

Senate Committee on Finance
Hearing on U.S.- Cuba Economic Relations
September 4, 2003

Testimony of Ambassador Dennis K. Hays
Executive Vice President
Cuban American National Foundation

Thank you Mr. Chairman, I appreciate this opportunity to appear before you and the Committee to discuss United States economic policy toward Cuba.

The United States and Cuba are close neighbors and have historically been friends. In years past, both nations enjoyed a healthy two-way flow of goods and services. We at the Cuban American National Foundation look forward to the day when U.S.- Cuba relations are again robust and mutually beneficial. That day will come when the Cuban people regain control of their lives and their destiny, when they have a government that protects their rights, and when they live in a nation that recognizes private property and encourages individual initiative. It will be in our national interest to engage such a Cuba. It is very much against our national interest, however, and would be a crushing blow to the Cuban people, if we ever were to seek to engage the current repressive regime while it refuses to reform or relax its grip on power.

I am confident there is agreement in this room as to what we all would like to see happen in Cuba – we would like to see the Cuban people liberate themselves from the tyranny of a failed regime and come to enjoy the same freedoms and opportunities we cherish. We would like Cuba to be a prosperous democracy rather than a bankrupt dictatorship. We would like to see Cuba be a supporter in the war on terrorism instead of a haven for fugitives from U.S. justice and home to an alphabet soup of terrorist and narco-terrorist organizations. And we would like to see Cuba again be a good trading partner for the United States, able to buy – and pay for - our goods.

What we would like to see is not in question – how we help the Cuban people achieve this vision very much is. Mr. Chairman, I welcome this hearing because it is vital that at this crucial time we act only after submitting new ideas and proposals to a rigorous review and a full debate.

Regrettably, we know from experience that good intentions do not always lead to good policy – especially when proposals are based on unproven assumptions. In this vein, I would like to address four examples of how a lack of critical thinking could lead us to make mistakes that would hurt American business and extend the misery of Cuba’s eleven million people.

TRAVEL

A key underpinning of many proposals to lift all or part of the embargo is a belief that trade and travel have the power to undermine repressive regimes and promote democracy. Would that this were so! Sadly, there is not a shred of evidence that this has ever been the case anywhere at anytime in history. On the contrary, it is clear that failed regimes place perpetuation of their own power above real economic and political reform for as long as anyone is prepared to engage them on their terms. Since Cuba lost its massive Soviet subsidies in 1989, the island has been open to trade and investment from all over the world. Over ten million tourists from Europe, Canada, Latin America, and the United States visited the island in the last decade alone. In fact, from 1990 to 2002, 1.3 million US-based visitors have traveled to Cuba, 37% not of Cuban heritage. This has allowed Castro to keep the economy in survival mode while diverting all available resources to maintain his repressive apparatus and allow the nomenklatura to take control of the selective opening to crony capitalism. Cuba has generated over \$15 billion US dollars in tourism alone from 1990 to 2002. To make sure it secures these resources, the regime has created a sophisticated conglomerate of enterprises, led by high-ranking members of the military and state security, to control and service the tourist industry, capturing its economic benefits and minimizing any dispersion effect. As a result, the average Cuban has not been empowered, but rather further marginalized by targeted reforms. The result is stark - foreign participation under the regime’s conditions has helped Cuba avoid implementing needed economic or structural reforms that would represent at least some economic empowerment for the people of Cuba and set the economy on a course of sustainable recovery.

Advocates of “freedom to travel” to Cuba should give some thought to the Cuban regime’s practice of denying visas to hundreds if not thousands of individuals and groups. The Red Cross can’t go to Cuba to undertake the sort of inspections it does everywhere else in the world - nor can the UN Special Rapporteur, Amnesty International, Human Rights Watch, or Reporters without Borders. Journalists and academics critical of the regime rarely are allowed back into the country. Even Members of the United States Congress are blocked from going to Cuba to see the country for themselves. The Cuban regime gets away with this outrageous behavior because it is not called to account. I respectfully encourage every Congressional Delegation that goes to Cuba to include one or more representatives from banned human rights groups. Only in this way will the regime be forced to open up.

In a related area, the regime charges Americans and Cuban-Americans exorbitant fees to travel to Cuba (\$70 for a visa). To put this in terms of the Cuban economy, this is

equivalent to seven months of the average wage of Cuban workers. In addition, it requires U.S. citizens born in Cuba who emigrated after 1970 to obtain a Cuban passport, charging between US\$148 and \$280, depending on diverse criteria. In fees alone, US travel to Cuba is netting the Cuban government an estimated at US\$54 million a year in visa and passport fees, airport departure taxes and customs duties imposed on gifts for relatives. Similarly, Cuban citizens who obtain visas to visit or emigrate to the U.S. are charged even higher fees, paid by their relatives in the United States. In other words, the Cuban regime seeks every opportunity to take economic advantage of even our limited engagement.

Finally, we often hear that even if tourism doesn't promote democracy, it is at worst a "victimless crime" and that Americans' rights are being unduly restricted by our current policy. Each right, however, has a corresponding responsibility. Does the right to travel outweigh the responsibility to not gratuitously injure others? There has been far too little public discussion about how Cuba's tourist industry functions – and the role well-meaning but clueless tourists play in that industry. What responsible American would want to visit a country whose citizens are systematically denied access to hotels and tourist areas, a hated practice known as tourist apartheid? Do tourists care that hiring at hotels in Cuba is the monopoly purview of the state and that there is blatant racial discrimination against Cubans of African origin? Do visitors know that foreign companies pay the Castro regime, not the individual worker, for services rendered and that the regime keeps over 95% of the worker's wages - in direct violation of numerous International Labor Organization (ILO) standards? Is it worth noting that most tourist companies are run by, and are for the benefit of, the military and secret police? Does the fact that Cuban citizens are forbidden by law from criticizing the regime to foreigners strike anyone as significant? Is this what American travel agents want to be a part of?

Freedom has never been a byproduct of big tipping sunbathers. Freedom comes from the efforts and sacrifices of brave men and women who stand up to tyranny and demand their rights.

TRADE AND INVESTMENT

With respect to trade and investment, there are still some who believe that American farmers and businessmen and women are missing out on opportunities in Cuba. Even a cursory attempt at due diligence, however, reveals how mistaken such a belief is. Cuba is not, under Castro, a great market for United States goods and services. Cuba ranks with Haiti in GDP per capita. Recent agricultural purchases have been financed with monies owed to other nations. Cuba is in default on practically every loan it has ever taken. Cuba is in default to Russia, the European Union, its Latin American neighbors, South Africa, the nations of Asia, and two-thirds of the members of NAFTA. In fact, about the only country in the world without recent bad debt is the United States. As the International Trade Commission reported in 2001, "Cuba stopped payment of all its foreign commercial and bilateral official debt with non-socialist countries in 1986. Because US financial institutions were prohibited from financial dealing with Cuba, there

was no US exposure to Cuba's foreign debt moratorium." Thanks to our embargo, the American taxpayer has not had to bail out any American business or bank shortsighted enough to ignore the record and take a risk on Castro. There may be countries in the world poorer than Cuba, but no nation this side of North Korea works as hard to stifle individual initiative or to minimize the meaningful participation of its citizens in business activity. In Cuba, private property, the sanctity of contracts, free labor unions, and an independent judiciary are all alien concepts. For these and many other reasons, the Cuban economy under the Castro regime cannot and will not provide attractive trade and investment opportunities for US business.

And it gets worse - foreign corporations that want to do business in Cuba do so on Castro's terms - or not at all. This makes foreign investors complicit in a host of unsavory business practices. Independent labor and human rights' groups ranging from Amnesty International to the International Confederation of Free Trade Unions have documented these abuses exhaustively. Although Cuba has long been a signatory to key ILO conventions, Castro's regime ignores practically all of them. Foreign businessmen and women are expected to not only comply with rules that deny Cuban workers their rights, but to inform on any worker who complains. Fortunately, international law is catching up with such predatory behavior. Corporations that choose to violate labor and human rights are trading short-term profits for a long-term liability. Aggrieved citizens across the globe are taking companies that collude with corrupt and dictatorial rulers to court - and they are winning. No longer can foreign corporations escape responsibility for their actions by claiming they were in compliance with local law, knowing full and well that such laws were in violation of international standards. Again, our insistence that Cuba reform before we lift the embargo has saved shortsighted American businesses from investing in decades worth of liability.

NEXT STEPS

Castro understands that to remain in power he must continue to exercise control over all aspects of each individual Cuban's life. Thus, reforms that would seem logical, even compelling, to us - such as allowing small businesses to be established, permitting labor unions to form, freeing farmers to plant and sell the crops they want - can never be permitted under Castro's system. Over the past year, we have seen this brutal logic played out again and again. In January, the regime began a systematic effort to arrest, harass, and put out of business thousands of small entrepreneurs - the very men and women who could best generate employment and living wages. This was followed in March by an island wide crackdown on dissidents of all types - journalists, librarians, economists, and especially regional leaders of the Varela Project, a grassroots effort to promote democratic change. Finally, three young men whose only crime was to dream of a better life were executed by firing squad after a one day trial. The message is clear; the Castro brothers have no intention of allowing even marginal political or economic reform to take root.

So what can we do? First, we must continue to make it clear that we side with the Cuban people and against the regime that oppresses and impoverishes them. We must also continue to enforce our economic sanctions. The embargo restricts the flow of resources to a recalcitrant regime and exerts constant pressure for reform. It is important to remember, however, that the embargo is a policy tool, not a policy. It is a means to an end. It is also a valuable bargaining chip for the day when Cuba chooses or is forced to accept real economic and political reform. Next, we should work with our European and Western Hemisphere allies. In recent months the nations of Europe have taken decisive action to express their displeasure with the regime. Italy has suspended further governmental aid. Major foundations, such as the Prince Claus Fund of the Netherlands, have withdrawn support for cultural events. The nations of the EU are now inviting human rights activists to Embassy functions (as the U.S. has for some time) even though this results in a boycott by regime officials. And, of course, all nations are turning away from throwing further investment down the bottomless pit that is the Castro regime. Over the past decade the Europeans were the foremost proponents of engagement with the regime – they now see that this effort has brought only further repression to the Cuban people and mountains of bad debt for themselves. Hopefully, those who propose the United States embark on a similar policy of engagement will closely study the European experience before proceeding.

This is not the limit of what can or should be done, however. We need to draw on our experience in Eastern Europe, South Africa, and elsewhere and support democracy proponents, human rights activists, independent journalists and economists, and budding entrepreneurs in Cuba. We need to break Castro's monopoly over information by ensuring that all Cubans can receive timely and objective news and commentary through a reinvigorated Radio and TV Marti and direct support for independent libraries. We need to ensure that licensed travelers to Cuba engage the people, not the regime and their hangers-on. A free, independent Cuba that respects the rights and dignity of its citizens, and provides opportunities for individual enterprise, is our common goal. It is in our national interest, and in our common stake in humanity, to not settle for anything less.

Thank you.