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Before the

House Committee on Energy and Commerce

Subcommittee on Commerce, Trade, and Consumer Protection

Hearing on

“Examining the Status of U.S. Trade with Cuba and Its Impact on Economic Growth”

April 27, 2009

My name is Geoff Thale, and I am the Program Director of the Washington Office on Latin America (WOLA). I founded WOLA's program on U.S. Cuba policy in 1995, and have directed it since. I have accompanied three Congressional delegations to Cuba, traveled to the island a dozen times, and have written and spoken extensively about Cuba itself and about U.S. Cuba policy. I have worked professionally on issues of human rights, democracy, and development in Latin America for more than twenty years. I appreciate this opportunity to testify before the Subcommittee on Commerce, Trade, and Consumer Protection about the status of U.S. trade with Cuba.

The Washington Office on Latin America is a U.S. non-profit, non-governmental organization that promotes democracy and socio-economic justice in Latin America and the Caribbean, through analysis and foreign policy proposals informed by strong partnerships with civil society counterparts in the region. Since 1974, WOLA has monitored issues of human rights and democracy in Latin America, and has provided information and analysis to Congressional offices, the Administration, and the general public about conditions in the region and the impact of U.S. policy.

This hearing focuses on the status of U.S. trade with Cuba. There is, in fact, almost no U.S. trade with Cuba today. The United States has prohibited trade with Cuba, and U.S. investment in Cuba, since the early 1960s, as part of a broad embargo that forbade most travel to Cuba, and suspended diplomatic relations.

We believe that the U.S. embargo on Cuba hurts domestic U.S. economic and political interests, without bringing us any foreign policy benefits. WOLA believes that it is the interest of the United States to take steps to end the embargo and move toward unrestricted travel, and normal trade and diplomatic relations. There is no question that increased trade would be economically beneficial to the United States. In the context of normal trade and diplomatic relations, in which we are actually talking to Cuba, and have some potential influence with them, we will be in a better position to raise concerns about human rights and democratization that we cannot meaningfully raise today.

I bring a background as a human rights advocate to this hearing, and I would like in my testimony to talk about human rights in Cuba, the effects of current U.S. sanctions on the human rights situation, and how a change in U.S. policy that opens up travel, trade, and engagement might also open up dialogue on the human rights situation in Cuba. Let me be clear, WOLA does not believe that trade alone brings democracy and human rights. Only when trade is accompanied by political and diplomatic engagement with human rights issues, and with homegrown pressure for the respect of human rights, can the potential to effect human rights be realized.

I will highlight the ways in which other governments in both the Western Hemisphere and in Europe have chosen to engage and trade with Cuba, and why such an approach facilitates dialogue on human rights, while serving these nations' economic and political interests.

Human Rights in Cuba

To set the stage for a discussion of trade issues, I would like to first discuss the human rights situation in Cuba today, and then comment briefly on U.S. attempts to influence the human rights situation.

It is easy to fall into stereotypes in talking about human rights in Cuba. Friends and sympathizers of Cuba will talk about the social accomplishments -- low infant mortality levels, high literacy rates, universal education and health care programs -- that have been achieved in a poor Caribbean country. Foes of the Cuban government will talk about political prisoners, restrictions on freedom of speech, and the long tenure of the Castro brothers.

For WOLA, it is important to be clear about the real and serious human rights problems that exist in Cuba today; these problems shouldn't be whitewashed. At the same time, the human rights situation in Cuba should not be exaggerated or distorted to serve political purposes. As the State Department's annual human rights report notes, Cuba is a one party state, which restricts freedom of speech and freedom of association. Political parties, beyond the Cuban Communist Party, are barred by the Cuban constitution, and activists in other political parties can be arrested. In April of 2008, for example, a spokesperson for the small "Independent Movement for an Alternative Option" was charged with the crime of "social dangerousness" and sentenced to four years in prison. Cuba holds political prisoners -- about two hundred currently, according to the Cuban Commission for Human Rights and National Reconciliation, about half of whom are classified by our colleagues at Amnesty International as prisoners of conscience. A group of seventy-five political activists and dissidents were arrested in 2003; though some twenty of them have been paroled or given medical release, fifty-five remain in prison. Some of these prisoners

were convicted in trials that fell short of internationally recognized standards of due process and impartiality. These are unacceptable violations of internationally recognized norms, and the U.S. government, the human rights community, and others should call on Cuba to end these practices. Cuba regularly violates certain internationally accepted norms about human rights and the rule of law, but the picture is not uniformly bleak. The U.S. State Department human rights report says that the Cuban government and its agents were not responsible for politically motivated killings or politically motivated disappearances, a problem in other countries in this hemisphere. It does not identify cases of extrajudicial executions by police or other security officials, a practice we see in Central America, and in Colombia, where military officials have been charged with kidnapping young men, dressing them in guerrilla fatigues, and killing them to make their body count statistics better. And though it criticizes Cuba's treatment of prisoners, the State Department human rights report does not allege that the Cuban government engages in torture (an issue with which we are grappling here in the United States).

On the other side, Cuba's social accomplishments are real, and should not be lightly dismissed. The Universal Declaration of Human Rights asserts the right to a standard of living adequate for the health and well-being of one's self and one's family, and Cuba has focused strongly on education and healthcare. Public health efforts have yielded real results in Cuba. Infant mortality rates rival those in the United States (in fact, rates in Cuba are lower than infant mortality rates in Washington, D.C.) and life expectancy rates are approaching U.S. levels. Education is free, and Cuban higher education is generally considered high quality. Health care is free, though the Cuban national health care system has been weakened by economic adversity

over the last decade. These are important achievements, and especially striking in a country whose per capita income is only about one fifth that of the United States.

What this portrait of Cuba suggests is that it is a country with some real human rights problems, but also with some real social achievements. Cuba ought to end its restrictions on political parties, its limits on freedom of speech and association, its continuing detention of prisoners of conscience and political prisoners, and its problems with judicial independence. The U.S. ought to end its trade embargo, which was always a disproportionate response to the problem in Cuba, and the U.S. and the international community should play a coordinated and constructive role in pressing Cuba to resolve its human rights problems.

U.S. Ability to Influence Cuba

Unfortunately, under current policy, the United States is in no position to play a useful or constructive role in urging Cuba to improve the human rights situation. The U.S. embargo, a complete ban on trade, travel and diplomatic relations was imposed on Cuba in the 1960s, at the height of Cold War tensions and has since become an impediment to real human rights dialogue. The United States, with little travel, little trade, and limited diplomatic contact, can be ignored by Cuba. After fifty years of our embargo we have none of the contacts, relationships, or tools of soft power with which to influence Cuba and have succeeded in isolating ourselves from Cuba and its people.

If we choose to engage, there are tools that can be used to encourage greater respect for human rights and democratic practices on the part of our trading partners. These range from

diplomatic efforts and engagement, in a transparent way, with civil society, to policy dialogue linked to investment or economic aid, or trade conditionality. But even under the most conducive conditions, the process of change can be slow, responding to international pressures but more importantly to internal political dynamics. We hope and expect that engagement will encourage political opening and change in Cuba, but we do not expect that change in Cuba will happen overnight.

Some defenders of our current policy argue that trade and travel with Cuba will strengthen the Cuban economy and therefore prop up the Cuban government, with its abusive record on human rights. This argument ignores the reality that most of the world is already involved in trade with Cuba, and that our policy of isolating it failed decades ago. For the United States to move toward travel, trade, and engagement is not to abandon our human rights concerns about Cuba, but to advance them in a more constructive way.

Other Countries' Approaches to Cuba

The approach that I have outlined here – one of engagement – is the strategy employed by the rest of the world. Cuba has normal trade and diplomatic relations with all of Europe, with all of Latin America (the last two countries to normalize relations – Costa Rica and El Salvador – have done so in recent months), with Israel and most of the Middle East, and with Africa and Asia.

Some countries, of course, engage in trade and investment without any human rights dialogue. Venezuela, Cuba's leading trade partner, has never been reported to engage in human

rights or democracy discussions with Cuba. China, Cuba's second-largest trade partner, with bilateral trade topping \$2.6 billion a year, is unlikely to dialogue about human rights.

But a number of countries, especially Spain and Brazil, have expanded trade and investment relations with Cuba in recent years, and raise human rights concerns in the context of their developing relationships. Last January, Brazilian President Luiz Inácio Lula da Silva visited Cuba and offered \$1 billion in credit for food, road building, nickel mining and other development projects. President Lula is also widely reported to have talked with Cuban leaders about the release of political prisoners and other human rights issues. Spain, which has led the thaw in European Union relations with Cuba, and expanded trade and investment on the island, has an ongoing human rights dialogue with the Cuban government. As noted above, the human rights discussions which Brazil, Spain, and some other governments, carry on with the Cuban government and their engagement with Cuban society, will not transform Cuba overnight; however, they may produce some movement on political prisoners, and they open opportunities for dialogue, and for more robust relations with Cuban society. They also lay the groundwork for relationships in the future, as Cuba evolves. Spain, Brazil, and other countries involved in dialogue with Cuba may not see change immediately. At least, though, they are in the debate, while we stand on the sidelines.

U.S. Trade and Other Interests in Cuba

I have argued above that engagement, including open travel and normal trade relations, will more likely further U.S. objectives related to human rights and democratization in Cuba. Engagement would also serve other U.S. objectives, notably U.S. trade and economic objectives. Before I turn to the opportunities for trade and investment which we are forgoing, and which are of special interest to the subcommittee, let me briefly mention other U.S. national interests in more normal relations with Cuba. From a military and security perspective, Cuba has long ceased to be a security threat to the United States. Indeed, John J. “Jack” Sheehan, former Supreme Allied Commander Atlantic for NATO and a retired U.S. Marine Corps general has said, “Cuba ceased being a security threat to the United States over a decade ago. The rest of the world has changed during that decade. Yet, U.S. policymakers remain wedded to a series of dated policies that cry out for a fresh approach.” This opinion was recently echoed by a group of retired military leaders including General James T. Hill, former commander of the United States Southern Command, in a letter to President Obama which stated, “The current policy of isolating Cuba has failed, patently, to achieve our ends. Cuba ceased to be a military threat decades ago.” Instead of allowing U.S. policy to be guided by outdated threat calculations, we should concentrate on security issues of common interest, such as migration. US-Cuba migration cooperation could lead to a more effective response to any future outflow of refugees from Cuba, and joint law-enforcement efforts to combat human smuggling across the Florida Straits has the potential to save human lives. Engagement with Cuba on migration questions, and other common security issues, such as drug trafficking in the Caribbean, would be in our interest.

Diplomatically, the embargo is a Cold War anachronism, viewed by our Latin American neighbors and allies as a symbol of the past. Last December, the Rio Group, which includes every country in Latin America, unanimously called on the United States to end its embargo on Cuba. At the recent Summit of the Americas in Trinidad, Latin American leaders repeatedly urged President Obama to change our policy. According to a White House spokesperson, about 20 percent of the time President Obama spent in a private meeting with the Presidents of South America was devoted to discussing Cuba policy. It would improve our standing in Latin America, and serve our interests, to move in a new direction in our Cuba policy.

My colleagues, Adrean Rothkopf from the Chamber of Commerce, and Kirby Jones from Alamar Associates, will lay out in some detail the economic and trade opportunities in Cuba, opportunities that we are ceding to Europe, Latin America, and Asia, at a time when our own economy is suffering, and when we ought to pursue every legitimate opportunity to expand trade and investment. I will only sketch out the kinds of opportunities that are available, and that we are denying ourselves in the name of a foolish and counter-productive trade embargo.

Cuba is a small and relatively poor country. It has some 12 million inhabitants, and is not going to become a large consumer market anytime soon. Nonetheless, there are real trade and investment opportunities that we are forgoing for no good reason.

Agricultural and Related Sales

The 2000 Trade Sanctions Reform and Export Enhancement Act (TSRA) permitted agricultural and related sales to Cuba. Because of shortcomings in Cuban domestic agriculture, and because of Cuba's proximity to efficient, low cost U.S. agricultural producers and U.S. ports and shipping facilities, Cuba is purchasing in the range of \$500 million in agricultural goods from our farmers, food processors, and exporters every year. These include bulk commodities, such as rice, wheat, and a range of other goods, including fresh fruits and vegetables, potatoes; milk powder, processed foods; and certain meats (poultry, beef, and pork). A 2000 report by the Stern Group, which accurately predicted that Cuba could purchase over \$400 million in agricultural goods from the United States under partial liberalization, also predicted that completely unrestricted trade might result in \$1 billion a year in agricultural sales. If all travel restrictions were ended, the demand created by U.S travelers to Cuba for imported food and related agricultural products, would increase dramatically.

Medical sales and investment opportunities

The Trade Sanctions Reform and Export Enhancement Act also permitted medical and pharmaceutical sales to Cuba, but onerous "end user" restrictions and reporting requirements have severely restricted this market opportunity. Cuba is interested in specialized purchases (anti-cancer drugs for juveniles, spare parts for dialysis, etc.) and in the purchase of raw materials for pharmaceutical use. Without these restrictions, these sales might well take place, benefiting the American medical and pharmaceutical communities, and the sick in Cuba who need these items.

An end to sales and investment restrictions might also permit U.S. pharmaceutical companies to further develop, test and market Cuban bio-technology projects, including cancer medications, meningitis and hepatitis vaccines, anti-cholesterol drugs and other products.

Transportation and Tourism

An economic analysis done by The Brattle Group in 2002 suggests that, with the end of travel restrictions, American travel to Cuba could reach about 3 million people a year. These numbers would have ripple effects across the tourism industry, the cruise ship industry, and related services. The same report also found that U.S. air and cruise travels would add \$1.18 billion to \$1.61 billion to U.S. economic output, over time. This expansion would create additional jobs in the United States, with estimates ranging from about 17,000 to about 23,000 jobs.

Energy

A number of Latin American and European companies are involved in oil drilling and exploration in Cuban territorial waters. Though there is no certainty about the size or quality of Cuban oil reserves, and the exploration by oil companies is moving slowly, this is a potential area of interest for the U.S. energy sector, from which it is currently barred.

This summarizes the Cuban situation. The U.S. embargo, rather than isolating Cuba, has isolated the United States. We have cut ourselves off from trade opportunities, shortchanged

national interests, and decreased our ability to do anything meaningful about the human rights situation in Cuba. To make a difference, we need to engage.

We ought to end the trade ban, open exports, move toward ending the trade embargo, overturning Helms-Burton, and normalizing relations. These steps will benefit our interests, economically, in security terms, and diplomatically. In this context, we can and should raise our continuing concerns about human rights issues, and this will, in the end, benefit our moral commitment to effective extension of human rights.

We are pleased that President Obama recently took initial steps to reorient our Cuba policy, by issuing an Executive order ending the ban on Cuban-American family travel, and by announcing, at the recent Summit of the Americas meeting in Trinidad that “[t]he United States seeks a new beginning with Cuba.” Chairman Rush visited Cuba recently, and has spoken of the possibilities of dialogue and diplomacy between the United States and Cuba. I hope Rep. Rush and the other Members who took that trip can encourage the President to move ahead on that new beginning, urging the Administration to take the next step in reaching out diplomatically. I also hope the House of Representatives will act on H.R. 874, the Freedom to Travel to Cuba Act, which already has more than 125 co-sponsors, and would lift the ban on travel to Cuba for all those Americans who remain outside the jurisdiction of the President’s Executive order.

