Update on the Americas

AUGUST 2010

The United States and Cuba: Implications of an Economic Relationship

Edited by José Raúl Perales,* Senior Program Associate

The recent reduction of certain restrictions in the 48-year-old U.S. embargo against Cuba has allowed bilateral trade to expand by leaps and bounds in the past few years. Nonetheless, the commercial, economic, and financial embargo has, for the most part, remained intact. What are the arguments in favor of and against deeper commercial relations between the United States and Cuba? What are the views within the U.S. private sector about the desirability of such an expanded relationship? What obstacles, if any, would arise within the context of a rethinking of the U.S.-Cuban economic relationship? To address these questions, on May 24, 2010, the Latin American Program convened a two-panel conference on the current status and future of U.S.-Cuban economic relations.

The last decade has been marked by a significant growth in economic ties between the United States and Cuba, a response to the partial relaxation of certain embargo restrictions, explained **José Raúl Perales,** Senior Program Associate of the Latin American Program. This has been particularly true within the agriculture and tourism industries. For instance, in 2000 the United States implemented the Trade Sanctions Reform and Export Enhancement Act; in the following eight years bilateral agricultural trade and farm sales more than tripled. Furthermore, since 2003, the United States has supplied annually more agricultural products to Cuba than any other nation; from 2003 to 2008 an estimated 35 percent of Cuba's agricultural imports came from the United States. In terms of tourism, it is estimated that, by eliminating current restrictions on U.S. travel to Cuba, the island nation could expect 500,000 to one million tourism-related U.S. visits per annum. This would not only be a boost to the U.S. travel industry, it would also fundamentally transform the landscape of the entire Caribbean tourism industry. These data hint at the many benefits to a deeper U.S.-Cuban economic relationship.

However, there are important pitfalls associated with deeper economic relations. In a April 29, 2010, hearing on H.R. 4645, the Travel Restriction Reform and Export Enhancement Act (designed to remove obstacles to legal sales of U.S. agricultural commodities to Cuba—by eliminating the cash-in-advance provision required for all such sales to Cuba—and to end travel restrictions on all Americans to Cuba), Representative Kevin Brady (R-TX), the Republican ranking member on the House Ways and Means Committee, outlined some of these drawbacks. Cuba's economic climate is intolerant of U.S. firms: there exists no accord on U.S. individual or corporate property claims. Indeed, in spite of the Obama administration's move to allow U.S. telecommunication firms to apply for licenses to conduct business in Cuba, few such companies have rushed in. This is in no small part due to the important challenges associated with policy unpredictability under the current Cuban regime, not to mention significant questions arising from issues of human rights and labor relations. In spite of these considerations, at the time of this publication, H.R. 4645 had been approved in the House Agriculture Committee

*The editor would like to thank Daniel Budny, doctoral candidate, Department of Government, University of Texas, Austin, for providing a summary of the meeting.

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and awaited further consideration on the Foreign Affairs and Financial Services committees before reaching the House floor.

Whether or not one agrees with the U.S. embargo against Cuba, what must be kept in mind is the fact that the embargo is there for reasons of human rights, argued **Christopher Sabatini**, policy director at the Council of the Americas, and that has been how the embargo been defended. And in this we can't lose sight of the fact that Cuba's record on human rights is abysmal. The regime currently has detained over 200 political prisoners, many of whom have been arrested for the vague charge of "dangerousness." Cuba violates freedom of association, strictly limits freedom of expression, and systematically violates the core covenants of the International Labour Organization (ILO). When the debate strays from this central issue of rights, Sabatini stated, we lose sight of the real issues facing Cuba and Cuban citizens today. For this reason, any and all changes to the U.S. embargo must first and foremost be geared toward strengthening the hand of the island's independent sectors. According to Sabatini, there is broad scope in the United States for the executive to make regulatory changes that can give U.S. businesses and institutional actors greater scope to begin developing closer relations inside Cuba. This is important because any change to the status quo in bilateral economic relations will start

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with the executive's authority over the embargo's regulations. Indeed, a quick perusal of past efforts at dismantling U.S. embargoes—in particular, against Vietnam—reveals that terminating an embargo has never been the result of a straight up-or-down congressional vote. Instead, this has been the result of slight, incremental regulatory changes that have served to allow independent actors to develop their own contacts with counterparts on the island and empower people. These made the incentives for change easier to recognize, built an active, vested coalition supporting broader change, and made dismantling more palatable to political audiences.

Sabatini noted that the ability to affect significant change on the embargo falls within the scope of executive regulatory authority, particularly in areas such as telecommunications and some elements of travel—particularly in licensing for cultural and

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One Woodrow Wilson Plaza, 1300 Pennsylvania Avenue, NW, Washington, DC 20004-3027
tel. (202) 691-4000, fax (202) 691-4001
www.wilsoncenter.org/lap

educational exchanges and even some elements of marketing trips. In this sense the Obama administration took a first step on April 13, 2009, when President Obama announced an increased allowance for U.S. telecommunications companies to establish licensing agreements to allow roaming coverage on the island and establish a fiberoptic cable to Cuba, with the stated purpose of helping Cubans communicate with the rest of the world. However, according to Sabatini, it turned out that despite the fanfare, the regulations that came out of the U.S. bureaucracy five months later did little realistically to allow U.S. companies to establish the necessary and sufficient links to allow broad communication between Cubans and the rest of the world. For instance, in his announcement, President Obama called for the establishment of a fiberoptic cable linking Cuba to the outside world. However, regulations prohibiting U.S. equipment transfers or sales to the island for commercial purposes persist. Similarly, the regulations continued to prevent the sale of handsets on the island for commercial purposes and blocks infrastructure investments such as cell phone towers, routers, and switchers. All of these sorts of now-prohibited equipment is essential if there is to be any meaningful broad-based access to the tools of communication.

Sabatini contended that other stated goals of the Obama administration have suffered a similar fate, yet he also claimed this does not mean all is lost. In his view President Obama just needs to take the next step: with the stroke of the executive pen he can introduce regulatory modifications that can allow the federal bureaucracy to meet his stated goals regarding Cuba.

Regardless of the U.S. government's actions, a post-embargo, post-Castro Cuba does not necessarily imply a business bonanza for U.S. companies, added Professor **José Azel** of the University of Miami's Institute for Cuban and Cuban American Studies. Conventional wisdom holds that U.S. companies will rush in to invest in the island if and when the legal and political circumstances allow them. However, given Cuba's difficult economic situation, the international community needs to significantly lower its expectations regarding U.S. foreign direct investment in Cuba. Azel predicted that U.S. exports to Cuba will surge following a (hopefully) peaceful regime transition on the island; however, exports will not lead to the technological transfers, expertise, and capital requirements that the country will desperately need to grow its economy. The United States will obviously want to invest in a post-Castro Cuba; but it is companies, not countries, that make investments.

To support his view, Azel explained the three principal reasons that companies engage in foreign direct investment. First, companies are resource seeking; they invest to secure country-specific resources available only within that market. Oil, nickel, and tourism are examples of such resources in Cuba. These have and will continue to attract a certain level of foreign direct investment, argued Azel, regardless of who is in power or the country's market friendliness. Second, companies are efficiency seeking; they invest to make efficiency gains. Companies engage in foreign direct investment for this reason because they are looking to take advantage of lower labor costs or of a privileged distribution location. However, Cuba lacks an ideal labor force in comparison to that of its neighbors.

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After more than half a century under a totalitarian regime and a centrally planned command economy, Cuba's labor force has not been able to develop the kind of efficiencies needed to attract foreign direct investment. Finally, companies are market seeking; they invest to establish a foothold in a new market that is deemed strategic or dense. However, while the island nation has more than eleven million citizens, its impoverishment means that its market has few effective consumers. A far more rational strategy to supply a market exhibiting these conditions would be to manufacture finished goods elsewhere and export them to Cuba.

Azel contended that, while a rational cost-benefit analysis could discourage U.S. companies from investing in Cuba, Cuban American entrepreneurs may not engage in purely rational thinking on the topic, as they are also guided in part by emotional motivations, such as familial and cultural ties to their homeland. Cuban Americans investing in Cuba can also more easily overcome the innate disadvantages of being a foreigner that inevitably arise in foreign markets. For these reasons, Azel believes that Havana's best bet in attracting foreign direct investment is to encourage the Cuban American community to act as the island's "first movers." Small- and medium-sized Cuban American entrepreneurs could set up small businesses in the island, but also middle- and senior-level Cuban American executives in multinational corporations could act as champions of the island's foreign investment.

Yet Cuban American investors will not just automatically flock to the island; this capital needs to be pursued actively by Havana. One promising method to do this, according to Azel, is to foster a competitive urgency to invest. Offering companies a sustainable competitive advantage for being the first movers or for investing within a sunset date could accomplish this. Only with such inducements can Havana credibly expect efficiency-seeking and market-seeking foreign direct investment to start flowing into the island.

The status quo is a lose-lose situation, explained President of the National Foreign Trade Council **William Reinsch**. Like most unilateral economic sanctions, the U.S. embargo against Cuba neither helps achieve U.S. foreign policy interests nor benefits the U.S. economy. The embargo, along with the broader economic sanctions and restrictions on U.S. relations with Cuba, does little more than support the current Cuban regime. Reinsch observed that obstacles to progress in U.S. policy toward Cuba are due in no small part to state politics in Florida and, to a lesser extent, New Jersey, the two U.S. states with the largest percentage of Cuban Americans. This has led to the election of members of Congress who remain sympathetic to the embargo.

Nonetheless, Reinsch noted that there are far fewer statutory obstacles to a change in U.S. policy than most observers suggest. The widely held assumption that the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996—commonly known as the Helms-Burton Act—sidelines the executive branch's role in U.S.-Cuban relations is largely incorrect. Helms-Burton codified the President's licensing authority and thus his or her ability to make changes to the embargo. There is sufficient flexibility within existing rules and regulations to enable U.S. presidents to enact their own initiatives. President Obama appears to know and understand this, as seen with his mid-April 2009 declaration of a thawing of relations; however, his approach has been one of modest, piecemeal change.

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Reinsch postulated that the reason for the Obama administration's tempered approach to policy change is that the President assumed that any U.S. concession would be followed by a Cuban concession, in a tit-for-tat scenario. However, Reinsch believes Cuba will not reciprocate because the regime is the biggest beneficiary of the embargo. The regime is able to deflect criticism away from itself by blaming the island's ills on the United States. Historically, attempts at rapprochement by previous U.S. Presidents have not been received favorably by the Cuban Government.

Further incremental change to the embargo is within reach, however, and political and economic pressure for change in U.S. policy appears to be mounting. In 2009 two separate bills involving modest changes to the embargo passed through the U.S. Senate without being stripped out. Reinsch explained that more and more U.S. citizens and politicians are finally realizing that the best way to effect change in Cuba's government is to eliminate the embargo. Likewise, major U.S. companies have expressed interest in investing in the island. Despite the lack of infrastructure, relatively inhospitable business environment, and layer upon layer of political bureaucracy, U.S. companies are nevertheless looking to do business in Cuba.

Central to any discussion of U.S.-Cuban economic relations is a thorough understanding of Cuba's energy sector, added **Jorge Piñón,** visiting research fellow at the Cuban Research Institute of Florida International University. The history of Cuba's energy sector, particularly oil, has been one of perpetual foreign dependence. There was little domestic production for the first fifty years of Cuban independence. This changed in 1960, following the Cuban Revolution, with the initiation of Cuba's sugar-for-oil barter exchange with the Soviet Union. At one point Cuba was receiving upwards of 250,000 barrels of crude oil a day, much of which never reached the island's shores: Cuba sold much of this oil to Europe in exchange for hard currency. Though seemingly convenient, this arrangement set a very bad precedent, argued Piñón, as it encouraged the proliferation of projects and start-ups that quickly became "white elephants" as well as low energy policy accountability.

The discovery of the Varadero oil field in 1971 initiated Cuba's domestic upstream oil industry and helped the island achieve a modicum of energy independence. With Soviet financial and technical assistance, a 65,000-barrel-a-day refinery was built in Cienfuegos in 1991—although this only became operational in 2008, with the help of Venezuelan aid. In fact, apart from the mid-to-late 1990s when Cuba was forced to open its oil sector to foreign companies and adopted the internationally accepted Production Sharing Agreement, the island has remained energy dependent on external benefactors.

Since the *Acuerdo de Cooperación Energética de Caracas* and the *Convenio Integral de Cooperación entre Cuba y Venezuela* of 2000, Cuba's oil dependence on the U.S.S.R. has been replaced by Venezuelan dependence. Thanks to Venezuela's President Hugo Chávez, Cuba receives heavily subsidized petroleum. Cuba today consumes approximately 150,000 barrels of oil per day, 93,000-100,000 of which comes from Venezuela (the rest comes from domestic crude oil and natural gas production), according to Piñón. In exchange for the oil, Cuba offers Venezuela a mix of goods and services, such as medical services and technical assistance involving upwards of 40,000 Cuban professionals. Under the agreements Cuba must pay 60 percent of its Venezuelan oil invoice within 90 days of purchase in the form of bartered goods and services. The remaining 40 percent of the invoice is to be paid in the lapse of 25 years, at an annual interest rate of 1 percent.

Two thirds of Cuba's petroleum demand currently relies on imports, and Venezuela is the single source of these imports under heavily subsidized payment terms. This petroleum dependency, valued at over $3 billion in 2008, could be used by Venezuela as a tool to influence a Cuban government in maintaining a politically antagonistic and belligerent position toward the United States. Piñón estimates that the value of the oil received by Cuba from Venezuela over the last six years (2003-2009) amounts to more than $14 billion, of which nearly $9 billion has accounted for goods and services barter exchanges and over $5 billion long term 25 years debt.

Cuba has learned from past experiences and is very much aware of the political and economic risks and consequences of depending on a single source for imported oil. The collapse of the Soviet Union in 1991 and the 2003 Venezuelan oil strike taught Cuba very expensive lessons.

Only when Cuba diversifies suppliers and develops its offshore resources, estimated by the United States Geological Survey to be at 5.5 billion barrels of oil and 9.8 trillion cubic feet of natural

2003-2009 Cuba-Venezuela Estimated Petroleum Debt ($mmUSd)

Year	Volume	WAAC	Terms	90 day	25 year	Total
2003	86.7mbd	$28.40	80/20%	$797	$199	$996
2004	89.7mbd	$40.56	75/25%	$982	$328	$1,310
2005	100.5mbd	$51.15	70/30%	$1,363	$584	$1,947
2006	104.9mbd	$53.96	60/40%	$1,372	$915	$2,287
2007	98.8mbd	$70.24	60/40%	$1,430	$953	$2,383
2008	99.5mbd	$93.41	50/50%	$1,696	$1,696	$3,392
2009	92.5mbd	$58.97	60/40%	$1,195	$796	$1,991
Total				**$8,835**	**$5,471**	**$14,306**

SOURCE: La Oficina Nacional de Estadísticas de Cuba and Petróleos de Venezuela, S.A.'s Annual Financial Reports gas undiscovered reserves, will the Cuban people have the economic independence needed in order to consider a political and economic evolution.

A Cuban government influenced by its energy benefactors would most likely result in a continuation of the current political and economic model. If Cuba's future leaders are unable to fill the power vacuum left by the departure of the old cadre, they could become pawns of illicit business activities and drug cartels, and the United States could face a mass illegal immigration by hundreds of thousands of Cubans.

With the help on international oil companies such as Spain's Repsol, Norway's Statoil Hydro, Venezuela's PDVSA, and Brazil's Petrobras among others, Cuba is investing in oil production and refining infrastructure. Italian energy conglomerate Eni is building a sixth-generation semi-submersible rig, leased to Spain's Repsol and destined for Cuban waters in late 2010 that will help to mitigate energy demands in the island. This rig can drill in depths of up to 10,000 feet and will be working on the North Cuba Basin approximately 65 miles south of Key West.

In spite of these developments, Piñón argued it is in the best interests of both Cuba and the United States to begin energy collaboration today. What is needed, Piñón continued, is a bilateral policy that would contribute to Cuba's energy independence as well as support a broader national energy policy that embraces modernization of infrastructure, the balancing of hydrocarbons with renewable materials, and conservation and environmental stewardship. He highlighted the case of the Deepwater Horizon disaster in the Gulf of Mexico, and what would happen if such an incident happened in a Cuban oil rig (under current U.S. policy banning equipment and technological sales to the island), as a reminder of the need for an energy dialogue between Cuba and the United States. Moreover, Piñón contended that if U.S. companies were allowed to contribute to developing Cuba's hydrocarbon reserves, as well as renewable energy such as solar, wind, and sugarcane ethanol, it would reduce the influence of autocratic and corrupt governments on the island's road toward self determination. Most importantly, it would provide the United States and other democratic countries with a better chance of working with Cuba's future leaders to carry out reforms that would lead to a more open and representative society. American oil and oil equipment and service companies have the capital, technology, and operational know-how to explore, produce, and refine in a safe and responsible manner Cuba's potential oil and natural gas reserves.

In terms of specific U.S. industries, agribusiness is pushing for a lifting of certain restrictions in the U.S. embargo in order to increase its participation in the Cuban market, explained **Chris Garza**, senior director of congressional relations at the American Farm Bureau. At present the industry has not been able to see its full potential in Cuba due to existing restrictions. U.S. agribusiness is not demanding that the embargo against Cuba be lifted; rather, it seeks key concessions to ensure that U.S. firms can better compete in the Cuban market. Indeed, Garza highlighted how U.S. businesses can sell agricultural products to other U.S.-sanctioned countries and U.S. citizens can travel to such countries. In this sense, agribusiness is not seeking drastic changes to U.S. foreign policy; it is merely asking for the ability to treat Cuba as it does other countries subject to U.S. economic and other sanctions.

Garza sees the elimination of travel restrictions to Cuba as intrinsic to the interests of American agribusiness. A lifting of travel restrictions on U.S. citizens would have a net positive effect on U.S. agricultural business because allowing U.S. citizens to visit Cuba would increase the overall demand for food consumption on the island and thus spur U.S. agricultural exports there. This increased demand from tourism would also change the types of products being imported into Cuba. At present U.S. agricultural firms typically export bulk commodities to Cuba. A lifting of the travel ban would increase the demand for higher valued and more processed products, helping U.S. agribusiness.

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Likewise, a lifting of restrictions on the financial services available to U.S. citizens traveling to Cuba would trickle down to U.S. agricultural businesses.

Although potential U.S. visitors to Cuba would bring money that would unfortunately help the Cuban regime, Cuba's dollar-deficit means that much of this money will return back to the United States in the form of agricultural purchases.

Similarly, the U.S. tourism industry would like to see changes to the U.S. embargo against Cuba, stated the National Tour Association's Public Affairs Advocate **Steve Richer**. An end to travel restrictions could lead to a surge in up to 1 million U.S. visitors to the island, by some estimates. Indeed, President Obama's recent easing of travel restrictions for Cuban Americans has led to an estimated 20 percent increase in U.S. travel to Cuba in the past year through the seven officially authorized Cuba tour operators. Yet many people are deliberately testing the administration's position on travel. Some U.S. citizens are actually flouting the restrictions in the hopes that they will be charged, thus providing them with a platform to challenge the constitutionality of the Cuba travel ban in court.

The National Tour Association, alongside its sister professional association, the United States Tour Operators Association, convened a summit in March 2010 in Cancún, Mexico, to discuss the future of U.S. travel to Cuba. What was most surprising about this meeting, according to Richer, was the strong show of interest by the Cuban government in the increased tourism arising from an easing of U.S. restrictions. Cuba's Minister of Tourism, as well as three other sub-cabinet ministers from Foreign Affairs, Foreign Investment, and Transportation, were present at the summit. Additionally, the president or vice-president from every single tourist operator in Cuba participated; all such companies are to some extent subsidiaries of the Cuban government. Richer argued that Cuba is clearly interested in change, but it is up to the United States to take the first step.

Richer recommended that the U.S. government heed the effects of travel restrictions on U.S. airlines, cruise lines, tour operators, and advertisers as it considers whether or not to change the status quo. Restrictions on travel not only put a damper on U.S. tourism and the subsequent loss in revenue from U.S. tourism operators, but they also harm other business sectors that would benefit from free access to Cuba. Richer relayed one discussion with medical supplies providers about how travel restrictions prevent much-needed sophisticated medical equipment from being sold to Cuba: this sophisticated equipment requires on-site training and follow-up inspections to ensure that equipment is running properly. Richer raised a certain irony about this case: if U.S. medical teams are working alongside Cuban medical teams in Haiti (using American medical equipment), why not work together in Cuba?

Richer concluded by noting that, besides its harm to U.S. businesses and bilateral collaboration on cross-border issues, the status quo runs counter to U.S. values of civil rights and liberties. People should have the right to travel; U.S. citizens are allowed to travel to Libya, North Korea, and Iran, so why not Cuba? According to Richer, the person-to-person contact and ensuing discussions arising from travel can open the door to better bilateral relations between the United States and Cuba.

Important to keep in mind when discussing potential U.S. investment in Cuba is the situation of labor and workers' rights, argued **Joel Brito**, executive director of the *Grupo Internacional para la Responsabilidad Social Corporativa en Cuba*. Brito, who worked as the economic and labor advisor to the secretary general of the only official union in Cuba (*Central de Trabajadores de Cuba*), also helped develop Cuba's independent labor movement. Within Latin America, Cuba is signatory to the second largest number of international labor conventions; it has ratified 89 ILO conventions. In reality, Brito argued, Cuba violates a large majority of these conventions. For instance, it consistently violates Convention 87 of the ILO (Freedom of Association and Protection of the Right to Organize), Convention 95 (Protection of Wages), Convention 98 (Right to Organize and Collective Bargaining), and Convention 122 (Employment Policy). Brito highlighted that more Cubans will be hired within the tourism industry in the event of a relaxation of travel restrictions and a subsequent surge in U.S. tourists to Cuba. However, these Cubans will not have the right to freedom of association, collective bargaining, or to a decent salary.

Brito argued that the conventional wisdom suggesting that the mere presence of U.S. tourists will improve the plight of Cubans needs to be rethought. Tourism is Cuba's most important sector and its largest source of foreign exchange. The island houses approximately 240 hotels with 38,000 rooms. In the last two decades Cuba has received approximately 29 million tourists from 70 countries, yet little has changed politically in the island. Canada is Cuba's largest source of tourism revenue and it sends the largest number of tourists. Considering that Canada is a consolidated democracy, were the conventional wisdom to hold this Canadian-Cuban exchange should have had some sort of positive effect on the island's politics. Indeed, over 900,000 Canadian visited Cuba in 2009, but they came largely for reasons of tourism, not human rights. Brito expects that a surge in U.S. tourism would likewise change little, if anything, within Cuba. He estimated that the number of U.S. visitors to Cuba would swell to upwards of 3 million in the year following a lifting of travel restrictions. However, this tourism itself will not fix Cuba's problems.

Brito explained that there is a role for foreign action in terms of Cuba's systematic violation of the rights of its workers. For instance, in 2008, three Cuban workers were granted political asylum in the United States after being forced to work without compensation for the Curaçao Drylock Corporation, as a way of paying a Cuban government debt to the company. A U.S. federal court ruled in favor of the workers and awarded them USD $80 million in damages. Likewise, in February of 2010, eight Cuban doctors and nurses filed charges of slave labor against Cuba, Venezuela, and the state-owned oil company Petróleos de Venezuela (PDVSA), in a federal court in Miami. The medical workers contend that they were forced to work without compensation to help pay off a Cuban government oil-debt to Venezuela.

Foreign direct investment in Cuba from the United States and elsewhere should be encouraged, but such investment must recognize the importance of workers' rights, of protecting the environment, and of opposing systemic corruption, argued Brito. Investment in Cuba should be predicated on a worker's right to freedoms of association and expression, to be able to engage in collective negotiation and have unfettered access to information. Investment should also be environmentally sound so as to prevent future contaminations, such as that caused by Sherritt's extraction of nickel in Moa Bay in northeastern Cuba. Finally, investment should be free of corruption. Foreign companies have often agreed to engage in the regime's corrupt practices in order to do business in Cuba; this type of foreign intervention is counterproductive to goals supported by the international community.

The legal ramifications of doing business with Cuban firms can hamper a deepening of the U.S.-Cuban economic relationship, not to mention all forms of foreign direct investment, warned **Ignacio Sánchez,** a partner at DLA Piper. Since the vast majority of the island's current businesses were formed as the result of uncompensated confiscation following the Cuban Revolution, the victims of expropriation—most of whom are now U.S. citizens—must be compensated before any advances in U.S. investment in the island. Failure to do so while investing in Cuban firms will result in adverse legal rulings; since World War II the legal concept of no confiscation without compensation has prevailed throughout the world. Sánchez explained that although Cuba may not recognize these claims, the U.S. government does and this can result in protracted litigation, especially against any foreign entities involved with the confiscated properties.

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Such legal ramifications do not only stem from foreign direct investment. If and when Cuban firms start exporting goods to the United States, the same issues will arise. For instance, where will proceeds of Cuban rum sales go, to Cuban rum firms or to the Bacardi or Arechabala families? The same goes for cigars and sugar. There are 5,911 U.S. citizens with claims totaling USD $1.8 billion (in 1960 dollars) resulting from property that was confiscated from them in 1960; it would be an understatement to say that the value of these claims has increased significantly in the ensuing 50 years. In Sánchez's view, any discussion of post-transition Cuba needs to address these issues.

According to Sánchez, one of the main reasons for the establishment of the U.S. embargo against Cuba was neither Cold War calculations nor Cuban Americans' angst. Rather, it was the fact that the Cuban regime had expropriated assets belonging to U.S. businesses and citizens. Additionally, while the embargo became law in 1962, it can be said to only have truly begun in 1992. Up until President George H.W. Bush signed the Cuban Democracy Act in 1992, foreign subsidiaries of U.S. companies (such as Coca-Cola México, for example) were allowed to do business with Cuba. On top of this, with the Soviet Union as its benefactor, Cuba was receiving over USD $6 billion in aid per annum throughout this period. Sánchez proposed that if one thinks of the embargo as effectively beginning in 1992, then it has actually been quite successful. From 1992 until 2000—when Cuba located another foreign benefactor—the regime was forced to make positive changes: the economy was dollarized, assets were sold off, and foreign investment was pursued. This is not to say that the embargo's status quo is preferable, but just that the ineffectiveness of the embargo is overstated.

The U.S. embargo may need to be changed; however Sánchez vehemently opposed its complete elimination. The Helms-Burton Act created a clear roadmap stipulating the conditions by which the embargo could be suspended and ended. These include: legalization of political activity, the release of all political prisoners, dissolution of the Cuban Ministry of the Interior's Department of State Security, establishment of an independent judiciary, and a government that does not include the Castro brothers. Only when these conditions are met and democracy is reestablished should the embargo be scrapped. Elimination of the embargo prior to meeting these conditions will rightly be perceived as weakness in the face of political pressure. For instance, the Obama administration has little intention of signing a free trade agreement with Colombia—a staunch ally with whom the United States has a very positive economic relationship—because of concern over the country's inadequate labor rights. Imagine the hypocrisy of U.S. foreign policy were it to punish a consolidated democracy with strong, albeit imperfect, labor rights, yet capitulate and reward the Cuban government for systematically abusing labor rights. What sort of message would that send to the world?

About the Contributors

José Azel is a senior research associate at the Institute for Cuban and Cuban-American Studies, University of Miami.

Joel Brito is the executive director of the International Group for Corporate Social Responsibility in Cuba.

José Raúl Perales is senior program associate of the Latin American Program at the Woodrow Wilson International Center for Scholars.

Jorge Piñón is a visiting research fellow with Florida International University's Latin American and Caribbean Center Cuban Research Institute.

William Reinsch currently serves as president of the National Foreign Trade Council.

Steve Richer is public affairs advocate and former board member for the National Tour Association.

Christopher Sabatini is the senior director of policy at the Americas Society and Council of the Americas (AS/COA.

Ignacio Sánchez is an attorney at DLA Piper who represents national and international clients on a broad range of issues before the executive branch, Congress and the federal courts.

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ONE WOODROW WILSON PLAZA, 1300 PENNSYLVANIA AVENUE, NW, WASHINGTON, DC 20004-3027

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