

SHOULD THE US LIFT THE CUBAN EMBARGO? YES; IT ALREADY HAS; AND IT DEPENDS!

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In this essay I will discuss the main issues that underlie the Cuban embargo from a political economy perspective. In this introduction we set the stage for our discussion by noting important features of embargoes in general. In the first substantive section of the paper we present a brief history of the origin and evolution of the Cuban embargo whereas the second section describes the main features of the current version of the embargo. The discussion in the second section highlights one unusual feature of the current version of the Cuban embargo. This unusual feature is usually ignored and not recognized as part of the embargo in most discussions of the topic by one side or the other, i.e., laws affecting the flows of persons between the two countries. The last substantive section discusses arguments for and against lifting of the embargo from a U.S. point of view. In the conclusion we provide a different perspective by discussing Cuban views as well as one suggested path to the lifting of the embargo.

From an economic point of view, embargoes are restrictions on economic activities for political or policy purposes. Embargoes involving restrictions on flows of goods across borders are the most well-known due to their impact on international relations. Nevertheless, restrictions on flows of goods and services across lower level jurisdictions in a federal system are internal versions that are conceptually equivalent to the international ones. For instance,

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restrictions on the quantities of an item such as cigarettes that can be transported across state or provincial borders play the same role as restrictions on items that can cross international borders. In the international context one frequent justification for these restrictions that usually goes unchallenged is national security; in the internal context one frequent justification for these restrictions that usually goes unchallenged is enforcement of different tax policies by different internal jurisdictions.

Since these restrictions are imposed by governments unilaterally, they are usually viewed as acts of hostility toward the target of the restrictions when they involve international relations but not when they involve within “country” restrictions. Thus, from a political perspective they become mechanisms for sending signals of various types in an international setting. From a strictly economic perspective, however, their impact is the same. They restrict the level of trade across borders whether they are external or internal and provide incentives for illegal activities in the form of smuggling. Moreover, the end result often includes a negative economic impact on the entity imposing the restrictions as well as on those subject to the restrictions.

An unusual historical example of restrictions that have not been viewed as an embargo -- despite having the typical features from an economic perspective -- were the “mercantilistic” restrictions on trade imposed by Spain on its colonies. These restrictions required all or most commerce between Spain and its colonies to take place in Spanish ships and through a particular set of Spanish ports: first Sevilla and, once the river Guadalquivir silted up, Cádiz. Yet, they are not referred to as an embargo. One suspects that the main reason is that we view them as taking place within a single jurisdictional entity at that time, the Spanish empire. This experience, however, has lessons for present day embargoes. These restrictions often were quite onerous economically, i.e., they entailed much higher trade costs as a result of transport costs due to

geography. Thus, it made no economic sense to wait for ships to and from Spain to sell and buy goods wanted and available in nearby British or French colonies. Not surprisingly, widespread smuggling was a frequent response to these restrictions. Indeed, a historian has described the 17th century as a century of generalized smuggling (de la Fuente, 2009, p. 67), which seems quite appropriate since other colonial powers imposed similar restrictions with similar consequences.

More generally, embargoes differ with respect to (1) the dimensions of international economic interactions that are subject to the restrictions; (2) the purposes for which the restrictions are imposed; and (3) the economic agents to whom the restrictions apply. The U.S. Cuban embargo is unique due to a combination of its duration, the variety of dimensions restricted, the purposes for which they apply, and the economic agents to whom they apply as well as the interactions between these features.

ORIGIN AND EVOLUTION OF THE CUBAN EMBARGO

The first U.S. trade embargo on Cuba after World War II was imposed on March of 1958, but this one would be met with approval by most opponents of the current embargo, including the Cuban government. For it was an arms embargo that signified the end of support at the U.S. State Department for Batista's regime (Smith, 1962). In the current common use of the term, the U.S. embargo of Cuba was originally imposed as a total trade embargo, excluding food and medicines, by the Kennedy Administration in February and March of 1962. Some of its provisions went back to 1960 and the Eisenhower Administration. It was an implicit reluctant recognition of the permanence of the Castro regime and an explicit signal of U.S. displeasure with expropriation of American property and with Cuba's having become an ally of the Soviet bloc.

Such use of trade embargoes for political or policy purposes had a long history in the U.S. For instance, in the early 19th century, the Jefferson Administration imposed a trade embargo on England and France to signal its sovereign right to remain neutral and its displeasure with both sides pressuring the U.S. not to trade with the other one. For the U.S. the results were costly, estimated at 5% of GNP (Irwin, 2005). Trade embargoes became quite popular in the 1790s and in the early 1800s as a result of the Napoleonic wars. According to Findlay and O'Rourke (2007, Ch.7), they had a distinctly 18th century flavor in the sense that they were designed to deprive enemies from obtaining precious metals through exports. By contrast, war embargoes in the first half of the 20th century were designed to deprive enemies of imports such as food and ammunition. Thus, war embargoes have had different policy purposes at different times and the same is true of the Cuban embargo.

Due to the Missile Crisis in October of 1962, leading to the removal of nuclear missiles from Cuba introduced by the Soviets, the Cuban embargo was extended in 1963 beyond restrictions on transactions of goods and services to restrictions on flows of persons, e.g., travel restrictions, and on capital flows, e.g., the freezing of Cuban assets in the U.S. Thus, at this point the embargo involved substantial restrictions on all aspects of international economic interactions between Cuba and the U.S. Furthermore, the reasons for the restrictions now included not only signaling displeasure or hostility, but also national security and the possibility of additional economic retaliation for the expropriation of U.S. assets in Cuba. Finally, many other countries became involved as they were asked to participate in the embargo. By 1964, all Organization of American States (OAS) members but Mexico had agreed to participate in what became *de facto* a multilateral embargo.

In the ensuing 50 years, the embargo has gone through a number of transformations in terms of softening or tightening the restrictions on transactions of goods and services as well as those on the flows of persons and capital, the purposes for the tightening or softening and even with respect to the set of economic agents that are supposed to abide by the restrictions. For instance, OAS members abandoned official participation as such in the embargo in 1975.

Moreover, the embargo has both formal statutory and discretionary features as well as informal ones. Since the discretionary ones and the informal ones can be softened or tightened at any particular time, often without public scrutiny, the embargo can and has been tightened and softened in some aspect for one reason or another by every U.S. administration up to and including the Obama administration. Indeed, a recent paper by a Brookings foreign policy expert, Ted Piccone (2013), provides a menu of discretionary and “informal” ways in which President Obama could relax the current embargo **during** his second term. The potential incongruence between formal and informal features of the Cuban embargo can generate large discrepancies between what advocates of different positions claim and what happens in reality at any one point in time.

MAIN FORMAL CHARACTERISTICS OF THE CURRENT CUBAN EMBARGO

Two events stand out as formally determining the main current features of the U.S. Cuban embargo: one is normally associated with the embargo and one is not. One of these events is passage of the Helms-Burton Act of 1996. This Act replaced the Cuban Democracy Act or Torricelli Act of 1992, which already represented a tightening of the original embargo, e.g., restrictions on U.S subsidiaries trade with Cuba. In addition, the Torricelli Act also represented a switch of policy aims for the embargo. Instead of national security through fighting

communism, which was harder to justify in view of the disappearance of the Soviet Union in 1991, the new aim was promoting democracy, which was easier to justify in light of events in Latin America where new democratic regimes had emerged in Chile, Brazil and Argentina. Indeed, this democratization process had been placed in a more general context and given a name (Third Wave Democratization) by a prominent political scientist, e.g., Huntington (1991).

When contrasted to the Torricelli Act, the Helms-Burton Act represented a further tightening of the embargo in almost all aspects: with respect to the number and type of transactions involved; with respect to its purpose, through a more aggressive advocacy of regime change in the direction of democracy; and, perhaps most visibly, with respect to a substantial extension of the economic agents subject to the restrictions, potentially and unilaterally including all countries and private agents such as citizens and corporations. Passage of the Act in March of 1996 was facilitated, or perhaps made feasible, by Cuba's downing of two unarmed planes on February 24 of the same year. The outrage created by this action of the Cuban government, which led to 4 deaths, required a strong response by the Clinton Administration and the Helms-Burton Act enacted by Congress and signed by the President satisfied that need.²

The Helms-Burton Act generates the most international consternation among global elites. Its potential sanctions apply to private economic agents from all other countries. For instance, one of its discretionary provisions (Title III) allows lawsuits against foreign investors who make use of property expropriated by the Cuban government. Another provision (Title IV) allows denial of U.S. visas for individuals in positions of power violating specific sanctions. U.S.

² Support within the U.S. polity for the embargo and its tightening had been dwindling prior to the downing of the planes. For instance, the legislative outlook of the September 1995 version of the Helms-Burton Act, which did not contain some of the strongest provisions in the enacted 1996 version, was described as: "...the eviscerated bill was dead as it went to conference" (Vanderbush and Haney, 2002, p.175).

Presidents with views as varied as Clinton, Bush and Obama have waived the application of Title III of the law every six months since its adoption in 1996. Title IV has been applied infrequently.³

From a practical point of view the more binding provisions of Helms-Burton are contained in Title I. It codified into law trade sanctions (e.g., Title I, Section 102) and strengthened other restrictions, especially on capital flows. For instance, a restriction that had been in place somewhat informally since the 1960s, but was adopted formally in the Helms-Burton Act requires all U.S. Directors at International Financial Institutions (IFI) to vote against the admission of Cuba as a member (Title I, Section 104A). Admission is one of the conditions for receiving grants and loans from these institutions. In contrast the discussion of restrictions on the flows of persons in Helms-Burton is framed in terms of “...sense of Congress...” (Title I, Section 112).

A most important exception allowed by the “sense of Congress” wording is a considerable softening of restrictions for Cuban citizens traveling to the U.S. stemming from the Migration Accord of 1994 between Cuba and the United States. Signing of this Accord represents the second most important event determining the formal features of the current embargo. It is a bilateral agreement whereby the formal and unilateral travel restrictions on Cuban citizens wishing to come to the U.S. associated with the embargo were substantially relaxed. It normalized permanent legal flows from Cuba to the U.S. for a minimum of 20,000 Cuban citizens every year.

³ The Council on Hemispheric Affairs provides an introductory discussion to these two features of the law at <http://www.coha.org/helms-burton-act-resurrecting-the-iron-curtain/>.

Holders of Cuban exit visas were allowed by this agreement to migrate legally to the United States once they obtained entry visas through the US Interest Section in Cuba. Interestingly this major change in the embargo, also signed into law by President Clinton, had as a stated aim (by both Cuba and the United States) to satisfy a humanitarian concern about the number of people who lost their lives trying to exit Cuba in rafts (e.g., Travieso-Díaz, 1998). For instance, the Cuban government agreed to increase its activities preventing departures in rafts and the United States agreed to return those who succeeded in leaving to the island or to third parties, if they were found before reaching U.S. shores.

Regardless of what one may think about the sincerity of the humanitarian concern, this Accord also served other more practical interests of both governments. From Cuba's perspective, the Accord created a permanent safety valve for those unhappy with the regime and it eliminated the need of explaining a propaganda disaster in which its citizens incurred considerable risks to their lives in order to flee living under the regime; From the U.S. perspective, it represented the signaling of an end to a migration policy with respect to Cuba developed as part of a broader approach to communist regimes and it prevented uncontrolled migration of the type experienced during the Mariel boatlift.

Incidentally, a controversial feature of the agreement is that the policy of returning refugees to Cuba violates international law on this issue (Werlau, 2005). This Accord is still in place, having survived the tightening of the embargo represented by the Helms-Burton Act. Its longevity suggests it satisfies basic political and economic interests of both governments. It has been renewed several times. Furthermore, as of this writing, during the Summer of 2013, negotiations under the Accord were taking place.

One way of acquiring perspective on the magnitude of the lifting of travel restrictions on Cubans coming to the United States implied by this agreement is comparing it to the total number of legal emigrants from various countries. In 2006, for example, the top five country sources of migrants to the US were (MPI, 2011): Mexico, 174,000; China, 87,000; Philippines, 75,000; India, 61,000; and Cuba, 46,000. On a per capita basis Cuba had 0.41% immigrants to the United States in that year, whereas the top immigration country (in absolute terms), Mexico, had 0.17% immigrants on a per capita basis that year. That is well over twice as many on a per capita basis.

Even if only the minimum 20,000 visas had been granted under the 1994 Accord in the same year (2006), the 0.18% Cuban immigrants per capita that year would be higher than the 0.17% for the country which was the top source of legal permanent migrants to the U.S. Thus, this part of the embargo, namely restrictions on flows of Cuban persons into the U.S. as permanent residents, has been lifted beyond any reasonable expectations. We can expect at least 600K permanent residents of Cuban origin to have come into the U.S. by 2024 under this Accord. Well over half of those are already in the U.S.

A further development in this area is that the Cuban government has rescinded the need for an exit visa and related fees for Cuban citizens as of January 13, 2013. All that is needed is a valid Cuban passport and Cubans can exit for up to two years without loss of any citizenship privileges. These changes affect both travelers that do not intend to migrate permanently as well as those who do, either through the Accord or through other legal means (family reunification), by eliminating the substantial costs associated with the exit visa and related fees in both cases. Thus, the costs of obtaining a passport, which run a bit over \$100, are left as the main economic disincentive for foreign travel imposed by the Cuban government. Hence, this year Cuba lifted

many of the most important of its own embargo restrictions on the ability of its citizens to travel, not only to the U.S. but to any other country.

Usually ignored by most U.S. discussants of the embargo, but emphasized by the Cuban government -- perhaps cynically -- is the formal role of the Cuban Adjustment Act of 1966 (amended in 1976) in providing incentives for Cubans to migrate to the United States legally and illegally. Under this Act all migrants from Cuba, regardless of how they came to the United States, need one year of residence in the U.S. to apply for permanent residence. Moreover, they are entitled to benefits during that first year of residence. Cuba's new migration policy lifting restrictions on its own citizens, coupled with the US Interest Section recent discretionary action to give tourists visas to individuals for five years (because of resource constraints to process requests on a more frequent basis) creates the potential for substantial legal abuses of the Cuban Adjustment Act. It also implies that the embargo not only has been lifted for travel and migration by Cubans from the island, but that both are privileged and even subsidized!

What remains of the formal embargo in the area of flows of persons are restrictions on travel by U.S. citizens that are not Cuban-Americans, which seem to have been somewhat loosened informally through the people-to-people exchanges in the Obama Administration, and restrictions on travel by U.S. citizens imposed by Cuba, which may not be any different than what it imposes on travelers from any other country.

SHOULD THE U.S. LIFT THE CUBAN EMBARGO?

Since the embargo has three different economic aspects with their own restrictions, one can partition the initial part of the response to the question in terms of which set of restrictions are

lifted: the ones on transactions of goods and services, the ones on the flows of persons and the ones on capital flows.

With respect to transactions of goods and services, the lifting of the embargo would provide small benefits to both governments in the short-run. After so many years, the costs of the “embargo” to Cuba are relatively low because it has had ample time and choice in switching to the next best available alternative. Presumably the latter would be the one where the costs from diverting trade would be lowest. In principle, they would not be very substantial because by now no other country participates in the embargo. Similar considerations apply to the short-run costs experienced by the United States as a result of these restrictions on trade flows.

Of course, the chances that Cuba could pursue this next best alternative are diminished in two potential ways. First, its trade with other countries may not be driven by economic considerations. But that is Cuba’s choice and will be ignored here as a cost of the embargo. Second, the restrictions on where cargo ships can stop before or after docking in Cuba may lead to selections of a next best alternative that includes higher product and transport costs than otherwise due to this aspect of the current embargo. While as a percentage of GDP these costs might be higher for Cuba than the U.S., due to the greater need for a small country to participate in international trade than for a big country, in absolute terms the costs of trade diversion might be higher for the U.S. due to its much larger size and higher level of wealth. Perhaps this explains some of the vast differences in costs reported: \$1.2 billion a year for the U.S. reported by the U.S. Chamber of Commerce versus \$685 million for Cuba reported by the Cuban government, http://en.wikipedia.org/wiki/United_States_embargo_against_Cuba.

In addition, there are also asymmetric long-run considerations stemming from dynamic benefits of trade. In Cuba's case they would arise, for example, through competition for exports leading to technological innovations in finance and service areas to provide suppliers from which Cuba does not benefit as a result of not participating in U.S. markets. Nevertheless, it receives a substantial part of these benefits if it competes in other markets that are not subject to any embargo. In the U.S. case, there are similar considerations. For example, U.S. grapefruit growers would benefit from extending the season by three weeks if they could import from Cuba, due to its longer season, by deriving longer benefits from the advertising campaigns required to reintroduce customers to grapefruit every year. Of course, from these benefits one would have to subtract the lower sales of citrus growers that benefit from the embargo currently. In both the short- and the long-run, the concept of opportunity cost, which seems to be missing from the usual calculations of the cost of the embargo, e.g., the ones cited in <http://cuba-embargo.procon.org/>, would need to be taken into account.

Last and perhaps least is the issue of trade credit, which is not available for Cuba's trade with the U.S. even for the exempted food and medicines categories. Incidentally, this is one of the reasons for private farm interests in the U.S. supporting a lifting of the embargo, a policy change that Cuba also supports. In the case of a country such as Cuba where economic activity is overwhelmingly dominated by government controlled institutions, credit to support U.S. exports normally would be provided through the U.S. Export-Import Bank (EXIM). This is done everywhere to subsidize exports by shifting the risk of failure to pay to a government institution. The EXIM was created to facilitate trade with the Soviet Union in the 1930s. Some have argued recently that the EXIM does more harm than good and, thus, should be eliminated (James, 2012). Since, in principle, there are private alternatives, this appeal for indirect subsidies by U.S.

exporters and Cuban importers should be viewed as a second or third-order consideration in U.S. decisions to lift the embargo.

Arguably the most serious evaluation of the economic impact of trade sanctions aspects of the Cuban embargo was undertaken by the U.S. International Trade Commission (USITC). A presentation of the USITC analysis by Coleman as well as comments from three different perspectives (Maybarduk, emphasizing trade credit; Messina, emphasizing agriculture; and Trumbull, emphasizing imperfect methodology leading to the right results) were part of the 2001 annual meeting of the Association for the Study of the Cuban Economy (ASCE) and included in the papers and proceedings of that meeting.⁴ The conclusion of the USITC study was that the economic impact was minimal for both countries.

With respect to the flows of persons, in many significant ways the U.S. has already lifted the embargo through the Migration Accord of 1994 that allows at least 20,000 legal immigrants every year. Economically both Cuba and the U.S. enjoy substantial benefits from the elimination of embargo restrictions that has already taken place.⁵ In Cuba's case the argument about the benefits can be made even more concrete. One of the most significant events of the late 20th century and early 21st has been the increasing role of remittances in international capital flows. In Cuba's case this has been highlighted in contributions by writers domiciled in Cuba as well as in the U.S., e.g., Domínguez, Pérez Villanueva and Barberia (2005) and Mesa-Lago and Pérez-López (2005), who have identified volumes as high as \$1 billion per year as associated with these remittances.

⁴ <http://www.ascecuba.org/publications/proceedings/volume11/>

⁵ For an insightful discussion of the benefits from migration to the receiving country, the U.S. in this case, see Mobarak (2013) and Porter (2012).

While there are a number of issues associated with these calculations in the Cuban case, e.g., Betancourt (2007), the amounts are still significant even after adjusting for them. Furthermore, given the substantial numbers of migrants that have come into the U.S. from Cuba as a result of the Accord and the usual strength of familial links of recent migrants with those left behind everywhere, it would be a striking anomaly if these sizable remittances were not strongly and increasingly associated with the immigrants who have been able to come in under the Accord, e.g., Orozco (2013, Ch.2). Furthermore, this process will continue in the foreseeable future in the absence of a change in policy by either or both countries. More recently, the lifting of travel restrictions on Cuban-Americans is a further softening of the embargo. Thus, with respect to Cuban-Americans the embargo is already lifted in terms of travel restrictions and the same is true with respect to Cubans through the Migration Accord. Indeed Cuba is already receiving the main economic benefits from such lifting: through the increased travel to and associated expenditures in the island and through the remittances to the island.

What is left in this realm is the formal lifting of travel restrictions on American citizens that are not Cuban-Americans. Even on this dimension some informal lifting has already taken place through expansion of people-to-people programs. For instance, the Havana Consulting Group (Morales, 2013) reports that 41,000 other American residents visited Cuba in 2007 and estimates that 103,000 did in 2012; it also reports visits by Cuban-American visitors residing in the United States that rose from 204,000 in 2007 to an estimated 475,000 in 2012. This is happening despite incidents such as the detention and treatment of U.S. citizen Alan Gross since 2009.

Gross continued imprisonment for what are viewed in the U.S. as legal activities, distributing computers to others, under difficult personal circumstances is an impediment to further relaxation. Whether or not this aspect of the embargo is completely lifted, however, remains a

contentious issue. Even after the current reforms that are being implemented in the island, many of the benefits from tourism accrue to enterprises controlled by the military or former high ranking members of the Communist Party, e.g., Suchlicki (2013). For a somewhat different view of how the benefits could affect most of the population see Sanguinety (2013). In any event, provisions to prevent Alan Gross-type cases would seem desirable for progress to take place.

Last but not least are restrictions on capital flows. Except for limits on remittances by Cuban-Americans, most of these remain in place; they have substantial impacts on both countries and there are a variety of economic, legal and political obstacles to their elimination. Some of the restrictions most difficult to change are sometimes even ignored as integral parts of the embargo. For example, this is the case with respect to the requirement that U.S. Directors oppose admission of Cuba to the IFIs, which limits Cuba's ability to obtain grants and loans from these institutions. These restrictions are so difficult to change politically on both sides that even some U.S. scholars sympathetic to the lifting of the embargo propose gradual approaches, e.g., Feinberg (2011).

An important issue that arises in the case of restrictions on capital flows is Cuba's failure to pay its debts in the past. For instance Cuba has been in default with the Paris Club since 1985. Nonetheless, it has arrived at agreements with some of its members independently in the last couple of years (e.g., Japan and Russia). The Japanese agreement contained forgiveness of 80% of the debt that had been incurred as of the 1980s. Cuba had never acknowledged the Russian debt as part of its debt to the Paris Club, claiming it was in an overvalued currency and that Cuba was due compensation from Russia for damages suffered from broken contracts associated with

the collapse of the Soviet system. Nonetheless, an agreement entailing substantial debt forgiveness was reached in 2013 although details are not fully available.⁶

While specific deals on trade and project financing with friendly countries (e.g., Venezuela, Brazil, China and Russia) are available to Cuba, the external debt situation is quite difficult and with no signs of improvement despite the limited reforms. Luis (2013) provides an overall evaluation of the difficulties as well as a very revealing specific indicator. Namely, Cuba's international liquidity in 2011, as measured by the Gross Reserves to GDP ratio, is 6%; only Tajikistan has a lower ratio among 28 countries identified as transition countries by the European Bank for Reconstruction and Development. Cuba has also created a complicated and unattractive framework for foreign investors to navigate. The latter has been described in some detail recently by Feinberg (2012). Moreover, Cuba has undercut some of its foreign investors indirectly by supporting other countries in disputes where not getting involved was an available option, e.g., the expropriation of Repsol by Argentina.

With respect to these restrictions on financial capital flows some may argue that it makes no sense to lift them given Cuba's record. Nonetheless, I find that a more attractive possibility would be a gradual lifting through a bargaining approach in which these restrictions are removed as a result of progress in Cuba toward reforming either the economy in the direction of a free market and/or the polity in the direction of a society that respects human rights, including property rights. This approach would address some basic arguments of the opponents of lifting the embargo, e.g., Azel (2012). Embargo provisions designed to obtain compensation for expropriated property, which involve complex legal issues, could also be part of this gradual

⁶ See <http://www.reuters.com/article/2013/03/14/cuba-debt-russia-idUSL1N0C592Z20130314>.

process. Indeed, objective measures of relative accomplishment similar to those followed by the Millennium Challenge Corporation could provide a road map for the gradual route.

Summing up, from the U.S. point of view, the answer to the question in the title is as follows: (1) yes, it should be lifted for transactions in goods and services because it benefits both countries economically and should bring political benefits to the U.S. if done unilaterally; (2) it already has been lifted with respect to the flows of persons with the exception of American citizens of non-Cuban origin that do not qualify for people-to-people programs or cultural exchange categories and who wish to travel to Cuba; and (3) for restrictions on capital flows (including trade credits) as well as with respect to travel restrictions affecting non-Cuban-Americans, a gradual process of lifting that depends on the progress Cuba makes in reforming its economy and polity seems eminently sensible.

CONCLUDING REMARKS

The arguments presented, thus far, have emphasized the potential desirability of lifting the embargo from the point of view of the U.S. In these concluding remarks, we consider alternative perceptions of this issue from a Cuban perspective. The latter will include the views expressed by two prominent dissidents, Yoani Sánchez and Berta Soler, and the position of the Cuban government. We finish by outlining a potential path for eliminating embargo restrictions over a period of time that expands on the previous paragraph.

Yoani Sánchez's main views on the subject have been available for some time. For instance: "The five-decade prolongation of the 'blockade' has allowed every setback we've suffered to be explained as stemming from it, justified by its effects." This quote, from *The Huffington Post*, October 25, 2011, summarizes the basis of her position on "trade restrictions." Their existence

has been the excuse the regime has used for everything that goes wrong in Cuba and Sánchez wants to take the excuse away. While taking the excuse away is a laudable political goal, one wonders how many Cubans on the island still believe the excuse even if they did so at earlier points.

Since there is also the concern that many of the economic benefits of a complete and unconditional lifting of all restrictions associated with the embargo, which would include financial restrictions, will accrue to the new oligarchs in the regime and not to most of the Cuban people, she has expanded on her views of the topic in her recent visit to the United States. One can speculate that she would most likely agree with conditions that limit benefits to the new oligarchs. For instance, in the same 2011 article she notes disapprovingly of the privileges of a *nomenklatura* that does not suffer from the embargo and consumes Johnny Walker Scotch whisky imported through the United States. Indeed, Sánchez has qualified her support for the lifting of the embargo explicitly by noting in interviews that she does not support doing so without pre-conditions.⁷

The stated position of another courageous dissident who has explicitly addressed the topic, Berta Soler, can be described as expressing strong support for the embargo as a signal of disapproval for the human rights abuses of the Cuban government, see e.g., O'Grady (2013). Indeed, Soler has differentiated between the lifting of travel restrictions on Cuban-Americans, because these at least partially benefit Cubans on the island, and the lifting of restrictions on other American tourists, which would benefit mainly the Cuban government. One wonders, however, on the correctness of this assessment of the benefits to the Cuban government in both

⁷ See de la Cruz (2013). The interviewer did not follow up to ask Sánchez what those conditions would be.

cases. Moreover, even if correct there might be better ways of sending signals in support of human rights than through maintaining the embargo in its present form. Instead one can think, for example, of bargaining on the lifting of the remaining travel restrictions and financial restrictions in exchange for verifiable commitments to the protection of human rights in Cuba.

For completeness sake, mention should also be made of the position of the Cuban government on the embargo. Its position can be inferred from remarks made during a presentation at the Inter-American Dialogue in Washington, D.C., in April 2013 by the Chief of the Cuban Interest Section, José Cabañas.⁸ Speaking on bilateral relations Mr. Cabañas emphasized that: it is the United States that is isolated now; Cuba is the Chair of the Community of Latin American and Caribbean States; and the U.S. public in general perceives the embargo or “blockade” as an anachronism in place for “political reasons.” In my opinion the official position can be interpreted as insisting on an unconditional lifting of the “blockade”, which Cuba regards or positions as an illegitimate act of aggression by the U.S. If faced with limited economic choices, however, Cuba will bargain as it did this year with the Russians, despite a similar long standing position with respect to the lack of merits or illegitimacy of the Russian debt.

One possible path for a lifting of the embargo by the U.S. based on all these considerations might be as follows: (1) unilaterally eliminate the trade embargo on goods and services and claim it as a strong act of goodwill that should warrant reciprocity from Cuba; (2) propose eliminating the remaining travel restrictions on Americans of non-Cuban origin, in exchange for specific agreements on future dispute resolution mechanisms with respect to individuals that run

⁸ <http://www.thedialogue.org/page.cfm?pageID=32&pubID=3278>.

afoul of the laws in both places; (3) put the lifting of restrictions on capital flows with respect to IFIs, FDI and credit on the table in exchange for the attainment of specific verifiable goals on progress with respect to human rights, possibly including the property rights associated with compensation or perhaps putting the latter in a separate category; and (4) treat debt repayment issues on the same basis as they are for any other country in the region.

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