



Cato Handbook for Policymakers

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57. Relations with Cuba

Congress should

- repeal the Cuban Liberty and Democratic Solidarity (Libertad, or Helms-Burton) Act of 1996,
- repeal the Cuban Democracy (Torricelli) Act of 1992,
- restore the policy of granting Cuban refugees political asylum in the United States,
- eliminate or privatize Radio and TV Marti,
- end all trade sanctions on Cuba and allow U.S. citizens and companies to visit and establish businesses in Cuba as they see fit, and
- move toward normalizing diplomatic relations with Cuba.

On July 26, 2006, Cuban dictator Fidel Castro was rushed to the hospital, leading to what many had yearned for for decades: Castro's official departure from power. He has since been replaced as president by his brother Raúl, who, while promising to defend the regime's socialist revolution, has introduced a limited set of economic reforms with the hope of injecting more vitality and efficiency into the island's dilapidated economy. Despite those measures, political repression still prevails in Cuba; political dissent is not tolerated, and opposition activists face constant harassment from the authorities.

Nobody can know for sure what lies ahead for Cuba in the short or medium term. It is possible that, upon the death of Fidel Castro, an emboldened populace or disaffected groups within Cuban society could bring about the sudden collapse of the regime. A more likely scenario foresees Raúl Castro replicating the "Chinese model" of economic liberalization and one-party rule that could be carried out for years. A far less likely possibility is that the status quo will change little in Cuba, notwithstanding the timid reforms introduced thus far.

In the face of such changing circumstances, U.S. policy toward Cuba has essentially remained the same. Washington insists that economic sanctions against the island will not be lifted unless a new regime allows free elections and releases all political prisoners. Accordingly, the Commission for Assistance to a Free Cuba, set up by President Bush in 2003, has provided a series of recommendations intended to “hasten democratic change in Cuba,” some of which have resulted in tightening the sanctions imposed since the early 1960s.

Thus, the U.S. government is adamant in continuing a policy toward Cuba that has consistently failed to bring about a democratic transformation in the island.

A Cold War Relic

Sanctions against Cuba were first authorized under the Foreign Assistance Act of 1961, passed by the 87th Congress. In 1962, President John F. Kennedy issued an executive order implementing the trade embargo as a response to Fidel Castro’s expropriation of American assets and his decision to offer the Soviet Union a permanent military base and an intelligence post just 90 miles off the coast of Florida at the height of the cold war. Castro’s decision confirmed Cuba as the Soviet Union’s main ally in the Western Hemisphere.

For three decades, Cuba was a threat to U.S. national security. Not only did Cuba export Marxist-Leninist revolutions to Third World countries (most notably, Angola and Nicaragua), but more importantly, it served as a base for Soviet intelligence operations and allowed Soviet naval vessels port access rights. However, with the collapse of the Soviet Union and the subsequent end of Soviet subsidies to Cuba in the early 1990s, that threat virtually ceased to exist. Trade sanctions against Cuba, however, were not lifted. The embargo was instead tightened in 1992 with the passage of the Cuban Democracy (Torricelli) Act, a bill that former president George H. W. Bush signed into law.

The justification for that act was not national security interests but the Castro regime’s form of government and human rights abuses. That change of focus was reflected in the language of the act, the first finding of which was Castro’s “consistent disregard for internationally accepted standards of human rights and for democratic values.” In 1996, Congress passed the Cuban Liberty and Democratic Solidarity (Libertad) Act, a bill that President Clinton had threatened to veto but instead signed into law in

the aftermath of the downing of two U.S. civilian planes by Cuban fighter jets in international airspace.

The Unintended Consequences of a Flawed Policy

The Libertad Act, better known as the Helms-Burton Act for its sponsors Sen. Jesse Helms (R-NC) and Rep. Dan Burton (R-IN), is an ill-conceived law. It grants U.S. citizens whose property was expropriated by Castro the right to sue in U.S. courts foreign companies and citizens “trafficking” in that property (Title III). That right—not granted to U.S. citizens who may have lost property in other countries—is problematic because it essentially extends U.S. jurisdiction to the results of events that occurred in foreign territory.

By imposing sanctions on foreign companies profiting from property confiscated by the Castro regime, the Helms-Burton Act seeks to discourage investment in Cuba. However, while Helms-Burton may have slowed investment in the island, U.S. allies (in particular Canada, Mexico, and members of the European Union) have not welcomed that attempt to influence their foreign policy by threat of U.S. sanctions. Consequently, they have repeatedly threatened to impose retaliatory sanctions and to take the United States to the World Trade Organization.

In May 1998, the Clinton administration and the European Union reached a tentative agreement that would exclude citizens of EU countries from Titles III and IV (denying entry visas to the executives of companies “trafficking” in confiscated property) of the Helms-Burton Act in exchange for guarantees from the EU not to subsidize investments in expropriated properties. The Bush administration continued the policy of repeatedly waiving Title III of the act. But because only Congress can repeal Titles III and IV, the possibility that the EU will impose retaliatory sanctions or take the United States to the WTO remains. That confrontation has risked poisoning U.S. relations with otherwise friendly countries that are far more important than Cuba to the economic well-being and security of the United States.

Moreover, the embargo continues to be the best—and now the only—excuse that the communist regime has for its failed policies. Cuban officials, who have estimated the cumulative cost of the embargo at more than \$40 billion, incessantly condemn U.S. policies for causing the meager existence of their people, even though Cuba accepted more than \$100 billion in subsidies and credits from the Soviet Union during their three-decade relationship and has received approximately \$12 billion in

the form of subsidized oil from Venezuela's Hugo Chávez since 1999. Elizardo Sánchez Santa Cruz, a leading dissident in Cuba, has aptly summed up that strategy: “[Castro] wants to continue exaggerating the image of the external enemy which has been vital for the Cuban Government during decades, an external enemy which can be blamed for the failure of the totalitarian model implanted here.”

Ironically, the embargo has also become somewhat of a U.S. security liability itself. A recent report by the Government Accountability Office points out that enforcing the embargo and travel ban diverts limited resources from homeland security that could be used to keep terrorists and criminals out of the United States. The GAO report warned that arrival inspections from Cuba intended to enforce the embargo are “straining Customs and Border Patrol’s capacity to inspect other travelers according to its mission of keeping terrorists, criminals, and inadmissible aliens out of the country.”

Undermining of Tyranny through Free Exchange

Aiming to increase agricultural productivity, Raúl Castro has introduced reforms such as transferring idle state-owned land to individual farmers and authorizing state stores to sell supplies and equipment directly to private producers. Even before those measures took place, the agricultural productivity of the nonstate sector (comprising cooperatives and small private farmers) was 25 percent higher than that of the state sector. As Cuban farmers increase their efficiency and productivity, normal trade ties with the United States would benefit them directly by opening up a market of 300 million consumers.

Ending the embargo could contribute to democracy in Cuba by empowering a nascent private sector that is increasingly independent of the government. Other recent reforms—such as new licenses for private bus and taxi operators and lifting bans on the consumption of electronic appliances—may encourage this development. As a Hoover Institution study pointed out: “In time, increasing amounts [of expanded tourism, trade, and investment] would go beyond the state, and although economics will not single-handedly liberate Cuba, it may contribute some to that end. This is so, in part, because the repressive Cubans within the state apparatus are subject to influences that can tilt their allegiances in positive ways.”

Even though Cuba—unlike other communist countries with which the United States actively trades, such as China or Vietnam—has not undertaken substantial market reforms, an open U.S. trade policy is likely to

be more subversive of its system than is an embargo. Proponents of the Cuban embargo vastly underestimate the extent to which increased foreign trade and investment can undermine Cuban communism even if that business is conducted with state entities.

Replacing the all-encompassing state with one that allows greater space for voluntary interaction requires strengthening elements of civil society, that is, groups not dependent on the state. That development is more likely to come about in an environment of increased interaction with outside groups than in an environment of increased isolation and state control. According to Philip Peters, vice president of the Lexington Institute, thousands of independent workers in Cuba “are dramatically improving their standard of living and supplying goods and services while learning the habits of independent actors in competitive markets.” And because most of these workers are in the service industries (mostly restaurant and food service), they would greatly benefit from the presence of Americans visiting for business or pleasure. A recent study from the International Trade Commission calculates that between 550,000 and 1 million U.S. citizens would visit the island every year if the travel ban were lifted, compared with 171,000 that did so in 2006, mainly Cuban Americans visiting family.

Cuban officialdom appears to be well aware of the danger of increasing interaction between foreigners and nationals. For example, for many years Cuba’s opening of its tourism industry to foreign investment was accompanied by measures that prevented ordinary Cubans from visiting foreign hotels and tourist facilities, a restriction that was only recently scrapped by Raúl Castro. As a result, Cubans came to resent their government for what was known as “tourism apartheid.” In recent years, Cuban officials have also issued increased warnings against corruption, indicating the regime’s fear that unofficial business dealings, especially with foreigners, may weaken allegiance to the government and may even create vested interests that favor more extensive market openings.

Cuba Must Determine Its Own Destiny

Perhaps the biggest shortcoming of U.S. policy toward Cuba is its false assumption that democratic capitalism can somehow be forcibly exported from Washington to Havana. That assumption is explicitly stated in the Helms-Burton Act, the first purpose of which is “to assist the Cuban people in regaining their freedom and prosperity, as well as in joining the

community of democratic countries that are flourishing in the Western Hemisphere.’’

But the shift toward democratic capitalism that began in the Western Hemisphere almost three decades ago had little to do with Washington’s efforts to export democracy. Rather, it had to do with Latin America’s realization that previous policies and regimes had failed to provide self-sustaining growth and increasing prosperity. By the same token, the more recent rise of populism in some Latin-American countries is not the result of U.S. policy toward the region but a result of those countries’ failure to implement a coherent set of mutually supportive market reforms. Those outcomes, again, depend entirely on Latin-American countries, not on the United States.

Unfortunately, the Bush administration’s Commission for Assistance to a Free Cuba continues in Washington’s meddling tradition. The administration adopted the commission’s recommendation to tighten the embargo by restricting travel and remittances to the island even further. The commission also endorsed the administration’s policy of providing aid to Cuban opposition groups, thus lending a semblance of credibility to Castro’s claims that dissident groups are agents of Washington, undermining their standing.

Cuban exiles should be allowed to participate in the transformation of Cuban society. However, their participation need not require the U.S. government’s active involvement. Thus, Radio and TV Marti, government entities that broadcast to Cuba, should be privatized or closed down. If the exile community believes that those stations are a useful resource in its struggle against the Castro regime, it has the means—there are no legal impediments—to finance such an operation.

A New Cuba Policy Based on American Principles

Washington’s policies toward Cuba should be consistent with traditional American principles. First, the United States should restore the practice of granting political asylum to Cuban refugees. The 1994 and 1995 immigration accords between the Clinton administration and the Cuban government have turned the United States into Havana’s *de jure* partner in oppressing those Cubans who risk their lives to escape repression. The “wet feet, dry feet” policy, which grants political asylum to Cuban refugees who make it to the U.S. shore on their own and forces the U.S. Coast Guard to return to Cuba those refugees that it picks up at sea, should

be eliminated. Instead, the U.S. government should grant political asylum to all Cubans who escape the island.

There is no reason to believe that Cuban refugees would not continue to help the U.S. economy as they always have. The 1980 boatlift, in which 120,000 Cuban refugees reached U.S. shores, proved a boon to the economy of southern Florida. In addition, since the Cuban-American community has repeatedly demonstrated its ability and desire to provide for refugees until they can provide for themselves, such a policy need not cost U.S. taxpayers.

Second, the U.S. government should protect its own citizens' inalienable rights and recognize that free trade is itself a human right. As James Dorn of the Cato Institute says: "The supposed dichotomy between the right to trade and human rights is a false one. . . . As moral agents, individuals necessarily claim the rights to liberty and property in order to live fully and to pursue their interests in a responsible manner." In the case of Cuba, U.S. citizens and companies should be allowed to decide for themselves—as they are in the case of dozens of countries around the world whose political and human rights records are less than admirable—whether and how they should trade with it.

Third, the U.S. government should also respect the right of its own citizens to travel abroad freely and lift the travel ban to Cuba. Currently, U.S. citizens can travel more or less freely to such countries as Iran and North Korea, but not to Cuba. Government bans on the free movement of people are inconsistent with the values of freedom on which the United States was founded. As Rep. Jeff Flake (R-AZ) puts it, "If somebody should limit your travel, it should be a Communist. It should be someone other than us."

Fourth, U.S. policy toward Cuba should focus on national security interests, not on transforming Cuban society or micromanaging the affairs of a transitional government as current law obliges Washington to do. That means lifting the embargo and establishing the types of diplomatic ties with Cuba that the United States maintains with other states, even dictatorial states that do not threaten its national security. Those measures, especially the ending of current sanctions, will ensure a more peaceful and smooth transition in Cuba.

Conclusion

Signs of increasing political dissatisfaction with the embargo show that the tide of opinion is clearly turning. A February 2008 Gallup poll showed

that 61 percent of Americans favored reestablishing diplomatic ties with Cuba—a 6 percentage point increase since 2004. Business groups such as agricultural producers have grown increasingly critical of the embargo since it deprives them of a potentially lucrative market. For example, since the enactment of the Trade Sanctions Reform and Export Enhancement Act in 2000, which allows cash-only sales to Cuba of U.S. farm products and medical supplies, U.S. agricultural exports to the island went from zero to \$447 million in 2007. The International Trade Commission estimates that lifting the embargo could further increase U.S. farm sales to Cuba by between \$175 million and \$350 million per year. According to the American Farm Bureau, Cuba could eventually become a \$1 billion agricultural export market for U.S. farmers. It is important that, as trade expands and relations normalize, Washington resist calls to provide export credits or other official assistance to U.S. businesses or the Cuban government. Such corporate welfare and foreign aid have a poor record at promoting development.

Support has also been mounting in Congress in favor of relaxing the trade embargo and travel ban. In December 2006, a bipartisan congressional delegation traveled to Cuba and met with government officials there, in one of the highest-ranking visits by U.S. authorities since former president Jimmy Carter traveled to Havana in May 2002. Several bipartisan measures were introduced in the 110th Congress intended to end the trade embargo and travel ban—one of them (H.R. 654) having as many as 120 cosponsors—but they lack broad backing by congressional leaders.

Ending the embargo will not save communism from itself. Only internal reform will bring sustained investment and growth to Cuba. A transition may be forthcoming on the island, and the United States can help by lifting the embargo.

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