



SPECIAL REPORT

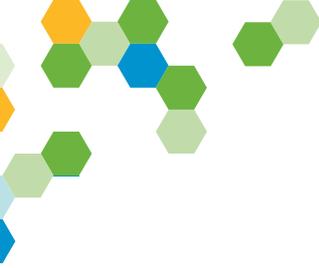
Cuba – USA

An irreversible thawing that is still to find its own pace

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LLORENTE & CUENCA



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I. INTRODUCTION

The announcement in December 2014 by President Obama and President Raúl Castro of a normalization of relations between the United States and Cuba was a historic landmark. After more than 50 years of keeping their distance, diplomatic relationships between both countries started to be re-established in June 2015.

However, it is not possible to establish yet when this rapprochement process, whose first steps were taken some time ago, might end. In 2007, the Cuban government started to implement some reforms that encouraged a more open attitude from the US government, during the Obama administration. During this period, advance has been made, although both parties' demands are far from being fulfilled.

The establishment of diplomatic ties has gone hand in hand with changes that involve a qualitative improvement in Cuban citizens' lives, such as greater access to mobile telephony, acceptance of debit cards by Cuba, greater access to travel, and delivery of remittances from the USA, but there is no doubt that the process has only just started. The advance of democracy in Cuba and the end of the US embargo are the goals that will constitute the final success of the change started, whose culmination will most likely face significant difficulties.

Regarding this process, there is an internal dynamics in both countries and a different one as regards their mutual relationship, but they take significantly different forms and times. For this reason, every small gesture, measure, word, and silence is relevant, particularly in a regime like the Cuban one, which is immersed in a debate about a potential transition –as regards both internal reforms and the inevitable succession in premiership– which is intertwined with the thawing of relations with the USA.

The rapprochement between the USA and Cuba has also generated a strong debate in the USA, as some sectors of public opinion believe that the Cuban regime should take many steps before a stable and enduring relationship with the USA can be consolidated.

2. CONTEXT

The normalization of relations with the USA has had a crucial influence on the change process that is taking place in Cuba, as well as in its direction. However, to the complexity of the Cuban process is added the uncertainty about the scope and future of this new bilateral relationship, due to two key points: firstly, Raúl Castro's standing down, which, as he himself has announced, will happen in 2018; and secondly, the USA 2016 November presidential election.

Regarding the former and taking into account the strongly personal nature of the Cuban regime, the orientation of the change process will not depend so much on the application of a pre-designed comprehensive project, but

rather, to a large extent, on the new executive's decisions. Thus, from the Cuban side, anticipating the possibilities of accelerated or slower changes and their direction is crucial. As regards the United States, a potential victory of the Republican Party might limit the rapprochement and cooperation process between both countries that started in December 2014, which would also influence this open change process in Cuba.

Cuba's opening is a matter that is subject to strong debate between opposing views. At one pole, there are some sectors among Cuban exiles in the United States that believe that a rapprochement with Cuba will only provide a respite to the current Cuban authorities. These sectors persist in denying that the rapprochement will encourage the changes that they believe are necessary in Cuba. The agreements reached, according to them, would be merely rhetorical. For this reason, they are extremely critical of the relationships established, and of course refuse to consider the possibility of lifting the embargo. This would also be the view of many members of the Republican Party.

In this respect, the reaction of prominent Republicans to the announcement of the opening of the US embassy in Cuba was also significant. The Florida members of Congress Ileana Ros-Lehtinen,



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Mario Díaz-Balart, and Carlos Curbelo described this as a "reward with no benefits". The re-establishment of diplomatic relations between both countries "should never have taken place until we see substantial reforms in Cuba such as independent, fair, and multi-party elections, freedom of the press, and the release of all political prisoners", said Ros-Lehtinen.

A very different position is that of a large part of the Cuban people, who believe that the end of the embargo is the solution to all the scarcity and difficulties which plague Cubans' daily lives. In this approach, quasi-magical powers are attributed to this decision by believing that all Cuban problems would be immediately solved by the normalization of trade relations. It should be borne in mind that the Cuban authorities have for a very long time held the embargo responsible for all the operational problems in Cuba. In the Sustainable Development Summit, Raúl Castro ended his speech by mentioning the re-establishment of diplomatic relations with the United States, which, he said, "are a significant advance", but he also pointed out that "the economic, trade, and financial embargo against Cuba that has lasted for more than half a century persists", and it is "the main obstacle to the economic development" of his country.

Given both interpretations, this report is meant to give an intermediate position, providing a nuanced version of many of the simplifications in both positions, in order to offer a multidimensional view that helps to clarify the many factors involved in this transition.

3. CHARACTERISTICS THAT SHAPE THE PROCESS AND EXPLAIN IT

THE CHANGES IN CUBA PREDATE THE THAWING OF RELATIONS WITH THE USA.

The Cuban authorities are introducing significant changes in the operation of the country, particularly since Raúl Castro succeeded his brother Fidel. These changes took place mostly in the economic field, and predate the normalization of relations with the United States. As economist Carmelo Mesa Lago (Emeritus Chair of Economics and Latin American Studies, University of Pittsburgh) pointed out, "Raúl's reforms are significant and move in the right direction. But they are very slow, not as deep as required, and face strong disincentives –high taxes on the private industry, restrictions on salaried employments, on property, etc.– so they have not generated macroeconomic results. Monetary unification is crucial due to the huge distortions caused and the difficulties posed to foreign

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investment. This was already admitted in 2011, and in 2014 a resolution was passed on this reform, but four years have gone by and they have not yet been implemented. In economic terms, what is most important so far is that US tourism increased by 50 % in the first half of 2015 and greater growth during the year is expected. Because this tourism generates greater income, tourism and the corresponding gross income will reach record figures".

THE NATURE OF THE CHANGES IS MAINLY ECONOMIC.

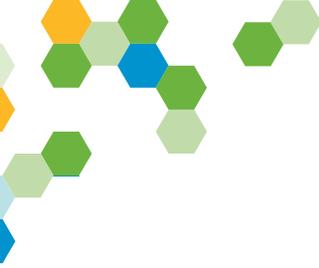
In fact, those who oppose the normalisation of relations with the United States mainly refer to political immobility. The paradigmatic example of China has shown that there can be a transition to capitalism with no democratic advances.

The political transition in Cuba will be launched over the next two years (2016-2018), and will end with Raúl Castro standing down. Peter Hakim (President Emeritus of Inter-American Dialogue) says that "the main candidate for the position is Miguel Díaz Canel, who was appointed Vice-President three years ago. However, as Cuba doesn't have a defined tradition or process for the selection of the country's leader, no one can be sure that the transition of power will actually take place in 2018, who will be the successor, or how he or she will be selected."

In any case, nobody doubts the significant role that the army will continue to play: "The Cuban army might emerge as the dominant agent in the next period. Led by Raúl Castro for many years, the military already played a huge role in the country's economy, including the crucial tourist industry, and is for the most part regarded as the most powerful institution in the country." According to some estimates, the Grupo de Administración Empresarial, S.A. (GAESA), the Cuban army's business branch, controls 80 % of the Cuban economy, including hotels, factories, restaurants, and airlines.

Two individuals coming from this background might play a very significant role in Cuba's political future. One of them is Alejandro Castro Espín, Raúl Castro's son, a colonel in the Ministry of Domestic Affairs and the Cuban president's main intelligence advisor. Alejandro Castro has played a crucial role in the re-establishment of relations between Cuba and the USA. The other is Luis Alberto Rodríguez López-Callejas, Raúl Castro's son-in-law, a brigadier general in the Cuban armed forces and the head of GAESA. He is in charge of the development of Mariel's harbour, as well as of relations between the Cuban regime and foreign investors.

With all these factors in play, it is obvious that real changes



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have doubtlessly taken place in Cuban society that are encouraging the transition process. However, it should also be clear that which direction it will take and at what pace cannot be foreseen. But it seems that there is no going back, so the process is irreversible. In this context, the United States plays a key role, which has been having a crucial influence on the transition launched in Cuba since December 2014, when the normalization of relations between both countries was made public.

4. INCENTIVES FOR A NEW RAPPROCHEMENT STAGE FOR THE UNITED STATES AND CUBA

By now, the interest and intentions of the US and Cuban administrations to complete the negotiations and consolidate a number of agreements which are not merely rhetorical are obvious.

However, the fact should be borne in mind that, despite the specific progress and the positive expectations of further advance, neither country has taken the crucial step regarding the other country's demands.

In the case of the United States, the end of the embargo, Cuba's demand and ultimate goal, does not seem possible yet. As for the Cuban authorities, they have not

committed to the introduction of political changes aimed at the democratization of the political system, a *sine qua non* condition for the United States. If neither position changes, there is the risk of attrition, where both President Obama and the Cuban authorities would increasingly lose credibility. Thus, all the achievements and advances carried out so far might be deprived of essential contents. Perhaps part of this uncertainty will be clarified in 2016-2018, when the questions regarding the personality of those who will have executive power in Cuba and in the United States are answered in the near future. However, whoever the leaders may be, they will be unable to reject this process, and it seems that it will be difficult to undo such important steps.

Given the uncertainties, the interests that underlie Cuba's and the USA's respective intentions should be made clear, as, depending on their importance, we will be able to learn what they win or lose, and thus the level of commitment that they might assume to drive the process.

As for Cuba, the change process recently started and the economic-financial needs generated by it have encouraged the rapprochement to the United States, something that was unthinkable not so long ago.

Moreover, Cuba wants to grow and prosper, and to do that it needs foreign investment, among other things.

In the case of the United States, Barack Obama's aspiration of consolidating a leadership based on support for multilaterality and cooperation seems crucial, as Cuba's position constantly undermined this form of leadership. Thus, the United States' reasons are based on its President's belief in the necessity of a rapprochement with Cuba, an approach that is in no way unexpected. Obama displayed an interest in this matter during his first mandate, when he aligned himself with an approach based on cooperation, not confrontation, as the best way to achieve the transformation of the Cuban regime. This was the intention that underlay the

change in policy. This U-turn was important because, ever since the cut-off of relations with Cuba, US foreign policy towards the actions of Castro's governments, besides some conciliatory gestures, was always based on reinforcing isolation.

For this reason, already in 2009, the US President, Barack Obama, made an appeal to open "a new age of cooperation" against international challenges: "I will defend the interests of my country and of my people and I will not apologise for it, but it is my firm belief that in these times more than ever, the interests of our countries and of our peoples are the same. The time has come for a new age of rapprochement based on mutual interests and mutual respect, and this task must start now".



Moreover, the process initiated by the USA has been reinforced and legitimised by the European Union's following a similar path. The EU and the Cuban government signed in March, a new agreement for political dialogue and cooperation, which brings two years of negotiations to normalise bilateral relations to an end. The head of European diplomacy, Federica Mogherini, and the Cuban chancellor, Bruno Rodríguez, headed the formal act of ratification of the document. The EU's high representative for

“The steps taken and those projects generate new economic-financial needs”

Foreign Policy stated that the agreement with Cuba "lays the foundations to bring the common position to an end".

As pointed out by the principal researcher at the Real Instituto Elcano, Carlos Malamud, "Mogherini's second visit to Havana as the European Union's High Representative for Foreign Matters and Security Policy closed an agreement for political dialogue and cooperation negotiated between the parties since 2015. It will also be the start to finally remove the common policy that had governed European relations with Cuba since 1996. During the press conference held jointly by Mogherini and Bruno Rodríguez, the carefully diplomatic language employed by both officials served to express how far the relationship had recently advanced. Of course, some points of disagreement still pending in the agenda were mentioned".

In this respect, the USA's interest in Cuba does not depend only on Cuba itself, or necessarily in a priority interest in the region, or not only, but rather on the attempt to consistently uphold the consistency, from the United States point of view, the principles that should govern said leadership, particularly with a neighbouring country. It should also be borne in

mind that the international community has been explicit about its opposition to the embargo on Cuba in the UN, and that Latin America has displayed a closed, strong position in this respect.

However, if Cuba was not undergoing an open change process, this agreement would have not been possible. The first factor that should be pointed out is the transition process that started in Cuba once Raúl Castro rose to power as the Chair of the Council of State and of Ministers in 2008. Ever since then, the changes introduced in Cuba have been aimed at gradually liberalising the economy. However, from the government's point of view, these changes constitute the "perfecting of the Socialist system", not a transformation towards a market economy.

However, the steps taken and those projects generate new economic-financial needs which make the embargo increasingly unbearable. As soon as it saw the agreement with the United States as necessary, the Cuban government started to lose one of the main pillars that have justified the Cuban political regime. The Cuban Socialist system was built on the negation of the United States' capitalist system, through a strong anti-imperialistic rhetorics, and this agreement takes a good part of its justification apart. The

“The economic changes are generating in turn different transformations within Cuban society”

political effects of the embargo should also be taken into account, given that, rather than strangling the regime, it has giving it breathing space, as for 50 years the Cuban government has been able to hold the United States responsible for all of Cuba's problems.

5. HOW THE REFORMS INTRODUCED IN CUBA SHOULD BE UNDERSTOOD

Even though some analysts believe that the reforms introduced are merely cosmetic, it seems obvious that the changes introduced by Raúl Castro since 2008, aimed at gradually liberalising the economy, have in some cases changed the basic principles of Communist orthodoxy.

We are witnessing a transformative process, despite its slowness. For example, Carmelo Mesa Lago, in an analysis for Real Instituto Elcano, stated that "the greatest problem which Cuba faces is its inefficient economic system and inability to generate exports in order to pay for imports; it should be borne in mind that the deficit in trade was EUR 8.57 billion in 2013. Moreover, exports dropped during two consecutive years, and their value in 2013 was 12 % less than in 1985, not taking inflation into account. The list of imports in the 2013 Statistical Annual Directory takes 27 pages, while that of exports only six (ONEI,

2014). Raúl Castro's structural reforms are positive and the most significant to have taken place under the revolution, but they are slow, crippled by overregulation, controls, tax, and disincentives, so that they have so far generated no economic effects".

There is no doubt that the rate of reform implementation is slower than required by Cuba's urgent needs (the Central Committee of the Communist Party concluded that, in the last five years, 21 % of the 310 measures scheduled had been implemented). However, it is unquestionable that the economic changes are generating in turn different transformations within Cuban society. Some of these changes have taken the form of:

- Administrative measures to improve management efficiency, such as business improvement, the fight against corruption and work indiscipline, and greater openness to criticism.
- Non-structural changes which, even though they do not change "the core of the system", do correct exclusions and prohibitions, such as access to hotels and tourist sites for Cuban citizens, permits for private carriers, increased salaries, pension reform, and the removal of gratuities and subsidies.

“The economic changes are giving rise to social changes, which can in turn lead to political changes”

- Structural reforms, aimed at changing "the material and organisational basis for operation of the economy" in the long term, such as handover of land in usufruct¹.

In addition to these reforms, during the 6th Congress of the Communist Party, measures were announced which significantly changed everyday life in Cuba. The acquisition of mobile phone and national citizens' access to hotels were allowed in 2008, limited access to the Internet was allowed in 2009, and the liberalisation of the sale of building materials took place in 2010. After the Congress, the purchase and sale of homes and cars was liberalised in 2011 and foreign travel was allowed in 2013. New customs regulations for the import of foreign goods were created in 2014.

There is no doubt that these changes have modified Cubans' life in a way that was unthinkable not so long ago, as can be seen in the capital city. Havana is full of the hustle and bustle of private initiative, which has spread particularly fast since 2010, when Raúl Castro's first reforms came into force (the authorisation of owned businesses and employment in non-State companies).

Given this context, the approval of the 2014 Law on Foreign Investment, one of the pending reforms, was particularly important. It updated the previous 1995 law to diversify the production structure, technological development, and the integration of the Cuban economy in global chains of value. The new law allows Direct Foreign Investment (DFI) in all industries except education, healthcare, and defense, and introduces several tax incentives. It also establishes legal protections for investors and allows them to hold majority shares in companies.

The slow pace of the reforms is an obstacle, but the claim that "nothing is changing" and Cuban reality is "frozen" by the regime is not true as regards economics. The economic changes are giving rise to social changes, which can in turn lead to political changes. The Chinese transition model, based on exclusively economic, not political, transformations, is a possibility, but Cuba's reality is not of China. Certainly, even though some sectors in the Communist Party aspire to this form of transition, the way in which the Cuban population interprets these changes and what its aspirations are remains to be seen.

¹ Mesa Lago, Carmelo, *Cuba en la era de Raúl Castro. Reformas económico-sociales y sus efectos*, Madrid, Colibrí, 2012.

“The Cuban reform policy started before, and this is a process that goes beyond specific circumstances and is aimed at generating a structural change”

6. WILL THE END OF THE EMBARGO SOLVE ALL OF CUBA'S STRUCTURAL PROBLEMS?

It is within this context that Cuba's interest in the normalization of relations with the United States should be understood. This interest obviously goes beyond the current regional and international situation.

When the rapprochement between both countries was announced in December 2014, many analysts thought that the Cuban government wanted to replace Venezuela for the United States as its main partner. The reason was the drop in oil prices and the economic problems undergone by Venezuelans. This made it difficult to assume that the Venezuelan government would be able to continue to support the Cuban government, which imports twice as much as it exports, and found its main support in Venezuela from 1999. As Carmelo Mesa Lago points out:

- In 2012 Venezuela concentrated 44% of the total Cuban foreign trade, although it decreased to 35% in 2013.
- Venezuela buys Cuban professional services (doctors, nurses, teachers) for a value of EUR 4.7 billion, which offsets the trade deficit (EUR 8.9 billion).

- Caracas supplies 105,000 daily oil barrels at preferential prices, covering 60% of Cuba's needs. Moreover, it refines Venezuelan crude oil in Cienfuegos, leaving a surplus which Havana exports to the global market.
- The average annual Venezuelan direct investment until 2012 was EUR 1.5 billion, and was crucial for Cuba.

However, as was seen, the Cuban reform policy started before, and this is a process that goes beyond specific circumstances and is aimed at generating a structural change. This is the real reason for the rapprochement to the United States, not replacing Venezuela by another power that "subsidises" the regime. This, moreover, would be impossible in the case of the United States, regardless of who becomes president.

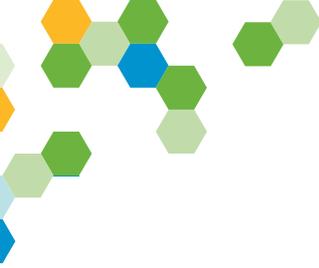
Cuba is dependent on tourism currency and on remittances, which turns the USA into an economic option in the fact of China's slowdown and the deep crisis in Venezuela. As Hakim also points out: "in the medium to long term, Cubans hope that the normalization of relations with the United States will generate greater foreign investment and bring new trade and tourism flows. This, however, will take time, and will depend on whether

and when the United States finally decides to lift the trade embargo, as well as on Cuba's undertaking a serious economic reform program. Almost all Cubans I spoke to, including government officials, agree that significant foreign investment and credit flows will be required for Cuban economy to start to grow and prosper.

During the Cuba-USA normalization process, commitments and agreements have been established which contribute to the economic opening process, on the basis of:

- A number of highly publicised formal negotiations (two sessions held in Washington and two in Havana) to work on the logistical and political details of the diplomatic changes.
- A strong increase, by more than fourfold, of the amount of remittances which individuals and families can send to Cuba.
- The lifting of many restrictions on travel to Cuba. Air transport to Cuba has expanded, new trade opportunities have been opened, and the United States has authorised the ferry services between Florida and Cuba (which now requires authorisation from Havana).
- In addition, the removal by the United States of Cuba from the list of countries that sponsor terrorism has removed another obstacle to the re-establishment of diplomatic relations.
- The most symbolic act that has expressed this rapprochement was the opening of embassies. According to some, however, this is an unimportant





“There are still some very important reforms pending”

matter, as for years there was a United States Interests Section in Havana.

Cuba's main demand and ultimate goal is the lifting of the embargo, together with recovery of sovereignty over Guantánamo, to the extent that, should this not be achieved, all the progress made during the months of negotiation might be endangered. However, it is unlikely that this demand will be met in the short term, given the position of the Republican Party in the United States, which currently holds the majority in Congress and might win the Presidency in the coming election.

However, there is the question of whether the lifting of the embargo would solve all the problems with the Cuban economy, as a large part of the Cuban population believe. There is no doubt that it would be a crucial factor to improve the difficult economic situation in Cuba, but it would not solve the structural problems of the Cuban economic model. Among other points, the following would be convenient:

- A transformation of the production base, which so far has been based on the export of sugar and nickel and the import of manufactured goods. This transformation of the production model

should ensure increased productivity above real salaries, generating competitiveness gains that made it possible to replace imports and monetary unification with controlled costs.

- The removal of the monetary duality.
- Increase of real salaries.
- A strengthening of cooperative ownership and its autonomy.
- De-centralisation of State business and the development of non-State management forms.

In fact, the changes introduced cannot be denied, despite their slow pace, which does not equal claiming that they are sufficient. There are still some very important reforms pending, but even those already carried out, such as the Foreign Investment Law, still impose significant restrictions, such as the need for project approval by the Cuban government, which also assigns priority and favours joint businesses and recruitment through State employment agencies.

To summarise, the lifting of the embargo is crucial to initiate an in-depth transformation process in Cuba, given the need for foreign investment and the

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search for markets, but it will not suffice unless unavoidable structural reforms to ensure a change in the economic model are not carried out.

7. THE UNCERTAINTIES OF AN IRREVERSIBLE PROCESS

All that has taken place between the USA and Cuba since 17 December 2014 is not only highly significant in symbolic terms, but it also has a strong impact on the present and the medium- and long-term future of Cuba. Barack Obama has taken several important steps this year and a half: removing Cuba from the list of countries sponsoring terrorism, making travel to Cuba for United States citizens flexible, reopening the embassies, facilitating transactions with Cuba for foreign banks, and asking the Congress to lift the embargo.

As for Raúl Castro, he freed 53 political prisoners and in the Panama Summit he acknowledged the United States' change of attitude towards Cuba thanks to Obama: "In my view, President Obama is honest. I admire his humble origins and believe that the way he is due to those humble origins". Moreover, there have been some less symbolic and more clearly tangible changes in the bilateral relationship. They include the recent agreements between both governments to establish an "air bridge"

of commercial flights. Since the announcement of the normalization of relations, the United States has granted almost 500 authorisations to do business in Cuba, for a value of more than USD 4 billion.

Moreover, the Obama administration is indirectly relaxing the embargo by offering licences that open the way for trade and travel between both countries. However, as regards freedoms, Obama's initiatives have obtained no concession from the Cuban government, and the disagreements between both governments are very significant as regards the return of the Guantánamo Base and Cuba's demands for compensation for the damages caused by the embargo.

Obama's trip to Cuba should be considered within this context. A trip which generated in itself many expectations when, despite being very important, is more a boost to a situation which already existed rather than a driver for in-depth transformation in the *status quo*. As Arturo López Levy (a lecturer at Denver and Colorado universities), "President Obama's trip to Cuba is a stimulus to a change in policy rather than its achievement. Disregarding those who recommended President Obama to travel to Cuba at the end of his term of office, after the election,

“In 2017, there will be a new President in the White House”

the White House has decided to use the foreign policy influence which the President still has in his last year in office. President Obama knows that the removal of the embargo is a task yet to be completed, and that, if he does not promote the policy followed, he may not make it irreversible against the position of several Republican candidates with substantial possibilities of winning the nomination".

In fact, a difficult path lies ahead for relations between Cuba and USA. It seems that the process is indeed irreversible (although there may be some occasional reversals), but it will be slower than the huge expectations might suggest (unless a collapse of the Cuban regime speeds things up, something which currently seems unlikely although not impossible). This is due to the two following reasons:

POLITICAL UNCERTAINTY IN THE UNITED STATES AND CUBA

The US election and Raúl Castro's approaching stepping down in 2018 create an environment where large expectations also entail large questions.

The US presidential election has led to a halt in the thawing of Cuba - USA relations, particularly because this realignment was the result of a

foreign policy that was closely linked to President Obama, who will no longer be in the White House from March 2017. The President's diplomacy, unlike the institutional diplomacy of a State Secretary or a Minister for Foreign Affairs, strongly relies on each president's personal, strategic, and ideological preferences.

In 2017, there will be a new President in the White House, and the continuation of the process initiated with Cuba is not endangered, but its speed might be. Thus, in the case of a Democratic victory, Obama's choice would be reinforced; this would not be the case in the event of a Republican victory.

The Democratic candidate to the presidency, Hillary Clinton, supports the line initiated by Obama. She has stated the need to "grasp the opportunity" presented by the normalization of relations with Cuba, bringing the Cuban embargo to an end "once and for all": "We must decide between engagement and embargo, between embracing fresh thinking and returning to Cold War deadlock. We have arrived at a decisive moment. The Cuban people have waited long enough for a change. The Cuba embargo needs to go, once and for all. We should replace it with a smarter approach (...)" Hillary Clinton would have even asked Brazil for support to contact Raúl Castro's Government in Cuba,

according to the Brazilian newspaper Folha de São Paulo.

Of the main Republican pre-candidates, Trump, a fierce opponent of the Cuban regime for a decade, has displayed a more nuanced position in the current campaign. In an interview, he spoke about the thawing of USA-Cuba relations by saying; "it's fine (the rapprochement with Cuba). I think it's fine, but we should have made a better deal. The concept of opening with Cuba -50 years is enough- is fine. I think we should have made a stronger deal".

Senator Ted Cruz clearly positioned himself against measures leading to a rapprochement to Cuba and attacked President Obama over his trip to Cuba and even called the defenders of the Cuban regime "sheep".

In the case of Cuba, everything seems to indicate that the transition will be controlled by

the regime and Raúl Castro's successor will be someone close to him who, above all, supports rapprochement to the USA. This transition will start in the 6th Congress of the Communist Party of Cuba, a key meeting for the Communist elite, where the route for the reform in the next five years will be established. During this period, the first inter-generation transition in the post-revolution elite will take place. An elite that is aware that the survival of the regime depends on the diversification of the sources of funding for Cuba and on trade, which clearly involves an intensification of relations with the USA. In this respect, Obama's trip will clearly support the more reformist sectors, the new generations, and the current aspirations of Cuban society.

"This is not a trip like Nixon's trip to China, as the President doesn't have his predecessor's reputation as a fierce anti-Communist, but, as then, a different image of Cuba from the one that prevails in hostile sectors will be projects", says Arturo López Levy.

In any case, it cannot be ruled out that the outcome of the US election, as well as the strong tensions within the struggle for power in Cuba may delay and even hinder the process. In particular, the current Cuban leaders are facing



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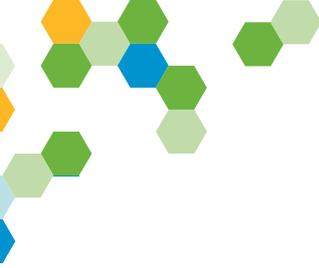
a very complex challenge: leading and channelling an orderly change in government and the transfer of power to the next president. As Peter Hakim says, “two forces have shaped Cuban politics and society in the last fifty years: Fidel and Raúl Castro's leadership, and the United States' bitter hostility towards Cuba. In the next few years, both will be history. It will be a period of uncertainty. The future of Cuba is unpredictable. Even though most Cubans are anticipating significant changes, few expect radical changes in a short period of time. Nobody expects democracy or prosperity to emerge quickly. But most Cubans hope that they both lie somewhere in their future”.

EXCESSIVE EXPECTATIONS HINDER THE WAY

The change in relations between the USA and Cuba is already an irreversible fact which has had the undesired effect of generating great expectations, which often hinder rather than contribute to the adequate progress and culmination of that thawing. According to Ben Rhodes, the White House deputy advisor on National Security, Barack and Michelle Obama's trip to Cuba shows that normalization of relations with Cuba is an “irreversible policy”. The US Government is looking for a way to make the process final, and Obama's visit will contribute to this, says Rhodes.

Many analysts agree on this point, such as Peter Hakim (President Emeritus of Inter-American Dialogue): “with all this in mind, it's hard to imagine a significant regression in relations. No doubt, a step backwards in the US policy would make Washington look rather bad and raise concerns about its reliability as an international partner. Surprisingly, there has been little opposition in the USA to any of the White House measures. Even though the Republicans have a comfortable majority in both houses, they have not tried to prevent or even delay the changes. So far, the only proposals made in Congress are aimed at weakening, not blocking the end of the embargo. Nor has there been any serious resistance in Miami, the stronghold of anti-Castro sentiment - not a single significant protest or demonstration. In fact, most US citizens approve of the changes, including most Republican voters and Cuban-Americans”.

As for Cuba, every social, economic, and, to a lesser extent, political change there requires a delicate analysis on the part of the regime in order to assess whether its survival is endangered. As Carmelo Mesa Lago points out, “Raúl's reforms are significant and go in the right direction. Several Cuban economists, whose views I share, have put forward for some time the



“Obama has used executive measures to make flexible restrictions on economic exchange”

need to speed up the reforms due to the risks entailed by dependence on Venezuela. But so far Raúl's motto has been that reforms are slow but unremitting”.

Moreover, the changes promoted by the Obama administration must finally pass the filter of Congress, where party balance is extremely complex, all the more so in 2016. Barack Obama, is working, so far unsuccessfully, to get Congress to finally lift the economic and financial embargo on Cuba. "I'm sure that Congress will inevitably lift an embargo that no longer should be there", he said. Obama has used the United States' new policy towards Cuba as an example of the effectiveness of dialogue, which provides specific results as opposed to the traditional policy of isolating Cuba. To elude Congress resistance, Obama has used executive measures to make flexible restrictions on economic exchange between the USA and Cuba in such sectors as business services, travel, telecommunications, banking, and remittances. But the final lifting of the embargo can only be decreed by Congress, where the Republican Party controls both houses.

It seems still very unlikely that the US Congress will lift the embargo, particularly as long as Raúl Castro remains in power. The chairman of

the US Senate's Commission for Foreign Relations, Bob Corker, said that "(The lifting of the embargo) won't happen this year but I think that it's something that could happen when (the government of) a new President comes in", adding: "If Cuba evolved in its behaviour and people could see the results of what's happening through the changes brought in by the decrees, then I think it's possible".

Moreover, it is not only a matter of personalities or names, as there are serious problems to settle. Firstly, as regards Human Rights –an aspect highlighted by Republicans in Congress– Peter Hakim points out that "Cuba, no less than the USA, is responsible for aligning its policies and practices with international standards. Cuba is the only country in the Western hemisphere that rejects free elections to choose its leaders. Even though democratic practice and the rule of law are violated on a regular basis in many Latin American countries as well as in the USA, Cuba's record as regards human rights, freedom of expression, and legal independence are particularly deplorable and must be improved".

In addition, there is Guantánamo Base. President Castro aspires to the return of the territory, which has become a sine qua non

“The negotiation process between the USA and Cuba has yielded historical specific results which contribute to open a new cycle”

condition for normalization of relations with the USA. "In order to achieve normalization, the territory illegally occupied by the Naval Base in Guantánamo must also be returned", said the Cuban President in 2015.

Finally, there is the reparation which the Cuban government demands "for the human and economic damage caused by US policies". A demands compensation by the Cuban regime for the US property that was expropriated after the 1959 Revolution. The US Department of Justice has recorded 8,821 claims from US companies and private citizens who lost their properties, adding up to a total of USD 2 billion since 1960.

To conclude, much progress has been made since 2014. The obstacles along the way may slow down the way or even block it. Carl Meacham, head of the America Programme at the Centre for Strategic and International Studies (CSIS) warns that "going backward is very unlikely, but the great challenge lies in not losing momentum going forward".

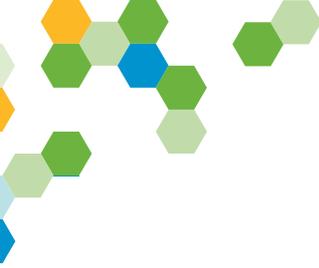
8. CONCLUSIONS

THE FUNDAMENTAL ISSUES THAT MIGHT ENDANGER THE NEGOTIATION

Far from being merely rhetorical, the negotiation process between the USA and

Cuba has yielded historical specific results which contribute to open a new cycle in Cuba-US relations and in the history of Cuba. The culmination of this process would be the end of the embargo and democratic advances in Cuba. These are the main obstacles and the points that might block this new relationship.

Certainly, Obama's discourse is characterised by change rather than by permanence. This orientation is not that displayed in his discourse by Raúl Castro, who always focuses more on what would remain unchanged in Cuba rather than on what would change. The Cuban government continues to resist the introduction of political changes and that the economic changes caused by the end of the embargo do not guarantee this. However, this possibility should not be forgotten. There is an internal opposition, albeit not articulated and divided, a population with hopes for change promoted by the government as regards the economic sphere as well as internationally. If new spaces and opportunities are provided, citizens, if not the government, may take increasingly the initiative and aspire to a more comprehensive change, constituting a freer society, not only economically but politically.



**“Cuban society has
changed, as has US
society”**

It should be emphasised that no US President or Cuban premier can bring the path already started to an end, given the advance made. Sweeping refusals cannot be envisaged, as they would entail political suicide. Most of the US population, including many Cuban Americans and even Republican sectors, support the normalization of this relation and the end of the embargo. As for the Cuban population, it has placed high expectations on the end of the embargo, and most of the

international community also supports it. Thus it seems difficult for this stage to end with no more advances because either player intends to hold an immovable position.

At this time, the future obstacles and possibilities along the way, the players' actions, or the pace and way in which changes will take place in Cuba cannot be fully predicted. But it can be said that there is no going back now. Cuban society has changed, as has US society.

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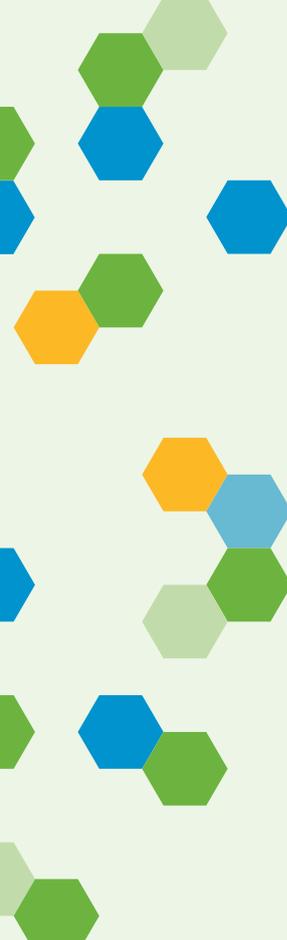
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