May 14, 1990

PREPARING FOR A POST-CASTRO CUBA

INTRODUCTION

Fidel Castro surely is nearing his last days as the self-described "maximum leader" of Cuba. As dictator of the sole remaining communist dictatorship in the Western Hemisphere, he faces unprecedented domestic and international pressures that could topple him before George Bush finishes his first term as President. Internationally isolated, Castro is quarreling with his financial benefactor, Soviet leader Mikhail Gorbachev, and he is under fire from the United Nations for human rights abuses. He also is presiding over a collapsing economy and is plagued with rising internal unrest.

The question, therefore, is not whether Castro will fall but when he will. As such, the United States must begin preparing now for Castro's departure. First, Washington should tighten U.S. restrictions on trade with Cuba to expedite Castro's demise and encourage America's Western allies to further isolate him. Second, and more important, the U.S. should craft a strategy to help revive a free and prosperous Cuba once he is gone.

Bankrupt Police State. Castro's popular image as a romantic revolutionary leader has been replaced by growing international recognition of Cuba as an economically and morally bankrupt police state. Cuba's long-standing trade partners in Eastern Europe are rejecting barter deals with Havana in favor of cash trade with the West. Castro's political survival depends on the $6 billion in annual military assistance and economic subsidies from the cash-starved Soviet leadership, which has abandoned former German dictator Erich Honecker and other communist allies in Europe. This aid to Cuba increasingly is becoming a casualty of Moscow's internal economic crisis and of rising resentment among Soviet legislators toward foreign aid.

The case for continuing Washington's policy of economic pressure against Castro is overwhelming. U.S. economic and political isolation of Cuba is gaining momentum as many Eastern European and such Third World nations as Morocco and Panama are rejecting Castro's pleas for diplomatic and financial support. Castro continues to assault U.S.interests abroad and deny human rights and economic progress at home. At a time when the Soviet officials openly question Moscow's economic aid to a repressive Cuban regime, Washington should not replace Moscow as Castro's economic lifeline.

U.S. policies to help facilitate Cuba's transition to democracy should rest on the foundation of consistently applied principles and objectives. First, Washington should follow a seven-point program to hasten Castro's political demise. The U.S. should:

1) **Increase U.S. economic pressure against Castro.** U.S. restrictions on tourism and trade with Cuba limit Castro's support for revolutionary movements by undermining Cuba's economic vitality and hasten Cuba's transition to democratic capitalism. Washington should increase economic pressure on Havana by closing loopholes in the U.S. trade embargo against Cuba.

2) **Establish clear incentives for Moscow to cut aid to Cuba.** Washington should deny Soviet access to U.S. technology, securities markets, and trade credit programs unless Moscow cuts its military and economic aid to Havana in a verifiable way.

3) **Seek Western cooperation in isolating Cuba economically.** Washington should encourage Canada, Britain, Japan, and other industrial consumers of Cuban sugar, seafood, and other goods to find alternative suppliers in Central America and the Caribbean like Barbados, the Dominican Republic, and Jamaica.

4) **Encourage Western nations to press for political reform in Cuba.** Bush should ask the Western allies to focus international attention on human rights abuses in Cuba and to call for a referendum in Cuba on the legitimacy of Castro's rule.

5) **Challenge Castro's political influence in Latin America.** Bush repeatedly should call on Latin leaders to denounce human rights abuses in Cuba and to reject Havana's bid to join the Organization of American States.

6) **Set specific conditions for normalization of U.S.-Cuba relations.** These conditions should include: the establishment of democratic institutions in Cuba, removal of restrictions on emigration, reduction of the Cuban armed forces, and a halt to Castro's export of revolution.

7) **Offer a clear economic and political alternative to Castro's "Socialist Paradise."** The Bush Administration should use Radio Marti and TV Marti — stations operated by the U.S. Information Agency which broadcast news and entertainment programs to Cuba — to inform the Cuban people about the potential benefits of U.S. economic aid and cooperation with a democratic, market-oriented Cuba.

Planning for a Free Cuba

Once U.S. conditions for normalization are met by a post-Castro government, Washington should move quickly to help revitalize Cuba. To promote democracy and economic development in a post-Castro Cuba, Bush should:

1) **Help private commercial and Cuban-American groups prepare programs to promote market-oriented development in Cuba.** Bush should order U.S. Commerce Department and U.S. Agency for International Development studies of Cuba's needs and establish a Cuban Development Council to organize U.S. financial and business support for economic development initiatives in a free Cuba.

2) **Develop an emergency relief program for a free Cuba.** Washington should prepare a U.S. emergency aid plan that will give Cuba the hard currency to purchase such critical imports as food, farm machinery, and oil, assist private voluntary relief programs, and cover the transition costs to a free market in a post-Castro Cuba.

3) **Press for Cuban debt relief.** Washington should encourage Western government creditors to cancel or write down their portion of Cuba's $6.8 billion debt.

4) **Lift U.S. economic sanctions against Cuba.**

5) **Begin negotiating a U.S.-Cuba free trade agreement to stimulate economic growth in both countries.**

CUBA

Area: 44,200 square miles, about the size of Pennsylvania.

Population: 10.4 million.

Capital: Havana, population 2,013,000.

Military: Regular Armed Forces, 162,000; Reserves 165,000; Territorial Militia Troops, 1.2 million; State Security, 85,000.

Ethnic Groups: 51% Mulatto, 37% white, 11% black, 1% Chinese.

Work Force: Agriculture, 25%. Industry and commerce, 47%. Services and government, 28%.

Economy: Agriculture. Main crops: sugar, tobacco, cereals, citrus fruits. Major industries: food processing, sugar milling, petroleum refining, electric power, chemicals, cement.

Exports (1987): $5.4 billion, mainly: sugar, petroleum, nickel, shellfish, tobacco. Exports by major area: U.S.S.R., $3.9 billion; Eastern Europe, $818 million; non-Communist countries, $606 million. Major non-Soviet bloc trade partners: China (PRC), Spain, Japan, France, Canada.

Imports (1987): $7.6 billion, mainly: petroleum, machinery, manufactured goods, foodstuffs, chemicals. Imports by major area: U.S.S.R., $5.5 billion, Eastern Europe, $1.1 billion; non-Communist countries, $938 million. Major non-Soviet bloc trade partners: Spain, Argentina, Japan, China (PRC), West Germany.

Sources: U.S. Central Intelligence Agency, "The Cuban Economy: A Statistical Review," ALA 89-10009 (April 1989); International Monetary Fund, Direction of Trade Statistics Yearbook, Washington, D.C. (1989); Jaime Suchliki, The Cuban Military Under Castro (Miami, Florida, University of Miami Press, 1989); U.S. Central Intelligence Agency, World Factbook (1989).

6) Help train Cubans in business and market economics by creating and subsidizing academic exchange and business internship programs.

7) Establish criteria to measure Cuba's progress toward a free market economy. Examples: cutting taxes, deregulating the private sector, and establishing foreign investment and private property rights.

THE ECONOMIC DECLINE OF CASTRO'S CUBA

Faced with a withering communist bloc and increasing political isolation from the international community, Fidel Castro vowed on March 16, 1990, that his rigid brand of communism "is our policy [and] there can be no other way."[1]

Cuba's economy is paying a heavy price for Castro's rigidity. No country in Latin America can match the extensive and rapid economic decline suffered by Cuba during Castro's reign. Before Castro took power in 1959, Cuba ranked third in per capita income among Latin American nations, behind only Argentina and Venezuela. Today after 30 years of socialism and more than $45 billion in Soviet economic aid, Cuba's per capita income of less than $1,500 ranks in the bottom half of nations in Latin America.[2]

Cuba: Bangladesh of the Caribbean

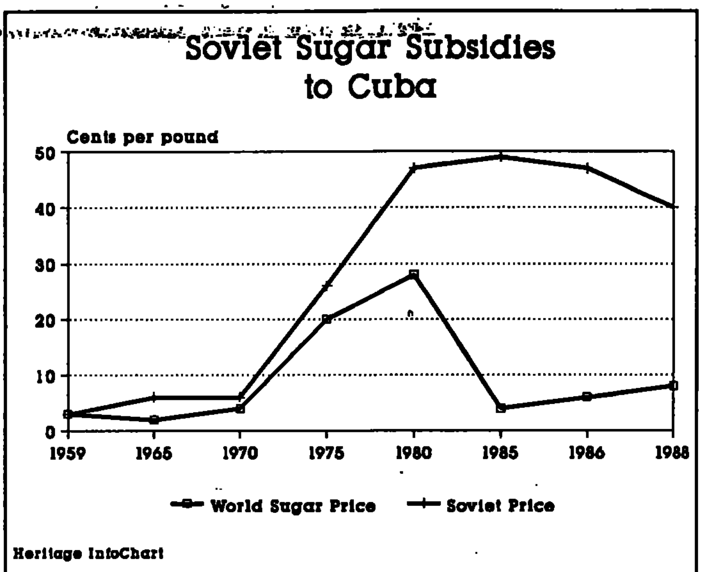
Havana is now suffering its worst economic nightmare since the 1959 revolution that brought Castro to power. Castro's campaign, begun in 1986, to stop Gorbachev-like reforms and to "rectify errors and negative [capitalist] tendencies" has accelerated Cuba's economic decline. Cuba's export earnings have dropped 17 percent since 1986. Cuba had a $1.2 billion budget deficit in 1988, nearly twice that of the year before, and roughly twice the U.S. deficit as a share of GNP. Cuba's per capita income has declined 4 percent since 1986, and economic production, excluding sugar, fell by 2.4 percent last year. Cuba's hard currency reserves, or cash on hand, dipped to a mere $78 million

1 "Castro Says Cuba Will Stay the Course," *Washington Post*, March 17, 1990, p.21.

2 Robert A. Packenham, "Capitalist vs. Socialist Dependency: the Case of Cuba," *Journal of Interamerican Studies and World Affairs*, Spring 1986, p. 76. See also, Wharton Econometric Forecasting Associates, "Cuban Economy Project, Volume I: Construction of Cuban Economic Activity and Trade Indexes," Philadelphia, November 1983, p. 1.

last year – roughly one-sixth of the cash reserves in famine-prone Bangladesh, and only one-eighth of Cuba's cash reserves in 1947.[3]

Inefficient Production. Cuba has little industrial base, while agricultural production is limited to sugar, tobacco, and citrus crops. In fact, Cuba's economy is more reliant on sugar production than at any time in this century. Sugar production accounted for 80 percent of Cuba's exports between 1920 and 1959. By 1986, sugar represented 82 percent of total Cuban exports. Sugar exports are Cuba's only significant source of hard currency earnings and represent its only means for servicing its $6.8 billion debt to Western lenders such as Japan and Sweden. Castro's sugar plantations remain inefficient and unproductive. Cuba's sugar harvest in 1960, Castro's first full year in power, was 5.95 million metric tons. By 1987 it had reached 7.2 million tons, an average annual growth rate of less than 1 percent. By contrast, Brazil's annual sugar harvest grew from 2.8 million metric tons in 1958 to more than 8.5 million metric tons in 1987.[4]



Sources: Jose L. Rodriguez, "Las relaciones economicas Cuba-URSS, 1960-1985" Revista del CIEM, No. 17 (1986): 25. International Monetary Fund, "International Financial Statistics," 1988.

What is worse, Cuba must produce roughly 12 million metric tons of sugar – nearly twice the total 1989 harvest – to cover outstanding sugar contracts with international sugar brokers, East bloc countries, mainland China, and Japan.

3 U.S. Central Intelligence Agency, "The Cuban Economy: A Statistical Review," ALA 89-10009 (April 1989); Comite Estatal de Estadisticas, "Anuario estadistico de Cuba" (Havana: 1982, 1986); National Bank of Cuba, Informe Economico Trimestral (Havana: March 1989); U.S. Department of Commerce, "U.S. Relations with Cuba: A Statistical Survey," HF 3075. U49 (August 1975). *The Economist: Foreign Report*, "Castro's coming crisis," December 21, 1989; Dr. Jose Luis Rodriguez, "Sluggish Production," *Cuba Business* (London), December 1989.

4 U.S. Central Intelligence Agency, *The Cuban Economy: A Statistical Review*, ALA 89-10009 (April 1989), pp. 7-9; U.S. Department of Commerce, "U.S. Relations with Cuba: A Statistical Survey," HF 3075. U49 (August 1975).

Cuba's tourist industry is also in deep trouble. Three decades ago, Cuba welcomed nearly 400,000 foreign visitors annually; only half this number visited Cuba in 1988. Cuba earned a meager $120 million from tourist trade last year. By contrast, Jamaica's tourist trade earned $553 million last year. Only one big-city tourist hotel has been built in Cuba since Castro came to power.[5]

Debt Capital: Cuba has the highest per capita debt of any nation in Latin America. Cuba's $6.8 billion debt to Western lenders is 150 times greater than her 1959 debt total of $45.5 million. The Soviet government journal *Izvestia* reported on March 1 that Cuba's debt to the U.S.S.R. had reached $24 billion. Cuba's total foreign debt is $30.8 billion and its per capita foreign debt of nearly $3,000 is nearly three times that of Mexico. Havana's refusal to honor its debt obligations to Western government lenders since July 1986 has severely restricted loans to Cuba. The National Bank of Cuba in 1988 reported "an overall absence of credits, particularly medium-term credits."[6]

Cuba's economy cannot function without continued Soviet and East European economic and technical assistance. Aid from the Council for Mutual Economic Assistance (COMECON), the Soviet-led trading bloc of ten communist countries, includes subsidized purchases of Cuban sugar, nickel and tobacco products, and exports to Cuba of oil and manufactured goods, and economic development grants. Moscow alone has provided over $45 billion in economic assistance and $14 billion in military aid to Cuba since 1960. This is roughly one-third of Cuba's gross national product over that period. Moscow gave an estimated $6 billion in economic and military assistance to Cuba last year. Nearly ten thousand Soviet and East European bureaucrats in Havana help manage the Cuban economy in accordance with the Soviet Union's five-year economic plan. Cuba-U.S.S.R. trade represents 75 percent, and Eastern Europe-Cuba accounts for 12 percent, of Cuba's total trade turnover.[7]

Castro vs. Perestroika

Castro has bitterly attacked Gorbachev's political and economic reforms. Not only has Castro condemned *perestroika* as "contrary to the principles of Marxism-Leninism," since last August he has banned the distribution of *Mos-*

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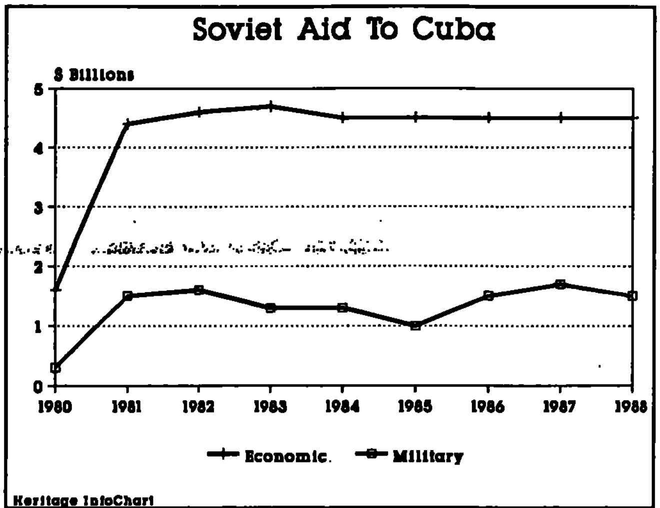
5 U.S. Department of Commerce, "U.S. Relations with Cuba," pp. 32-33; Europa World Factbook, 1989 "Cuba: Statistical Survey" (N.Y.: Europa Publications Ltd., 1989) p. 806; "Cuba's Economic Woes," *Christian Science Monitor*, April 4, 1989, p.1.

6 *Economist: Foreign Report, op. cit.* p. 2; U.S. Congress, Joint Economic Committee Report, "East-West Trade: The Prospects to 1985," 97th Congress, 2nd Session, 1982, pp. 107-110.

7 U.S. CIA, *The Cuban Economy*, pp.23-28; Carmelo Mesa-Lago, "The Economy of Cuba: a Two Decade Appraisal" (Albuquerque, New Mexico: University of New Mexico Press, 1981) p. 86.; and U.S. Defense Intelligence Agency data.

cow News, the self-proclaimed flagship of reform in the U.S.S.R., claiming that it is more subversive than information from Western news sources.[8]



Sources: U.S. Defense Intelligence Agency, "The Cuban Economy: A Statistical Review," #ALA 89-10009 (April 1989). Carmelo Mesa-Lago, *The Economy of Socialist Cuba*, Albuquerque, New Mexico: University of New Mexico Press, 1981.

Castro is playing a risky game. Political pressure is mounting inside the Soviet Union to cut the costly subsidy programs to Castro. Examples: Andrei Kortunov, a member of the U.S.S.R. Institute of the U.S.A. and Canada, last December 10 issued a scathing critique of Soviet military and economic aid to Cuba, calling it a waste of money. Three days later, Sergei Lavrov, Deputy Chief of the Foreign Ministry's International Affairs Department, announced that Moscow's foreign aid program was under review. Then on March 7, *Moscow News* published a strident condemnation of Castro's Brezhnev-style communism, and on April 8, *Pravda* cited Castro's hostility to *glasnost* and *perestroika* as justification for a Soviet revision in aid priorities toward Cuba.

Kremlin Cutback. Castro already is feeling the effect of Moscow's waning interest in Cuba. The Soviet Union and Cuba are currently negotiating an economic assistance plan which is likely to reduce substantially Moscow's current $4.5 billion annual economic aid program for Cuba. A Soviet delegation headed by Leonid Abalkin, Vice President of the Soviet Council of Ministers, arrived in Havana on April 17. He informed Castro that a new economic cooperation accord will not be for five years as before, but probably for two years. Abalkin also said that Soviet sugar subsidies (roughly four times the market price for sugar since 1986) must be reduced to levels closer to the current world price of $280 per ton. If this happens, Havana's earnings from its only significant cash crop will plummet and Cuba will be forced to cut purchases of critical imports such as food, machinery, and spare parts. Internal pressures against Castro's rule will grow.

Moscow's desperate cash shortage and economic restructuring programs also have reduced Moscow's interest in subsidized trade with Havana. As a result, last November the U.S.S.R. signed its first long-term sugar import con-

8 "Cuba Bans Two Liberal Soviet Publications," *Washington Post*, August 5, 1989, p.11; and FBIS-Soviet Union, 89-237, December 15, 1989, p. 39.

tract with a non-Cuban supplier, the Queensland Sugar Board of Australia, and contracts for purchases of sugar from Brazil and Thailand are also being negotiated. The Soviet Union meanwhile failed to deliver promised wheat and grain shipments to Cuba in the first two months of this year. Now that independent Soviet enterprises have the right to trade directly on foreign markets, they are more likely to seek cash trade and reject barter arrangements preferred by cash-poor Havana.[9]

Soviet oil shipments to Cuba also are declining in volume and increasing in cost. Cuba's hard currency earnings from the resale of oil imported from the U.S.S.R. dropped from $621 million (or roughly 40 percent of Cuba's total hard currency earnings) in 1985 to zero in 1989. According to data published last year by the Central Bank of Cuba, Moscow cut its shipment of subsidized oil to Cuba by $200 million in 1989. Given that Soviet oil production fell by 350,000 barrels per day last year and is expected this year to drop another 500,000 per day, Cuba is likely to experience even more painful reductions in subsidized Soviet oil shipments to Havana.

Eastern Europe vs. Cuba

Economic liberalization in Eastern Europe will damage the Cuban economy. New reform-minded governments in Eastern Europe need hard currency to purchase consumer goods, pay interest on foreign debts, and finance their transition toward free market economies. They therefore need cash payments for their exports, not the barter trade deals with cash-starved Cuba. The new Soviet and East European emphasis on cash trade will undercut Cuba's export market and cause shortages of food and industrial goods in Havana.

Moscow had required East bloc nations to help prop up the Cuban economy by purchasing Cuban sugar at prices roughly three times the market rate of 8 cents per pound in 1988. Emerging democracies in Eastern Europe could save roughly $400 million this year by purchasing sugar from cheaper, more reliable producers in Barbados, the Dominican Republic, and Jamaica.

Reform-minded East European enterprises are already changing the way they do business with Cuba. Hungary's leading bus manufacturer, Ikarus, boosted prices for bus spare parts by 20 percent in September 1989, making them unaffordable for Havana. As a result, parts shortages have disabled most of Havana's mass transit system. Further, Poland and East Germany failed to honor agreements with Moscow this year to transport Cuban citrus goods to the Soviet Union. These emerging democracies are pressing Moscow to pay in scarce hard currency for the use of their freight vessels. Moreover, while COMECON countries in Eastern Europe allow their currencies to fall to their market value to make their exports more competitive,

9 John Attfield, "Will It Harm Cuba?" *Cuba Business* (London) December 1989, p. 5-7.

Cuba refuses to do so. Cuba's over-valued peso thus makes Cuban exports more expensive and less attractive to East European and Western consumers.

Recent political trends in Eastern Europe are certain to accelerate Cuba's economic decline. President Vaclav Havel of Czechoslovakia pledged to U.S. congressional leaders in February to remove the Cuban diplomatic mission from the Czech embassy in Washington and phase-out aid to Cuba as soon as Czech elections are completed in July. Said Polish Solidarity leader Lech Walesa last November concerning the impact on Cuba of changes in the East bloc: "[the Cuban exiles in Miami] should start packing their bags for Havana."[10]

CASTRO'S INTERNATIONAL AND DOMESTIC ISOLATION

Isolated increasingly from the Soviet bloc, Castro has attempted to mend political fences with the international community. He said in February that he welcomes any efforts by Latin American nations to readmit Cuba to the Organization of American States. He invited Pope John Paul II last January to visit Havana in December 1991.

Despite these efforts, Castro is dismissed by Latin leaders as a fading Stalinist relic. During a news interview last October, for instance Costa Rican President Oscar Arias called Castro "a Caribbean Kim Il-Sung [the communist dictator of North Korea]." Arias even suggested that Gorbachev cut off oil shipment and subsidies to Castro.[11]

Castro's international allies on the left are vanishing rapidly as well. The establishment of democracy in Nicaragua forced the departure in April of Cuban military and intelligence personnel from that country. This effectively has eliminated Castro's access to the airfields, harbors, and guerrilla supply routes on the Central American mainland. The ouster of former Panamanian strongman General Manuel Noriega will mean that Cuban fishing fleets operating from Panamanian ports no longer will be able to smuggle arms to Marxist terrorists in El Salvador. The Cuban dictator also relied on commercial front companies in Panama to obtain illegally U.S. advanced technology and other goods worth $100 million each year. With Noriega gone, this, too, will stop.

10 Comments by Lech Walesa during a visit to Poland in November 1989 by a delegation from the Cuban American National Foundation. See also, Alfred Padula, "Is Cuba Next?" *Times of the Americas*, November 28, 1989, p.1.
11 "President Arias Comments on Castro's Isolation," Hamburg DPA, December 29, 1989; in FBIS-LAT-90-001, January 2, 1990 p. 3.

Calling for a Plebiscite. The glare of international publicity on Castro's brutal dictatorship has further isolated Cuba. More than 100 Latin American and European intellectuals, including Poland's Lech Walesa and Peruvian novelist Mario Vargas Llosa, issued a petition last Januaury 1 calling on Castro to hold a plebiscite on the legitimacy of his rule. Then, the United Nations Human Rights Commission (UNHRC) voted this March 6 to condemn the Castro regime for harassing and imprisoning human rights advocates in Cuba and to continue U.N. investigations of Cuba's human rights abuses. Joining in this vote of condemnation were Hungary and Bulgaria, while Poland and Czechoslovakia, non-voting UNHRC members, co-sponsored the resolution.[12]

Internal Dissent

Castro sits on a powder keg of popular resentment. Romania's spontaneous public rejection and overthrow of dictator Nicolae Ceausescu last year may be a preview of what could happen in Cuba. According to the U.S. Coast Guard, the number of Cuban "boat people" sailing to Miami on rafts and small boats rose from 27 in 1986 to 391 in 1989. Roughly fifteen organized dissident groups have formed in Cuba since September 1988. Among the most influential are the Cuban Committee for Human Rights and the Cuban Commission for Human Rights and National Reconciliation. Castro has responded to unrest in Cuba by increasing repression while appealing to popular nationalism and devotion to romantic revolutionary ideals. The Cuban Communist Party launched a campaign on February 17 to "revitalize" the 80,000 Committees for the Defense of the Revolution, or neighborhood spy organizations. It also vowed to "perfect the political and institutional system of the nation." Castro has imprisoned over thirty leaders of human rights groups since September 1988.

Long Knives in Havana. Bureaucratic elites in the Cuban Armed Forces and Interior Ministries, or secret police, are the key to Castro's political survival. The Cuban Armed Forces, headed by Fidel's hard-line brother Raul Castro, controls nearly 500,000 regular and reserve troops and 1.2 million civilians in so-called Territorial Troop militias, or political-military organizations, which work to foster loyalty to the Communist Party and its policies. The secret police apparatus has roughly 85,000 employees.

Castro fears that reformist factions within the army or secret police could become rivals to his apparent successor, Raul Castro. Fidel staged widely publicized trials in July 1989 which led to the execution of four high-level

12 More than 100 U.S. Congressmen have urged Bush to award the Presidential Medal of Freedom to Armando Valladares U.S. Ambassador to the UNHRC and a former political prisoner in Castro's prisons, for his efforts to foster international condemnation of Castro's human rights abuses.

military officials, including Cuba's most highly decorated Army hero, Major General Arnaldo Ochoa Sanchez. The charges: drug trafficking, corruption, and "betraying the revolution." Ochoa, however, surely was not eliminated because of alleged drug trafficking. According to U.S. Customs and Drug Enforcement Agency officials, drug shipments continue at a steady pace through Cuba, despite Castro's alleged drug crackdown. Rather, as Raul Castro demonstrated in his frequent criticisms of Ochoa, the Castro brothers viewed the popular general as a threat to Raul's succession.[13]

THE EFFECTS OF U.S. SANCTIONS AGAINST CASTRO'S CUBA

According to Castro, the July 1963 U.S. trade embargo, which prohibits virtually all financial and trade transactions with Cuba, has caused "mountains of difficulties and obstacles" for Cuba's economy.[14]

U.S. sanctions have deprived Castro of an estimated $750 million worth of annual imports from the U.S. The denial of U.S. agricultural technology and equipment forces Cuba to rely on less advanced, low-quality supplies from COMECON nations. By trading with countries almost exclusively outside the Western Hemisphere, Cuba must cover the costs of transporting sugar and other goods to the U.S.S.R. and Eastern Europe rather than to the U.S. These freight costs already have prompted East bloc countries to reduce trade with Cuba.

Draconian "Peace." Cuba's limited access to U.S. markets and flagging trade ties with East bloc countries have accelerated Cuba's economic decline and caused Castro to cut public spending. He warned Cubans in a March 6 speech that the government may soon impose an austerity plan, termed a "special time of peace," that will eliminate social spending programs, impose draconian limits on bread, clothing, corn, meat, and milk, and move unemployed Havana laborers to work in the countryside.

By limiting Cuba's hard currency export earnings and economic development, U.S. sanctions have curtailed Castro's ability to finance mischief abroad. Moscow has spent more than $60 billion since 1963 to sustain its beleaguered military outpost in the Caribbean. Yet, Cuba has never been

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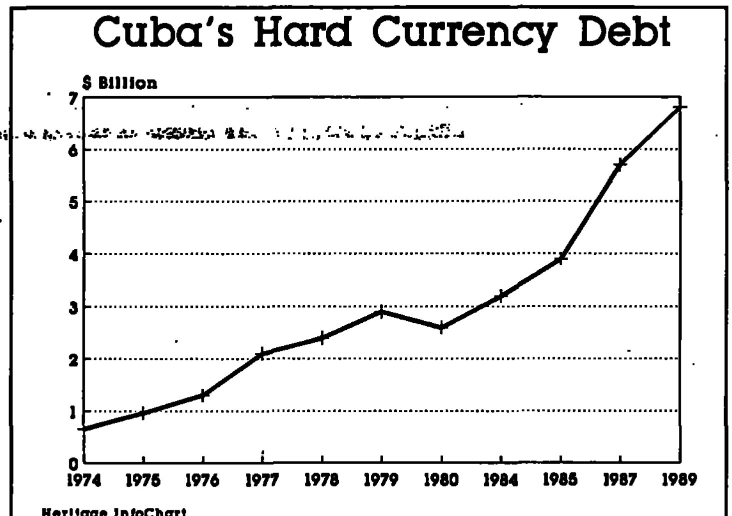
13 Fidel also attempted to bolster Raul's position as Defense Minister by selecting Army General Abelardo Colmme Ibarra (a "Raulista" who served as a commander in Raul's Second Front unit in 1958-59) to replace Interior Ministry chief Jorge Abrantes Fernandez.

14 Cited in, Jorge L. Mas Canosa, "Towards a New U.S.-Cuba Policy," Cuban American National Foundation, monograph series No. 24, p.21. The success of U.S. sanctions in limiting Castro's freedom of action contrasts sharply with brief U.S. efforts to promote economic and political cooperation with Cuba. Washington imposed a partial trade embargo against Cuba in October 1960 *after* Castro: stopped cash payments to U.S. oil suppliers in November 1959, began importing oil from Soviet suppliers, and nationalized U.S. oil companies in August 1960. Castro responded to increased U.S. trade with Cuba in 1975 by placing Cuban combat troops in Angola. President Carter's easing of U.S. trade restrictions was followed by Cuban military involvement in Ethiopia and the 1980 Mariel boatlift.

more poorly equipped to finance terrorism and export revolution. Without increased aid from cash-starved Moscow, Castro cannot maintain his commitments supporting Marxist allies in Angola and El Salvador.



Sources: "Foreign Report," *The Economist* (London), December 21, 1989; *The Europa World Yearbook*, 1989, Vol. I, (New York: Europa Publications Ltd) p. 805.

To ease his economic isolation, and thus enable him to export revolution, Castro has recruited new trade partners. Beijing signed a commercial agreement with Havana last December. It will increase bilateral trade to nearly $500 million this year. Castro also is pursuing deals that will expand trade with Albania and North Korea. Several Western nations – most notably Argentina, Canada, France, Britain, Japan, Spain, and West Germany – have boosted trade with Havana. Cuban exports to the Western industrial nations increased by 20 percent to $581 million in 1988 and increased by more than $200 million in the first quarter of 1989. Japan is Cuba's largest democratic trade partner. Cuba-Japan trade totalled more than $250 million last year. Japan swaps machinery, rubber manufactures, transport equipment, steel, and other goods for Cuban sugar and seafood. Japan also is Cuba's leading creditor. Cuba owes roughly $1 billion to Japanese government and commercial creditors.[15]

ACCELERATING CASTRO'S DEPARTURE

Havana's economic crisis and growing political isolation offer Washington the rare opportunity to oust this hemisphere's last Soviet client. To achieve this, George Bush should launch a seven-point program that would:

1) Increase U.S. economic pressure on Havana.

Economic failure has been the chief catalyst of democratic reform throughout the Soviet bloc. Cuba is particularly vulnerable to U.S. economic pressure because the Soviet Union and East European countries have already signaled a cutback in subsidized trade with Havana. Washington could increase the pressure by closing a loophole created on August 21, 1975, which

15 Roger Robinson, "Forging an Economic Security Policy toward Cuba," address to the Seventh Annual Congress of the Cuban American Foundation, June 12, 1989, p. 3.

undermines the 1963 U.S. trade embargo against Cuba. It allows foreign subsidiaries of U.S. businesses to obtain licenses for trade with Havana. The U.S. Treasury has granted more than 1,236 licenses since 1982 allowing U.S. companies to trade with Cuba (only 43 applications were denied). Last year, Cuba received goods worth more than $300 million, more than one-quarter of Western exports to Cuba, from U.S. companies based in Argentina, Britain, Switzerland, and other Western nations. U.S. trade embargoes against North Korea, Vietnam, and Cambodia make no such exceptions for U.S. foreign subsidiaries. Bush should vigorously support legislation that would reimpose the 1963 U.S. embargo and thus prohibit U.S. firms and their subsidiaries abroad from trading with Cuba.

2) Establish incentives for Moscow to cut aid to Cuba.

Economic concessions to the Soviet Union should be linked to significant and fully verifiable reductions in Moscow's military and economic aid to Cuba. Unless this aid is cut, the U.S. should:

- Oppose granting credits to the U.S.S.R. through the U.S. Export-Import Bank, which provides credit guarantees, direct loans, and loan insurance to countries purchasing goods from the U.S.;
- Oppose Soviet membership in the Overseas Private Investment Corporation, a U.S. agency that provides credit guarantees to U.S. businesses investing abroad;
- Prevent Moscow from raising money by issuing bonds in U.S. securities markets;
- Require, as one condition of U.S. membership in the newly-formed European Bank for Reconstruction and Development (EBRD), that the Soviets cut substantially their aid to Cuba.

3) Foster Western cooperation in isolating Cuba economically.

As Cuba enters a more competitive trade relationship with former communist regimes in Eastern Europe, Havana's economic and political security will depend increasingly on Western trade. Nations outside the Soviet bloc, most notably Canada, Japan, and West Germany, have bolstered Castro's cash-starved regime by increasing their annual imports from Cuba by $500 million since 1986.

Washington should encourage Canada, Colombia, Japan, Mexico, Peru, and other Western consumers of Cuban sugar and seafood to shift their imports of these goods from Cuba to Barbados, the Dominican Republic, Costa Rica, and other democracies in Central America and the Caribbean. This could be done by having these countries join the U.S. in an economic security agreement limiting trade with Castro. The International Energy Agency Agreement, signed by the U.S. and Western European countries in May 1983 to limit Western European reliance on Soviet natural gas, could serve as a model for this agreement. Just as U.S. negotiators persuaded Western allies to diversify their sources of natural gas and limit purchases from the U.S.S.R.

to roughly one-fourth of their total natural gas consumption, the Bush Administration should press Canada, Britain, Japan, and other countries to halt trade credit and other short-term loans to Castro's Cuba and to limit their purchase of Cuban sugar.

Washington should also demonstrate that Western allies will pay a price if they undermine U.S. efforts to isolate Castro by trading with Havana. The U.S. Trade Representative has allocated quotas for 1990-1991 that set the amount of sugar that nations can export to the U.S. Several recipients of U.S. sugar quotas, such as Canada, Mexico, and Peru, also buy sugar from Cuba that may be resold to the U.S. U.S. trade officials should inform these nations that their quotas will be reduced by the amount of their annual sugar imports from Havana.

4) Encourage Western nations to press for political reform in Cuba.

Bush should encourage Western governments to make improvements in economic and diplomatic ties to Cuba dependent on Cuba holding an internationally supervised plebiscite, modeled after the 1989 referendum on General Augusto Pinochet's rule in Chile. Bush, too, should continue to focus international attention on Cuba's human rights abuses. Washington should refuse to participate in next year's Human Rights conference in Moscow unless the agenda includes discussion not only of Castro's harassment of human rights monitoring groups and individuals in Cuba, but also of the need for a national plebiscite on the political legitimacy of his regime.

5) Challenge Castro's political influence in Latin America.

Bush should strongly urge member nations of the Organization of American States to reaffirm a resolution, signed at Punta del Este, Uruguay, on January 31, 1962, which bars Cuba from the OAS for exporting revolution and adopting a Marxist-Leninist government which is "incompatible with the inter-American system." Before entering the OAS Castro should be required to close terrorist training camps in Cuba; dismantle Americas Department intelligence operations, which directs intelligence operations against the U.S. and Central American democracies; and halt military aid to the FMLN terrorists in El Salvador.

6) Establish conditions for normalization of U.S.-Cuba relations.

As communist Cuba's economic decline proceeds, Havana will try to extract economic benefits from the West. This should be resisted. At the post-Malta Summit press conference last December 3, Bush ruled out any discussion of normalized relations with Havana "until we see a free Cuba, self-determination and [Cuban] people deciding what they want." U.S. economic assistance and diplomatic cooperation should be withheld unless the Cuban government:

- Establishes a multi-party democracy, freedom of assembly, and a politically independent judicial system;

- Reduces military forces in Cuba to parity with neighboring Caribbean nations;
- Frees political prisoners and grants amnesty to individuals charged with political crimes against the state;
- Disbands "Committees in Defense of the Revolution" which spy on and terrorize the Cuban population;
- Removes all restrictions on Cuban emigration;
- Withdraws military forces from Angola and Ethiopia and stops arming FMLN terrorists in El Salvador;
- Ceases its role in assisting drug shipments to the U.S;
- Allows information from abroad, not just Western cash and technology, to flow freely into Cuba.

7) Offer a clear economic and political alternative to Castro's "Socialist Paradise."

Armed with a balanced view of Western institutions and the potential benefits of renewed economic ties to the U.S., the Cuban people represent the most potent threat to Castro's survival. TV Marti and Radio Marti are essential for informing Cubans of the benefits of democracy and market-oriented reforms and for outlining the U.S. alternative to Cuba's dependency on the Soviet Union. Funding for Radio Marti and TV Marti, therefore, should be continued.[16]

The Bush Administration should use Radio Marti and TV Marti to inform the Cuban people of the U.S. plans for Havana once Castro is gone. This message should stress not only that Castro's revolution is reversible, but that Washington is eager to restore traditional ties of economic and diplomatic cooperation with a free Cuba. Promises of U.S. aid to a post-Castro Cuba should include assurances of Havana's access to such vital raw materials as oil and such emergency assistance as food and medical supplies. The Cuban people should be told that Washington will respect a free Cuba's right to forge its own foreign policy and alliances. And Washington should promise protection from Soviet reprisals or subversion, much as U.S. military and economic aid to El Salvador bolsters President Alfredo Cristiani's democratic government.

REBUILDING POST-CASTRO CUBA

To ensure that the U.S. is ready for Castro's departure, planning should begin now. Washington's assistance plan for the reconstruction of a free Cuba

16 Although the Castro regime has jammed TV Marti since it began a 90-day trial broadcast on March 27, the TV program carried clearly in the city of Holguine, east of Havana, and other areas outside the capital.

should promote private investment and economic opportunity; it should not be a U.S. government bailout. Once Castro is gone, Washington should pursue a seven-point policy to promote a free market economy, demilitarization, and democracy. It should:

1) Help private commercial and Cuban-American groups prepare programs for market-oriented development in a post-Castro Cuba.

Bush should order the U.S. Agency for International Development and the Department of Commerce to begin studies of Cuba's agricultural, financial, and other development needs, and of opportunities for American businesses to develop trade relations.

Bush should help the Miami-based Cuban-American community, with its population of roughly one million, to apply their substantial financial resources, commercial expertise and political influence in Washington to promote the rapid reconstruction of Cuba. Cuban exile leaders, U.S. economists and members of the Free Cuba Commission formed by Florida Governor Bob Martinez are already developing plans to exploit opportunities for economic development in a free Cuba.[17] To assist them, Bush should form a Cuban Development Council, comprised of Cuban-American and other U.S. investment bankers and business leaders who would advise a post-Castro government on how to make the transition toward a free market. This panel would allow Cuban Americans and Cuban officials to get better acquainted with the American financial and investment community and thereby facilitate U.S. foreign investment and joint ventures in Cuba.

2) Create an emergency relief program for Cuba.

Once Castro falls, rapid delivery of emergency aid to Havana will be necessary to avoid political and economic instability. Cuba's cash reserves, now below $100 million, cannot buy the chemicals, farm machinery and fertilizers, industrial machinery, spare parts, oil, and other goods necessary to keep Cuba's economy running. U.S. emergency aid to Cuba also should help cover the transition costs to a free market. Such costs include replacement of the inflated currency (pesos) issued by the Castro government with a new, stable currency backed by hard currency reserves and unemployment compensation for displaced government bureaucrats.

U.S.-supplied funds intended for the purchase of foreign oil should be earmarked for Latin American oil producers such as Venezuela and Mexico, not Soviet suppliers. This would reduce Cuba's dependence on Moscow and help the new government forge political and economic ties in the Western Hemi-

17 Florida Governor Bob Martinez appointed a Free Cuba Commission last February to study the potential effects of Castro's ouster on state trade, tourism, and immigration. A program developed by Arthur Laffer, Victor Canto and Milton Freidman which was commissioned by Jorge Mas Canosa, chairman of the Cuban American National Foundation, reportedly includes recommendations to establish a flat tax rate of 10 percent and eliminate the Cuban Central Bank.

sphere. Food, clothing and medical supplies are also high priorities. Pentagon and U.S. National Guard personnel could transport non-perishable foods and supplies donated by private individuals and groups.

Bush also should create a Cuban Relief Council (CRC). This would be an umbrella group consisting of private voluntary organizations (PVOs) registered with the U.S. Agency for International Development to plan, coordinate, and run emergency relief and technical assistance projects for Cuba. Members could include such private relief organizations as American Schools and Hospitals Abroad, Catholic Relief Services, and the International Executive Service Corps. The Cuban Relief Council could solicit non-U.S. government funding for PVOs and coordinate efforts within the Miami-based Cuban exile community to provide emergency food, clothing, and medical and technical assistance to post-Castro Cuba. A model for this is the European Relief Council, directed by Herbert Hoover in 1920. A Cuban Relief Council employing 5,000 relief workers would cost AID roughly $70 million.

A large portion of emergency U.S. aid should be devoted to revitalizing Cuba's agricultural sector. Only 60 percent of Cuba's sugar output is mechanically harvested, and nearly 30 percent of the land available for harvest remains idle. An emergency fund will be needed to purchase new farm machinery, fertilizers, herbicides, and sugar refining equipment. To assist in this effort, roughly $33 million in Cuban government funds frozen in U.S. banks since 1963 by the U.S. government should be released as soon as a new post-Castro government is established.

3) Press for Cuban debt relief.

Cuba's per capita foreign debt of almost $3,000 is three times that of Mexico's. Washington should urge Soviet and Western government creditors to negotiate an arrangement with the new Cuban regime that would cancel or write down the Cuban foreign debt and would promote debt-equity swaps by commercial lenders. Debt-equity swaps allow foreign investors to take over or buy a country's debt at a discount rate, after which the investor exchanges the debt for equity in state-run enterprises. U.S. businesses could encourage development of a private sector in Cuba by trading their share of the roughly $1.8 billion worth of U.S.-owned assets confiscated by the Castro government for an equity stake in a newly created Cuban Development Fund. This Fund would buy state-owned electricity, food processing, and other industrial enterprises at a discount and sell them to workers in these enterprises or other domestic investors accepting pesos, which are over-abundant, as partial payment for the enterprises.

4) Lift U.S. economic sanctions against Cuba when conditions for normalization have been met.

Once the Cuban government establishes a multi-party democracy, begins free market reforms, and stops exporting revolution, Washington should lift the 1963 U.S. trade embargo. It also should designate Cuba as a beneficiary of the U.S. Caribbean Basin Initiative. This would suspend or liberalize

American import restrictions on goods imported from that region. Finally, Washington should remove restrictions, imposed in 1982, on American business in and tourist travel to Cuba.

Washington best can help Cubans help themselves by opening the U.S. market to Cuban goods. Once Cuba is free, the Bush Administration strongly should urge the Congress to reduce U.S. tariffs and non-tariff restrictions on imported textiles, clothing, leather goods, and shoes. U.S. sugar quotas for Cuba should be increased to give Havana greater access to the U.S. market. Cuba's sugar quota should be restored to pre-Castro levels. The 1960 U.S. sugar quota allowance for Cuban exports (3.2 million metric tons) accounted for roughly 35 percent of the U.S. sugar market.

5) Establish a framework for U.S.-Cuba free trade negotiations.

Washington should build on progress toward a U.S.-Mexico Free Trade Area agreement by beginning negotiations with the new Cuban government to eliminate barriers to trade and investment in agriculture, telecommunications, textiles, and the tourist industry. Negotiations should also focus on protecting foreign investment, intellectual property, and technology rights in both countries. The U.S.-Mexico trade negotiations begun in November 1987 could serve as a model for trade talks with Havana and help lay the foundation for a North American Common Market. Removal of all tariff and many non-tariff barriers between the U.S. and Cuba would create new jobs, increase consumer purchasing power, and channel resources to productive enterprises in both countries. U.S. trade ties are crucial to economic development in Cuba. Before the 1959 revolution, the U.S. provided 70 percent of Cuban imports and bought 67 percent of the island country's exports. U.S. exports to a post-Castro Cuba would likely exceed $500 million in the first year.[18]

6) Help train Cubans in business and market economics.

The U.S. should assist American universities, management training businesses, and Miami-based Cuban American enterprises to bring Cuban entrepreneurs, students and faculty to the U.S. for instruction in business and management in the U.S. and send American business school faculty members to teach both entry-level and advanced courses in business management and free market economics in Cuba.

Washington should create and help subsidize a U.S.-Cuba entrepreneur training program to recruit promising individuals from Cuba to work in Cuban-American and other U.S. businesses as trainees and interns. Graduates of this one-year training program could be hired as managers of Havana-based subsidiaries of Cuban-American businesses or as partners in U.S.-Cuban joint ventures. This program would introduce Cubans to the enor-

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18 *Opportunities for U.S.-Cuban Trade*, Johns Hopkins School of Advanced International Studies, Baltimore, June 1988, p. 14.

mous pool of business talent in the Cuban-American community while fostering mutually beneficial trade ties between U.S. and Cuban businesses.

Bush should propose that Congress fund a U.S.-Cuban advisory committee to give technical advice to newly-formed commercial enterprises in Cuba. It would be made up of representatives from the new Cuban government and Cuban American businessmen and bankers; it could be managed by the U.S. Agency for International Development. This team would investigate how to promote local banking and capital markets through deregulation and economic reforms in Cuba. Credit will be crucial for creating small businesses involved in fishing, food processing, and textile manufacturing in Cuba.

7) Establish free market criteria for long-term U.S. aid to Cuba.

U.S. assistance to a free Cuba could provide a framework for more efficient and productive U.S. aid programs throughout Latin America. Washington should measure the success of U.S. aid to Cuba by setting specific market-oriented objectives. Such criteria include cutting taxes, deregulating Cuba's private sector, lifting restrictions on foreign investment, guaranteeing security of private property and contract, and selling state-owned enterprises. U.S. AID officials should press for Cuban land reform that would put individual farmers and businessmen, not state agencies, in control of agricultural production and distribution. Washington should urge Havana to adopt an Agricultural Land Act which would issue land titles to private owners and permit victims of Castro's land confiscation programs to purchase state-owned farmland at a discount. This Act should also eliminate price controls and promote privatization of state monopolies that produce, transport, or market agricultural goods.

CONCLUSION

For nearly three decades, American economic and political sanctions have limited Castro's freedom of action and forced the Soviet Union to pay a substantial price for using Cuba to promote its imperial ambitions. These policies are paying off. Castro's economy is in a tailspin. Castro is internationally isolated from friend and foe alike. And he is beginning to face political opposition at home.

Washington has nothing to gain by normalizing trade and diplomatic relations with Castro's Cuba and thus easing the pressure on Castro to introduce democratic, free market reforms. U.S. normalization of relations with Cuba would signal Washington's acceptance of Cuba's military adventures and encourage Latin American leaders to seek accommodation with the Castro regime. Castro is not developing a more moderate political system but rather a more ruthless police state that will continue to support international terrorists and narcotics traffickers.

Instead of making concessions to Castro, this hemisphere's last commuist dictator, Washington should tighten U.S. restrictions on trade with Cuba and encourage its Western allies to isolate the Castro regime economically and diplomatically. As Cuba enters a more competitive trade relationship with emerging democracies in the Soviet bloc, Castro's political survival will require increased trade and economic assistance from the U.S. and other Western nations. Washington should not resume full diplomatic and economic relations with Havana until the Cuban people break free from Castro's revolutionary commitment to foreign aggression and single-party rule. Bush can accelerate Castro's demise by using Radio Marti and TV Marti to define clearly the U.S. assistance plan for Castro's successors.

Promoting Economic Opportunity. Once Fidel Castro and brother Raul Castro are removed from power, Washington should offer an economic aid program to reduce Cuba's dependence on trade with Moscow and to promote private investment and economic opportunity. Bush should assist efforts by Miami-based Cuban-Americans with commercial expertise and financial resources to rebuild a free Cuba.

Castro's political fall not only may remove the most potent threat to security in the Western Hemisphere, but also may enable a new, free Cuba to become the anchor for a stable and prosperous Latin America. If Bush takes action now, his first term could include the first anniversary of a democratic post-Castro Cuba.

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