

"U.S. Policy on Cuba"  
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Dr. Richard A. Nuccio  
Special Advisor to the President and Secretary of State on Cuba

It's a genuine pleasure for me to be here with you today.

I'd like to speak today about the prospects for a peaceful, democratic transition in Cuba. I'd also like to discuss what the Clinton Administration is doing to promote that transition, as well as what some on Capitol Hill propose to do. While none of us here can determine how and when a transition takes place in Cuba – that will and should be done by Cubans on the island – what the United States does or does not do will make a tremendous difference.

The United States has a stake in seeing a peaceful outcome to the end of three decades of dictatorship in Cuba. The principal threat that Cuba poses to our national security is from a social collapse on the island that could provoke massive waves of illegal immigration, the involvement of US citizens inside Cuba, and/or the introduction of US armed forces into the island. Thus, it is appropriate for the US to promote a transition in Cuba, but in a way that is more likely to produce a peaceful and democratic outcome.

I personally believe that the Cuban people, when given a choice, will share many of the same aspirations that we have seen expressed throughout this hemisphere and in most of the nations formerly under communist rule: the desire for political democracy and a better standard of living for themselves and their children. Democracy will be a necessity for them, not a luxury, and they will struggle to achieve it. But that is the choice that should be available to them.

The Process of Change Underway in Cuba

Let me tell you what we believe is happening in Cuba right now.

A process of profound change is underway on the island, some of it controlled by the Government, much of it not. Some consider that to be a controversial statement – claiming that no real change can occur while Fidel Castro is still in power – but I think the evidence is clear.

During the heyday of \$6 billion annual subsidies from the Soviet Union, the Cuban regime was able to establish a completely government-run, command economy, and provide free, universal education and health care. The Government was the only source of everything for the individual, from his job to his home to medicine for his family. In return for the state's generosity, the individual was expected to render unconditional obedience. The regime's extensive and highly-effective repressive apparatus, which persecutes dissidents and human rights activists, guaranteed that the Cuban people upheld their end of this "bargain."

The end of Soviet subsidies exposed the underlying weakness of Cuba's economic system. You have heard some of the startling facts about Cuba's economic free fall since 1989. GNP has declined by half. Sugar exports, Cuba's main source of hard currency, have declined by more than half. As a consequence, Cuba's imports have declined almost 80 percent. These cold economic numbers have had a devastating impact on ordinary Cubans: monthly rations now barely supply enough food for two weeks; bicycles have replaced cars and buses; oxen and horses have replaced tractors; state industries operate at a fraction of their capacity, and huge layoffs are rumored as the government confronts a fiscal nightmare. Cuba's standard of living has nose-dived.

As a result of the end of Soviet subsidies, plummeting domestic productivity, and our continuing comprehensive embargo, the Cuban government has been forced to enact a series of limited economic reforms that are slowly creating the beginnings of a private sector. The Cuban Government has not made these moves because it has had a change of heart, but because circumstances have forced its hand. It cannot any longer afford to employ everyone, nor supply enough food for Cubans to survive. It has had to turn, slowly and reluctantly, to the market.

For example, around 200,000 Cubans have taken advantage of a government decree legalizing self-employment in service areas like small restaurants, barbershops,

appliance repair and the like. These enterprises have to struggle to find the inputs they need to operate, often on the black market, and their proprietors may not hire employees outside the immediate family. Meanwhile, many independent farmers and agricultural cooperatives have brought their produce to the farmers' markets re-initiated last year, where "excess" goods may be sold at market prices. Farmers must still meet state quotas in commodities they are instructed to grow and at artificially low prices established by the government. In another major decision, the Government legalized circulation of the dollar.

The Cuban Government has also begun implementing a series of fiscal reforms of the kind that have often formed part of IMF structural adjustment plans. It has cut subsidies to state enterprises, increased rates for public services, eliminated some unnecessary jobs from the state sector (and more cuts appear to be on the way), initiated the creation of new kinds of banking institutions to service Cuba's free market sectors, established a quasi-official floating exchange rate and dabbled in currency market intervention, even implementing a rudimentary tax system.

These fiscal changes suggest a commitment to adopt the financial institutions of a modern market economy. Ironically, however, a country that has consistently denounced the "neoliberal economic models" of the IMF and criticized the social impact of structural adjustment, has itself decided to pursue a course of restructuring whose motto might be "much pain, little gain." Cuba has attacked its budget deficit, cut benefits and services to citizens, and raised prices all without any cushion or support from international lending institutions — a daring course indeed, the kind of policy that only an authoritarian government could pursue.

More disturbingly the Cuban Government has initiated this contraction in the state sector without allowing a new private sector to take up the slack. By continuing to bar self-employed entrepreneurs from hiring workers outside their immediate families, and by limiting the kinds of businesses self-employed entrepreneurs may establish, the Government is essentially prohibiting an increase in production or job creation in wholly Cuban private enterprises. Why? The regime has limited its economic reforms in order to preserve the state's power over the livelihoods of individuals. It is afraid that Cubans who enjoy economic independence from the government, through their own businesses or through direct employment with a foreign firm, for example, will soon demand political liberty as well.

Rather than take the risks involved in freeing up Cuba's domestic economic sector, the Cuban Government has instead been aggressively courting foreign investment, and doing its best to build a fire wall between foreign investors and Cuban workers. While the new foreign investment law unveiled this September permits 100% foreign ownership of assets for the first time, it failed to allow foreign firms to hire Cuban workers directly, and instead continues to require contracting labor through a state firm. It also failed to allow Cubans to invest in their own economy; once again for the sake of control, only carefully screened Cuban exiles will be allowed to do that.

I have been discussing the state of the Cuban economy as a whole, but I know that you have a particular interest in one sector of it -- one of the most important. Despite the Revolution's promise to diversify and modernize the economy, it remains as true as ever that "Sin azucar, no hay pais." In fact Cuba last year came shockingly close to discovering what life was like without sugar, since the 1994 harvest, at about 3.2 million tons, was the lowest in half a century.

You are all aware of the precipitous decline in Cuba's sugar sector since during the so-called "Special Period." Although the decline has been only marginally worse than the decline in the Cuban economy overall, its impact was especially devastating because sugar continued to be the regime's chief source of hard currency and most important barter commodity. Apart from sugar, Cuba still has relatively little of value to offer on the international market. The decline has been due to a number of factors, including a chronic lack of fertilizer and other basic inputs, a shortage of qualified labor and, perhaps most importantly, inadequate economic incentives to motivate what labor force exists. The regime has taken steps to try and overcome these obstacles, including the dissolution of almost all state farms into "agricultural cooperatives" called UBPCs and, more recently, the dramatic opening of the formerly sacrosanct sugar sector to foreign financing. This financing has come at very high rates of interest, reflecting Cuba's bad credit history and the risks of putting money into the island.

Reports from Cuba indicate that foreign financing has resulted in increased quantities and quality of cane this year. Although this would appear to auger well for the economic recovery the government has been touting, more cane is not the end of

the story, as you know. First, the tough terms of Cuba's foreign financing make it imperative that this year's harvest be much better than last year's -- some estimates say it must reach 4.5 or 5 million tons -- in order simply to pay back investors and meet leftover trade obligations from prior years. Such an increase will be a tall order. Second, more cane means nothing if it is not harvested and processed efficiently. Evidence suggests that Cuban efforts to increase incentives to workers through the UBPCs have been grossly insufficient. Even with new dollar rewards for work discipline, it appears questionable the UBPCs will respond adequately to the regime's call for a "victory harvest." Another poor performance would leave the regime more over-extended with its customers and deeper in debt with its creditors than ever.

The Cuban Government has lately been claiming that the economic free-fall has bottomed out and a recovery has begun. It cites impressive statistics for growth in sectors where foreigners have invested. Most economic experts, however, do not believe that Cuba has yet made the kinds of deep, structural changes that will produce sustainable economic growth. The government will not overcome its economic crisis if it continues clinging to control. Only much broader economic freedoms and incentives will generate a real economic recovery. Our fear is that the Cuban government has picked the worst of the features of the Chinese and Vietnamese models it claims to want to emulate. China and Vietnam have calculated that their citizens would accept authoritarian control if they could benefit directly in the jump to market economics. The Cuban government's preoccupation with political control is denying the benefits of even its limited market reforms to the majority of the population.

In the same way that the market has been filling the economic void being left by the Government, independent individuals and organizations -- churches, professional societies, dissident organizations and others -- are reaching out to respond to other unmet needs of ordinary Cubans. In organizing to help the sick, the old, the needy, the unemployed or those in spiritual crisis, or just to speak the truth frankly, these independent actors build the foundations of a new Cuba. The Government fears these changes and has persecuted some of these groups, but has been unwilling or unable to stop their growth.

I wish I could tell you that there are indications that the Cuban Government recognizes the inevitability of democratic change and is preparing for a peaceful

transition. But we have no such sign. All indications are that Fidel Castro is still firmly in control, and that he has no intention of stepping down or initiating significant political reforms. He produced applause in New York and satisfaction among his closest supporters at home when he confirmed that the Cuban Government is unwilling to undertake political reforms. In the new, post-cold war world, the Cuban regime is trying desperately to find a way to stabilize its economy through limited reform, while minimizing pressures for change in the country's repressive political system.

But I believe this spirit of triumphalism in Havana is misplaced. The European Union, in explaining the vote it cast *against* the US embargo at the United Nations, condemned what it termed as "repeated violations of human rights in Cuba," and said that "In the political field, the Cuban regime retains a firm monopoly on political power." This week I spent a day at the United Nations discussing the upcoming vote on a human rights resolution introduced by the United States and co-sponsored by more than 20 other nations, including many that voted for the embargo resolution. I believe will have a strong vote in the Plenary session, including affirmative votes from several Latin American countries. Contrary to the impression Havana prefers to convey, the Cuban government remains the odd man out in the Western Hemisphere.

### What is the U.S. Doing to Promote a Transition?

Given the changes underway in Cuba, what can the U.S. do to promote a peaceful transition to democracy?

First, let me assert what I believe to be true and what is at the heart of the Clinton Administration's approach to Cuba: the next President of Cuba is already on the island. I don't know who he or she is, but I do believe that the future of Cuba will ultimately be determined by those currently living in Cuba, in the same way that the present in Eastern Europe is being shaped by those whose voices were once suppressed. The objective of U.S. policy is not to determine who will govern Cuba, how its budget will be spent, or what kind of health system will be maintained. Our goal is to promote democratic elections that will offer the Cuban people the opportunity to make these choices. For too long, choices have been made in the name of the Cuban people, but without their free participation or consent.

Immodestly, I believe that the most effective role for the United States in promoting a democratic transition in Cuba is outlined in the Cuban Democracy Act (CDA), legislation I helped draft as an advisor to Congressman Bob Torricelli and which was endorsed by President Clinton when he was a candidate in 1992. We continue to work to fulfill the promise of that legislation, but I believe the policy for which it laid the groundwork is already bearing some fruit. It has four main aspects:

The first is well-known – our comprehensive economic embargo on Cuba. The embargo is not popular with everyone. I know of no one in this Administration who takes pleasure from the economic hardship in Cuba to which our embargo contributes. On the contrary, we are all eager to establish the kind of respectful relationship with Cuba we have with our closest allies and to participate in the rebuilding of Cuba's devastated economy. We are frequently criticized in the United Nations and by many of our allies for maintaining the embargo. But it remains the most effective leverage we have in pressing Cuba to reform. The Cuban Government has undertaken the limited economic reforms it has only because it has been forced to by its economic collapse. While Cuba's economic crisis stems primarily from its hopelessly inefficient, centrally planned economic system, the embargo limits the flow of hard currency to Cuba from the U.S., and so forces the Cuban regime to make tough choices sooner.

Perhaps unwittingly, the Cuban Government gave public confirmation of the necessary evil of the embargo in September. Its new foreign investment law falls far short of what the Cuban Government had promised investors. It does not permit foreign companies to hire their own workers directly, and, even more importantly, it does not allow Cubans on the island to invest in their own country. We believe that the reason Cuba pulled back from more ambitious reform appears to be the breathing space this year's modest economic upturn has temporarily given them.

The second aspect of our policy is to provide support for the Cuban people. Since the enactment of the CDA three years ago, the U.S. Government has licensed over \$100 million in private humanitarian aid to Cuba, mostly food and medicine from groups in the U.S. distributed through churches and non-governmental organizations on the island. We also licensed telecommunications agreements that have dramatically improved communications between the U.S. and Cuba, including telephone, e-mail, and fax connections. This increased flow of information has

strengthened ties between Americans and Cubans and helped to break the Castro regime's monopoly on information.

While those initial steps to implement the CDA had an impact, we felt we needed to do more to support the Cuban people. On Oct. 6, the President announced a series of new measures designed to increase significantly the flow of information to, from and particularly within Cuba, and to allow U.S. private organizations to play a more active role in strengthening civil society in Cuba. By civil society, I mean all those institutions – churches, an independent press, democratic political organizations, universities, human rights groups, professional societies and other non-governmental institutions – that mediate between the State and the individual.

As part of our efforts we will be permitting for the first time in decades:

- the reciprocal establishment of news bureaus in Cuba and the U.S.
- student and faculty exchanges between U.S. and Cuban universities, including formal study abroad programs for U.S. college students
- private (NGO) support for activities of recognized human rights organizations in Cuba, and other activities of individuals and NGOs which promote independent activity on the island.
- sale and donation of communications equipment such as faxes, copiers, computers etc. to NGOs.
- the resumption of direct mail service with Cuba, if the Cuban Government will agree.

We think that these measures will increase the Cuban people's exposure to outside ideas in a focused way that will not provide an unwarranted hard currency windfall for the Cuban Government. They should also promote the strengthening of independent groups in Cuba which can articulate and channel Cubans' desire for democratic change. Just this week we took important steps to explain these new measures to academic, foundation, and non-governmental actors. In New York, the Institute for International Education and Exchanges organized a meeting with more



than 20 representatives from major academic institutions and US private foundations. In Washington, I had the pleasure of addressing a packed house of 100 non-governmental actors interested in obtaining licenses for a wide range of activities in Cuba to support and promote civil society.

A third important aspect of our policy is that we are prepared to reduce sanctions against Cuba in carefully calibrated ways in response to positive change in Cuba. If the Cuban Government begins implementing political and economic reforms that lead toward more fundamental changes than we have seen so far – for example, legally recognizing genuinely independent organizations or permitting Cubans to own and operate small businesses, we are prepared to modify our policy accordingly. We want to encourage Cuba to undertake real change, and to respect basic, internationally-recognized human rights. As long as Cuba refuses to recognize these universal principles, we will continue our work in the United Nations and other international fora to focus the attention of the world community on the lack of fundamental freedoms and the ongoing, systematic abuses of human rights in Cuba.

Fourth, we are committed to providing for safe, legal and orderly migration from Cuba to the U.S., including special in-country processing of refugees, through our bilateral migration agreement with the Cuban Government. We are equally committed to deterring the kind of unsafe, illegal migration that we witnessed in the massive wave of rafters in the Summer of 1994. The immigration agreements approved by President Clinton in September of last year and May of this year are working effectively, channeling Cuban migration flows through safe and legal procedures and protecting those returned to Cuba from reprisals.

### The Wrong Way to Promote a Democratic Transition

The Administration is seeking to use the best tools available to promote a democratic transition in Cuba. We believe our policy is tough but flexible, and takes into account broader U.S. interests. Meanwhile, however, a number of members of Congress, led by Senator Jesse Helms and Representative Dan Burton, have taken a considerably different approach. The Helms/Burton bills, particularly the House version, would damage prospects for a peaceful democratic transition. It would also harm a number of other vital U.S. interests, including U.S. efforts to strengthen

democracy in Russia and the ability of U.S. businesses and investors to operate overseas.

Although there are some elements of the legislation that the Administration could support, including a mandate to accelerate the Administration's planning for U.S. assistance and other benefits to transition and democratic governments in Cuba, many other aspects of the bills would cause serious problems.

The House version of the legislation would, for example, create the legal grounds for a flood of lawsuits by against foreign investors who have invested in property in Cuba to which U.S. citizens hold claims, even for those who were not U.S. citizens when their property was taken. The U.S. has condemned the Castro government's expropriations and intends to strongly encourage a transition government in Cuba to resolve all expropriation claims as quickly and fairly as possible. The Helms/Burton lawsuits, however, would undermine important international legal principles and expose American businesses abroad to similar lawsuits. Key U.S. allies in Europe and Latin America have also expressed strong opposition to this measure. The impact at home could be equally painful – the suits could number in the tens or even hundreds of thousands, and could clog up already over-burdened U.S. courts. Associations of certified U.S. corporate and individual claimants who were American citizens at the time their property was taken 35 years ago have spoken out against this legislation, rightly claiming that the suits could damage their own prospects for eventual compensation.

The Helms/Burton lawsuits are also likely to discourage democratic change in Cuba. Already the Castro regime has used these provisions to play on the fears of ordinary citizens that their homes and work places would be instantly seized by Miami Cubans if the regime falls. The Administration believes it should be up to future Cuban governments to decide how best to resolve the claims of those who were Cuban citizens when their property was taken, not U.S. courts. To send the Cuban people the wrong signal about that will only delay Cuba's transition.

Other provisions of the Helms and Burton bills would prevent the Administration from doing all it could to aid a transition once it has begun. For example, the bills would bar the U.S. from supporting World Bank and IMF involvement in Cuba under a transition government, just when such help would be

needed most. The bills would also establish a number of strict requirements for determining when democratic and transition governments are in power that could leave the U.S. on the sidelines when events in Cuba start moving rapidly.

The Helms/Burton legislation has been passed by both houses of Congress, though in significantly different versions. We will try to convince House-Senate conferees to send the President a good bill he can sign. Secretary of State Christopher has already indicated that he would recommend that the President veto the more radical Burton bill.

### U.S. Policy Toward Cuba: Where Are We Now?

The U.S. is using the tools that we believe will be most effective in promoting democracy in Cuba. I am often told that these are not the same tools we are using in Vietnam and China, where our goals are similar. This is true, but it is also true that Cuba is very different from either country. The U.S. should tailor its policies toward each country specifically in ways that will most effectively promote U.S. interests.

This is not the time to unilaterally ease sanctions on Cuba. The Cuban Government appears to believe that this year's mild upturn in the economy will allow it put off or avoid fundamental reforms. When asked recently whether additional changes were planned, Castro replied frankly that "we will do as much as we have to." Unilateral relaxation of U.S. sanctions would only allow him to do less.

What should determine the future course of our policy? Events on the island and in the international environment within which our relations with Cuba operate. There is no single step we can take, no change in policy or new piece of legislation that will fix the date of the transition in Cuba. What we can do is to keep the pressure on the Cuban Government for political and economic reform, provide what support we can to the Cuban people as they struggle to overcome the limitations imposed on them by the Cuban leadership, and prepare to respond quickly and effectively when change comes.