to reform or eliminate state repression, remove restrictions on the media, and independent economic activity. Additionally, they must remove travel and other restrictions that have isolated Cuba from the rest of the world.

Whatever regime follows Fidel’s demise, it must move swiftly to jump-start the economy. The hard-liners are certain to oppose an economic strategy based on market principles, preferring instead a state-controlled economy, and reliance on security measures and anti-Americanism to keep control. In contrast, both the reformers and the military have proven themselves more receptive to market reforms and probably would move to a free market economy as well as allow foreign investment to spur revitalization of the economy.

Although Cuba has undertaken a number of policies to cope with the loss of Soviet subsidies and COMECON trade, they have been far too limited to stimulate significant growth. International and private investment will play an increasingly important role in financing the
stabilization and recovery of the Cuban economy. One of the highest priorities for the transitional government should be the reintegration into regional and international organizations. Restoration of membership in the International Monetary Fund (IMF) is key, both to gain access to IMF credits and as a necessary step toward renegotiations of Cuba’s external debts.

Readmission to the OAS will allow Cuba to become a member of the Interamerican Development Bank (IDB). 28 IDB and World Bank membership will allow Cuba to adjust their loans and debt. Cuba was a member of both the IMF and the World Bank, and following a political transition, it should be a relatively easy process for Cuba to rejoin these two organizations. Cuba was never a member of the IDB and would have to first rejoin the OAS.

A free market economy and the lifting of the U.S. embargo will significantly aid Cuba’s economic recovery. The small size of the heavy industry sector in the Cuban economy should reduce the amount of adjustment problems. Additionally, Cuba’s proximity to the U.S. market can provide an impetus to growth. It is a relatively well integrated society with a single language with a relatively educated, flexible, and mobile workforce that can be readily absorbed into new economic activities. Cuba will also be able to draw upon the support of a large overseas Cuban community with extensive business and technical expertise, market connections, investment capital and a commitment to help their families and fellow Cubans. The exile community will either play a constructive economic and political role in the rebuilding of Cuba, or a divisive one that makes national reconciliation even more difficult. Finally, Cuba can count on the strong bilateral and multilateral support from the U.S. due to the clear U.S. national interest in having a stable, prosperous and democratic neighbor.

Small businesses, especially in trade, services, and retailing, will thrive once restrictions are removed. This sector can provide most of the growth and job creation. Farmers in Cuba have clearly shown the productivity effects of market incentives and individual ownership of land.
One of the more complex and lengthy tasks a Cuban transitional government will face is establishing the rule of law. The basic instrument that shapes society, the economy and the government is the constitution. Establishing the rule of law also requires reform of the criminal and civil procedures and codes; a judiciary that has the skill and independence to interpret and apply the law impartially; a legal profession that can effectively advise and represent individuals; and public defenders. Additionally, Cuba will need to develop a law enforcement agency capable of dealing with the potential threats of organized crime, fraud, and corruption. Crime and corruption can increase significantly with a market economy and the economy can be seriously impaired.

In addition, Cuba is likely to require short-term measures to deal with property disputes by establishing a property titling system. Cuba will also face the task of resolving the legacy of U.S. property confiscation’s in order to build the confidence of citizens and foreign investors. By promptly initiating a process to clearly identify who are the owners of property, and provide some form of compensation to claimants who will not have their property returned, Cuba can minimize the uncertainty that can impede property investment.

Cuba may also have to establish the government's pension and disability system, unemployment, and social assistance programs to minimize unrest created from layoffs from state enterprises, the central government, and the military. This will require retraining, job placement services, the financing of public works projects, and programs and policies aimed to spur job creation in the private sector.

To alleviate food shortages, the regime has been forced to reestablish farmers markets. But, overall agricultural productivity remains extremely low. Cuba will need to privatize remaining state farms, agriculture processing facilities, export marketing functions, and the leasing of farm equipment. Privatization programs that provide partial or full ownership to workers can be solutions to meet the government's economic objectives.
Cuba's educational system has provided both broad accesses to basic education and extensive higher education in areas considered important by the regime. The challenge to the new Cuban government will be to preserve the positive aspects of Cuba's education system while adapting it to meet the educational needs of a democracy and a market economy.

Finally, years of low investment combined with a lack of maintenance have led to serious deterioration in Cuba's infrastructure. Significant investment will be needed in water and sanitation, power, telecommunications and transportation systems. Additionally, the Cuban government should undertake the privatization of utilities and encourage competition in all government services.

THE FUTURE OF U.S.-CUBA RELATIONS

The Cuban Liberty and Democratic Solidarity Act reconfirms the U.S. policy “that the self-determination of the Cuban people is a sovereign and national right of the citizens of Cuba which must be exercised free of interference by the government of any other country.” While a peaceful transition and economic recovery in Cuba will serve both the U.S. and Cuba, the Cuban people must determine when and how.

The departure of Fidel Castro from Cuba poses several policy alternatives for the United States. Depending on who replaces Fidel, the U.S. has a variety of options for improved relations with the new government. The U.S. should turn from a policy of isolating Cuba to one of helping, as Cubans search for an acceptable path toward capitalism.

Three distinct tasks will require immediate attention with the demise of Fidel. The first priority of the U.S. will be to prevent a crisis from escalating into military confrontation. The U.S. military may need to take defensive and precautionary measures to safeguard Guantanamo and military installations on the U.S. mainland, as well as possible civilian areas in Florida. Additionally, U.S. Coast Guard and naval units may need to restrain Cuban-Americans from going to the island to retrieve relatives and friends. The U.S. must be ready to provide assistance to Cuban refugees who arrive in Florida or Guantanamo.
Secondly, the U.S. should enlist the political and diplomatic efforts of other governments that have ties to Cuba. In particular, Spain, Mexico, Colombia, Venezuela, and Canada could be asked to intercede or to use their influence to facilitate a transition to a post Castro regime. Additionally, the U.N. and the OAS may also provide support.

Lastly, the U.S. should be prepared to mount a major humanitarian relief program in Cuba to assist Cubans. Relief missions are certain to include the efforts of Cuban-Americans, and programs undertaken by non-governmental organizations (NGOs), the U.N., and other countries. Still, U.S. government participation in and coordination of, humanitarian assistance will be required. The relief effort could run the gamut from supplying food, medicine, and clothing, to providing public health, police, and other government-type services in various areas of the island.

Once Cuba has a transition government that is committed to establishing a democratic society, the U.S. should be prepared to begin normalizing relations and provide assistance. Economic sanctions should be suspended and negotiations initiated to promote bilateral trade relations. Continued isolation keeps the U.S. from influencing Cuba’s future course and keeps U.S. businesses from getting in on the ground floor of future ventures in Cuba. Having U.S. businesses involved may be critical to a smooth and orderly transition from socialism to capitalism.

The future of Cuba’s economy lies in a transition to a free market system. “The strong ideological values preached by Castro might hinder the peaceful transition to capitalism and the return of the conservative Miami exiles could lead to violence—a clash of the extreme right and left.” However, the potential for success is there; Cuba has a healthy, highly skilled, educated work force with a literacy rate of over 90 percent, and an ideal location for business expansion. The Caribbean provides natural trading partners for Cuba and an opportunity to get the Cubans peaceably re-engaged in economic programs. The key to this is good terms with the United States.
To normalize relations fully with a democratic government in Cuba, the U.S. should also prepare to enter into negotiations to either return the Naval Base at Guantanamo to Cuba or to renegotiate the present agreement. Guantanamo is a holdover from the Cuban independence from Spain, provides little strategic importance to our forces today, and costs $34 million a year to keep open. The U.S. presence is, moreover, a sore point for the fiercely nationalistic Cubans.

The U.S. policy toward Cuba after Castro could well be a decisive force that influences the political outcome on whether there is stability or unrest, dictatorship or democracy. A chaotic situation could cause a flight of hundreds of thousands of Cuban refugees to Florida.

The lifting of the embargo could well provide the U.S. with leverage with which to try to influence the policies of the new government. Carlos Lage, the economy minister in Cuba, acknowledges that Helms-Burton has slowed down foreign investment. The embargo also has curtailed income from U.S. sources. If the U.S. were to lift its embargo a number of American firms would invest there. Lifting the embargo would also provide significant hard currency earnings from American tourists to the Cuban government. It is estimated that an end to the embargo could quickly double the number of tourists traveling to Cuba. Opening up our markets to Cuba and ending the embargo and trade sanctions would allow the US to have a hand in shaping the post-Castro Cuba. Establishing close economic ties will be the key to jump-starting the economy and promoting the stability the U.S. needs on its borders. Cuba has the potential to be a leader “in a region beset by poverty and instability. It is a promising source of economic growth in the region. Moreover, violence and economic collapse in Cuba could easily start a massive exodus in the direction of Miami. Stability in Cuba is in the best interest of the United States.”

Foreign governments and international organizations and lending institutions can supply critically important resources, training, and technical assistance necessary to overcome the past. They can contribute assistance to help improve social conditions, build new political, economic, and judicial institutions, and private enterprise, that will spur new growth.
To ensure that assistance necessary to facilitate a democratic transition and economic recovery, the U.S. should support the creation of a donor coordination mechanism under the leadership of an appropriate international organization. This would allow the Cuban government to ensure that its priorities and policies are clearly understood by the international community, and facilitate matching Cuban assistance needs to the assistance provided.

The U.S. should support early membership into the IMF, IDB, World Bank, and reintegration into the OAS and offer bilateral assistance to help Cuba meet conditions for loans. The U.S. should also support Cuba’s inclusion in international trade agreements, and bilateral assistance to help Cuba overcome internal constraints to trade.

U.S. policymakers will confront a very complex set of issues that could follow the demise of Fidel Castro. The U.S. should prepare to respond to simultaneous challenges and threats that could have international, transnational, and U.S. domestic policies.

RECOMMENDATIONS

In the short term, the U.S. policy toward Cuba should remain as recently stated by President Bush in his “Initiative for a New Cuba”. The aims of the policy are to challenge the Castro government to implement political and economic reforms and to facilitate a transition to democracy, but until such reforms are made, retain the Cuban embargo. Without strong incentive, Castro will not modify his domestic and international policies, therefore remaining not only a problem for the U.S., but also a hemispheric problem.

In the long-term, the U.S. should be prepared to establish full diplomatic relations with a post-Castro government. The transition government must quickly address numerous issues to include: human rights, the economy, the expropriated U.S. property in Cuba, travel restrictions, and the U.S. Naval Base in Guantanamo. Additionally, the U.S. as part of a multi-national coalition, should be prepared to provide all types of assistance, to include massive economic and humanitarian aid, and act as catalyst for Cuban acceptance into the IMF, IDB, World Bank, and the OAS. It will be to the advantage of the U.S. and the other nations of the region, to
actively pursue a post-Castro Cuba with a stable democratic government and a free market economy.

CONCLUSION

The situation in Cuba is very complex and uncertain, with many different possibilities and scenarios that could occur in the post-Castro Cuba. Castro is nearing his life expectancy, the economy is near collapse, food is scarce and rationed, and a thriving black market has developed. These factors combined with many more have set the stage for a near term change in Cuba. As the transition in Cuba begins, the U.S. will need to change its policies toward Cuba, and assist in the move toward a democratic form of government and a free market system.

There is an abundant amount of evidence that shows that opening of commerce and trade has not had an impact on the domestic policies with Castro, but instead, has only increased the wealth and power base of Castro. Whatever policy the U.S. adopts between now and the demise of Castro should assist in the Cuban transition toward democracy and a free market. Without an indication that the U.S. is ready to assist Cuba towards democracy, Cuba could easily implode. The restrictions and economic sanctions, to include the embargo, should remain in place until the post-Castro transition begins. In the meantime, the U.S. should be prepared for a crisis following the demise of Castro, and the problems that a transitional will be required to overcome.
ENDNOTES


2 Ibid.

3 Ibid.


5 Ibid.


7 Microsoft Encarta 97.


10 Ibid.


22 Werlau, p. 482.

23 Chatham.


28 Chatham.

29 Cardoso and Helwege, p.115.

30 Jordan, p.15.

31 Cardoso and Helwege, p.117.

32 Cardosa and Helwege, p. 66.
32 Brenner, p. 87.


36 Cardoso and Helwege, p. 107.

37 Jordan, p.18.

38 Brenner, p.91.
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