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# THE CUBAN EMBARGO

Why US Sanctions Fail and What To Do About It

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**Abstract**

The Cuban embargo seems to have become a staple of US-foreign policy, however, there has yet been no democratic transition on the small island nation. This research article seeks to answer the questions: ‘why did the embargo fail?’, ‘what are/should be its goals?’, and ‘what can be done to create a more effective policy?’ In order to establish effective policies with Cuba, the United States must rethink the goals, purpose and reactions of the current and past sanctions and actions that have been put into place. This paper discusses the strengths and weaknesses of US foreign policies toward Cuba including the failure of the embargo to block hard currency remittances from reaching the Cuban government. Further, the research suggests implementing potentially more effective policies as well as highlighting which policies to avoid. The ultimate realization is that in order to create change in Cuba, it may be time to implement a hybrid foreign policy that incorporates both more effective sanctions and meaningful (and consistent) engagement in order to produce a more democratic Cuba.

## Introduction

An embargo is an act of government designed to cut off finances in order to encourage change or express displeasure. The idea is that cutting off economic ties with an economy will thus injure the sanctioned nation and force their government to make changes requested by that sanctioning nation. However, in the case of the US embargo against Cuba the policies have failed to cut off the economic ties or make favorable policy transformations in Cuba. The US embargo against Cuba acts much like a sieve, catching only some island-bound funds while the better half of such funds pass through its pores. There has been no significant move toward democratization in Cuba on the part of the Cuban people, and neither the engagement policy of European nations nor the exclusion from the United States economy has brought about change. This failed policy needs examination and repair. A nation ought not to replace embargo policy with a policy of engagement when engagement shows no greater promises of bringing about Cuban democratization. Instead, the first action needs to be closing-up the loopholes in the embargo that render it ineffective at reaching its primary goal of blocking flows of hard US currency into Cuba. Furthermore, one must examine the aspects of engagement policies that have been used and the results they have achieved toward a peaceful democratic transition in Cuba before simply giving up on decades of sanctions. In this paper, the strengths and weaknesses of policies will be discussed at length as well as what sort of policies can be more effective in the future.

## Background

The embargo began during the Cold War era, in response to Cuba's emergence as a perceived threat to democracy, and can be viewed as a tangible attempt by the United States to strangle the Cuban economy into submission. From the beginning, the Cold War conflict brought the differences between the democratic and communistic ways of governance to a head. Cuba, as a Communist sublet of the former Soviet Union, seemed a substantial threat to the American way of life. Being located so near to US soils and at one point even possessing nuclear weapons from the Soviet Republic, the Caribbean country inspired fear in the hearts of American officials. Fear of communist proliferation through guerrilla warfare, and worse, nuclear warfare, ensured that tensions would run high between the two nations.<sup>1</sup> The US was not alone, however; the entire Organization of American States (OAS), with the sole exception of Mexico, "blocked diplomatic trade relations with Cuba" in response to Castro's new regime.<sup>2</sup> Although the United States was not alone in its lack of enthusiasm toward the newly founded Cuban leadership, the US was the only nation that codified into law an



<sup>1</sup> "The Cuban Missile Crisis was perhaps the pivotal moment of the Cold War era. It left an indelible mark on the psyches of all Americans..." Rothkopf, David. "A Call for a Post-Cold War Cuban Policy...Ten Years after the End of the Cold War. *Cuba: The contours of Change*. pp. 105

<sup>2</sup> Spadoni, Paolo. "The US Embargo and the Helms Burton Law."

official embargo against Cuba. Action started as early as September 4, 1961, when the US Congress passed the Foreign Assistance Act of 1961. By February 7, 1962, John F. Kennedy declared an embargo on all trade with Cuba.<sup>3</sup> Ever since, there has been a trend of the US tightening economic sanctions against Cuba.

The goals of the US sanctions against Cuba have changed and evolved over time. In the beginning, they arose as a response to an immediate threat to American ideals. Due to the fall of the former Soviet Union, this threat is no longer the crisis it once was. Without the Soviet Republic's aid, Cuba found itself lacking resources and, more importantly, unable to fund a strong military. Even after the fear of a direct Cuban attack on the US allies subsided, US sanctions remain remarkably stable and embedded into US policy. Over time, they have been growing in their scope and austerity. More important, however, are the goals and aims of the modern policy and its effects on US-Cuba relations.

Many critics of US sanctions argue that the "embargo has remained essentially unchanged since Washington initially imposed it in 1961." On the contrary, it is important to realize that today the goal of the embargo has become facilitating a transition toward democracy and *laissez-faire* economic policy.<sup>4</sup> One of the primary ways in which the embargo seeks to do this is by breaking the ability of the Cuban government to be the provider of goods and services, to "help level the playing field" between Castro's regime and the Cuban people.<sup>5</sup> In control-governed economies, the government controls the distribution of resources. Through this distribution of resources, the government derives and displays its power. Additionally, because the Cuban people receive what they need to survive from their government, the government wins a sort of legitimacy: although the citizens are not rich, they are at the same time not starving.

The former Soviet Union served as Cuba's crutch by providing favorable trading terms and financial aid that helped improve the standard of living on the tiny island while exporting communist revolutionary movements into Latin America and the Caribbean. The USSR financed much of the Cuban government's needs throughout the Cold War era; the actual economy of Cuba was quite dependant upon the aid it received. When the former Soviet Union fell from its economic pedestal, the aid to the Cuban economy would also cease, bringing forth a number of economic problems for Cubans. Cuba was unable to maintain for its citizens the standard of life that they had become accustomed to having while under Soviet influence. Cubans refer to the economic depression that ensued as the "Special Period."<sup>6</sup> During this period, there was a marked combined impact of not only the loss of Soviet aid, but also a tightening of US embargo policies that forced Cuba into a period of economic reform. Although the degree to which the US's embargo actually served as an impetus to economic reform is proportionally much smaller, it is undeniable that it is likely to have played a role in not only the speed with which the reforms came, but also the extent to which the economy was reformed.

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<sup>3</sup> Purcell, Susan and Rothkopf, David "Chronology of the US Embargo against Cuba". Cuba: The Contours of Change. pp 133-138.

<sup>4</sup> Susan Kaufman Purcell discusses false assumptions of many of the embargo's critics in "Why the Cuban Embargo Makes Sense in a Post Cold War World"

<sup>5</sup> Ibid.

<sup>6</sup> Ana Julia Jatar-Hausmann describes the "Special Period" or *el periodo especial* as leaving Havana looking like "a war-torn city, full of fears, needs, and frustrations." There was rampant unemployment that the government answered with sending 60% of salaries to workers as they sat at home. Even with this money, there were more pesos in pockets than goods to buy. The period was marked by skyrocketing prices on the black market where most people would have to shop to survive. The period lasted from 1989 until 1993, during which time the economy went into "free fall." *The Cuban Way*. (pp. 41-54)

Overall, the embargo has yet to yield a democratic or capitalist Cuba. Perhaps the original goals of the embargo have been too ambitious, and perhaps, more importantly, the extent to which communist rule in Cuba pervades has also not been properly taken into consideration. As Fidel Castro takes a backseat role in leading the Cuban government as he fights his illness, his brother Raul has stepped up as the leader of the Cuban government with a relatively seamless transition.<sup>7</sup> This seems to erase the hopes that a rapid move toward democracy would follow Fidel's death. On the contrary, it seems that recent policy aims at reasserting control to crack down on the widespread theft and waste of government resources.

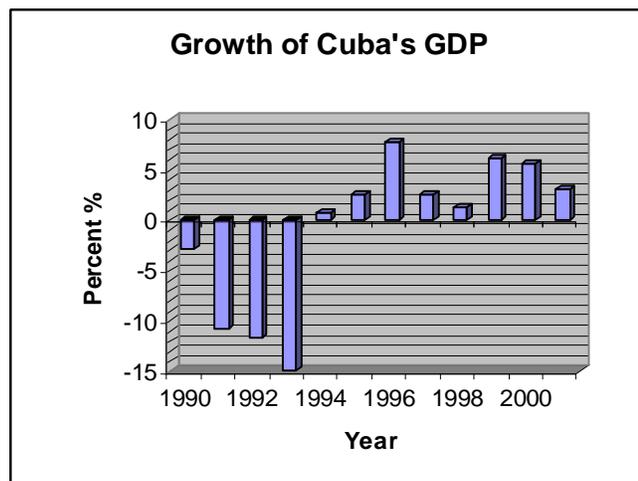
Since current sanctions are not bringing about the desired changes, many recommend that the US change its policy to one of economic engagement. However, this sort of policy has been used elsewhere and not changed the situation in Cuba any more than has the embargo. (The specifics of this issue will be discussed at length in the "Why Engagement Fails" section of this piece.) Still, support for the embargo is virtually non-existent in the global community, and the portion of voters in the United States calling for change is ever increasing. A well-aimed set of policies will have to be developed, and the inconsistencies in economic sanctions must be eliminated if there is any hope for a true democratization of Cuba.

### Cuban Economic Reforms and the Post-Cold War Embargo

During the early 1990s Cuba underwent a series of economic reforms that introduced limited levels of market economics and entrepreneurial business into the Cuban economy. Reforming the economic structure, however, was not a representation of any shift in ideological structure in the government of Cuba. These reforms were simply an act of desperation.

Comparatively, the comprehensive reforms that Communist parties in China and Vietnam undertook undermined Central Planning.<sup>8</sup> It seemed certain that Castro's government would quickly fold under the financial pressures that resulted from the exclusion from the US economy and the destruction of the Soviet's economy. The very cornerstones of Communism had failed in the eyes of most of the world.<sup>9</sup> Nevertheless, this was not the case in Cuba. Instead of admitting any problems with the Cuban government, Castro asserted that the failure of the USSR displayed a problem in leadership, not a problem with central planning. It was clear that he would have to react quickly if the regime was going to survive.

Survival forced the Cuban government to implement policy changes. Six major reforms are responsible for taking Cuba out of the "Special Period" and into a time of modest economic



<sup>7</sup> Windrem, Robert. *How would Raul Castro govern?* "Fidel Castro is not dead, but unlike other authoritarian regimes, Cuba already has the transition scoped out and the successor anointed: Raul Castro, the president's younger brother and Cuba's defense minister."

<sup>8</sup> Central Planning refers to direct government guidance/control over the economy (or a large portion thereof).

<sup>9</sup> Marifeli Perez-Stable. *The Cuban Revolution* (pp 174-201) "The sudden disappearance of Soviet trade, credit, and aid hastened the shortcomings of central planning that were apparent in by the mid-1980s."

growth. The first of these six ‘fixes’ was the 1993 legalization of foreign currency-holding by Cubans. This policy opened the door to remittances. As for many countries in the Caribbean Basin, “remittances are an important element of the nation’s foreign exchange earnings.”<sup>10</sup> These remittances raise the standard of living in Cuba substantially. They accomplish this disproportionately; the money only really benefits the Cubans who have family abroad and whose family can afford to send money. Still, they represent a significant revenue flow for small entrepreneurs, farmers’ markets, and the farmers and the cooperatives who supply them with goods. Ultimately, however, all of this hard currency ends up going to the Cuban government in dollar stores.<sup>11</sup>

The second ‘fix’ was Cuba’s encouragement of foreign investment. Cuban officials set policies that allowed foreign investors to form joint ventures with Cuban ministries and state enterprises. Cuba built a tourism industry nearly from the ground up and used foreign investment to “boost mineral and energy production and improved telecommunications...”<sup>12</sup> For example, they harnessed natural gas for electricity. The gas had previously been wasted and simply burnt off, providing no benefit. This sort of inefficiency that goes overlooked for so long again calls into question the function and strength of central planning, but in Cuba, the reality was that citizens saw progress.

The third major reform was the revival of agriculture. The government set about giving incentives to farmers through three basic actions: redistribution of state lands, increased production (selling surplus on the open market), and opening farmers’ markets. These have been successful measures; however, this agricultural sector is still an area that requires improvement. The Cuban diet falls short of recommended levels of some nutrients.<sup>13</sup>



The fourth ‘fix’ was the replacing of sugar with tourism. The sugar market had evaporated since the fall of the former Soviet Union. The Soviets had been purchasing the Cuban sugar in exchange for oil at favorable prices, but when this market stopped existing, the bottom gave way. There was simply nobody to sustain the sugar sales. The less efficient half of the sugar mills shut down. In order to make up for the sugar industries’ loss, policymakers in Cuba set out to develop tourism to take up some of the slack in the economy. They developed three kinds of destinations: beach resorts, centers of colonial architecture, and co-tourism. The industry has since created a great deal of jobs and money coming into Cuba from abroad. As sugar production continued to shrink, the tourism industries continued to grow and flourish (until leveling off in the early 2000s).

<sup>10</sup> Philip Peters. *Survival Story*.

<sup>11</sup> Dollars must be converted into CUCs (Convertible Pesos) in order to be spent legally. In doing so there is an unfavorable exchange rate and ultimately, the dollars end up in the hands of the Cuban Government. The CUCs are often referred to by Cubans as Chevitos (monopoly money).

<sup>12</sup> Philip Peters. *Survival Story*

<sup>13</sup> “While the Cuban people survive with enviable resilience and humor, food security in Cuba remains a gravely serious matter, particularly for those with no access to foreign currency which goes a long way in alleviating the pressure of providing adequate food with severely limited resources. With the awareness that their necessary efforts to secure their basic needs have been reduced to a punchline, few on the island are laughing.” University of Miami. “Food Security and Nutrition in Cuba.” < <http://www.netforcuba.org/FeatureSection-EN/FoodSecurity.htm>>

The fifth item reform that became clearly necessary was cutting costs in state-run enterprises. The success of state enterprises required a look at why many of them were performing so inefficiently. The government cut subsidies to state organizations considerably, and they continue to reduce these subsidies each year. In order to make its businesses more efficient, the government introduced an incentive based pay system. Today, 73% of the workforce receives pay under an incentive based pay schedule.<sup>14</sup> The idea is that the enterprises become more fiscally responsible in a seemingly capitalist sense of the word.

Allowing small enterprise was the sixth and final major economic reform made in response to the “Special Period.” In 1993, Cuba legalized self-employment in over 150 occupations. There are about 153,000 licensed entrepreneurs, about 4% of the economy, but several times that number work unlicensed.<sup>15</sup> This sector of the economy is highly restricted. For example, restaurants may have only 12 seats and may not serve beef or shellfish. This portion of the economy is successful relative to state positions. This success is only marginally better than jobs in state enterprises because the state strictly regulates entrepreneurs and there are high levels of competition within the new private sector. Entrepreneurs earn about 3 times the average state salary according to a recent survey.<sup>16</sup>

The effect that the US embargo had on these reforms is an important subject of discussion in understanding the degree of effectiveness of the foreign policy. Since this has been the only significant policy change toward Cuba, it is important to look at not only why it came about, but also what caused the shift toward market economics to stop. The action taken by the US government during the Cuban economic crisis aimed to exacerbate Cuban circumstances (forcing a collapse of the government). Congressional representative and Democrat Robert Torricelli introduced the Cuba Democracy Act of 1992, which the Congress then passed into law. The law made the embargo tighter by prohibiting US corporations from trading with Cuba, prohibiting foreign vessels that had entered Cuban ports for the purposes of trade from doing business in the US for 180 days, and further restricted who could spend money in Cuba without permission from the US Treasury Office.<sup>17</sup>

Sanctions placed by the United States were not the impetus for economic reforms. The state of affairs caused the economic reforms in Cuba. The fact that so much of Cuba’s economy relied upon relations with the former Soviet Union was the biggest determining factor in the position that Cuba ended up in. Still, US sanctions did work to make matters worse for Cuba. This in turn may be attributed to the increasing degree to which the Cuban economy was forced to open up. Castro’s regime moved further toward a market economy than they would have preferred. Relative to China and Vietnam, this shift was tiny. Still, it was a movement that represents a tiny step toward democratization. Unfortunately for the United States and supporters of democracy, the movement toward market economics was short lived. This is because, in large part, the reforms worked. Cuba was able to take itself out of a critical economic situation.<sup>18</sup> No longer under an economic crunch, the Cuban government has reverted to control policies and have no need to expand a market shift.

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<sup>14</sup> Peters, Philips. *Survival Story*.

<sup>15</sup> Ibid.

<sup>16</sup> Peters, Philip. *Survival Story*. pp.15

<sup>17</sup> Purcell, Susan. “Why the Cuban Embargo Makes Sense in a Post Cold War World.” pp. 83

<sup>18</sup> Ana Julia Jatar-Hausmann. *The Cuban Way*. pp. 62: “The reforms gave the government and Cubans, room to breathe.”

### Torricelli, Helms-Burton, and the Rest of the World

Much to the chagrin of the US, many countries in Europe and even Canada began to increase their foreign investment in Cuba in the 1990s. The combined economic impact of all of these countries on Cuba helped upset the goals of the embargo. More importantly, however, the fact that the whole world seems to have normalized relations with Cuba often puts the United States on the spot, and in a defensive position with regard to economic sanctions.<sup>19</sup> It was the passage of the Cuba Democracy Act (CDA) in 1992 that caused European nations to grow angry at the US's ongoing 'economic war' against Cuba. The CDA targeted subsidiaries of US-internationals<sup>20</sup> trading with Cuba, creating a potential loss of trade between the EU and Cuba valued around \$600 million.<sup>21</sup>

By 1994, the EU nations made up 84% of all Cuban imports and 29% of Cuban exports. Senator Jesse Helms and Representative Dan Burton set out to make sanctions even harsher. Together they drafted a law aptly referred to as the Helms-Burton Act that would make trade between US subsidiaries in Europe unable to do business in Cuba. At first, the likelihood of the Helms-Burton Act actually passing was quite low. That is, until Cuban fighter jets shot down two unarmed civilians from Miami (belonging to a Cuban exile group, Brothers to the Rescue). Even this action did not diminish the Europeans' confidence that engagement was the best way to encourage reforms in Cuba. What it did do, however, was to cause the White House to react to the criminal act with condemnation.<sup>22</sup> The US's reaction ultimately extended to a decision to embrace the Helms-Burton Act, a resolution that had two effects. One side of the coin is the effect that this had on the relations between the US and its allies. The other side is the effect that it had on Cuba. Oddly, although it seems to have curbed some foreign investment<sup>23</sup>, the Act paradoxically rallied up support for Castro.<sup>24</sup> The Cubans did not appreciate a foreign government stepping into their affairs and trying to prevent them from receiving investments.

Still, Cuba manages to attain foreign investment contrary to the United States efforts. Europe is inclined to a policy of engagement, a policy that many feel is best to bring about change in Cuba. The reality is, this policy has been in place for quite some time and there has yet to be any sort of shift toward democratization. In fact, quite the opposite seems to be occurring. Cuban officials are cracking down on entrepreneurs and making strides in a generally reverse direction. Europe has little leverage with which to pressure Cuba into change, and, because of some businesses being integrated into Cuba, there is not too much they could sanction without risking the wellbeing of their business sectors involved in Cuba. What is most notable about the Helms-Burton Act, however, is that it provided the first direct recommendation of removing Castro from power. It also stipulated the criteria that Cuba must meet in order to satisfy the US. The Helms-

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<sup>19</sup> "U.N. General Assembly voted overwhelmingly Wednesday to urge the United States to end its 45-year-old trade embargo against Cuba... It was the 15th straight year that the 192-member world body approved a resolution calling for the U.S. economic and commercial embargo against Cuba to be repealed "as soon as possible." Edith M. Lederer. *End Cuban embargo, U.N. urges U.S.* Miami Herald.

<://www.miami.com/mld/miamiherald/news/world/cuba/15965793.htm>

<sup>20</sup> This refers to companies with a base in the US as well as abroad.

<sup>21</sup> McGillion, Chris. "Inter-Alliance Conflict: Cuba, Europe, and America's Global Reach." *Cuba the United States, and the Post Cold War World.* pp. 99

<sup>22</sup> McGillion. . "Inter-Alliance Conflict: Cuba, Europe, and America's Global Reach." *Cuba the United States, and the Post Cold War World.* pp 108

<sup>23</sup> "Foreign companies' decisions against investing in Cuba are known only because they originally announced their intention to invest and subsequently changed their minds." Purcell, Susan. *Why the Cuban Embargo Makes Sense.*

<sup>24</sup> "Cubans may disagree with their government, and they have been doing so with passion. But the Helms-Burton Law has turned much of this disagreement into support. Ana Julia Jatar-Hausmann. *The Cuban Way.* pp. 137

Burton listed such provisions as “1) a democratically elected government; 2) release of all political prisoners; 3) progress in moving toward a market economy; 4) progress in returning properties confiscated by the Castro regime to U.S. citizens, including properties of those who were Cuban citizens at the time of the expropriation; and 5) stop the jamming of jam Radio and TV Marti, even though they are operating in violation of the International Broadcasting Convention.”<sup>25</sup> The policy outlined in harsh terms exactly what changes the embargo aimed to facilitate in Cuba; however, the creators of Helms-Burton still have not seen the reaction in Cuba that they had urged. One possible problem with the Helms-Burton Act is that it excludes the possibility that free and fair elections could yield the result of Castro or his party winning the election. The US needs to expect much smaller steps from Cuba. Cubans ought to be encouraged to have elections, and if Castro were to win, the Cubans and the Americans alike should be proud to know that the uncorrupt and fair execution of an election signifies a great degree of democratic progress.

### **How the US is Cuba’s #1 Source of Hard Currency**

Dead among the ashes of economic warfare, the embargo fails to prevent the channeling of hard currency from the US into Cuba. US funds find their way into Cuba through the following vehicles: US visitors to Cuba, remittances, US telecommunications payments, US food exports, and investments. Thus, one must question if the embargo is indeed effective in meeting its primary objectives. If so much hard currency is making it to the island, and the primary goal is to prevent that from happening, one must conclude it is not effective. Tourism is one of the largest sectors of the Cuban economy. Despite regulations and laws making it difficult to travel to and spend money in Cuba, the US has become the nation representing the second most tourists in Cuba. Further, even when faced with tougher scrutiny and indirect flights, the number of US tourists traveling to Cuba is rising continually. In fact, in 1999, President Clinton streamlined the process of travel abroad for students, athletes, and artists (among others) to help promote people-to-people interaction between the US and Cubans.<sup>26</sup> This was seen as a way to promote democracy and open discourse. Nevertheless, tourism is a whole in the embargo that the US must face.

Since 1999, the travel restrictions have continually tightened. Gift parcels and religious travel are now more tightly restricted. However, there are ways to travel to Cuba. Individuals may travel to Cuba with a “General License” if they are:

- US government officials, foreign governments, certain intergovernmental organizations traveling on official business (31 CFR 515.562)
- Journalists or news reporters (31 CFR 515.563)
- Full-time professionals conducting research (non commercial, academic only) or attending professional meetings or conferences (31 CFR 515.564)

And a “Specific License” if:

- Visiting an immediate family (not to exceed 14 days once in a three year period) (31 CFR 151.561)
- Persons visiting an immediate family member, who is not a national and is in exigent circumstances (31 CFR 515.561)
- Free-lance journalist (31 CFR 515.563)

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<sup>25</sup> Spadoni, Paolo. The US embargo and the Helms Burton Law.

<sup>26</sup> Spadoni, Paolo. *US Financial Flows in the Cuban Economy*. pp 87

- Professional researcher undertaking research or attending a professional meeting not qualifying for a general license (CFR 515.564)
  - Specific institutional license for students and employees of universities up to one year (CFR 515.565)
  - US religious organization undertaking religious activities in Cuba (max of 25 individuals once a year) (31 CFR 515.566)
  - Amateur or semi-professional athletes participating in competitions (selected by US competition) (31 CFR 515.567)
  - Those traveling to promote Cuban rights, or transition to democracy (31 CFR 515.574)
  - Those involved in humanitarian projects in Cuba (i.e. medical, environmental, civil) (31 CFR 515.575)
  - Private foundations or research with established interest in international relations and Cuban data collection (31 CFR 515.576)
  - Those involved in importation, exportation, or transmission of informational materials (31 CFR 515.545)
  - Those involved in sales, accompanied delivery, service or marketing of authorized US exports (31 CFR 515.533 and 31 CFR 515.559)
- Data from CRS Report for Congress*<sup>27</sup>

If tourism has a democratizing effect, then the US ought to consider the deregulation of travel. If it does not, or the costs are too high, the US must close the hole in its policy. Certainly, the sort of halfway policy (whereby the US supports yet sanctions against travel) does not have much consistency in its logic as it tries to prevent travel while promoting discourse. Tourism is not the largest fissure in the embargo's function, though; the single largest source of hard currency in Cuba is remittances. This is because tourism is relatively inefficient relative to a remittance, which is a free handout with no labor input required.

Access to hard currency in Cuba is practically essential to survival. The government supplies only a small basket of food staples in a package to families. It is necessary to have a quality life and sound nutrition to purchase goods from stores using CUCs, or convertible pesos that they have converted from dollars. Currently, the US policy allows for quarterly remittances of \$300 and "are now restricted to members of the remitters family and may not be remitted to certain government officials and certain members of the Cuban Communist Party."<sup>28</sup> In addition, an authorized traveler may carry only \$300.<sup>29</sup> Most Cubans use remittances in dollar stores to purchase food and clothes. To a lesser extent, the remittances are also used at free farmers' markets.<sup>30</sup> The remittances represent a significant portion of the Cuban economy too. Since the remittances end up going to the government through dollar stores, remittances end up representing a large portion of the government's hard currency income. In fact, remittances represent as much as 20% of all dollar revenues of the Cuban population.<sup>31</sup>

### **Failure of Engagement**

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<sup>27</sup> Sullivan, Mark. "Cuba US Restrictions on Travel and Remittances." CRS Report for Congress. August 30, 2006. <<http://www.fas.org/sgp/crs/row/RL31139.pdf>

<sup>28</sup> Ibid.

<sup>29</sup> Ibid. "This reversed OFAC's March 2003 changes to the regulations that had increased the amount that authorized travelers could carry to Cuba, from \$3000 to \$300."

<sup>30</sup> Spadoni, Paolo. *US Financial Flows in the Cuban Economy*. pp. 90

<sup>31</sup> Ibid. – Figure by Cuban economists; an "at best" figure

Europe has been practicing a policy of engagement and has taken opposition to the US embargo against Cuba. It is the sentiment that the best way to bring about change in Cuba is through engagement, economic connectivity. However, there has been no change in Cuba. When looking at the organization of the state, one sees that Fidel's (and Raul's) government is a textbook example of a highly centralized system. It is illogical to attempt an unconditional engagement with a dictatorship. Without private groups, political parties, labor unions, or a free press, a policy of engagement only further tilts power into the hands of the government and helps solidify the status-quo.

One example of how engagement fails is that there has been no change in the Cuban regime, no opening of Cuban politics and no shift toward market economics. At a smaller level, the failure of the engagement is displayed in Canada's attempt to reassess the situation in Cuba. In light of the 1996 wave of repression against human rights in Cuba, Canada began exerting diplomatic pressure on the island. The prime minister of Canada, Jean Chrétien visited Cuba in hopes of encouraging Castro to open up his system in exchange for Canadian criticism of the US's embargo and a call for economic engagement with Cuba. The results, however, were that the "prime minister was publicly humiliated by the Cuban leader."<sup>32</sup> Castro simply used his visit to lambaste the US while the prime minister stood at his side.

### **What to Do and Expect**

Simply ending the embargo in favor of engagement would be a leap in policy action, a leap that ought not be taken without first exploring other options. In taking the route of engagement, specifically economic engagement, it would be inconvenient, if not virtually impossible, to re-attain an embargo policy. That is, if the engagement policy fails just as it has for other nations, then the US will have forgone all advantages that it has worked to create, and would not be able to get back its leverage. If US businesses become involved in Cuba and own land or factories there, it would be virtually impossible to step back from such a change. It is clear that the embargo is not working as well as anyone in the US would like. Nevertheless, it is also clear that an untested radical change of policy, from which there is no easy way to rewind back to embargo policy, does not make sense without first trying to fine-tune the policies that exist.

First, it is necessary to close the gaps in the sieve that is the embargo. Remittances constitute a large portion of the hard currency that flows into Cuba. These remittances are pushed into Cuba by the Cuban Americans sending money to their families abroad. The remittances undo the embargo's very goals; the money goes straight to the Cuban government in dollar stores at rates unfavorable to the Cubans. In order to reduce remittances one cannot simply place caps on the amount that can be sent because people are already sending more than is legally allowable anyway. Instead, migration of Cubans into the United States needs to be limited.

Immigration needs reevaluation because political oppression is no longer the catalyst for fleeing Cuba. There is a new kind of immigration. Cubans who move to the United States do so because of economic reasons. Indicators suggest that immigrants from Cuba are beginning to resemble those arriving from other Caribbean countries.<sup>33</sup> The 'boat people' caught by the Coast Guard and returned to Cuba survived their return to make the trip again. Such common occurrences show that Cubans fleeing Cuba are not left in jail to rot and are not killed nor otherwise threatened. The US then has no reason to continue to accept so many Cuban migrants.

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<sup>32</sup> Purcell, Susan. *Why the Cuban Embargo Makes*. Pp 94-95

<sup>33</sup> Falcoff, Mark. *Cuba the Morning After*. pp168-169

A higher number of Cuban migrants equates to more remittances going back to the Cuban government.

Without the addition of US currency into the Cuban economy, the government will face a great deal of economic difficulty. Logically, in order to meet the needs of its people it will follow the path it had during the “Special Period” and out of necessity implement further economic reforms. The success of a market-based economy will help to foster the underpinnings of a democratic society. In going this route there needs to be a clear goal in US foreign policy. The US needs to be willing to give praise for movement toward market economics and any step toward a Cuban government that can coexist peacefully with the ideals of the US. This is why the Helms-Burton Act needs another look. The reactionary policy is too strong to be consistent with the goals of the United States. All at once, the policy is one that is unwilling to allow flexibility in the transition of Cuba. Further, either the law should be re-written in positive terms, or it ought to be stricken from US policy.

The interactions in tourism are credited as being an exchange for ideas and things. However, if European nations are already engaging in tourism, then the ideals of democracy are finding their ways into the Cuban society. That said, the single area in which the US could make steps toward engagement is in tourism. The US opening tourism to Cuba would have many effects. Besides the obvious inflow to the economy, it would introduce a big incentive for making steps toward democracy. That is, the US government can easily re-establish sanctions banning travel to Cuba without the sort of difficulty there would be in untangling US investment or other forms of economic engagement.

### **Conclusion**

Neither the embargo nor the engagement policy has produced a legitimate and tolerable Cuba in the Post-Cold War world. The US must work to maintain its leverage while integrating a policy that promotes positive change in Cuba. A nation ought not to replace embargo policy with a policy of engagement when engagement shows no greater promises of bringing about Cuban democratization. Instead, the first action needs to be closing up the loopholes in the embargo that render it ineffective at reaching its primary goal of blocking flows of hard US currency into Cuba. Furthermore, unconditional engagement must be avoided. US lawmakers need to create a modern hybrid policy to promote a peaceful democratization of Cuba. As power in Castro’s rule of Cuba is turned over to Raul, Cuba will continue to remain communist and centralized. It is not the single ruler system that it was once thought to be. Now, US policy requires reevaluation if there is to be a peaceful transition to democratization in Cuba, with the appropriate first step being for the US to enforce a reduction of immigration from Cuba.

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