



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

2008-06

Economic and security reasons why the U.S.
should normalize relations with Cuba

Curtain, Joseph W.

Monterey, California. Naval Postgraduate School

<http://hdl.handle.net/10945/4090>

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>



**NAVAL
POSTGRADUATE
SCHOOL**

MONTEREY, CALIFORNIA

THESIS

**ECONOMIC AND SECURITY REASONS WHY THE U.S.
SHOULD NORMALIZE RELATIONS WITH CUBA**

by

Joseph W. Curtain

June 2008

Thesis Advisor:
Second Reader:

Jeanne Giraldo
Robert Looney

Approved for public release; distribution is unlimited

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.			
1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE June 2008	3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE Economic and Security Reasons Why the U.S. Should Normalize Relations with Cuba		5. FUNDING NUMBERS	
6. AUTHOR(S) Joseph W. Curtain		8. PERFORMING ORGANIZATION REPORT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000		10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A		11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.	
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited		12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) Cuba's economy has not only survived the end of Soviet-era subsidies but has thrived in the era of globalization. This thesis documents the adjustments the Cuban government has made to the economy and the increase in foreign direct investment (FDI) that has occurred as a result. The thesis also shows how China, Venezuela and Iran continue to invest more money in the island and subsequently threaten to wield more influence over Cuba. The U.S. has the opportunity to mitigate the threats posed by Venezuela and Iran vis-à-vis Cuba. However, the policy espoused by current policy makers is logically flawed. The Helms-Burton Act contains unrealistic benchmarks for ending the embargo that provide little incentive for Cuban leaders to liberalize. Neither presidential candidate advocates a change in this legislation. In contrast, this thesis argues that the normalization of relations with Cuba can diminish the influence Iran and Venezuela have on Cuba and keep potential threats from coming ninety miles off the coast of the U.S. The next president should call for Congress to repeal the Helms-Burton Act so that executive discretion can be exercised with respect to Cuban foreign policy.			
14. SUBJECT TERMS Cuba, Fidel Castro, Raul Castro, Embargo, U.S. Foreign Policy, Venezuela, Iran, China, Security, Threat, Normalization		15. NUMBER OF PAGES 85	
		16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

**ECONOMIC AND SECURITY REASONS WHY THE U.S. SHOULD
NORMALIZE RELATIONS WITH CUBA**

Joseph W. Curtain
Lieutenant Commander, United States Navy
B.A., The George Washington University, 1995

Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(WESTERN HEMISPHERE)**

from the

**NAVAL POSTGRADUATE SCHOOL
June 2008**

Author: Joseph W. Curtain

Approved by: Jeanne Giraldo
Thesis Advisor

Robert Looney
Second Reader

Harold A. Trinkunas
Chair, Department of National Security Affairs

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

Cuba's economy has not only survived the end of Soviet-era subsidies but has thrived in the era of globalization. This thesis documents the adjustments the Cuban government has made to the economy and the increase in foreign direct investment (FDI) that has occurred as a result. The thesis also shows how China, Venezuela and Iran continue to invest more money in the island and subsequently threaten to wield more influence over Cuba. The U.S. has the opportunity to mitigate the threats posed by Venezuela and Iran vis-à-vis Cuba. However, the policy espoused by current policy makers is logically flawed. The Helms-Burton Act contains unrealistic benchmarks for ending the embargo that provide little incentive for Cuban leaders to liberalize. Neither presidential candidate advocates a change in this legislation. In contrast, this thesis argues that the normalization of relations with Cuba can diminish the influence Iran and Venezuela have on Cuba and keep potential threats from coming ninety miles off the coast of the U.S. The next president should call for Congress to repeal the Helms-Burton Act so that executive discretion can be exercised with respect to Cuban foreign policy.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	U.S. CUBAN EMBARGO: WHY CONTINUED SANCTIONS WILL KEEP CASTRO’S REGIME IN POWER AND UNDERMINE FUTURE SECURITY OBJECTIVES	1
A.	INTRODUCTION.....	1
B.	IMPORTANCE.....	1
C.	LITERATURE REVIEW	2
D.	METHODOLOGY AND SOURCES.....	6
II.	FLAWS OF CURRENT POLICY OPTIONS	9
A.	UNCONDITIONAL BENCHMARKS AS AN OBSTACLE TO CHANGE IN CUBA	10
B.	EXECUTIVE DISCRETION IS NOT ENOUGH TO EFFECT CHANGE IN CUBA	14
C.	STRENGTHENING THE EMBARGO UNDER BUSH: FAILURE OF A HARDLINE APPROACH.....	17
III.	THE GLOBALIZATION OF CUBA’S ECONOMY	23
A.	FOREIGN DIRECT INVESTMENT	25
B.	TOURISM	29
C.	DOLLARIZATION	30
D.	DE-DOLLARIZATION	31
E.	TRADE.....	33
F.	WEAKENED WEB OF CUBAN GLOBALIZATION?	36
IV.	THE TRIANGULAR SECURITY THREAT CAUSED BY THE CUBAN EMBARGO: WHAT VENEZUELA, IRAN AND CHINA HAVE IN COMMON WITH CUBA	39
A.	CUBA AS STATE SPONSOR OF TERRORISM?.....	40
B.	VENEZUELA THE BENEFACTOR	42
C.	THE IRANIAN CONNECTION.....	46
D.	THE OTHER COMMUNIST THREAT	51
V.	CONCLUSION	57
A.	ECONOMIC ARGUMENT.....	58
B.	SECURITY ARGUMENT	59
C.	WHAT HAPPENS NEXT	60
	BIBLIOGRAPHY.....	67
	INITIAL DISTRIBUTION LIST	73

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF TABLES

Table 1.	Foreign Direct Investment in Cuba in \$US million (1990-2005).....	26
Table 2.	Active International Economic Associations (AECE) 1993-2005	27
Table 3.	Cuban AECE Domestic and Export Sales in \$U.S. million (1993-2005)	28
Table 4.	Cuban Trade with the World in Millions Euro (2001-2005)	34
Table 5.	Cuba's Trade Balance with Top Five Trading Partners in Millions Euro (2005).....	34

THIS PAGE INTENTIONALLY LEFT BLANK

I. U.S. CUBAN EMBARGO: WHY CONTINUED SANCTIONS WILL KEEP CASTRO'S REGIME IN POWER AND UNDERMINE FUTURE SECURITY OBJECTIVES

A. INTRODUCTION

This thesis will examine the viability of current U.S. policy toward Cuba. Specifically, it will outline the flaws of current policy logic and explain why continued sanctions against the Cuban government will not only fail to unseat the Castro regime but also serve to undermine U.S. national security concerns. The overarching question that this thesis seeks to answer is: Does the Cuban embargo make sense in the new economic and security environment of the twenty-first century? In order to answer the question, the thesis will analyze two key assumptions underpinning the policy: (1) in time the embargo will lead to the collapse of the Cuban economy; and (2) the embargo serves U.S. national security interests by denying a state sponsor of terrorism the economic means to challenge the United States. After addressing the logical inconsistencies of the current policy, the thesis will offer viable policy alternatives.

B. IMPORTANCE

Despite appearing on the State Department's list of state sponsors of terrorism, Cuba has been dropped from the Pentagon's security threat list and has taken a back seat to seemingly more prominent security threats. If national policy towards Cuba is not shifted and Cuban economic productivity continues to grow at its current pace, some of the countries that are funding Cuba's economic surge — namely, Venezuela, China and Iran — can in time pose significant security threats to the U.S. through their involvement in Cuba.

C. LITERATURE REVIEW

The best way to describe the current U.S. foreign policy toward Cuba is “more of the same.” Since the initial embargo placed on Cuba by President Eisenhower in 1960, the sanctions against Cuba have only gotten stronger with the passage of time as one U.S. president after another has sought to tighten sanctions in an effort to remove Fidel Castro from power. President Kennedy set the tone of U.S.–Cuban policy throughout the Cold War when he tightened Eisenhower’s economic sanctions by broadening trade and travel restrictions with Cuba in the 1960s.¹ A little over thirty years later, both the Bush and Clinton administrations began the post Cold War era in U.S. – Cuban relations by passing legislation that sought to capitalize on what seemed to be Cuba’s new post Soviet weakness by doing more of the same—tightening economic sanctions by broadening trade and travel restrictions with Cuba with the Democracy Act or Torricelli Act of 1992 and the Cuban Liberty and Democratic Solidarity Act or Helms-Burton Act of 1996. Fast forward to today’s policy and what we find is more of the same. The George H.W. Bush administration has kept the core policy started by the Eisenhower administration, strengthened by the Kennedy administration, strengthened later by his father’s administration and then by the Clinton administration.

This thesis asks whether this approach continues to make sense in the new economic and security conditions of the twenty-first century. Arguably, the embargo made sense throughout the Cold War given Cuba’s relationship with the Soviet Union. And strengthening the embargo in the wake of the Soviet Union’s dissolution made sense given Cuba’s economic vulnerability in the absence of billions of dollars in Soviet aid. However, it has been almost twenty years since the end of the Cold War. Does the embargo still make sense in the globalized and interconnected economic world of today? And does the embargo continue to make sense in a security environment where transnational terrorism and challenges from states like Iran, Venezuela, and China pose the main security threats to the United States?

¹ Susan Purcell, “Cuba,” *Economic Sanctions and American Diplomacy*. NY: Council on Foreign Relations, 1998, 37.

Cold War embargo advocates viewed sanctions through a realist lens in which Cuba was seen as a threat to the U.S. balance of power. Sanctions, therefore, were used as tools to protect U.S. security interests. And despite failing to oust Castro, proponents of sanctions could justify them as necessary in order to diminish Castro's sphere of influence throughout the Western Hemisphere. However, as the world shifted from bi-polarity to multi-polarity and Latin American nations increasingly became democratic, justification for the embargo shifted away from the primary Soviet security threat to non-security related issues. Perhaps the Helms-Burton Act itself articulates best the rationale for continued sanctions. The statement of policy sections of the act delineate the following reasons for continued sanctions: extraordinary human rights violations, possible resumption of efforts by former Soviet states to make Cuban nuclear facilities operational [this is a security-related issue; you should address this in your security chapter], a refusal to allow Castro to blackmail the United States with the threat of unleashing a wave of Cuban refugees to the U.S., the wrongful confiscation of U.S. land, and the Cuban attack on an American aircraft.²

In 1998, Congress passed SR-662 – *Opposing Lifting of Any Sanctions Against Cuba*, which continued to emphasize “human rights abuses” and the suppression of democracy and free expression as the main reasons for continued sanctions.³ And in a June 2000 interview of President Clinton, he also emphasizes the attack on the U.S. Brothers to the Rescue planes and human rights violations as primary reasons for continued sanctions. When asked how he reconciled imposing an embargo on Cuba, yet normalizing relations with China he states:

I believe if Castro hadn't shot those planes down, and the Congress hadn't passed a law [Helms-Burton] which prohibits me from doing anything with the embargo, that we might have made some real progress there...But Mr. Castro is going to have to make some changes, and, you know, you can't keep just throwing people in jail for human rights violations and expect the United States to do nothing with this huge Cuban population here.⁴

Yet “real progress,” as President Clinton put it, has not been made with sanctions. In fact, Fidel Castro continued to use U.S. sanctions against Cuba to legitimize and

² H.R. 927, Helms-Burton Act, Library of Congress, 1996.

³ Charles Clay, “SR 662 – Cuba – Opposing Lifting of any Sanctions,” March 5, 1998.

⁴ Bill Clinton on Sanctions Against Cuba, November 8, 2000.

strengthen his political power up until he transferred power to his brother Raul. And Raul Castro has continued to use the embargo as a means of unifying the Cuban people.

On the other side of the argument are the critics who view the policy as evidence of a double standard — a policy that only applies to Cuba, but not other countries with which the U.S. has grievances. The general question they pose is why impose all or nothing economic sanctions with Cuba, yet trade with Vietnam, Indonesia, China or any other oppressive or one party regime?⁵ Other critics not only argue against the use of sanctions in Cuba, they argue against the effectiveness of sanctions as a political tool in general — simply put, they argue that economic sanctions alone without additional policy or accompanied force simply do not work.⁶

Since the dissolution of the Soviet Union there have been a multitude of journal articles and books that have called for an end to U.S. sanctions against Cuba. Andrew Zimbalist's article *Dateline Cuba: Hanging on in Havana* captures the overall sentiment of anti-sanction scholars. He asks the central question that critics of the embargo have asked for years, "When the Castro regime at last does come to an end, will the U.S. embargo have been the best prelude for promoting democracy, political stability, economic growth, human rights and popular welfare in Cuba?"⁷ He answers with a "resounding no." His central argument is that Cuban U.S. policymakers have to understand the political dynamics that have allowed Castro to survive in the post Soviet era. The point he made in 1993 was, "If Castro has been able to maintain his grip on power during the crises of the last four years, then there is little prospect for his political demise as the economy begins to stabilize and slowly improve."⁸ In the fifteen years since Zimbalist's article first appeared, the international economy has become increasingly globalized, raising the question of whether the Castro regime and the economic implications of Cuba's globalization need to be re-visited.

⁵ Sam Faber, "U.S. Policy and the Prospects for Cuban Democracy," *Peace and Democracy*, 1995, 14-16.

⁶ Robert Pape, "Why Economic Sanctions Do Not Work," *International Security*, 199, 90-136.

⁷ Andrew Zimbalist, "Dateline Cuba: Hanging on in Havana," *Foreign Policy*, 1993, 151.

⁸ *Ibid.*, 155.

Another argument made on behalf of the embargo is that it serves national security interests. Although the Pentagon dropped Cuba off of its security threat list with the end of the Cold War,⁹ Cuba remains on the State Department's list of state sponsors of terrorism—a designation which demands sanctions against the offending state. The argument made by the State Department report states:

Cuba continued to publicly oppose the U.S.-led Coalition prosecuting the War on Terror. To U.S. knowledge, Cuba did not attempt to track, block, or seize terrorist assets, although the authority to do so is contained in Cuba's Law 93 against Acts of Terrorism, as well as Instruction 19 of the Superintendent of the Cuban Central Bank...The Government of Cuba provided safe haven to members of ETA, FARC, and the ELN, and maintained close relationships with other state sponsors of terrorism such as Iran. The Cuban government continued to permit U.S. fugitives to live legally in Cuba and is unlikely to satisfy U.S. extradition requests for terrorists harbored in the country.¹⁰

This thesis will show, however, that Cuba is not really a state sponsor of terrorism and, hence, those security interests are not served by the embargo. In contrast, the embargo does undermine other national security interests of the United States – in particular, minimizing the influence of China, Iran and Venezuela in the hemisphere. In the absence of U.S. investment, these countries are funding Cuba's global economic expansion.

Javier Corrales has argued that the current Cuban-Venezuelan relationship has given Venezuela tremendous leverage over Cuba's internal affairs. This influence stems from an oil-for-labor arrangement, in which Venezuela is providing Cuba with approximately 20,000 to 26,000 barrels per day (bpd) of free oil in exchange for more than 30,000 Cuban medical doctors working in Venezuela. Under the current arrangement and ever increasing market prices for oil, Cuba stands to make more than \$6 billion over the next fifteen years. But as Corrales points out, the relationship is more than just an innocent quid pro quo. Cuba has more than forty years of military

⁹ Joaquín Roy, "Cuba, the United States, and the Helms-Burton Doctrine," Gainesville: The University Press of Florida," 2000, 156.

¹⁰ "Country Reports on Terrorism," Office for the Office of Counterterrorism, April 30, 2007.

experience, equipment and training that Hugo Chavez needs in order to transform his military—a transformation that began in 2004.¹¹ If Chavez carries out his military transformation, he could very well begin to act on all of his *anti-yanqui* rhetoric. Yet it is not only Cuba's economic ties to Venezuela that could possibly threaten U.S. security interests. Cuba's trade balance with the nuclear power China was over 735 million euros in 2005 and was second only to the E.U.'s 2 billion euros. China's threat consists of bankrolling the countries that pose security threats to the U.S. and using its growing international power to protect those countries from international retribution. Cuba has also increased its trade with anti-American hardliner Mahmoud Ahmadinejad. As recently as 2006, Cuba's trade with Iran was estimated to have exceeded \$50 million in 2006.¹² At the signing of a banking agreement between the two countries, Cuban officials expressed support for Iran's right to use peaceful nuclear energy.

In summary, globalization has changed the dynamics of the Cuban economy and as a result U.S.–Cuban foreign policy should be re-examined. The Castro regime was able not only to survive the crisis years immediately following the collapse of the Soviet Union, but to devise an economy that would thrive in the fifteen years since then. Thus, the prognosis for its post-Fidel demise is not very promising. Moreover, Cuba's trade with countries that pose security threats to the U.S. has been indirectly assisted by U.S. policy toward Cuba. By continuing the embargo, policymakers continue to force Cuba to look for foreign direct investment from the highest bidders. The problem for the U.S. is that the embargo necessarily excludes the U.S. from bidding and the highest bidders have increasingly become countries that can pose potential security threats to the U.S.

D. METHODOLOGY AND SOURCES

This thesis will explain why the U.S. current foreign policy toward Cuba will not achieve its stated objective of the end of the Castro regime and a democratic Cuba. Additionally, it will explain how the policy undermines U.S. national security. It does so

¹¹ Javier Corrales, "The Logic of Extremism: How Chavez Gains by Giving Cuba So Much," *Inter-American Dialogue*, 2005.

¹² "Iran-Cuba sign banking agreement," February 19, 2006, Global Exchange.

by explaining: 1) the logical inconsistencies of the Helms-Burton Act; 2) how globalization has created an environment for sustained Cuban economic productivity and the resulting impact on Castro's hold on power; and 3) the impact of continued sanctions on U.S. national security objectives.

Sources will include several primary sources on the Cuban economy, the Helms-Burton Act, economic sanctions in general and the Cuban embargo. Secondary sources will primarily consist of articles from professional journals like the Journal of Latin American Studies, the Journal of Inter-American Studies and World Affairs, International Studies Perspectives and Foreign Policy.

THIS PAGE INTENTIONALLY LEFT BLANK

II. FLAWS OF CURRENT POLICY OPTIONS

With one question at the CNN Democratic presidential debate on February 21, 2008, U.S. foreign policy towards Cuba took center stage once again after a long hiatus throughout the course of President Bush's administration. Arguably, the last significant policy debate with respect to Cuba occurred during the Clinton administration and resulted in the 1996 Helms-Burton Act and the current Bush administration's policy towards Cuba. Yet, with Jorge Ramos' question in the wake of the stunning international news that Fidel Castro had stepped down from power and was presumably handing the baton of the Cuban Revolution over to his brother Raul, it seemed as though Cuba would again be the focal point of U.S. policy debate. The question was simple and first posed to Senator Hillary Clinton and then to Senator Barack Obama, "Would you be willing to sit down with Raul Castro, or whoever leads the Cuban dictatorship when you take office at least just once, to get a measure of the man?"¹³ This simple question about Cuba was the first question of the presidential debate — a debate that conventional wisdom held should have been focused on domestic issues like the economy and health care and foreign policy issues like the wars in Iraq and Afghanistan. However, Ramos' question not only started the presidential debate, it superseded, albeit momentarily, all other issues and it introduced Cuban foreign policy back into the national conversation. Both senators answered the question with varying degrees of specificity and within the following days Senator John McCain added his position. Consequently, in a short amount of time, the U.S.–Cuban foreign policy debate went from stagnant to active: Fidel Castro stepped down from power and the remaining U.S. presidential front runners were engaged in a national debate on U.S.–Cuban foreign policy.

Though lively, contentious and at times relatively optimistic, the debate amongst the presidential candidates is symbolic of the inherent problems with U.S. policy towards Cuba since the Helms-Burton Act's inception. Despite their differences, the positions held by Clinton, Obama and McCain are more alike than different. Although there has

¹³ The CNN Democratic presidential debate in Texas, February 21, 2008.

been significant public opposition to the embargo, none of the candidates come close to advocating a change in the embargo. Instead, the positions held by the candidates reflect a microcosm of the more narrow range of positions held (and tried in the past) by policy makers. Both Clinton and McCain oppose a change in policy until the Cuban government proves that it can meet democratic benchmarks. Of the three candidates, only Obama supports a relaxing of travel and remittances restrictions as a carrot to the embargo's stick. Yet, he stops short of advocating immediate direct negotiations with the Cuban government.

This chapter shows that not only are these policy options logically flawed, but they correspond to options that have been tried in the past and have failed to produce changes. The Clinton and McCain emphasis on benchmarks conforms to the essence of the Helms-Burton Act of 1996 which not only wrote the embargo into law but also imposed a long set of conditions for lifting the embargo. This chapter argues that the extreme and unconditional nature of these benchmarks removes any incentives to change for Cuban leaders. Obama's willingness to use executive discretion to liberalize policy toward Cuba is a step in the right direction, but it falls short of the kinds of changes necessary to effect change – as President Clinton found out when he implemented a similar policy during his administration. Finally, McCain's harsh rhetoric toward the Castro regime differs little from that of the Bush administration and will not produce change.

A. UNCONDITIONAL BENCHMARKS AS AN OBSTACLE TO CHANGE IN CUBA

Section 201 of Title II of the Helms-Burton Act makes Cuban democracy the independent variable to a change in U.S. policy towards Cuba by legislating it as U.S. foreign policy. Senator Clinton's response to Ramos' question articulates this dynamic perfectly. In fact, her response is almost identical to Section 201 which is appropriately titled "Policy Toward a Transition Government and a Democratically Elected Government in Cuba." Clinton's response can be summarized as basically—the U.S. will change its foreign policy towards Cuba once it becomes democratic. When juxtaposed,

Clinton's remarks are strikingly similar to Section 201. The only difference is that Clinton's statements are actually slightly to the right of Section 201. Moreover, her remarks clearly make the independent variable for a change in policy democracy in Cuba:

The people of Cuba deserve to have a democracy. And this gives the Cuban government, under Raul Castro, a chance to change direction from the one that was set for 50 years by his brother. I'm going to be looking for some of those changes: releasing political prisoner, ending some of the oppressive practices on the press, opening up the economy...As president, I would be ready to reach out and work with a new Cuban government, once it demonstrated that it truly was going to change that direction...if Cuba moves toward democracy and freedom for its people, the United States will welcome that.¹⁴

While the Helms-Burton Act states that democracy in Cuba is the desired end, it does not state that the U.S. will not offer assistance to Cuba *unless* it becomes democratic. Instead, it states that the U.S. should assist the transition to democracy and that the independent variables for a change in policy should be the self determination of the Cuban people and the existence of a transition government. Line item 1 specifically states that U.S. policy should be to "support the self determination of the Cuban people."¹⁵ And Line item 5 states that:

in solidarity with the Cuban people, [the U.S. should] provide...a) assistance to a transition government in Cuba, b) assistance to facilitate the rapid movement from such a transition government to a democratically elected government...and c) assistance to support such a democratically elected government.¹⁶

Following the logic expressed by Section 201, by meeting conditions (a) and (b), condition (c) is then possible or alternatively if the Cuban people are self determined and a transition government exists, then the U.S. should support the transition government and the transition government's resulting democracy.

14 The CNN Democratic presidential debate in Texas, February 21, 2008..

15 Helms-Burton Act.

16 Ibid.

The problem with Section 201's logic is the same problem that results from Senator Clinton's position (and the many politicians and policy makers on both the right and the left that hold the same position)—democracy in Cuba. Section 201 presupposes that the self determination of the Cuban people would lead to a “transition government” in which democracy is the ultimate goal. What if the self determination of the Cuban people leads to a transition government whose goal is not democracy but instead increased liberalization of its economy? Section 201's logic does not address that scenario because it assumes the goal of Cuban self determination should be both democracy and a liberal economy. And by essentially defining a transition government as one, whose ultimate goal is a democratic government with a liberal free market economy, it makes U.S. foreign policy exactly what Senator Clinton stated in her remarks—the U.S. will change its policy *only* if Cuba becomes democratic. Some politicians and policy makers might argue that Fidel's transfer of power signifies the beginning of a process toward democratization, however, the reality (as discussed in Chapter III) is that Cuba's economy has prospered as a result of globalization such that it may very well sustain the reign of Cuba's communist party long into the post-Fidel era. As a result, it may necessarily preclude a scenario in which the U.S. ever changes its foreign policy towards Cuba.

Section 205 of the Helms-Burton Act, “Requirements and Factors for Determining a Transition Government” delineates 12 line items with 9 sub-sections that many developing democracies or even some consolidated democracies might have a problem accomplishing. As per Section. 205, the benchmarks the Cuban government must achieve in order to be considered a transition government are:

- 1) legalized all political activity
- 2) released all political prisoners...
- 3) dissolved the present Department of State Security in the Cuban Ministry of Defense...
- 4) has made public commitments to organizing free and fair elections...

- 5) ceased interference with Radio or Television Marti....
- 6) is making demonstrable progress in a) establishing an independent judiciary, b) respecting internationally recognized human rights...c) allowing the establishment of independent trade unions...
- 7) does not include Fidel Castro or Raul Castro
- 8) the assurance that it will efficiently distribute assistance to the Cuban people...[additionally]
- 9) is demonstrably in transition from a communist regime to a democratic regime...
- 10) is making demonstrable progress in a) effectively guaranteeing the rights of free speech and freedom of the press, including granting permits to privately owned telecommunications companies to operate in Cuba, b) permitting the reinstatement of citizenship to Cuban born persons returning to Cuba, c) assuring the right to private property...d) taking appropriate steps to return to United States citizens...properties taken by the Cuban government...
- 11) has extradited or otherwise rendered to the United States all persons sought by the United States Department of Justice for crimes committed in the United States
- 12) has permitted the deployment throughout Cuba of independent and unfettered international and human rights monitors¹⁷

Section 205 imposes benchmarks that are unrealistic for many governments to meet, much less a transitional government. One could imagine a new democracy in Cuba that would fall short of these benchmarks. Given the difficulty of meeting *all* of these benchmarks – which would be required for a loosening of the embargo -- US policy provides little incentive for liberalizing leaders even to meet those that might be within their reach.

Certainly it is not unreasonable to stipulate that the U.S. should not assist a country unless it works towards achieving goals that are in the best interest of the U.S.

¹⁷ Helms-Burton Act.

Yet, some of Section 205's requirements do not even exist in many of the countries the U.S. actively trades with. Exactly how free and how fair are the elections in China? What about Chinese freedom of speech and freedom of the press? And for that matter exactly how well have the Chinese respected human rights or the individual rights of their citizens? Yet in 2007 the U.S.'s trade balance with China was \$-265,269.5 million (\$321,507.8 exports and \$65,238.3 imports)¹⁸. Additionally, the list of countries would be rather long if the U.S. decided to stop trading with countries that have a monopoly on their telecommunications industries. Other requirements seem contradictory like, legalizing political parties and then stipulating that the government cannot involve Fidel or Raul Castro. What if hypothetically, the Cuban people chose Raul Castro as their democratic leader through legal, free and fair elections? That scenario would not constitute a "transition government" merely because it includes Raul Castro.

And since democracy is the independent variable delineated albeit indirectly by Section 201 or directly by politicians and policy makers like Senator Clinton, Cuba could enact in theory an unlimited amount of social and economic reforms, but without completely embracing democracy or Section 205's various benchmarks, the U.S. still would not change its policy towards Cuba. Instead of serving as a carrot to encourage Cuban leaders to carry out reform, or as a point of contention that encourages splits within the Cuban leadership over the proper course of action, the unreasonable conditions in the Helms-Burton Act renders the embargo a rallying point for Cuban elites and the public and makes the lifting of the embargo an unattainable prospect that will have no influence on the calculations of Cuban leaders.

B. EXECUTIVE DISCRETION IS NOT ENOUGH TO EFFECT CHANGE IN CUBA

In contrast to Senator Clinton's response to Ramos' question, Senator Obama advocated perhaps a quicker departure from current policy. Like Section 201, Obama's independent variable for a change in policy seems to be the self determination of the Cuban people with the ultimate end of a democracy in Cuba. His proposal to relax travel

¹⁸ "U.S. Trade Balance with China," U.S. Census Bureau.

and remittances restrictions would certainly represent a break from the current policy and stands apart from Senator Clinton's position, but it is not new. Though both Senators Obama and Clinton agree on wanting to see progress made in Cuba before normalizing relations, what he proposed were two remnants from President Bill Clinton's Cuban foreign policy. When juxtaposed, the similarity between Obama's February 2008 position and what President Bill Clinton implemented in January 1999 are salient. This is what Obama said during the debate in 2008:

As a show of good faith that we're interested in pursuing potentially a new relationship, what I've called for is a loosening of the restrictions on remittances from family members to the people of Cuba, as well as travel restrictions for family members who want to visit their family members in Cuba.¹⁹

In a White House press release dated almost nine years before Obama's debate response, President Clinton articulated a 5 Point Plan that included building on steps that he had already taken to restore direct passenger flights, allow family remittances, expand people to people contact and increase the sale of medicine. His plan called for the:

Expansion of remittances by allowing any U.S. resident (not only those with families in Cuba) to send limited funds to individual Cuban families as well as to organizations independent of the government.

Expansion of people-to-people contact through two-way exchanges among academics, athletes, scientists, and others, including streamlining the approval process for such visits.

Authorization of the sale of food and agricultural inputs to independent non-governmental entities, including religious groups and Cuba's emerging private sector, such as family restaurants and private farmers.

Authorization of charter passenger flights to cities in Cuba other than Havana and from some cities in the United States other than Miami in order to facilitate family reunification for persons living outside those cities.

An effort to establish direct mail service to Cuba, as provided for in the Cuban Democracy Act of 1992.²⁰

¹⁹ The CNN Democratic presidential debate in Texas, February 21, 2008.

²⁰ The White House Office of the Press Secretary, "Statement by the President," January 5, 1999.

In keeping with a policy that focused on the self determination of the Cuban people, President Clinton's measures were intended to help the Cuban people without strengthening Castro's communist regime. As he said January 5, 1999 when he announced his new initiatives, his 5 Point Plan was intended to "help the Cuban people without strengthening the Cuban government."²¹ President Clinton's thought seemed to be, the combination of the trade embargo and "vigorous diplomatic initiatives"²² aimed at helping the Cuban people would in time apply enough pressure on Castro's regime through the Cuban populace's cumulative self determination that it would lead to the advent of a modern Cuban democratic regime.

Though good in theory (as most policy strives to be or should strive to be), Fidel Castro outlived President Clinton's policy and his communist regime will likely outlive President George W. Bush's administration. As for President Clinton's Cuba policy, it did not even outlive George Bush's presidency. However, the policy itself is not to blame. The inherent problem that Clinton's 1999 5 Point Plan had, just like Obama's 2008 proposal, is that it was doomed from the start. Perhaps former Clinton special adviser for Cuban policy in 1995 and 1996, architect of Clinton's two prong embargo/aid approach and also long time Clinton administration critic Richard Nuccio articulated the problem best when he said, "There is no administration other than this one in the post-Cold War period that would have surrendered as much executive authority to Congress on any issue...as President Clinton did in signing the Helms-Burton legislation."²³ The problem with Clinton's 5 Point Plan was not increasing remittances, travel and aid to Cuba. The problem is that President Clinton severely limited executive power to relax, alter or even stop the embargo altogether when he signed the Helms-Burton Act into law. Consequently, no president alone has the latitude to implement policies strong enough to encourage significant change in Cuba. So Obama can certainly plan to re-institute an

21 The White House Office of the Press Secretary, "Statement by the President," January 5, 1999.

22 Ibid.

23 John Rice, "Former US officials criticize Cuba Policy," *The Associated Press*, April 19, 1997.

increase in travel and remittances to Cuba, but as Clinton's policy has already proven such minor changes are not strong enough to serve as a catalyst for a change to democracy in Cuba.

C. STRENGTHENING THE EMBARGO UNDER BUSH: FAILURE OF A HARDLINE APPROACH

One of Helms-Burton's legacies is that it is the lens through which politicians have had to look through to shape Cuban policy. And as a result Clinton, Obama and McCain are no exceptions. All three frontrunners hold democracy as the end of U.S. policy towards Cuba and ostensibly define transition government the same way the Helms-Burton Act does. Yet, McCain seems to take his position a step further than the other two. In response to Fidel's resignation and the subsequent transfer of power to his brother Raul, McCain responded that he would not change the current policy because in his estimation Raul is no different than his brother Fidel and might even be worse. "The point is that apparently he's trying to groom his brother Raul. My friends, Raul is worse in many respects than Fidel was,"²⁴ is what McCain is quoted as saying on the eve of Fidel's resignation. In the same statement, McCain showed not only disapproval for the regime, but contempt and disdain for Fidel Castro when he wished for Fidel's quick death, "And I hope that he has the opportunity to meet Karl Marx very soon."²⁵ Without explaining exactly how Raul is "in many respects" worse than Fidel, McCain joins the cast of many politicians and policy makers that have taken a hard line on Cuban policy. So how is McCain's position any different than President Bush's? The simple answer is that there seems to be virtually no difference.

If McCain's comments about the Castro's sound familiar it is because they sound a lot like President Bush's statements about Cuban policy. Bush's response to the transfer of power was almost identical to McCain's. In a March 2008 speech on Cuban policy Bush said:

²⁴ "McCain Hopes for Castro's Speedy Demise," *Agence France Presse*, February 22, 2008.

²⁵ *Ibid.*

So far, all Cuba has done is replace one dictator with another. And its former ruler is still influencing events from behind the scenes. This is the same system, the same faces, and the same policies that led Cuba to its miseries in the first place.²⁶

His contentiousness and his hard line policy with the Castro are not new. A little more than a year and a half into his first term, President Bush announced that he would take a harder line towards Cuba than his predecessor. In a July 2001 announcement, he began to do exactly that, by ordering stricter enforcement of the U.S. trade embargo and by providing more money to the Office of Foreign Assets Control to hire additional personnel to monitor travel to Cuba.²⁷ Overall, Bush's policy towards travel and remittances restrictions to Cuba reads like a deliberate attempt to reverse Clinton's policies. As a CRS report notes, "Under the Bush Administration, enforcement of U.S. restrictions on Cuba travel has increased, and restrictions on travel and on private remittances to Cuba have been tightened."²⁸ And it specifically it details that:

In March 2003, the Administration eliminated travel for people-to-people educational exchanges unrelated to academic coursework. In June 2004, the Administration further restricted family and educational travel, eliminated the category of fully-hosted travel, and restricted remittances so that they could only be sent to the remitter's immediate family. In 2005, the Administration further restricted religious travel to Cuba by changing licensing guidelines for such travel.²⁹

Additionally, in February 2005, the Bush administration tightened "restrictions on the payment terms for U.S. agricultural exports to Cuba."³⁰ Collectively the tightening of travel and remittances restrictions and agricultural payment terms under the Bush administration have had the net effect of not only reversing several points in Clinton's 1999 5 Point Plan, but in many respects the new policies have made the embargo stronger than the original Helms-Burton legislation.

26 "President Bush Discusses Cuba," The White House, March 7, 2008.

27 Sandra Sobieraj, "Bush Announces Tougher Line on Cuba," *The Associated Press*, July 13, 2001.

28 Mark Sullivan, "Cuba: U.S. Restrictions on Travel and Remittances," CRS Report for Congress, May 3, 2007.

29 Ibid.

30 Ibid.

Despite tightening the embargo, Bush has also launched an initiative that seeks to help “Cuba transition to a democratic future”³¹—his international multimillion-dollar Freedom Fund. The fund’s intent is to help the Cuban people:

rebuild their economy and make the transition to democracy...[by] giving Cubans access to grants, loans, and debt relief to rebuild their country as soon as Cuba's government demonstrates that it has adopted, in word and deed, fundamental freedoms: freedom of speech, freedom of association, freedom of the press, freedom to form political parties, and the freedom to change their government through periodic, multi-party elections.³²

Though the fund’s intent is noble and would certainly prove beneficial to a democratic Cuba, it is essentially and for all intents and purposes useless unless Cuba becomes democratic. The operative words in the fund’s mission statement are “as soon as Cuba’s government demonstrates that it has adopted in word and deed the fundamental freedoms” of speech, association, et al. The Freedom Fund suffers from the same flawed logic that anchors the Helms-Burton Act and President Bush’s Cuban foreign policy—explicitly making democracy and the Cuban government’s embrace of the democratic principles of a consolidated democracy the independent variable to a change in U.S. policy towards Cuba.

The Freedom Fund begs some questions similar to Helms-Burton Act Section 201 and Section 205. Why not implement the Freedom Fund now to help the Cuban people? Would it not be possible to use the fund to help the current regime rebuild its economy and thereby the democracy that is the stated aim of the fund? And would it not be possible that helping the Cuban people now could perhaps prove to be more effective than merely relying on an almost 50 year old embargo that has not delivered to date? The problem with these questions is the Cuban policy has already been legislated, “transition government” has already been defined and the “Policy Toward a Transition Government and a Democratically Elected Government in Cuba” has already been explicitly delineated.

31 “Fact Sheet: Encouraging Freedom, Justice and Prosperity in Cuba,” press release, The White House, October 24, 2007.

32 Ibid.

The overarching problem facing policy makers, politicians and ultimately the President is that even if all of the mitigating factors that explain Cuba's current *transition* were seen as plausible reasons to change the U.S.'s policy towards Cuba, the decision to change the policy could not take place over night. This will be the problem regardless of which frontrunner becomes the President. As Nuccio correctly argues, the Helms-Burton Act effectively renders executive power impotent with respect to terminating the embargo. In fact Section 204, "Termination of the Economic Embargo," specifically stipulates exactly what circumstances would allow for the termination of the embargo and the subsequent method by which it can be terminated. The President can only *takes steps* to "suspend" the embargo after consulting with Congress once a "transition government" is in place and can only *take steps* to "terminate" the embargo once a democratically elected government is in power.³³ Additionally, the President would have to report the status of Cuba's progress toward meeting the requirements of a democratically elected regime to Congress every six months.³⁴ The time between suspension and termination could conceivably be indefinite because termination is predicated on Cuba electing a democratic government as defined by Section 206, "Requirements for Determining a Democratically Elected Government." Most of the requirements are simply a reiteration of Section 205 (e.g., free and fair elections, respect for civil liberties, progress toward a market economy and progress towards an independent judiciary),³⁵ but the last one would more than likely be a deal breaker for future governments. Line item 6 stipulates that Cuba must make:

demonstrable progress in returning to United States citizens (and entities which are 50 percent or more beneficially owned by United States citizens) property taken by the Cuban Government from such citizens and entities on or after January 1, 1959, or providing full compensation for such property in accordance with international law standards and practice.³⁶

33 Helms-Burton Act.

34 Ibid.

35 Ibid.

36 Ibid.

The problem with this line item is the same problem that comes along with defining “transition government”—the language is definitive, there is not room for compromise, and the terms are unconditional.

Aside from almost completely usurping executive power to implement Cuban foreign policy, the process by which the embargo can be suspended and ultimately terminated seem on the surface to be at the very least in the U.S.’s best interest. Conventional wisdom would say it is in the best interest for the U.S. to have a democratically elected Cuban government. Yet, that has been the embargo’s goal for almost 50 years and the Helms-Burton Act’s goal for over 12 years and so far that goal has not been achieved. One question that seems to have been overlooked in the policy debate is what if the Helms-Burton Act never achieves its goal? What if globalization and the economic liberalization of Cuba’s economy create an environment in which the Cuban people do not overthrow its communist regime? What if in the interim, while Helms-Burton is trying to achieve its goal, Cuba gradually becomes a security threat to the United States? If the prospect of a democratic Cuba is bleak and the reality of Cuba posing a security threat to the U.S. are not only possible but practical realities, what does that then mean to a policy whose independent variable for change and whose desired end is Cuban democracy? As discussed in the following chapters, both dynamics are current realities—Cuba’s economy has benefited tremendously from globalization such that it will become increasingly harder for Cubans to overthrow the communist regime and some of the countries that have helped spur economic growth—namely Venezuela, Iran and China—together with Cuba pose a national security threat to the U.S. Certainly it is in the U.S.’s best interest for Cuba to be democratic, but perhaps a better question is how long should the U.S. keep a policy that is increasingly not in its best interest?

THIS PAGE INTENTIONALLY LEFT BLANK

III. THE GLOBALIZATION OF CUBA'S ECONOMY

Although it can certainly be argued that Cuba exists in a *political* vacuum because it is the only communist state in the Western Hemisphere and one of only four communist states in the post Cold War world, a similar *economic* argument becomes harder and harder to make as globalization weaves more and more of an interconnected web throughout the world. The reality is, despite its relative political isolation, Cuba no longer exists in an economic vacuum—it exists in the very real world of globalization, competing for space in the interconnected world economy. Accordingly, given Cuba's political isolation and the U.S.'s long standing 49-year-old economic embargo, the question that begs to be answered is—how has Cuba managed to weave itself into the globalized web of economic interconnectedness? An easy answer is that it has not had much of a choice. Although the answer seems simple, it essentially described Cuba's predicament in 1990 as a result of the Soviet Union's dissolution. Faced with an economic recession, Cuba had to find a way to compensate for former Soviet subsidies that averaged between \$4 billion to \$6 billion annually.³⁷ This is where Cuba's story becomes fascinating. Given the example of both East Germany and the Soviet Union's turn to democracy and economic liberalization, the lack of billions of dollars in Soviet annual aid, and its ensuing recession, it seemed as though it would only be a matter of time before Cuba too embraced democracy and economic liberalization. However, Fidel Castro's regime and the Cuban people have proven to be more resilient than the critics of his regime thought both the regime and the people could be. Despite the recent transfer of power to Raul Castro, Cuba's government is still as communist as it was in 1959 when Fidel's revolution took control of Cuba, but the economy is a far cry from the Soviet dependent economy of the Cold War and the reason can be attributed to one thing—globalization.

³⁷ "U.N. Profiles of Small Developing States," United Nations, Permanent Mission of Cuba to the United Nations.

How has Cuba managed to go from an economic recession in the 1990s to an average of slightly over 5% economic growth from 2000 to 2004?³⁸ Cuba's post Cold War economic recovery can be divided into four globalization-oriented changes: 1) a focus on Foreign Direct Investment (FDI), 2) increased tourism, 3) monetary reform and 4) trade reform.

Almost immediately after the loss of Soviet subsidies in the 1990s, Cuba increased its focus on both foreign direct investment and tourism—both of which have proven to be extremely profitable. The increased foreign direct investment led to a plethora of lucrative joint ventures and the increased tourism surpassed sugar in the mid 1990s as Cuba's number one source of revenue³⁹. On the monetary side of the economy, one of the most important steps Fidel's regime took towards economic liberalization was the decision to legalize the use of dollars in 1993. Dollarization along with its dual exchange rate proved to be a valuable source of economic growth for the Cuban government for more than a decade.⁴⁰ And de-dollarization or what could be described as "pseudo-euroization," implemented in 2004, has likewise proven to be profitable for the Cuban government. On the trade side of the economy, it would have seemed logical for Cuba to have substituted the Soviet Union with communist China as its major trading partner; instead the E.U. has become Cuba's largest trading partner with China coming in second, Canada third and the U.S., despite the embargo, coming in fourth.⁴¹ All four factors—a focus on FDI, tourism, monetary reform and trade reform lead back to the Castro regime's concerted decision to embrace globalization—a decision that has literally and figuratively paid off for Cuba, at least so far. And ironically, it is the decision to globalize economically, a trend that would be expected in a government transitioning to democracy and not by a regime trying to remain communist, which may very well be the catalyst that saves communism in Cuba.

38 "Cuba Data Profile," World Development Indicators database, April 2008.

39 "Cuba's Economy," Global Security.

40 Archibald R. M. Ritter and Nicholas Rowe, "Dollarization and Dedollarization," Dominick Salvatore et al. in *The Dollarization Debate*. Oxford: Oxford University Press, 2003, 425.

41 "Cuba's Trade Balance with Main Partners."

A. FOREIGN DIRECT INVESTMENT

An analysis of Cuba's economic statistics reveals an increase of FDI starting in 1990 that coincides with the Soviet Union's dissolution and the beginning of Cuba's "Special period in time of peace." Although various sources tend to report different levels of investment, making the actual amount of FDI hard to ascertain, the trend is clear: FDI started in the early 1990s at very low levels and has recently risen to very high levels.

According to the United Nations Conference on Trade and Development's 2001 World Investment Report, there was no recorded FDI in Cuba in the 1980s, but from 1990 to 2000 Cuba experienced a 4750 % increase in FDI inward stock—going from \$2 million in 1990, to \$40 million in 1995, to \$84 million in 1998 and \$97 million in 2000.⁴² Additionally, a U.S.–Cuba Trade Association (USCTA) study of FDI in Cuba states that the Cuban Central bank's figures for FDI are even higher—their statistics show a 446% increase from 1996 to 2000 and an overall 143 % increase from 1996 to 2004, with an overall investment of \$82 million in 1996, \$448 million in 2000, \$148 million in 2002-2003, and \$200 million in 2004.⁴³ FDI in Cuba over the past five years has been consistent with the 1990's trend of FDI investment. A University of Miami Cuba Transition Project (CTP) study shows the following FDI from 2001 to 2005: \$38.9 million in 2001, \$100 million in 2002, \$105 million in 2003, \$330 million in 2004, and \$484 million in 2005.⁴⁴ Table 1 depicts Cuban FDI from 1990 to 2005 from the various sources.

42 "2001 World Investment Report."

43 "Foreign Direct Investment in Cuba."

44 "Cuba Facts," University of Miami, Cuba Transition Project, January 2007.

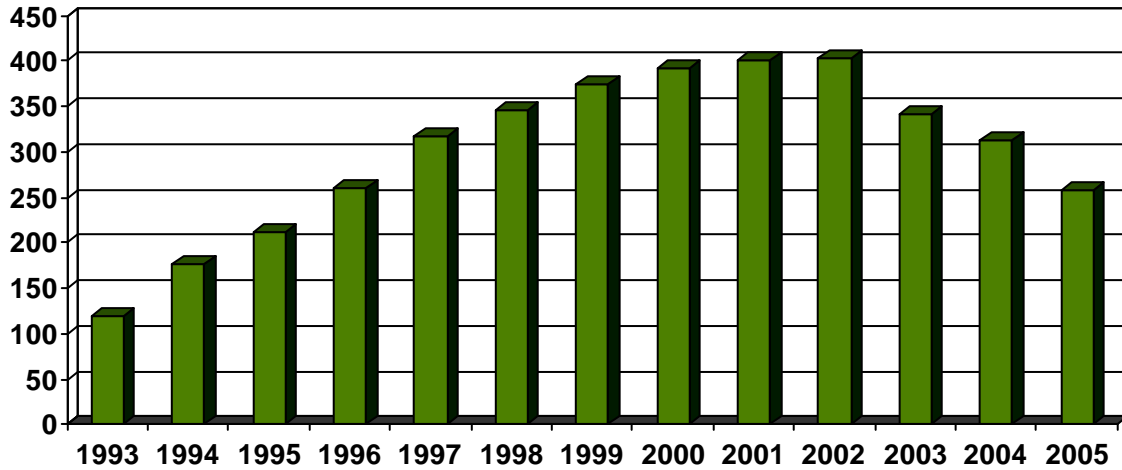
Table 1. Foreign Direct Investment in Cuba in \$US million (1990-2005)

Sources	1990	1995	1998	2000	2001	2002	2003	2004	2005
FDI—UN World Investment Report	2	40	84	97					
FDI—USCTA (Cuban Central Bank)		4.7	206	448.1	38.9	50	75	200	
FDI—University of Miami (CTP)					38.9	100	105	330	484

Cross border mergers and acquisitions (M&A) also serve as a good measure of FDI since they are one of the primary catalysts for FDI. Remarkably, despite the U.S. embargo, additional restrictions placed on international investors by the Helms-Burton Act, and the risks associated with investing in an economically unstable Cuba, DFI has increased dramatically. As soon as Cuba created a new legal framework in 1995 to allow for majority foreign ownership in Cuban joint ventures, Cuba’s cross border M&A sales increased exponentially as well. From 1995 to 2000, cross border M&As increased 59.5 %—\$299 million in 1995, \$300 million in 1997 and \$477 million in 2000. Accordingly, all of the aforementioned FDI statistics translate to an increase in *Asociaciones Económicas con el Capital Extranjero* (AECE) or joint ventures, a statistic that has skyrocketed as well. According to the USCTA study, the Cuban Ministry of Foreign Investment shows a 114% increase in AECEs from 1993 to 2005. Table 2 reflects the specific numbers over the time period—with only 120 in 1993, 403 in 2002 (the highest in the time period) and 258 in 2005.⁴⁵ (The reasons for the decline in AECEs will be discussed at the end of the chapter).

45 “Overview of Cuban Business Environment.”

Table 2. Active International Economic Associations (AECE) 1993-2005



Source: U.S – Cuba Trade Association

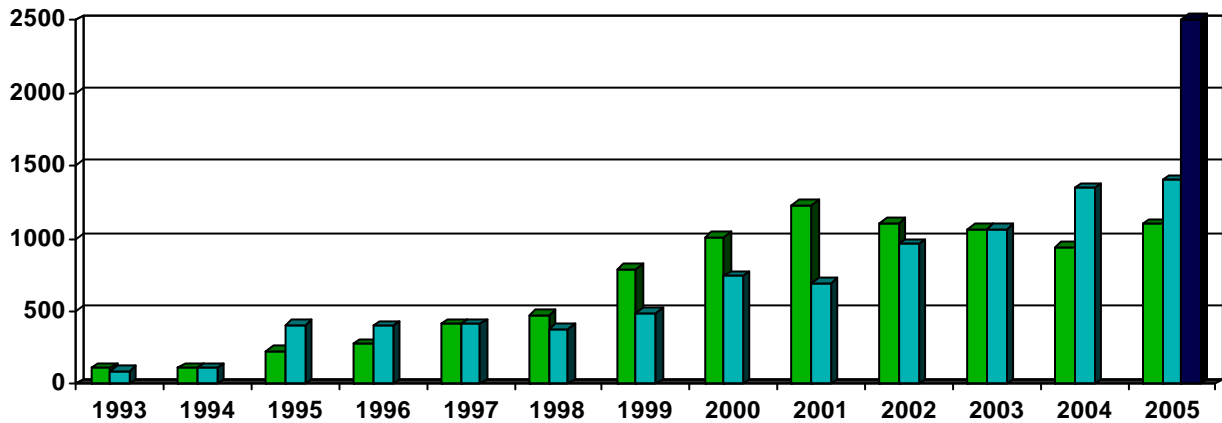
Additionally, an analysis of the country of origin of Cuba’s major investors reveals the depth and variety of Cuba’s FDI. By the end of 2000, the approximately 400 joint ventures in business in Cuba by the end of 2000 represented investment by 46 countries of between \$4.2 billion and \$4.5 billion.⁴⁶ Cuba’s top ten AECEs are as diverse as the U.N, with Venezuela, China and Canada serving as the top three investors. Although Venezuela has not completely invested the money yet, its *Petróleos de Venezuela* is projected to invest \$1 billion in oil gas and refining. Meanwhile China’s *China Minmetals* corporation is projected to invest an approximate \$600 million in nickel and cobalt mining and is actively researching oil and gas exploration. Canada’s *Sherritt International* corporation is projected to invest in \$225 million in oil and gas production as well as nickel and cobalt plants and has already invested \$198 million in nickel and cobalt mining. India’s *ONGC Videsh Ltd.* has invested \$150 million in oil and gas exploration.

⁴⁶ “Cuba’s Economy.”

While Canada’s Pebercan Inc. has also invested \$59 million in oil and gas exploration and production. In the tourism industry, Spain’s Sol Meliá S.A. has invested \$61 million in hotels and tourism. And Portugal’s Amorim Investimentos and France’s Accor S.A. together have invested \$15 million in hotels and tourism.⁴⁷

The overall result of all of the FDI in Cuba has been an increase in domestic sales and exports. Table 3 reflects Cuba’s domestic sales and export figures. The Cuban Ministry of Foreign Investment statistics in the USCTA’s study reflect that not only has there been an unprecedented amount of FDI in Cuba, but the AECEs have been economically productive. In a little more than a decade, AECE exports increased every year, starting in 1993 with slightly less than \$100 million in sales and ultimately reaching \$1.4 billion in 2005. AECE domestic sales also increased from a 1993 level of slightly more than \$100 million to over \$1.1 billion in sales in 2005. As a result, total AECE sales in 2005 reached a record high of over \$2.5 billion.⁴⁸

Table 3. Cuban AECE Domestic and Export Sales in \$U.S. million (1993-2005)



Source: U.S. – Cuba Trade Association

Domestic **Export** **Total**

⁴⁷ “Cuba Facts.”

⁴⁸ “Overview of Cuban Business Environment.”

B. TOURISM

If FDI has been invaluable to the Cuban economic recovery, then perhaps the most important part of that economic equation has been the increased focus and investment in tourism. According to the Cuban Ministry of Tourism's statistics in the USCTA's study, tourism visits and tourism revenue have risen exponentially since 1993 as well. Though there is no direct correlation, tourism revenue has seen an almost identical rise as AECE sales. In 1993, slightly over 500,000 tourists visited Cuba. That number had risen astronomically by 2000 with Cuba's annual number of tourist visits jumping to approximately 1.9 million tourists, more than a 280% increase. In 2005, more than 2.3 million tourists visited Cuba, an increase of 360% from 1993. Over the same time period, Cuba saw annual tourism revenues jump from slightly over \$500 million in 1993 to approximately \$1.9 billion in 2000 to approximately \$2.6 billion in 2005—a 280% increase from 1993 to 2000 and a 420% increase from 1993 to 2005.⁴⁹

Again, since Cuba's economic data is hard to corroborate given that Castro's regime has not consistently published comprehensive economic data, it is almost surprising and certainly very telling that the previously cited Cuban Ministry of Tourism's statistics are consistent with the World Trade Organization's (WTO) Cuban tourism statistics. In the June 2003 World Tourism Barometer, the WTO stated that Cuba recorded a 19% increase over the previous year.⁵⁰ And in their January 2005 article, the WTO lauds Cuban tourism development by stating, "In spite of the U.S. government restrictive measures on travel by Cubans living in the U.S., arrivals to Cuba grew by more than 7%, as this negative factor was compensated by the weak dollar...and the consequent increment of arrivals from Canada and other American markets such as Argentina, or Venezuela, Europe and China."⁵¹

49 "Overview of Cuban Business Environment."

50 "WTO World Tourism Barometer."

51 Ibid.

C. DOLLARIZATION

Perhaps the most surprising, albeit probably the most unavoidable globalization reform, was the Castro regime's decision to "depenalize" the possession of U.S. dollars in 1993. Surprising—because Castro had consistently backed up his anti-imperialist/anti-American rhetoric by making the possession of dollars illegal. Unavoidable—because with the widespread usage of dollars, legalizing them was more profitable than leaving them on the black market. Facing a 29% increase in the fiscal deficit, 67% reduction in imports, 34% reduction of GDP per capita and an energy, agriculture and food crisis that ensued after the dissolution of the Soviet Union, the Cuban government needed to make money any way that it could.

At the time, dollars were brought to the island by businesspeople and tourists visiting the island, Cubans traveling abroad, and family members sending dollars to the island. For a short period in 1994, the price of dollars on the black market soared to as high as 150 Cuban pesos (CUP) to 1 \$US.⁵² Once dollarization had been fully implemented, the value of the dollar on the black market stabilized. The dollar also became a major medium of exchange for Cuban citizens and a means by which Cubans could save during its economic downturn. Cubans could make purchases in "dollar stores" and the Cuban government could thereby capture dollars on the open market—benefiting not only Cuban citizens, but the government as well. Along with the legal use of dollars came a dual exchange system, in which the Cuban citizen paid one rate for dollars and the Cuban government paid another. The official rate, used primarily for international trade was fixed at \$1.00 = 1 CUP. But in the quasi official rate for Cuban citizens, the exchange rate was variable. From 1998 to 2001, the quasi official exchange rate fluctuated from \$1 = 20-22 CUP.⁵³

The effects of dollarization were largely positive. The Cuban government used dollars for official state transactions (e.g., permits, passports, medical tests and exit permits). And the state also paid income supplements to approximately 1.08 million

52. Ritter and Rowe, "Dollarization and Dedollarization," 428.

53 Ibid., 426.

workers. However, out of all of the positive effects of dollarization, perhaps the sector that dollarization helped the most was commerce. All of the foreign exchange, profits from AECEs and tourism earnings were made in dollars. As a result of all of Castro's globalization reforms, Cuba was not only able to recover from its recession, it actually sustained economic growth throughout dollarization. The economy grew .7% in 1994, 2.5% in 1995, 7.8% in 1996, 2.5% in 1997, 1.2% in 1998 and 6.2% in 1999.⁵⁴

Dollarization's primary drawbacks dealt with the effect it has had on the Cuban people. In 1999, the average Cuban worker earned 223 pesos and the average pensioner received 104 pesos per month (approximately \$5/mo.). The average professional (i.e. teachers, engineers, and professors) salary was 200-450 pesos (approximately \$15/mo.)—not much more than the average worker. Contrast those figures with the average employee at a hotel who could make the equivalent of an average professional's monthly salary in one day's worth of tips and the result seem obvious. Many professionals, using their common sense, decided to leave their traditional occupations and pursue jobs that they could earn dollars in.⁵⁵ Consequently, dollarization created an environment in which professionals left their jobs to pursue more lucrative opportunities that paid dollars—effectively creating an internal “brain drain.”

Dollarization also had a negative effect on commercial industry. Companies were deprived of some of their earnings since the Cuban government converted business earnings at the 1:1 parity rate instead of the quasi official rate; however, companies were required to purchase their inputs at the quasi official rate. As a result, the bottom line for businesses was that dollarization required businesses to pay more for their supplies while receiving less of their profits.⁵⁶

D. DE-DOLLARIZATION

On October 25, 2004, the Castro regime announced that as of November 8, 2004, all businesses and all transactions that previously accepted payments only in dollars

⁵⁴ Ritter and Rowe, “Dollarization and Dedollarization,” 428.

⁵⁵ Ibid., 425.

⁵⁶ Ibid., 428.

would only accept the convertible CUP. Additionally, de-dollarization meant that although the dollar was not illegal to possess, savings and investments in dollars by Cuban citizens would not be touched and dollar withdrawals could continue to be made without penalization. De-dollarization also meant that a 10% surcharge would be levied on purchases of convertible pesos with dollars and no new deposits of dollars would be allowed. In essence, the dual economy would still be in effect with the only difference being that dollars were replaced with euros.⁵⁷

Fidel announced that de-dollarization was a response to "perceived external aggression" from the U.S., which was fining foreign banks that accepted U.S. dollars from Cuba. Castro stated he perceived that the U.S. was pressuring banks to "withhold financial services [which could] jeopardize Cuba's ability to import."⁵⁸ Thus, his move towards de-dollarization not only would allow him to continue making money on foreign exchange, but also serve as a preemptive response to stop the Bush administration promise to cut off his money supply.

The net effect of de-dollarization or pseudo-euroization on the surface seems to be a win-win scenario for the Cuban government. It denies the U.S. seignorage, or the cost of retiring dollars from circulation, it mandates transactions in convertible CUPs which necessarily forces Cubans to convert their dollars into CUPs thereby allowing the government to make money again with its 10% surcharge for dollar to peso conversions. And ultimately, it encourages Cubans to make deposits in euros. Consequently, family remittances, tips, wages or any sources of Cuban income have to be converted to euros or CUPs in order for Cubans to make deposits in their bank accounts. The bottom line is the Cuban government continues to make money from foreign exchange—it is just does so now with euros now instead of dollars. And the tragic irony is the net effect for the Cuban people and commercial industry will likely remain the same as well since the drawbacks of pseudo-euroization are the same as the drawbacks of dollarization.

⁵⁷ "Issue #13 De-Dollarization."

⁵⁸ Ibid.

E. TRADE

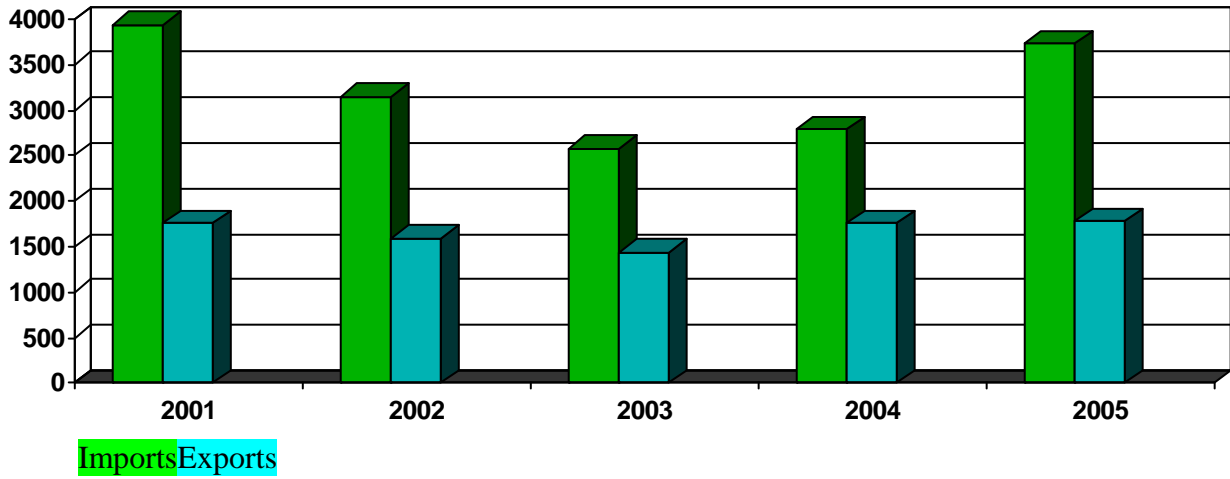
In a little more than a decade Cuba has gone from receiving an aggregate \$4.3 billion dollars a year of Soviet aid from 1986-1990 — \$2 billion per year in non repayable subsidies and \$2.3 billion per year in loans⁵⁹—to trading at substantial levels with multiple partners in Europe, Asia and Latin America. In contrast to the earlier period, Cuba has diversified its trade away from sugar exports and placed a great deal of emphasis on nickel exports.

A trend analysis of Cuba's global trade from 2001 to 2005 reveals that throughout that time period Cuba has averaged over 3 billion euros in global imports and over 1.5 billion euros in global exports. As recently as 2005, Cuba's top ten major trade partners (both import and export) were: 1) the E.U. 2.08 billion euro, 2) China 735 million euro, 3) Canada 691 million euro, 4) U.S. 320 million euro, 5) Mexico 198 million euro, 6) Japan 179 million euro, 7) Brazil 175 million euro, 8) Russia 154 million, 9) Caribbean 104 million and 10) Vietnam 87 million euro.⁶⁰ Tables 4 and 5 reflect Cuba's trade with the world from 2001 to 2005 and Cuba's overall trade balance with its top five trading partners in 2005.

⁵⁹ Ernesto Hernandez Cata, "The Fall and Recovery of the Cuban Economy in the 1990s: Mirage or Reality?" IMF Working Paper, 2001, 4.

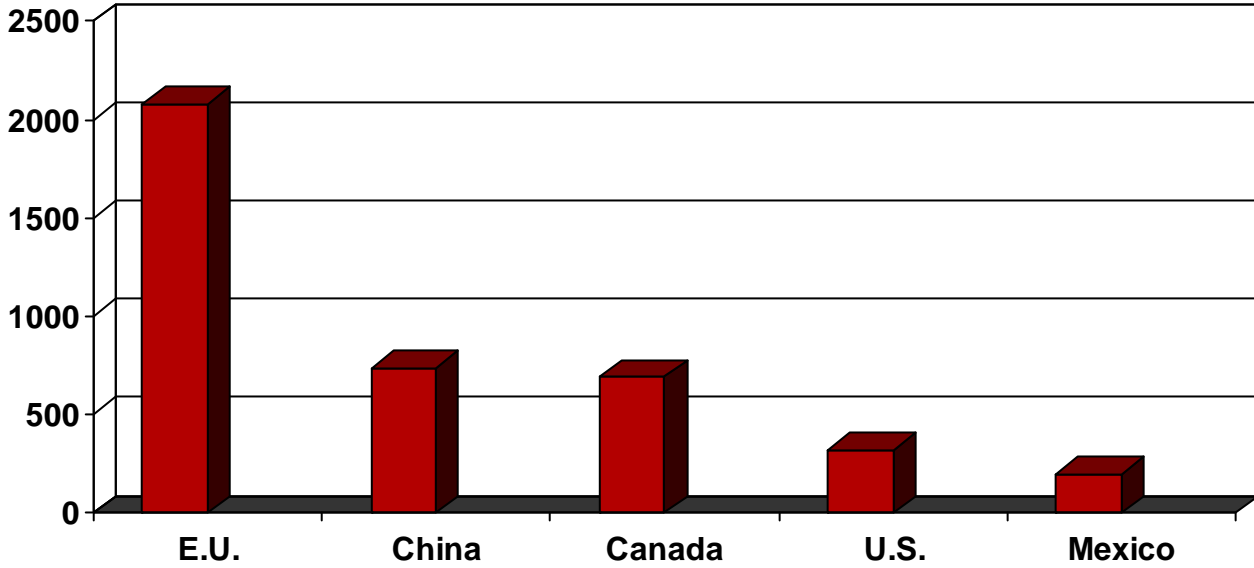
⁶⁰ "Cuba's Trade Balance with Main Partners."

Table 4. Cuban Trade with the World in Millions Euro (2001-2005)



Source: U.S. – Cuba Trade Association

Table 5. Cuba's Trade Balance with Top Five Trading Partners in Millions Euro (2005)



Source: U.S. – Cuba Trade Association

Possibly nothing is more indicative of Cuba's transition from primarily a sugar exporting country dependent on Soviet subsidies to a globally interconnected economy than the increase of Cuban exports of nickel. Nickel has consistently been Cuba's top export since 2000 and as recently as both 2005 and 2006 nickel led all other Cuban exports.⁶¹ In fact, from 2000 to 2004 nickel production was the only export that did not experience a decline. A University of Delaware study shows that from 2000 to 2004 nickel production grew 7.8% (averaging approximately 74,520 tons per year) and cigar production grew 64.23%, yet other major exports declined: sugar -38.38%, oil -16.25%, and citrus -20.64%.⁶² So why has nickel been so productive?

Cuba possesses the world's third largest nickel reserve, behind Australia and Russia and as recently as 2004 Cuba ranked 6th in the world in nickel production.⁶³ A significant part of the reason why Cuba will continue to increase its nickel production is Canadian FDI—specifically Sherritt International. Sherritt has agreed to invest a projected \$225 million to expand production at its nickel processing plant in Moa and also in the eastern part of Cuba. Once complete, Sherritt's investment could potentially increase output by 16,000 tons per year.⁶⁴ But Canada is not the only catalyst behind increased investment in nickel production. China's Minmetals Corp. has agreed to invest between \$500 and \$600 million to complete construction of Cuba's Camarioca nickel processing plant—a plant that was initially built by previously socialist Czechoslovakia. Once the Camarioca plant is completed, it is expected to produce 22,500 tons per year.⁶⁵ China has also agreed to an additional \$1.3 billion dollar investment to help exploit another nickel reserve in the Camaguey province that has a potential output of over 50,000 tons per year.⁶⁶ Thus, the Canadian investment coupled with the Chinese

61 Patricia Grogg, "Nickel Still Number One for Cuba."

62 "Cuba's De-Dollarization Program: Policy Measures, Main Objectives, and Principal Motivations."

63 "Cuba's International Economic Strategy Pays Off."

64 Grogg, "Nickel Still Number One for Cuba."

65 Lexington Institute, "Cuba's International Economic Strategy Pays Off., February 4, 2005

66 Grogg, "Nickel Still Number One for Cuba."

investment could potentially more than double Cuba's current output (~74,500 tons per year) by adding an additional 88,500 tons of nickel production per year to what is already Cuba's number one export.

As previously stated, Cuba's oil exports declined 16.25% in the 2000 to 2004 time period. But that decline may not last long given the increased investment in oil production. Canada's Pebercan Inc. and Sherritt Corp. in a joint venture with the Cuban government found a commercially viable offshore oil field 34 miles off the east coast of Havana near Santa Cruz del Norte which could potentially yield 100 million barrels.⁶⁷ Additionally, Sherritt announced recently that it will invest \$1.25 billion in the next two years into oil, natural gas, electricity and nickel and cobalt sectors. Part of the investment will include erecting 39 oil exploration wells in 2007, 26 of which will include foreign investment.⁶⁸ If the Canadian investment is not enough, Petróleos de Venezuela is expected to invest \$1 billion in Cuba to provide coal to power the Chinese nickel venture and to modernize and reactivate the Cienfuegos oil refinery—another Soviet bloc relic.⁶⁹ The bottom line with respect to Cuba's oil production is despite a recent decline, substantial international investments should make a valuable contribution to increased oil production.

F. WEAKENED WEB OF CUBAN GLOBALIZATION?

Within a little more than 15 years, Cuba has unquestionably transitioned from a country that was economically dependent on the Soviet Union to one with a much healthier international trade balance. Cuba now trades more than \$2 billion of merchandise and goods with the E.U., more than \$730 million with China, and more than \$690 million with Canada. Its levels of FDI have increased exponentially—from \$2 million in 1990 to over \$480 million in 2005 and over \$2.2 billion overall from 1993-2004.⁷⁰ Cuba's tourism industry is booming as well—increasing from 500,000

67 "Cuba's International Economic Strategy Pays Off."

68 "Sherritt Pledges Cuba Investment." 7.

69 "Cuba's International Economic Strategy Pays Off."

70 "Overview of Cuban Business Environment."

international tourists in 1993 to over 2.3 million tourists in 2005—an astonishing 360% increase.⁷¹ Additionally, the commitment Canadian, Chinese and Venezuelan companies have made to invest billions of dollars into nickel and oil exploitation can only be seen as positive signs of Cuba's increased trend toward global economic interconnectedness.

However, every indicator does not point to such promising globalization. Cuba had 120 AECEs in 1993, hit a high of 403 in 2002 and has decreased every year since—dropping to 342 in 2003, 313 in 2004 and 258 in 2005. If Cuba has suddenly become an active player in the global economy and has been seen as such a promising place to invest capital, then why have joint ventures declined more than 35% in 3 years from 2002 to 2005? And why did 60 AECEs dissolve in 2005?⁷² Is it merely an anomaly amongst other astonishing growth statistics or does it point to a weakening of Cuba's global interconnectedness?

Given that trade with the E.U more than doubles trade with China, Cuba's second largest trading partner, and dwarfs trade with all other countries, the E.U.'s insights into problem areas with Cuba should be seen as instructive and valuable towards understanding whether Cuba will be able to sustain future global economic growth. A July 2002 statement issued by E.U. embassies in Havana speaks to what could perhaps become various obstacles that might impede Cuba from continuing to strengthen its global economic ties. The statement points to “six spheres” of problems encountered by E.U. members involved in Cuban joint ventures: 1) joint firm authorizations, 2) customs procedures, 3) residence and work permits, 4) labor aspects, 5) tax aspects and 6) the financial system and method of payments.⁷³

Specifically, the statement points to various restrictions on the activity of foreign firms that increase costs like the ban on joint firms from transporting and distributing their own products; instead, they are required to subcontract at higher costs to Cuban firms that often could not provide the service. Customs agents were cited as charging as much as \$60 for consignments of little value and charges of discrimination were levied

71 “Overview of Cuban Business Environment.”

72 Ibid.

73 “Europeans on Cuba's Foreign Investment Regime.”7.

due to preferential treatment by customs officials to wholly Cuban importers over joint firm importers—with differences like Cuban importers being allowed to pay duties in pesos while joint venture importers were being forced to pay in dollars. Another example of some of the problems cited was the labor law that held joint firms liable for compensating for the entire working life of a dismissed individual. Taxes were cited as often unnecessary and egregious—(i.e. fees for advertising, fire protection and fees for the right for hotels to perform music). And finally, several problems were cited with the financial system. Amongst the various complaints was the double standard whereby foreigners trying to obtain outstanding debt could not freeze the assets of Cuban firms while the Cuban government on the other hand could freeze the assets of any foreign firm debtors.⁷⁴

The statement issued by E.U. embassies can certainly explain the drop in the amount of joint ventures from 2002 to 2005 and is indicative of problems that Cuba will continue to face on its path towards strengthening its economic ties, but it does not seem to have affected any of the other main indicators—specifically some of the most important indicators like FDI, tourism and trade. Just like any economy in transition, there are bound to be growing pains and in that respect the E.U. embassies' 2002 statement should be seen as an objective growth assessment and not a harbinger of decline. If the Soviet Union's Cuban economic aid is analogous to life support, then when it was taken away, Cuba's economy should not have survived. Yet with globalization serving as a catalyst, Cuba's economy has more than just survived. It has thrived and continues to weave a stronger interconnected web in the global economy.

74 "Europeans on Cuba's Foreign Investment Regime."

IV. THE TRIANGULAR SECURITY THREAT CAUSED BY THE CUBAN EMBARGO: WHAT VENEZUELA, IRAN AND CHINA HAVE IN COMMON WITH CUBA

The U.S. foreign policy towards Cuba is long overdue for an overhaul. It has survived ten U.S. presidents and is one of the only remnants left from the Cold War. Yet, somehow it has managed to survive despite the fact that its economic objectives seem to be more and more unrealistic and unattainable as economic globalization continues to help the Cuban economy grow and expand. Given that economic expansion, policymakers should not only be concerned about the viability of the economic component of the policy, but now the security component should be assessed as well. While the U.S. has kept itself out of the recent Cuban economic expansion, countries that pose security threats to the U.S. have happily taken the U.S.'s place. Venezuela, Iran and China have recently become some of Cuba's largest trading partners. The question policy makers should be asking is how much longer should the U.S. continue to use a policy that may never achieve its economic objective yet simultaneously undermines national security objectives?

An argument made on behalf of the embargo is that it serves national security interests. Although the Pentagon dropped Cuba off of its security threat list with the end of the Cold War,⁷⁵ Cuba remains on the State Department's list of state sponsors of terrorism—a designation which demands sanctions against the offending state. This chapter will show those security interests are not served by the embargo; moreover, the embargo undermines other national security interests of the United States, such as minimizing the influence of Venezuela, Iran and China in the hemisphere.

As recently as October 31, 2007, a Gallup Poll indicated that the American public views Iran and China as the number one and number two threats to world stability. The poll also indicated that 80% of the public thought that it was important for presidential candidates to detail their foreign policy approach to Iran, yet only 23% considered it

⁷⁵ Joaquín Roy, *Cuba, the United States, and the Helms-Burton Doctrine*, Gainesville: The University Press of Florida, 2000, 156.

important for candidates to detail their approach to Venezuela and Cuba.⁷⁶ The American public's focus on Iran and China and the lack of importance placed on Venezuela and Cuba reflect the overarching importance U.S. foreign policy has recently placed on security threats from the Middle East and Asia and the lack of attention placed on security threats from the Western Hemisphere. The lack of attention placed on Western Hemisphere security threats is not new, and for the most part, since the third wave of democratization in Latin America, it is not completely unfounded. Yet it is in the wake of Latin America's third wave of democratization, security threats from the countries closest to the United States should be taken as seriously as the threats posed by countries in different hemispheres. The Gallup Poll's disparate results beg some interesting questions with respect to U.S. foreign policy towards Latin America. Would the majority of people polled have given a different response had they been informed that the threats from Iran, China, and Venezuela have become increasingly intertwined with Cuba since the dissolution of the Soviet Union? How would the people have assessed the threat to U.S. security if they knew that Venezuela, Iran and China have invested heavily in the Cuban economy? Would Cuba and Venezuela be perceived as minor threats if the American people knew Hugo Chavez is creating Latin America's strongest military force and that he has made plans to create a Venezuelan-Cuban Confederation—essentially extending Venezuela's border to Cuba—ninety miles off the coast of the U.S.? The reality is that separately Venezuela, Iran and China do pose security threats to the U.S. The threats are not mutually exclusive and the one common denominator that brings the threats the closest to the U.S. border is Cuba.

A. CUBA AS STATE SPONSOR OF TERRORISM?

The 2007 State Department report justifies maintaining Cuba on the “state sponsors of terrorism” list, stating:

Cuba continued to publicly oppose the U.S.-led Coalition prosecuting the War on Terror. To U.S. knowledge, Cuba did not attempt to track, block, or seize terrorist assets, although the authority to do so is contained in Cuba's Law 93 against Acts of Terrorism, as well as Instruction 19 of the

⁷⁶ “Americans See Iran Greatest Threat to World Stability: Poll,” *Agence France Presse*, 2007.

Superintendent of the Cuban Central Bank...The government of Cuba provided safe haven to members of ETA, FARC, and the ELN, and maintained close relationships with other state sponsors of terrorism such as Iran. The Cuban government continued to permit U.S. fugitives to live legally in Cuba and is unlikely to satisfy U.S. extradition requests for terrorists harbored in the country.⁷⁷

The report starts off by arguing Cuba “did not attempt to track, block, or seize terrorist assets.” As a Wayne Smith article points out, “there is no evidence at all that al-Qaeda or any other foreign terrorist organization has any assets in Cuba. And so, there is nothing to seize.”⁷⁸ The other allegations in the report, even if true, seem to fall short of evidence that Cuba is a state sponsor of terrorism. Does providing a safe a haven for members of ETA, FARC or the ELN make Cuba a state sponsor of terrorism? Does the housing of U.S. fugitives constitute support for terrorism? As Smith suggests, neither of those claims is substantiated by any clear evidence. While some members of Spanish or Colombian extremist groups live in Cuba, the issue is whether they are in Cuba against the wishes of their respective countries and whether they have engaged in terrorist activities. As Smith states, those allegations have been “shot down year after year by representatives of the Colombian and Spanish governments.”⁷⁹ Cuba has also worked towards ending the same “terrorism” it is accused of sponsoring. “Since December 2005, the Colombian government and the ELN have held six rounds of exploratory talks in Havana, and in April 2007 the Colombian government agreed to discuss a temporary cease fire with the ELN.”⁸⁰ As far as fugitives Cuba refuses to extradite is concerned, both Smith’s article and a Mark Sullivan CRS Report corroborate there are indeed U.S fugitives in Cuba, but most, “entered Cuba in the 1970s, and are accused of hijacking or committing violent actions in the United States.”⁸¹ Most importantly though, none of them “provides a basis for declaring Cuba to be a ‘state sponsor of terrorism.’”⁸²

⁷⁷ “Country Reports on Terrorism,” April 30, 2007.

⁷⁸ Wayne Smith, “The State Department Presents No Evidence That Cuba is a Terrorist State,” The Center for International Policies, May 9, 2006.

⁷⁹ Ibid.

⁸⁰ Sullivan, “Cuba: Issues for the 110th Congress.”

⁸¹ Ibid.

⁸² Smith, “The State Department Presents No Evidence That Cuba is a Terrorist State.”

The State Department report also cites Cuba's close relationship with Iran, perhaps the most significant state sponsor of terrorism. Under this logical construction Cuba is a "state sponsor of terrorism" due to guilt by association. While the Iranian connection with Cuba does pose a credible and serious threat to the U.S. (as discussed later in this chapter), it does not make Cuba a state sponsor of terrorism.

B. VENEZUELA THE BENEFACTOR

Javier Corrales has argued that the current Cuban-Venezuelan relationship has given Venezuela tremendous leverage over Cuba's internal affairs. This influence stems from an oil-for-labor arrangement, in which Venezuela is providing Cuba with approximately 20,000 to 26,000 barrels per day of free oil in exchange for more than 30,000 Cuban medical doctors working in Venezuela. Under the current arrangement and ever increasing market prices for oil, Cuba stands to make more than \$6 billion over the next 15 years. But as Corrales points out, the relationship is more than just an innocent *quid pro quo*. Cuba has more than forty years of military experience, equipment and training that Hugo Chavez needs in order to transform his military—a transformation that began in 2004 that includes using newly acquired Russian weapons, fighting asymmetrical guerrilla warfare and training "urban reservists," a military force used for internal defense.⁸³ And by carrying out this military transformation, Chavez could very well begin to act on all of his *anti-yanqui* rhetoric.

Yet critics and conventional wisdom would suggest that Latin American militaries have not and will not pose a threat to the U.S., hence Venezuela's military vis-à-vis Cuba will not pose a future threat to the U.S. The problem with that line of reasoning is that it is a *non sequitur*—just because Latin American countries have never posed a significant threat to U.S. security does not mean that they will never pose a significant threat to U.S. And just like the Gallup poll results that indicate that the majority of Americans do not believe that Cuba and Venezuela pose significant threats, how many people would

⁸³ Corrales, "The Logic of Extremism," 3.

change their view if they knew the extent to which Venezuela has sought to strengthen its military and the extent of the leverage that Hugo Chavez's Venezuela increasingly wields over Cuban internal affairs?

While Chavez's fiery *anti-yanqui* rhetoric gets replayed over and over again by the American press, his regime's military build up gets considerably less attention. A short list of Chavez's recent military spending spree includes \$2 billion for nine Russian Kilo-class submarines and \$3 billion worth of Russian weapons which include 53 military helicopters, 100,000 Kalashnikov rifles, 24 Su-30 fighter jets⁸⁴ and according to a Jane's executive overview of land based air defense, a S-300 self propelled surface-to-air missile defense system.⁸⁵ At first glance, this military build-up appears to be directed towards national defense. In his response to people who have asked him why he wants to buy submarines, Chavez has been quoted as saying, "Why not? We have half a million square kilometers of territorial waters. That's a great expanse. What is strange about our buying a submarine? No one needs to worry. Will it carry weapons aboard? It will."⁸⁶ On the surface, Chavez's explanation makes sense and does not seem to be much of a threat to U.S. interests. However, in what has become typical anti-U.S. rhetoric, Chavez has been quoted as saying that only a strong military "can stop the imperia [the United States], which threatens our democracy."⁸⁷ So what should U.S. policymakers do about Chavez's military build up coupled with his strong *anti-yanqui* rhetoric?

The answer is that Chavez should be taken at his word. Since taking office Chavez has put into action much of his radical rhetoric, so when he says he is building up his military to stop the U.S. imperialism that he perceives is threatening his brand of democracy, the U.S. should believe that is exactly what he plans to do. The only nuance that could be refined in his statement is that Chavez himself is threatening his own democracy quite deliberately by systematically supplanting democratic institutions for

84 James Roberts, "If the Real Simon Bolivar Met Hugo Chavez, He'd See Red," Heritage Foundation Reports, 2007, 13.

85 "Executive Overview: Land Based Air Defense," December 27, 2006.

86 "Venezuela Continues to Purchase Russian Weapons," October 25, 2007.

87 Ibid.

socialist institutions. The highlights (not an all inclusive list) of Chavez's anti-democratic actions since his election read like a handbook for the foundation of a Cuban inspired socialist republic: he extended presidential term limits from five to six years with the possibility of a single re-election, he gave himself discretion over military promotions, he eliminated the senate, he gave himself the ability to enact referendum's without congressional support, he packed the high court with *chavistas* and he gave himself control over the National Electoral Council.⁸⁸ In January 2007, the legislature granted Chávez the authority to rule by presidential decree for eighteen consecutive months. The justification for the eighteen month fiat was his desire to enact "revolutionary laws" to include nationalizing specific segments of the economy (like the power and telecom sectors) and eliminating term limits; yet for Chávez this was nothing new given that he approved forty-nine laws by decree in his previous administration.⁸⁹ If these are highlights of the "socialist" reforms that Chavez has *delivered on*, then when he was quoted as saying, "Deep down, we [Cuba and Venezuela] are one single government, one single country,"⁹⁰ would it not be prudent to believe that he plans on delivering on his one Cuba-Venezuela vision?

Though perhaps the most infamous of Chavez's proposed constitutional reforms was the unlimited presidential re-election proposal, hidden within the sixty-nine proposed reforms was a proposal to create a federation between Venezuela and Cuba.⁹¹ On December 2, 2007, Chavez's constitutional reforms were defeated and so to were the provisions for the possibility of an indefinitely elected Chavez presiding over a Venezuelan-Cuban confederation. However, it is hardly time for Chavez critics to break out celebratory champagne. Chavez's reforms were defeated by the narrowest of margins. The official results were about as close to a fifty-fifty split as possible—the

88 Corrales, "Venezuela: Crowding out the Opposition."

89 "Rule by Decree Passed for Chávez," BBC News, January 2007.

90 Miguel Perez, "Founding the United States of Cubazuela," *Herald News*, Passaic County NJ, October 2007.

91 Casto Ocando, "Venezuela Military Shows Unease with Chavez," *El Nuevo Herald*, November 2007.

proposal was defeated 49.3% to 50.7% with 45% abstention.⁹² In response, Chavez has noted that the constitutional reform proposal has only met a temporary demise —“for now.”

Moreover, the U.S. should not see the defeat of Chavez’s constitutional reforms as a success because even without a formal Venezuelan-Cuban confederation, Cuba has already become in many ways very dependent on Venezuela. As Corrales points out, Chavez has created a dynamic whereby Cuba has become increasingly more dependent on Venezuela. Cuba’s financial debt to Venezuela is currently more than \$2.5 billion and rising. And as Chavez’s petro-rich Venezuela accepts more and more long term IOUs from the Castro regime, Castro’s Cuba becomes more and more dependent on Chavez’s Venezuela.⁹³ And with that dependence, Chavez gains ever more leverage over Cuba’s future.

What does the embargo have to do with it? The short answer—everything. Cuban dependence on Venezuela and Venezuela’s subsequent leverage over Cuba are aided and abetted by the U.S.–Cuban embargo. Due to the embargo’s trade restrictions, Venezuela has in effect replaced the role the U.S. would have played in a post Soviet Union globalized Cuban economy. Certainly Chavez is best known for his incessant and irreverent anti-imperialist rhetoric which makes him, at times, hard to take seriously. However a close look at his *actions* reveals what seems to be a deliberate plan to pose a significant threat to the U.S. A quick run down of the facts are as follows: Chavez has recently spent \$5 billion to create the strongest military in Latin America, Venezuela is one of Cuba’s top creditors, Cuba’s debt to Venezuela is \$2.5 billion and rising, and the Cuban military is helping complete Chavez’s transformation of the Venezuelan military. Add the facts to the Cuba-and-Venezuela-are-one-nation rhetoric, the Venezuela needs a robust military to defend itself from the U.S. rhetoric, the Venezuela should be able to pursue “peaceful” nuclear weapons rhetoric and the narrow defeat of the constitutional reforms that would have made Chavez possibly an indefinite president of a Cuba and Venezuela confederation and the implications to U.S. security should be quite obvious.

92 “Chavez Concedes Venezuela’s Constitutional Reform Lost in Photo Finish.”

93 Corrales, “The Logic of Extremism,” 4.

C. THE IRANIAN CONNECTION

If Chavez has a kindred political kindred spirit, it would be Iranian president Mahmoud Ahmadinejad. Like Chavez, he is best known on the world stage for his inflammatory and incendiary rhetoric. And like Chavez, sometimes his penchant for outrageous statements makes it hard to take him seriously (i.e., Does he really believe the Holocaust did not happen?). Although, conversely, it can be argued that those very same outrageous statements are all the more reason to take him seriously. Both presidents preside over petro-rich countries and both presidents have made no attempts to hide their disdain for U.S. “imperialism.” And like those of Venezuela, Iran’s policies by themselves pose a security threat to the U.S. What causes Ahmadinejad’s Iran to be perceived as the number one threat to world stability in the Gallup poll and what would cause President Bush to say that he is even more “evil” than Fidel Castro or Gaddafi is the combination of his inflammatory anti-U.S./anti-Israel rhetoric and his claim that Iran is justified in its pursuit of nuclear power.⁹⁴ But what gets less press is the fact that Iran, like Venezuela, has begun to invest heavily in Cuba. And like Venezuela, Iran may pose much more of a threat to the U.S. with an alliance with Cuba. Without Cuba, Iran can only pose a threat to the U.S. in the Middle East; however, with Cuba and Venezuela, Iran can bring its threat ninety miles off the shore of the U.S.

The April 7, 2007, State Department Western Hemisphere overview cites concerns about Hugo Chavez’s “deepened Venezuelan relationships with Iran and Cuba.”⁹⁵ Though the State Department’s report is unclassified and certainly is not a comprehensive intelligence report on the extent of the relationship between Venezuela, Cuba and Iran, it is decidedly vague about exactly what the “deepened” relationship consists of and why the U.S. should be concerned. Yet despite the ambiguous State Department threat assessment linking Venezuela and Cuba to Iran, there is plenty of circumstantial evidence that links the three nations in what can amount to be a potentially volatile triangular threat to U.S. interests.

94 “Ahmadinejad in New York, Mubarak in Moscow,” *Mideast Mirror*, October 1, 2007.

95 “Country Reports on Terrorism,” U.S. State Department, April 30, 2007.

Though there have certainly been several recent links tying Iran to Venezuela and Cuba, a red flag was definitely raised at the thirty-five nation International Atomic Energy Agency (IAEA) vote to refer Iran's case for nuclear energy to the United Nations Security Council in February 2006. At the IAEA conference, "there were three notable 'no' votes"⁹⁶—votes from Syria, Cuba and Venezuela. The Syrian no vote was predictable given their historic support for Iran, but the Cuba and Venezuela votes stood out as a noteworthy development. Recently both Fidel Castro and Chavez have been outwardly supportive of Ahmadinejad and Iran in their rhetoric. Not only have both Castro and Chavez publicly supported Iran's right to nuclear energy, "Castro has spoken admiringly of Iran 'increasing its ability to fight big powers by the day.'"⁹⁷ And Chavez has said that "Iran and Venezuela are like 'brothers who fight for a just world.'"⁹⁸

But rhetoric aside, what have these nations actually done in so far as actions and agreements that pose a threat to the U.S.? While there is little evidence to support the claims of anti-Chavez groups that he is supplying uranium to Iran, Venezuela has "expressed explicit support" for Iran's uranium enrichment program⁹⁹. In response to Venezuela's increased security risk, the U.S. Central Intelligence Agency has created a new intelligence mission to "oversee intelligence operations in Venezuela and Cuba at the strategic level." As a measure of just how seriously the Venezuelan threat is perceived by the CIA, according to a People's Weekly Report, the new strategic mission created to oversee Venezuela is one of only of only six missions of its kind operating at a strategic level and one of only three with a mission manager—the other two are Iran and North Korea.¹⁰⁰

According to a September 2006 Associated Press report, Iran and Venezuela have set up more than 80 cooperation pledges and have agreed to set up \$200 million

⁹⁶ John Hughes, "Latin America's leftist regimes get cozy with Iran," *Christian Science Monitor*, February 15, 2006.

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ Simon Romero, "Venezuela and Iran Strengthen Ties With Caracas to Tehran Flight," *The New York Times*, March 3, 2007.

¹⁰⁰ Ibid.

investment fund for various projects to include building homes, and factories to produce cars, bicycles, bricks and cement.¹⁰¹ And according to a Council on Hemispheric Affairs report, Iran and Venezuela have agreed to create a 50/50 joint venture between both state owned oil companies called Venirogc.¹⁰²

Iran and Cuba have also been involved in their own fair share of bilateral agreements. In early November 2007 Iranian Minister of Commerce Masood Mirkazemi signed an agreement with the Cuban government to form a joint shipping company.¹⁰³ Additionally, trade between Iran and Cuba was estimated to have exceeded \$50 million in 2006. Amongst various bilateral agreements, perhaps one of the most significant has been an agreement signed by Iran's Export Development Bank and Cuba's Foreign Bank in February 2006 with a \$90 million credit ceiling to facilitate the export of Iranian goods as well as engineering and technical services to Cuba. The agreement also laid the groundwork for the collaboration between the two countries with respect to banking, trade, industry, and scientific research and development.¹⁰⁴ The Cuban officials at the banking agreement meeting were reportedly so pleased with the growing trade and investment between both countries that they were quoted as saying that they were "interested in expansion of relations with Tehran in all areas."¹⁰⁵

Some critics could look at the bilateral agreements between Iran and Venezuela and Iran and Cuba and dismiss them as merely countries seeking to expand their economies in today's ever interconnected globalized world. And certainly when asked, that has been the response from Fidel Castro, Chavez and Ahmadinejad. However, those critics cannot deny the potentially explosive effect of adding Iran to the Cuban dependency equation. The trend that is becoming apparent is that Cuba is becoming increasingly dependent on countries with deep pockets that pose security threats to the

101 Elizabeth Nunez, "Iran and Venezuela Strengthen Ties as Chavez Defends Nuclear Program," Associated Press, September 16, 2007.

102 Alex Sanchez, "Pluralism Burst into the Western Hemisphere," Council on Hemispheric Affairs, November 16, 2007.

103 Ibid.

104 "Iran-Cuba sign banking agreement," Global Exchange, February 19, 2006.

105 Ibid.

U.S. Though Iran certainly trails Venezuela in the *amount* of financial dependence, the *influence* is still there. If Chavez does indeed become the president of a Cuban-Venezuelan confederation, the confederation would certainly be much more of a threat to the U.S. with Iran as one of its primary allies and trading partners.

The reason why the Iranian alliance with Venezuela and Cuba is so dangerous is that Ahmadinejad's Iran could bring the same experience, training and military power to its Western Hemisphere "revolutionary brothers" as it has allegedly exported to its Middle Eastern "revolutionary brothers." According to various sources, Iran assisted Hezbollah in its 2006 war with Israel by together with Syria supplying them with more than 12,000 Russian made surface-to-air missiles which were used to strike Israel from Lebanon.¹⁰⁶ The question U.S. policymakers should be asking is if Iran supplied Hezbollah 12,000 missiles to strike Israel, what would prevent them from supplying Venezuela or Cuba with missiles to strike the U.S.? Some critics might suggest that Iran would not supply Venezuela or Cuba with missiles and even if they did Venezuela and or Cuba would never strike the U.S. directly.

These critics seem to forget the Cuban missile crisis. Can the U.S. rule out the possibility of another similar crisis in Cuba with a different benefactor? According to an October 2007 CNN report, Russia sold the Venezuelan government the same air defense system that they sold the Iranians.¹⁰⁷ As an August 2007 Heritage Foundation report speculates, it might be implausible to some, but certainly possible that Chavez could attempt a "Falklands-like conflict by using his new arsenal to pursue Venezuelan land claims against neighboring Colombia, Guyana, and Holland which controls the Dutch Antilles...[or] be tempted to grab the massive oil and natural gas reserves of nearby Trinidad and Tobago."¹⁰⁸ In such a Chavez-led Falklands-like scenario, Iran's military experience, weapons and training would be invaluable for an attack on the smaller island forces and against the U.S. which would be compelled to defend them.

106 "Ahmadinejad in New York, Mubarak in Moscow," *Mideast Mirror*, October 1, 2007.

107 "Growing Fears of a Nuclear Alliance Between Russia, Iran; Anti-Semitic Hatred on the Rise in Israel," CNN, October 15, 2007.

108 Roberts, "If the Real Simon Bolivar Met Hugo Chavez."

The Cuban missile crisis though was about nuclear missiles not conventional surface-to-air missiles. Perhaps another far-fetched scenario to some, but yet still a possibility is Iran manufacturing nuclear weapons in a world in which Cuba and Venezuela continue their current close alliance. Would that not increase the threat index to the U.S.? Despite a recent National Intelligence Estimate (NIE) revealing that Iran halted its nuclear weapons program in 2003, the risk of Iran obtaining a nuclear weapon still exists.¹⁰⁹ Mohamed ElBaradei, director general of the IAEA, reported in November 2007 that Iran's nuclear program was operating 3,000 uranium-enriching centrifuges, which makes them capable of producing fissile material for nuclear weapons. Yet, his report said that agency inspectors "had been unable to determine whether the Iranian program sought only to generate electricity or also to build weapons."¹¹⁰ The NIE report notes that the rate at which Iran is producing enriched uranium, would allow it to build nuclear weapons by 2013.¹¹¹

In this context, there are concerns that Iran's agreements with Cuba and Venezuela opens the door to deals that are not as benign as Iran and Venezuela's \$200 million dollar investment fund or Iran and Cuba's \$90 million banking agreement. Instead those deals could potentially lead not only to the manufacturing of cars, bicycles, bricks, cement and "scientific research and development," but also to the "scientific research and development" and manufacturing of nuclear weapons. There are recent reports that Chavez has stated his intentions to pursue a "peaceful" nuclear program,¹¹² that he has sought Iran's help in building a nuclear reactor in Venezuela and that "Iranian scientists may already be working at uranium mines in [Venezuela's] lower Orinoco River basin."¹¹³ So yes, the Cuban missile crisis is old news. But if the U.S. continues to let Iran and Venezuela wield their influence in Cuba, it might no longer be old news and may very well become new news.

109 Brian Knowlton, "U.S. Report says Iran Halted Nuclear Weapons Program in 2003."

110 Ibid.

111 Ibid.

112 "A Nuclear Chavez?" *Investor Business Daily*, November 17, 2007.

113 Roberts, "If the Real Simon Bolivar Met Hugo Chavez."

D. THE OTHER COMMUNIST THREAT

With the dissolution of the Soviet Union as part of what seems a distant past, it can sometimes be easy to forget that there is still another communist threat to the U.S. Yes, China's economy has become more liberalized. And yes, China has opened its doors to foreign investment. As a result in 2006 China had the world's second largest economy and the largest account surplus - nearly \$180 billion.¹¹⁴ But the fact still remains that China is a communist state and China's influence reaches far beyond its borders. But instead of the Soviet Union's Cold War communist threat, China's threat consists of bankrolling the countries that pose security threats to the U.S. and using its growing international power to protect those countries from international retribution.

As James Traub has observed, "China has become so influential a country...that you can no longer talk about an 'international community' that does not include it."¹¹⁵ That influence and the ability to wield it have become increasingly evident within the U.N. Security Council. By flexing its Security Council veto power on issues to protect abusive regimes that it has friendly relationships with, to include the Sudan, Zimbabwe, Eritrea, Myanmar and North Korea, China has shown that the doctrine of absolute sovereign rights is paramount to its foreign policy.¹¹⁶ Nowhere is that more evident than with China's ability to influence the fate of Iran's right to pursue nuclear power. Though as previously stated, a recent NIE states that Iran halted its nuclear weapon program in 2003, Iran's nuclear program has benefited from years of China either threatening to veto sanctions against Iran or watering down Security Council resolutions that have allowed Iran to continue its pursuit of nuclear power.¹¹⁷

Why has China been willing to support Iran? The same reason why China supports Cuba and Venezuela — self interest. China's booming economy needs the natural resources that Iran, Cuba and Venezuela offer them. And since China has the

114 "The CIA World Factbook," December 6, 2007.

115 James Traub, "The World According to China," *The New York Times*, September 3, 2006.

116 Ibid.

117 "Security Council Demands Iran Suspend Uranium Enrichment," August 1, 2006.

deepest pockets in the world, it can afford to diversify its portfolio and Cuba, Venezuela and Iran, have been some of the biggest beneficiaries. The following is a short list of what a \$180 billion account surplus can buy a resource hungry global power. In 2005 China's trade balance with Cuba exceeded 735 million euros, second only to the E.U.'s 2 billion euros.¹¹⁸ China and Cuba have signed an agreement whereby China's Minmetals Corp. will invest between \$500 and \$600 million to complete construction of Cuba's Camarioca nickel processing plant—a plant that was initially built by previously socialist Czechoslovakia. Once the Camarioca plant is completed, it is expected to produce 22,500 tons per year.¹¹⁹ China has also agreed to an additional \$1.3 billion dollar investment to help exploit another nickel reserve in the Camaguey province that has a potential output of over 50,000 tons per year.¹²⁰ Not only is China increasing its investments in Cuba, but China and Venezuela reached a \$5 billion joint venture to develop oil and gas fields in Venezuela.¹²¹ After signing the joint venture deal, Venezuela's Energy Minister Rafael Ramirez was quoted as saying, "Our shipments to China have gone from practically zero barrels two years ago to the current 200,000 barrels per day, with a projection of 500,000 barrels per day starting in 2009 or 2010."¹²² But China's investment in Iran trumps both Cuban and Venezuelan investments. In March 2004, China's signed a 25-year deal to import 110 million tons of liquefied natural gas (LNG) from Iran. And in October 2004, China and Iran inked a \$100 billion deal allowing China to import a further 250 million tons of LNG from Iran's Yadavaran oilfield over a 25-year period. And in addition to LNG, the Yadavaran deal provides China with 150,000 barrels per day of crude oil over the same period.¹²³

The most recent Threat Assessment and National Security Challenges report delivers a quite positive outlook on China. Of note, it credits China's dramatic economic

118 "Cuba's Trade Balance with Main Partners."

119 "Cuba's International Economic Strategy Pays Off," Lexington Institute.

120 Grogg, "Nickel Still Number One for Cuba."

121 "Venezuela-China Joint Oil, Gas investment to reach \$5billion," EFE News, September 15, 2007.

122 Ibid.

123 "The Ties that Bind China, Russia and Iran," *Asia Times*, June 4, 2005.

growth for, “rapidly bringing the countries of [the] region closer together.”¹²⁴ And it states that the Chinese foreign policy has aligned “with the needs of domestic development, identifying opportunities to strengthen economic growth, gain access to new sources of energy and mitigate what they see as potential external threats.”¹²⁵ The only major threat that it cites is the development of “more capable long-range conventional strike systems and short- and medium-range ballistic missiles with terminally guided maneuverable warheads able to attack U.S. carriers and airbases.”¹²⁶ Yet the report essentially concludes by stating that China places a priority on “positive relations with the United States.”¹²⁷

There could not be a truer statement in the threat assessment than the Chinese pursue a foreign policy “aligned with its domestic needs.” China cares about supplying its economic engine with enough fuel to ensure that it keeps running. Since natural resources from Cuba, Iran and Venezuela help keep China’s economy booming, China in turn will continue to invest in those countries and pursue a “foreign policy aligned with their domestic needs.” If that means protecting Iran by weakening security resolutions, then that is what they will do because ultimately they are not only protecting Iran, they are protecting their economy. And the same will certainly hold true for Cuba and Venezuela in the future.

The implications of China’s relationship with Venezuela, Iran and Cuba go back to the dependency equation. The Chinese actually strengthen the triangular threat posed by Venezuela, Iran and Cuba by stimulating their economies with its myriad investments. Certainly China poses a separate threat to the U.S. because of its extremely powerful military, its nuclear power and nuclear arsenal. Yet, as the threat assessment states, China has placed a priority on “positive relations with the United States.” Because of its burgeoning economy and its economic success, China does not benefit from threatening

124 “Annual Threat Assessment and National Security Challenges,” U.S. State Department, January 11, 2007.

125 Ibid.

126 Ibid.

127 Ibid.

the U.S. directly. However, due to its very own dependency on Venezuelan, Iranian and Cuban natural resources, China will not stand in their way or impede them from threatening the U.S.

How can the U.S. minimize the triangular threat posed by Iran, Venezuela and Cuba? How can this cycle of dependency, control and power be broken? Probably one of the easiest solutions is normalizing relations with Cuba. The U.S. could be processing nickel or drilling for oil in Cuba. The U.S. could easily surpass the E.U. and China and lead all other countries in aggregate trade with Cuba. With U.S. capital flowing through the Cuban economy, it could in time replace Cuba's dependency on Venezuela and thereby effectively negate Chavez's influence. Given normalized relations with Cuba, if Chavez were able to create a Venezuelan-Cuban confederation, it would be in name only because the U.S. could replace Venezuela as its benefactor. And by normalizing relations with Cuba, the triangular threat would be minimized to isolated and separate threats from Iran and Venezuela.

There is a reason why presidents Jefferson, Monroe and John Quincy Adams wanted to annex Cuba. They realized two centuries ago how strategically important Cuba would be to the U.S. In 1823 John Quincy Adams wrote:

I candidly confess, that I have ever looked on Cuba as the most interesting addition which could ever be made to our system of States. The control which, with Florida Point, this island would give us over the Gulf of Mexico, and the countries and isthmus bordering on it, as well as all of those whose waters flow into it, would fill up the measure of our political well being.¹²⁸

Even the reluctant expansionist John C. Calhoun thought that Cuba was "indispensable to the safety of the U.S."¹²⁹ And President Polk thought it was so invaluable that he attempted to purchase Cuba for \$100 million in 1848.¹³⁰ Hugo Chavez and Mahmoud Ahmadinejad recognize the same strategic advantage that the Founding Fathers saw so

¹²⁸ Lars Shoultz, *Beneath the United States: A History of U.S. Foreign Policy Toward Latin America*. Cambridge, MA: Harvard University Press, 1998, 48.

¹²⁹ Ibid.

¹³⁰ Ibid.

long ago. The dilemma presented by continuing the embargo is that it continues to encourage Cuba to look for foreign direct investment from countries that pose a threat to the U.S. And the problem for the U.S. is that it necessarily excludes the U.S. from bidding and allows petro-rich and decidedly anti-U.S. presidents like Hugo Chavez and Mahmoud Ahmadinejad to not only bid, but to establish a strategic advantage for their “anti-imperialist” agenda ninety miles off the coast of the U.S.

THIS PAGE INTENTIONALLY LEFT BLANK

V. CONCLUSION

Cuba's economy has not only survived the end of Soviet-era subsidies but has thrived in the era of globalization. This thesis documents the adjustments the Cuban government has made to the economy and the increase in foreign direct investment (FDI) that has occurred as a result. The prospect of the U.S.'s Cuban trade embargo actually accomplishing its goal seems to diminish more and more with the every dollar of FDI invested in Cuba. The thesis also shows how China, Venezuela and Iran continue to invest more money in the island and subsequently threaten to wield more influence over Cuba. The U.S. has the opportunity to mitigate the threats posed by Venezuela and Iran vis-à-vis Cuba. However, the policy espoused by current policy makers is logically flawed. The Helms-Burton Act contains unrealistic benchmarks that provide little incentive for Cuban leaders to liberalize. Senator McCain espouses a position little different from President Bush's hard-line implementation of Helms-Burton, an approach that has failed to produce change. Senator Obama advocates liberalization within the context of Helms-Burton, an approach already tried by President Clinton without producing significant change. In contrast, this thesis argues that the normalization of relations with Cuba can diminish the influence Iran and Venezuela have on Cuba and keep potential threats from coming ninety miles off the coast of the U.S. The next president should call for Congress to repeal the Helms-Burton Act so that executive discretion can be exercised with respect to Cuban foreign policy.

This chapter reviews the thesis' main argument that current economic conditions in Cuba render the embargo ineffective while current security conditions make ending the embargo a priority. It then argues that Raul Castro's replacement of Fidel as Cuban president makes this a particularly appropriate time for a normalization of U.S.-Cuban relations. Raul is a pragmatist who shows far less affinity for Hugo Chavez than his brother and has indicated his willingness to negotiate with the U.S.

A. ECONOMIC ARGUMENT

Within a little more than 15 years, Cuba has unquestionably transitioned from a country that was economically dependent on the Soviet Union to one with a much healthier international trade balance. Cuba now trades more than \$2 billion of merchandise and goods with the E.U., more than \$730 million with China, and more than \$690 million with Canada. Its levels of FDI have increased exponentially—from \$2 million in 1990 to over \$480 million in 2005 and over \$2.2 billion overall from 1993-2004.¹³¹ Cuba's tourism industry is booming as well—increasing from 500,000 international tourists in 1993 to over 2.3 million tourists in 2005—an astonishing 360% increase.¹³² Finally, the commitment Canadian, Chinese and Venezuelan companies have made to invest billions of dollars into nickel and oil exploitation are additional signs of Cuba's increased trend toward global economic interconnectedness. This global economic expansion has helped Cuba lift itself from a post Soviet Union economic recession in the 1990s to an average of slightly over 5% economic growth from 2000 to 2004¹³³ which increased to 9% in 2005, 10% in 2006 and 8% in 2007.¹³⁴ Thus this economic expansion leads to the question Andrew Zimbalist posed back in 1993: “If Castro has been able to maintain his grip on power during the crises of the last four years, then there is little prospect for his political demise as the economy begins to stabilize and slowly improve.”¹³⁵ Zimbalist's point is more salient now than it was then. If Fidel Castro's regime was going to crumble because of the economic effects of the U.S. embargo, it should have deteriorated in the wake of the Soviet Union's dissolution and the absence of billions of dollars of annual aid. But the economy did just the opposite. Instead, it rebounded in the late 1990s and has shown consistent growth in the 2000s—so much so that Cuba witnessed the recent peaceful transition of power from Fidel to his

¹³¹ “Overview of Cuban Business Environment.”

¹³² *Ibid.*

¹³³ “Cuba Data Profile.”

¹³⁴ UN Data.

¹³⁵ Zimbalist, “Dateline Cuba: Hanging on in Havana,” *Foreign Policy*, 1993, 155.

brother Raul. A current spin on Zimbalist's point would be: If Raul Castro's regime can continue to sustain economic growth, then there is little prospect for the demise of the communist regime in the post-Fidel era.

The recent Cuban economic expansion is perhaps the clearest signal that the U.S.–Cuban policy needs an overhaul. It is not working. It was a policy designed in the Cold War that no longer makes sense in the globalized world of economic interconnectedness. Some critics might argue that maintaining the current policy cannot hurt the U.S., and at the very least, it is sending the “right” signal to Cuba's communist leaders. The question they would ask is, “What is the worst that could happen by staying the course?” The problem with the status quo logic is it overlooks the fact that the embargo has contributed to the growing influence of Venezuela, Iran and China in Cuba through their increasing investments in the Cuban economy.

B. SECURITY ARGUMENT

Cuban dependence on Venezuela and Venezuela's subsequent leverage over Cuba are aided and abetted by the U.S. – Cuban embargo. Due to the embargo's trade restrictions, Venezuela has in effect replaced the role the U.S. would have played in a post Soviet Union globalized Cuban economy. Certainly Hugo Chavez is best known for his incessant and irreverent anti-imperialist rhetoric which makes him, at times, hard to take seriously. However a close look at his actions reveals what seems to be a deliberate plan to pose a significant threat to the U.S. A quick run down of the facts are as follows: Chavez has recently spent \$5 billion to create the strongest military in Latin America, Venezuela is one of Cuba's top creditors, Cuba's debt to Venezuela is \$2.5 billion and rising, and the Cuban military is helping complete Chavez's transformation of the Venezuelan military. This military buildup could be explained away by Chavez's right to build up his military for national defense purposes or it could also be a harbinger of a future security threat. It is possible that Chavez might be tempted to initiate a “Falklands-like conflict by using his new arsenal to pursue Venezuelan land claims against neighboring Colombia, Guyana, and Holland which controls the Dutch Antilles...[or] be tempted to grab the massive oil and natural gas reserves of nearby

Trinidad and Tobago.”¹³⁶ In such a scenario, Cuba’s strategic positioning and Iran’s military experience, weapons and training would be invaluable for an attack on the smaller island forces and against the U.S. which would be compelled to defend them.

Cuba magnifies not only the threat posed by Venezuela to the United States but also that posed by Iran and Venezuela together. Iran is producing enough enriched uranium for it have enough to be capable of producing nuclear weapons by 2013.¹³⁷ According to The New York Times columnist Simon Romero, Venezuela has “expressed explicit support” for Iran’s uranium enrichment program¹³⁸. In addition, Chavez has stated his intentions to pursue a “peaceful” nuclear program¹³⁹ and has sought Iran’s help in building a nuclear reactor in Venezuela. There are even rumors that “Iranian scientists may already be working at uranium mines in [Venezuela’s] lower Orinoco River basin.¹⁴⁰ Add that to Chavez’s increasing influence over Cuba and the prospects are even more foreboding. When the Cuban missile crisis occurred, most analysts and policy makers did not see it coming. The U.S.’s attention was divided by the Vietnam War and the struggle against the spread of communism. Today, the U.S. is fighting a war on terror in Iraq and Afghanistan while Iran is extremely close to becoming a nuclear power and Chavez is close to having enough leverage in Cuba to pull off Cuban missile crisis part II.

C. WHAT HAPPENS NEXT

How can the U.S. minimize the triangular threat posed by Iran, Venezuela and Cuba? How can this cycle of dependency, control and power be broken? Probably one of the easiest solutions is normalizing relations with Cuba. The U.S. could be processing nickel or drilling for oil in Cuba. The U.S. could easily surpass the E.U. and China and lead all other countries in aggregate trade with Cuba. With U.S. capital flowing through the Cuban economy, it could in time replace Cuba’s dependency on Venezuela and

136 Roberts, “If the Real Simon Bolivar Met Hugo Chavez.”

137 Knowlton, “U.S. Report says Iran Halted Nuclear Weapons Program in 2003.”

138 Romero, “Venezuela and Iran Strengthen Ties with Caracas to Tehran Flight.”

139 “A Nuclear Chavez?” *Investor Business Daily*, November 17, 2007.

140 Roberts, “If the Real Simon Bolivar Met Hugo Chavez.”

thereby effectively negate Chavez's influence. Given normalized relations with Cuba, if Chavez were able to create a Venezuelan – Cuban confederation, it would be in name only. And by normalizing relations with Cuba, the triangular threat would be minimized to isolated and separate threats from Iran and Venezuela.

The normalization of relations is more likely to be possible now that at any time in the past with the ascendance to the presidency of Raul Castro. Raul has offered to negotiate with the U.S. on several occasions. On August 16 2006, shortly after Fidel ceded power to him, Raul asserted that he has “always been disposed to normalize relations on an equal plane.”¹⁴¹ Shortly thereafter on December 2, 2006, he again stated his desire to openly negotiate with the U.S. In his speech he is quoted as saying:

We are willing to resolve at the negotiating table the longstanding dispute between the United States and Cuba, of course, provided they accept, as we have previously said, our condition as a country that will not tolerate any blemishes on its independence, and as long as said resolution is based on the principles of equality, reciprocity, non-interference, and mutual respect.¹⁴²

And for a third time in less than a year on July 26, 2007 he again re-stated his desire to negotiate openly with the U.S.¹⁴³

Raul has long been considered a pragmatist and the reforms he has initiated since becoming president confirm this. The economic reforms include measures that also increase individual freedom:

Lifted ban on Cubans buying consumer goods such as computers, DVD players, microwave ovens and other electronic appliances previously prohibited due to an energy crisis.

Cubans can now stay at hotels and beach resorts previously reserved for foreigners only, ending a "tourism apartheid" that was a source of resentment.

¹⁴¹ Sullivan, “Cuba: Issues for the 110th Congress.”

¹⁴² Ibid.

¹⁴³ Ibid.

As of April 14, Cubans will be allowed to freely buy and use cellular telephones, something that had been available only to government officials and foreign companies.

Decentralized agriculture to allow private farmers more leeway to decide how to use their land, what crops to plant and what supplies to buy. Farmers granted leases to unused land.

Reduced bureaucracy for filling medical prescriptions and began revamping the family doctor program in response to complaints it was understaffed.

Removed ceiling on wages to create incentives for workers and improve Cuba's economic performance.¹⁴⁴

Additional reforms are expected to include allowing Cubans to buy and sell their cars and easing restrictions on travel abroad.¹⁴⁵ Raul's reforms are not only directed at Cuban individual freedom (e.g., lifting the ban on Cubans buying consumer goods, lifting the ban on so called "tourism apartheid" – Cubans not being able to stay in hotels or lifting the ban on Cubans being able to use cell phones), but his reforms are also aimed at the further liberalization of the Cuban economy (e.g., decentralizing agriculture and removing the ceiling on wages). And it seems as though this list of reforms is just the beginning of what appears to be an ever increasing liberalization of Cuba's economy and way of life. One of his most recent reforms speaks to that point directly. On April 11, 2008, Raul announced a major change to the state-controlled housing system. Now Cubans that previously rented their property will be allowed to own the title to their homes.¹⁴⁶

In less than two months, Raul Castro set into motion a comprehensive list of what seems to be the first of many future reforms. Raul's reforms have gone farther with respect to civil liberties throughout the short time he has been in office than Fidel's reforms during the height of Fidel's "Special Period" when Cuba's economic back was

144 "Factbox-Reforms by Raul Castro in Cuba," *Reuters*, April 10, 2008.

145 *Ibid.*

146 "Raul Castro To Let Renters Own Their Homes," *USA Today*, April 11, 2008.

against the wall. Fidel responded to the absence of Soviet aid with dollarization, increased FDI, increased tourism and increased foreign trade. However, civil liberty reforms like lifting the bans on consumer goods, cell phones, and home ownership are unprecedented in the Castro regime and would not have even been thinkable a decade ago. Fidel liberalized the economy only because he had to and backtracked on reforms that made economic sense if he thought they would affect his stranglehold on power. Raul's reforms, in contrast, have been implemented not in response to economic desperation – the economy is doing fine – but out of a firm belief in the value of economic liberalization (a position he has long held). As a result, the prospect of economic liberalization leading to political change is much higher under Raul's term in office than it was under his brother's term in office.

The overarching problem facing the next President is that even if all of the mitigating factors that explain Cuba's current transition were seen as plausible reasons to change the U.S.'s policy towards Cuba, he would not be able to change the policy. Under the Helms-Burton Act, the President can only take steps to "suspend" the embargo after consulting with Congress once a "transition government" is in place and can only take steps to "terminate" the embargo once a democratically elected government is in power.¹⁴⁷ Additionally, the President would have to report the status of Cuba's progress toward meeting the requirements of a democratically elected regime to Congress every six months.¹⁴⁸ The time between suspension and termination could conceivably be indefinite because termination is predicated on Cuba electing a democratic government as defined by Section 206, "Requirements for Determining a Democratically Elected Government." Most of the requirements are simply a reiteration of Section 205 (e.g., free and fair elections, respect for civil liberties, progress toward a market economy and progress towards an independent judiciary),¹⁴⁹ but the last one would more than likely be a deal breaker. Line item 6 stipulates that Cuba must make:

¹⁴⁷ Helms-Burton Act.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

demonstrable progress in returning to United States citizens (and entities which are 50 percent or more beneficially owned by United States citizens) property taken by the Cuban Government from such citizens and entities on or after January 1, 1959, or providing full compensation for such property in accordance with international law standards and practice.¹⁵⁰

The problem with this line item is the same problem that comes along with defining “transition government”—the language is definitive, there is no room for compromise, and the terms are unconditional. Raul’s offer to negotiate would more than likely include trying to come to an agreement about how to either “return” property or more than likely find ways to compensate those whose property was expropriated by the Revolution. But with no wiggle room for negotiation, it is certainly possible that the this line item alone could preclude the termination of the embargo.

Thus, it can be said that Cuba’s economy shows no sign of the collapse necessary for an overthrow of Raul’s communist regime and the triangular threat posed by the Venezuela, Iran and China vis-à-vis Cuba will continue to get stronger in time as long as the U.S. continues its embargo. And since the President’s executive power is rendered all but useless due to Helms-Burton’s restrictions, before the President can do anything to change the policy, the Helms-Burton Act must be repealed. Or alternatively, what Congress has done, Congress must undo. Currently the 110th Congress is considering several initiatives that would ease sanctions. Some of those resolutions are:

H.R. 177 (educational travel), H.R. 216 (Cuban baseball players), H.R. 217 and H.R. 624 (overall sanctions), H.R. 654, S. 554, and S. 721 (travel), H.R. 757 (family travel and remittances), H.R. 1026 (sale of U.S. agricultural products), H.R. 2819/S. 1673 (sale of U.S. agricultural and medical products and travel), and S. 1268 (development of Cuba’s offshore oil). S. 554 also would terminate U.S.-government sponsored television broadcasting to Cuba. Several initiatives would tighten sanctions: H.R. 525 (related to U.S. fugitives in Cuba), and H.R. 1679/S. 876 (related to Cuba’s offshore oil development)¹⁵¹

¹⁵⁰ Helms-Burton Act.

¹⁵¹ Mark Sullivan, “Cuba: Issues for the 110th Congress.”

These initiatives range from waiving restrictions on Cuban nationals coming to U.S. to play baseball (H.R. 216), to the lifting of family travel and remittances restrictions (H.R. 757), to the lifting of most of the economic restrictions (H.R. 624). Though these initiatives seem to perceive the need for a change in policy, they will all more than likely fail to get through both houses without a 2/3 majority; just like the slew of previous initiatives that have tried and failed to do the same thing.

That brings the discussion back to the presidential candidates and the future president elect. While Senator Obama supports a relaxing of travel and remittances restrictions as a carrot to the embargo's stick, he stops short of advocating immediate direct negotiations with the Cuban government. McCain does not support a change in policy until the Cuban government proves that it can meet democratic benchmarks. Neither advocates the repeal of the Helms-Burton Act. Thus it is not surprising that congressional legislation to ease sanctions fails to become enacted year after year.

If the policy towards Cuba is to change, it will be because of the vision and the leadership of the next president. The president will have to stop viewing Cuban foreign policy from a Cold War realist perspective shaped by the Helms-Burton Act's logic and definition of transition government. Instead, he or she will have to acknowledge that: 1) Raul Castro's regime is not going to be toppled by U.S. economic sanctions; and 2) the growing security threat posed by Venezuela, Iran and China is facilitated by the embargo. Then the president would have to articulate the urgency for a change in policy directly to the American people and create a congressional majority to support a change in policy. Raul Castro's regime has implemented a series of "democratic" and economic reforms since taking over the reigns of the Cuban government. The next president has the opportunity to seize upon Cuba's current "transition" by using his or her mandate to get Congress to repeal the Helms-Burton Act and restore executive power with respect to Cuban policy. Then the negotiation process can begin with the Cuban government and the democracy that the embargo and the Helms-Burton Act have failed to attain can be achieved.

THIS PAGE INTENTIONALLY LEFT BLANK

BIBLIOGRAPHY

- 2001 World Investment Report.” United Nations Conference on Trade and Development. http://www.unctad.org/en/docs/wir2001_en.pdf (accessed June 14, 2007).
- “A Nuclear Chavez?” *Investor Business Daily*, November 17, 2007.
- “Ahmadinejad in New York, Mubarak in Moscow,” *Mideast Mirror*, October 1, 2007.
- “Americans See Iran Greatest Threat to World Stability: Poll.” *Agence France Presse*, 2007.
- “Annual Threat Assessment and National Security Challenges,” U.S. State Department, January 11, 2007, <http://www.state.gov/s/inr/rls/79065.htm>, accessed December 13, 2007.
- Cata, Ernesto Hernandez. “The Fall and Recovery of the Cuban Economy in the 1990s: Mirage or Reality?” *IMF Working Paper* (2001).
- “Chavez Concedes Venezuela’s Constitutional Reform Lost in Photo Finish,” *Venezuela News*. <http://www.venezuelanalysis.com/news/2950>, accessed December 9, 2007.
- Clay, Charles. “SR 662 – Cuba – Opposing Lifting of any Sanctions,” March 5, 1998, http://www.legis.state.ga.us/legis/1997_98/fulltext/sr662.htm, accessed September 13, 2007.
- Clinton, William. “Bill Clinton on Sanctions Against Cuba.” Interview by Amy Goodman. *Global Policy Forum*. (November 8, 2000). <http://globalpolicy.org/security/sanction/cuba/00clintn.htm> (accessed September 13, 2007).
- Corrales, Javier. “Venezuela: Crowding out the Opposition.” *Journal of Democracy* (2007), 101.
- Corrales, Javier. “The Logic of Extremism: How Chavez Gains by Giving Cuba So Much.” *Inter-American Dialogue* (2005).
- “Country Reports on Terrorism.” U.S. Department of State. April 30, 2007. <http://www.state.gov/s/ct/rls/crt/2006/82736.htm> (accessed August 28, 2007).
- “Cuba Data Profile.” *World Bank*. World Development Indicators database, April 2008. <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=CUB> (accessed June 14, 2007).

- “Cuba Facts.” University of Miami, Cuba Transition Project, January 2007
http://ctp.iccas.miami.edu/FACTS_Web/Cuba%20Facts%20Issue%2028%20January2007.htm (accessed June 13, 2007).
- “Cuba’s De-Dollarization Program: Policy Measures, Main Objectives, and Principal Motivations.” <http://www.udel.edu/LAS/Vol7-2GonzalezCorzo.html> (accessed June 12, 2007).
- “Cuba’s Economy.” Global Security.
<http://www.globalsecurity.org/military/world/cuba/economy.htm> (accessed June 15, 2007).
- “Cuba’s International Economic Strategy Pays Off.” Lexington Institute.
<http://lexingtoninstitute.org/910.shtml> (accessed June 12, 2007).
- “Cuba’s Trade Balance with Main Partners.”
http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122460.pdf (accessed June 13, 2007).
- “Europeans on Cuba’s Foreign Investment Regime.” Lexington Institute (August 1, 2002). <http://lexingtoninstitute.org/969.shtml> (accessed June 12, 2007).
- “Executive Overview: Land Based Air Defence.” December 27, 2006.
<http://jsws.janes.com/public/jsws/index.shtml> (accessed December 11, 2007).
- Faber, Sam. “U.S. Policy and the Prospects for Cuban Democracy.” *Peace and Democracy* (1995): 14-16.
- “Fact Sheet: Encouraging Freedom, Justice and Prosperity in Cuba.” *The White House*. (October 24, 2007). <http://www.whitehouse.gov/news/releases/2007/10/20071024-7.html> (accessed April 27, 2008).
- “Factbox—Reforms by Raul Castro in Cuba,” Reuters, April 10, 2008,
<http://www.reuters.com/article/latestCrisis/idUSN10307408>, accessed April 24 2008.
- “Foreign Direct Investment in Cuba.” http://www.uscuba.org/02Spadoni_presentation.ppt (accessed June 15, 2007).
- Grogg, Patricia. “Nickel Still Number One for Cuba,” <http://www.caribbean360.com/News/Caribbean/Stories/2006/12/29/NEWS0000003879.html> (accessed June 13, 2007).
- “Growing Fears of a Nuclear Alliance Between Russia, Iran; Anti-Semitic Hatred on the Rise in Israel,” CNN, October 15, 2007.

- H.R. 927. "Helms-Burton Act. Library of Congress." <http://thomas.loc.gov/cgi-bin/query/z?c104:H.R.927.ENR:%20> (accessed September 17, 2007).
- Helms-Burton Act, <http://thomas.loc.gov/cgi-bin/query/z?c104:H.R.927.ENR:>, accessed June 19, 2008.
- Hughes, John. "Latin America's leftist regimes get cozy with Iran," *Christian Science Monitor*, February 15, 2006.
- "Iran-Cuba sign banking agreement." *Global Exchange* (February 19, 2006). <http://www.globalexchange.org/countries/americas/cuba/3768.html> (accessed September 13, 2007).
- "Issue #13 De-Dollarization." Lexington Institute. <http://lexingtoninstitute.org/911.shtml> (accessed June 12, 2007).
- Joaquín. Roy. "Cuba, the United States, and the Helms-Burton Doctrine," Gainesville: The University Press of Florida," 2000, 156.
- Knowlton, Brian. "U.S. Report says Iran Halted Nuclear Weapons Program in 2003," *International Herald Tribune*, December 3, 2007, <http://www.ihf.com/articles/2007/12/03/america/cia.php?page=2>, accessed 12 December 2007.
- McCain Hopes for Castro's Speedy Demise." *Agence France Presse*, February 22, 2008.
- Nunez, Elizabeth. "Iran and Venezuela Strengthen Ties as Chavez Defends Nuclear Program," *Associated Press*, September 16, 2007.
- Ocando, Casto. "Venezuela Military Shows Unease with Chavez," *El Nuevo Herald*, November 2007.
- Overview of Cuban Business Environment." US Cuba Trade Association, PowerPoint presentation, April 13, 2006 http://www.uscuba.org/02Spadoni_presentation.ppt (accessed June 15, 2007).
- Pape, Robert. "Why Economic Sanctions Do Not Work." *International Security* (1997):90-136.
- Perez, Miguel. "Founding the United States of Cubazuela," *Herald News*, Passaic County, NJ, October 2007.
- "President Bush Discusses Cuba." *The White House* (March 7, 2008). <http://www.whitehouse.gov/news/releases/2008/03/20080307-5.html> (accessed April 30, 2008).

- Purcell, Susan. "Cuba," in *Economic Sanctions and American Diplomacy*, ed. Richard Haass, NY: Council on Foreign Relations, 1998, 37.
- "Raul Castro to Let Renters Own Their Homes," *USA Today*, April 11, 2008, <http://blogs.usatoday.com/ondeadline/2008/04/raul-castro-to.html>, accessed 24 April 2008.
- Rice, John. "Former US officials criticize Cuba Policy." *The Associated Press*, April 19, 1997.
- Ritter, Archibald R. M. and Nicholas Rowe. "Dollarization and Dedollarization." in Dominick Salvatore et al. *The Dollarization Debate*. Oxford: Oxford University Press, 2003.
- Roberts, James. "If the Real Simon Bolivar Met Hugo Chavez, He'd See Red." *Heritage Foundation Report* (2007), 13.
- Romero, Simon. "Venezuela and Iran Strengthen Ties With Caracas to Tehran Flight," *The New York Times*, March 3, 2007.
- Roy, Joaquín. *Cuba, the United States, and the Helms-Burton Doctrine*. Gainesville: The University Press of Florida," 2000.
- "Rule by Decree Passed for Chávez," BBC News, January 2007, <http://news.bbc.co.uk/2/hi/americas/6277379.stm>, accessed 8 August 2007.
- Sanchez, Alex. "Pluralism Burst into the Western Hemisphere," Council on Hemispheric Affairs, November 16, 2007, <http://www.coha.org/2007/11/16/pluralism-reaches-the-western-hemisphere/>, accessed 11 December 2007.
- "Security Council Demands Iran Suspend Uranium Enrichment," Fox News, August 1, 2006, <http://www.foxnews.com/story/0,2933,206372,00.html>, accessed December 13, 2007
- "Sherritt Pledges Cuba Investment." http://www.rigzone.com/news/article.asp?a_id=46115 (accessed June 13, 2007).
- Shoultz, Lars. *Beneath the United States: A History of U.S. Foreign Policy Toward Latin America*. Cambridge, MA: Harvard University Press, 1998, 48.
- Smith, Wayne. "The State Department Presents No Evidence That Cuba is a Terrorist State." *The Center for International Policies*. <http://ciponline.org/cuba/Op-eds/050906StateDptPresentsNoEv.htm> (accessed June 17, 2008).
- Sobieraj, Sandra. "Bush Announces Tougher Line on Cuba." *The Associated Press*. July 13, 2001.

- “Statement by the President,” *The White House Office of the Press Secretary* (January 5, 1999). http://www.state.gov/www/regions/wha/990105_clinton_cuba.html (accessed 2008).
- Sullivan, Mark. “Cuba: Issues for the 110th Congress.” *CRS Report for Congress*. (August 21, 2007). <http://www.fas.org/sgp/crs/row/RL33819.pdf> (accessed April 27, 2008).
- Sullivan, Mark. “Cuba: U.S. Restrictions on Travel and Remittances.” *CRS Report for Congress*. (May 3, 2007). <http://www.fas.org/sgp/crs/row/RL31139.pdf> (accessed April 27, 2008).
- “The CIA World Factbook,” Central Intelligence Agency. December 6, 2007, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>, accessed December 13, 2007.
- “The CNN Democratic Presidential Debate in Texas.” *CNN* (February 21, 2008). <http://www.cnn.com/2008/POLITICS/02/21/debate.transcript/index.html?iref=newssearch> (accessed April 22, 2008).
- “The Ties that Bind China, Russia and Iran,” *Asia Times*, June 4, 2005, <http://www.atimes.com/atimes/China/GF04Ad07.html>, accessed December 13, 2007,
- The White House Office of the Press Secretary, “Statement by the President,” January 5, 1999, http://www.state.gov/www/regions/wha/990105_clinton_cuba.html, accessed 24 April 2008.
- Traub, James. “The World According to China,” *The New York Times*, September 3, 2006.
- “U.N. Profiles of Small Developing States.” United Nations, UN Statistics Division, <http://www.un.org/special-rep/ohrlls/sid/SIDS-states/profiles/cuba.htm> (accessed June 14, 2007).
- “U.S. Trade Balance with China.” *U.S. Census Bureau*. <http://www.census.gov/foreign-trade/balance/c5700.html#2008> (accessed April, 27, 2008).
- UN Data, <http://data.un.org/Data.aspx?q=cuba&d=CDB&f=srID:29939;crID:192>, accessed 4 May 2008.
- “Venezuela Continues to Purchase Russian Weapons,” *Power and Interest News Report*, October 25, 2007, http://www.pinr.com/report.php?ac=view_report&report_id=707&language_id=1, accessed December 3, 2007.

“Venezuela-China Joint Oil, Gas investment to reach \$5billion,” EFE News, September 15, 2007,
<http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=50493&nav02=43813&nav01=43092>, accessed December 13, 2007.

WTO World Tourism Barometer. World Tourism Organization, Madrid, Spain, June 1, 2003. <http://www.unwto.org/facts/eng/pdf/barometer/june2003.pdf> (accessed June 14, 2007).

Zimbalist, Andrew. “Dateline Cuba: Hanging on in Havana,” Foreign Policy, 1993, 155.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
Ft. Belvoir, Virginia
2. Dudley Knox Library
Naval Postgraduate School
Monterey, California