



Preparing for a New Reality

A post-Castro Cuba is an opportunity for the United States to fill a void for people living in an economic limbo. Washington should emphasize freer communication now to prepare for life without Castro, writes *Philip Peters*.

Pick a date a year or a decade from now, and imagine that Fidel Castro has just passed away. Within a few days there will be a state funeral. Leftists and literati from around the world, prominent Latin Americans and Hollywood admirers will flock to Havana. Heads of state will pay their respects and size up the new Cuban leadership at the last massive, media-saturated event of the Castro era. US Congressional representatives from both parties, many of whom know Cuban leaders well, will likely be present. If current patterns hold, American diplomats will judge this historic event from a distance. Cuban-American Miami, having celebrated, will be watching expectantly.

The self-interest of Cuban enterprises, the Communist Party, the military, and other established institutions will be a strong force for continuity. According to Cuba's constitution, the vice president of Cuba's council of state is the president's immediate successor. Raúl Castro, Fidel's brother and head of the armed forces, now holds this post. But even in the event that the 72-year-old Raúl outlives his 77-year-old brother, it is not clear that he aspires to serve as more than an interim leader. In the near term, a younger chief of state is likely to be named, passing the torch from the generation that fought the revolution to the generation that was born into it.

Reinventing Government

But after succession comes the hard part: governing. A new process of decision-making will have to be invented after more than four decades where major government decisions all depended on the word of Fidel Castro.

The new leadership will have to decide how to treat independent Cuban voices and the sensible ideas they have advanced. Religious leaders such as Cardinal Jaime Ortega, political dissidents including Oswaldo Paya and many others argue that fewer state controls and more personal freedom will allow Cubans to improve their livelihoods — and make Cuba more prosperous, and hence better able to ensure continued delivery of free social services. Then as now, there will be international pressure for Cuba to open space for a political opposition, many members of which are now in jail.

The economy will pose a major decision: whether to adhere to the current course or build on the market-based

reforms that allowed Cuba to survive the loss of Soviet bloc trade and aid in the early 1990s. Incentive-based agriculture allows private farmers and cooperatives to sell their surplus on the open market, and a chain of more than 300 farmers markets has become a new source of freely priced meat, fruit, and vegetables for Cuban households.

The dollar and other foreign currencies circulate freely, allowing Cubans to receive remittances from relatives abroad. Estimated at about \$1 billion annually, remittances are Cuba's second-largest source of foreign exchange. They have provided seed capital for some of the 150,000 licensed entrepreneurs who work legally in food service, home repair, and other trades, and for many more who work without a license.

More than 400 joint ventures between foreign corporations and state-owned enterprises are operating in Cuba, renovating a telecommunications infrastructure neglected since the 1950s, doubling nickel and cobalt production and moving Cuba toward energy self-sufficiency by developing new oil and gas reserves.

An In-Between Economy

Cuba is taking the tough step of downsizing its legendary but unprofitable sugar industry and investing instead in an area of real comparative advantage: a tourism industry that can beat its Caribbean competitors by offering colonial architecture, ecotourism, and Cuban culture in addition to sun and sand.

These limited reforms have created an in-between economy — neither Soviet-style state planning, full-blooded capitalism nor a Chinese model of state-controlled capitalism. And the economy has a very un-Socialist trait: inequality. Workers in joint ventures who receive production bonuses, tourism industry workers, entrepreneurs with stable businesses, and Cubans who receive family remittances from abroad, all enjoy hard currency incomes and relatively high living standards. But workers who receive a normal state salary, paid in pesos, struggle to make ends meet and cannot afford basic household items that are sold only in dollars. They rightly ask why Cuba's labor market rewards the daily toil of a hotel bellhop 10 or more times more than it does the public service of a teacher, nurse, or bus driver.

This earnings imbalance has unhealthy consequences. There is widespread, small-scale pilferage of state goods that are sold on the black market. Many Cubans, even those who hold jobs

with the state, hustle tourists for a few extra dollars. And Cubans flock to high-dollar jobs in tourism even if they have greater aptitude or training in another discipline.

On top of all this, Cuba is suffering from a foreign exchange crunch caused by the global slowdown in tourism and Cuba's own decision to buy hundreds of millions of dollars worth of American farm products in cash, the only way US law allows. The result is that Cuba's creditors are waiting in long lines for payments, further damaging its Caa1 credit rating and its ability to attract new investment.

As Washington considers the best way to influence Cuba's new post-Castro politics, it should bear in mind the challenges facing Cuba's new leaders. They will know that additional doses of Socialism will not produce the growth Cuba needs to solve its economic problems. Under Castro, Cubans have long tolerated shortages and other difficulties. But a new leadership can expect rising public expectations that new policies will improve the daily life of the average Cuban.

At the same time, Washington should recognize that the next generation of Cuban leadership, like most Cubans of the post-revolutionary generation, is likely to be attracted to the kinds of reforms that have succeeded in China and Vietnam, countries still ruled by Communist parties. Policy debates will take place in a new context: the older, hard-line faction that Castro led will be weakened, and reformers will be relatively stronger.

Moving Forward

As these debates take place, Europe and Canada will be in a position to use their deep ties to encourage reform. American diplomacy will be hamstrung by the 1996 Helms-Burton law; rather than permit the President to respond to positive, incremental change, it bars any relaxation of US sanctions until Cuba has completed a long checklist of economic and political reforms. And Cuban-American Miami may be focused squarely on the past, pressing for immediate return of properties seized in the early 1960s or looking for ways to file lawsuits, as the Cuban American National Foundation has threatened in recent months, against foreign investors in Cuba for alleged labor law violations.

How, then, can the United States encourage moves toward political freedom and open markets? Repealing the trade embargo now would radically change the politics of Cuba. It would remove the specter of the American threat and take away Castro's ability to blame Uncle Sam for Cuba's ills. It would send droves of American executives to Cuba — many of whom would return with limited interest in doing business in a place where purchasing power is limited, decisions are slow and highly centralized, and the investment climate is limited. Cubans would have no choice but to focus on their own government's policies, creating additional pressure for change.

But while this bold step is unlikely, Washington can improve on its existing policies. The first step is to recognize that current policy is based on wishful thinking. President George Bush's policy of economic sanctions, aid to dissidents and anti-Castro rhetoric has no realistic chance of provoking

the "rapid and peaceful transition" that he seeks. It limits American influence in Cuba because it is based on the idea of blocking contact between Americans and Cubans. If this idea had guided our policy toward the Soviet bloc, the Berlin wall might still be standing today.

Start Now

The way for America to influence post-Castro Cuba is simple. It should start building contacts now with the Cubans. Washington should allow unrestricted travel by Americans to Cuba. Today, an American who wants to visit a Cuban church needs a travel license from the Treasury Department, and if he wants to donate goods to that church he needs a second license from the Commerce Department. Each year, the Treasury's Office of Foreign Assets Control fines hundreds of unlicensed American travelers. Cuban Americans, who account for the bulk of American travel to Cuba, are exempt. Their electoral importance to the Republican Party has ensured that not a single enforcement action has been brought against them.

All Americans should be free to visit Cuba to see the country, to build contacts, to carry information and ideas, to engage in arguments. The dollars they spend would boost demand for the services of Cuban entrepreneurs — taxi drivers, artists, Cubans who rent rooms and operate restaurants in their homes — and expand the ranks of this incipient small business sector.

The US should also initiate a broad program of educational exchange and scholarships for Cuban students. Last year, Bush proposed a limited scholarship program only for Cubans affiliated with the opposition movement — a self-defeating limitation. Rather than set political criteria that Havana is guaranteed to reject, Washington should fund American universities to offer scholarships based on broad academic criteria. It should be open to all Cuban students, including loyal Socialists — they, after all, are arguably the ones who would most benefit from exposure to our country.

It is also time to build contacts with Cuba's military by convening open-ended talks on security issues that include both diplomats and military officers from each side. While the differences are stark on many issues, these talks would allow each side to air concerns about terrorism, weapons development, extradition, drug enforcement, and other questions. Beyond establishing a long overdue communication channel, these talks could possibly lead to expansion of the current American cooperation with Cuba, which is limited mainly to drug enforcement and migration control.

Contact and communication with Cuba are not a reward to Fidel Castro. They are a sign of American confidence and the basis of American influence. The sooner we start encouraging travel and normal contacts between Americans and Cubans, the better prepared we will be to deal with our long-estranged neighbor as it begins a new chapter in its history and is looking for answers. **LF**

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