

The View from Europe
By David Jessop

Is a new Cuba policy in the making?

In February of this year Cuba's President, Raul Castro, announced to the Cuban National Assembly that he will step down in 2018. His decision took many by surprise although he had previously made clear that no one in Cuba's leadership should serve more than two five year terms in office.

Despite this, little attention has been paid to the impetus this is providing to Cuba's economic reform process; the possible impact it may have on relations with the US; or the longer term implications for the Caribbean region.

As is well known, Cuba has embarked on a series of reforms that aim to liberalise aspects of its economy to give Cubans greater economic freedoms and more materially, all within a planned and managed system that continues to lay stress on its social nature.

As a consequence, since 2012, significant changes in the structure of the Cuban economy have been progressively introduced, some of which have far reaching implications. These include the creation of a self employed private sector; reducing the public sector by up to one million people; the introduction of income taxes; the establishment, initially on an experimental basis, of non agricultural co-operatives offering employment and competition; permitting large state enterprise to take their own commercial and investment decisions and in theory, to be able to fail; and challenging decision to gradually unify Cuba's unique dual currency system, over a relatively short time scale.

In order to better deliver these and other changes, Cuba is bringing into government and state enterprises a new younger generation of well educated and committed men and women, with the objective that the country is better managed and led and who can relate economic globalisation to Cuba's future needs.

What seems to have been little recognised is that to a significant extent this process has to be either complete or ready for consolidation by the time that President Castro steps down in five years. This is because he is the stabilising and driving force, underwriting the progress and authenticity of the reform process against continuing resistance from conservatives fearful or unaccustomed to radical change.

What is clear in all of this is that Cuba has no intention of changing its political system or discussing this with the US or anyone else; which suggests that the emphasis will increasingly be on engaging with the wider world through investment rather than political dialogue.

By indicating that he will be stepping down and handing over to a new generation, Raul Castro would appear to have made easier and less contentious the possibility of future US engagement.

It suggests, when taken together with changing US policy and US electoral politics, Cuba's willingness to develop pragmatic, multiple and diverse economic relationships that might include the US, that a number of new investment led international relationships might emerge as the nature and style of Cuba's leadership changes.

How the US responds is uncertain, but the implication is that before long it will have a choice as to whether it finds ways to end or administratively circumvent the embargo, the last vestige of the Cold War, or continues with a failed policy.

In this context it would seem that the possibility of change is now greater than before. Altered demographics will likely result in another Democratic administration in the US. There is growing pressure from US business and an interest in not seeing future economic advantage in Cuba all go to others. The Cuban American population is undergoing an attitude change and the influence of its aging lobby is diminishing, as a result of its falling proportion of the Hispanic vote.

Against this background there are signs that there are already gradual low key steps towards an improved functional relationship: talks continued on migration despite the seizure in Panama of a North Korean vessel carrying Cuban armaments allegedly in contravention of UN resolutions ; there are ongoing discussions on resuming postal services; there is low key co-operation on counter-narcotics interdiction; the possibility of people to people baseball diplomacy is in the offing ; the number of licensed US visitors increased to 98,050 in 2012 placing it just after Canada for arrivals; the US was Cuba's largest supplier of food and agricultural products in 2012 exporting almost US\$465m; and there is growing interest among US companies looking to identify offshore locations in the Caribbean to begin to explore the potential of the Cuban market.

In Cuba, as far as foreign investment is concerned, new announcements are expected towards the year's end. There is also a new focus on the country's development zones, especially Mariel. There the opportunities are not just for manufacturing for export but for the domestic economy as well and in the hinterland around the port of Mariel – which involves a US\$2billion Brazilian investment – there will be opportunities for leisure activities; hotels; villa accommodation; golf courses; offshore oil services; and perhaps, given its proximity to the US, one day the opportunity to service the southern US market.

While future US thinking is far from clear, the possibility of an altered US position now seems to be driving other nations to change their position on Cuba.

The EU Council of Ministers is expected to agree a negotiating mandate in December for a broad based bilateral EU-Cuba agreement that may include some sort of asymmetrical trade agreement, as Cuba, which is defined as an upper middle income country, will soon be graduated out of its existing preferential arrangements by the EU under the Generalised Scheme of Preferences. It is likely too that development assistance may be on offer. At the same time a number of EU member states have either established or are establishing bilateral agreements covering a broad range of issues irrespective of EU Common position. And for their part Canada, Brazil, Russia, and China are increasing their levels of economic engagement and Mexico and Russia have forgiven or restructured much of their debt.

It seems as if, almost unspoken, everyone wants to have a new Cuba policy, including perhaps, in time, the US.

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November 10, 2013