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Welcome Remarks:

CARLOS PASCUAL
Vice President and Director, Foreign Policy
The Brookings Institution

PANEL ONE - CUBA AND THE WORLD: SUCCESSION TO TRANSITION

Moderator:

PETER HAKIM
President, Inter-American Dialogue

Presenters:

VICKI HUDDLESTON
Visiting Fellow, The Brookings Institution
and Former Chief, U.S. Interests Section, Cuba

JAIME SUCHLICKI
Director, Institute for Cuban and Cuban-American
Studies, University of Miami

RIORDAN ROETT
School of Advanced International Studies, Johns Hopkins University

PANEL TWO – AFTER FIDEL: POLITICAL AND SOCIAL CHANGE

Moderator:

JULIA SWEIG
Director, Latin American Studies, Council on Foreign Relations

Presenters:

MARIFELI PÉREZ–STABLE
Vice President, Democratic Governance, Inter-American Dialogue

ANDY S. GOMEZ
Assistant Provost, University of Miami

PHIL PETERS
Vice President, Lexington Institute

RAJ M. DESAI
Visiting Fellow, The Brookings Institution

PANEL THREE – IT'S THE ECONOMY: CONSTRAINTS AND INCENTIVES TO REFORM

Moderator:

CARMELO MESA-LAGO
University of Pittsburgh

Presenters:

CARLOS SALADRIGAS
Co-Chairman, Cuba Study Group

ROBERT MUSE
Law Offices of Robert L. Muse

DANIEL P. ERIKSON
Director, Caribbean Programs, Inter-American Dialogue

KIRBY JONES
President, U.S. Cuba Trade Association

PANEL FOUR – WHY CUBA MATTERS TO THE U.S.

Moderator:

ANN LOUISE BARDACH
Author/Journalist, Global Studies, University of California, Santa Barbara

Presenters:

FRANCISCO J. (PEPE) HERNANDEZ
President, Cuban American National Foundation

WILLIAM LEOGRANDE
Dean, School of Public Affairs, American University

JORGE PINON
Energy Fellow, University of Miami

JOHN MCAULIFF
Executive Director, Fund for Reconciliation and Development

Closing Remarks:

VICKI HUDDLESTON
Visiting Fellow, The Brookings Institution
and Former Chief, U.S. Interests Section, Cuba

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P R O C E E D I N G S

MS. HUDDLESTON: It's my pleasure to open this conference, Cuba 2008: Challenges and Opportunities -- or Opportunities and Challenges because I look at it more on the positive side -- by introducing to you the Vice President for Foreign Policy and Director of Foreign Policy at Brookings Institution, Carlos Pascual. And you have his bio, but I would just like to point out that in his 23 years as a foreign service officer, he has been with USAID; he has been at the National Security Council; and he has been the Director of the Office of Reconstruction and Stabilization at the Department of State, which I believe he was the first director and really put it together. And he was also our ambassador in the Ukraine, and Carlos, and greeting with me, the Cuba -- the U.S. policy toward a Cuba in Transition Program of which a number of you here today are advisors to. So, it's a great pleasure for me to start this program out with Ambassador Carlos Pascual and also a Cuban-American. Thank you very much.

MR. PASCUAL: And, Vicki, thanks, and it is a great pleasure to be here with all of you. I structured my comments that I want to share with you not so much in the context of sharing anything new with this group, because I don't think I have (inaudible) sharing things new with this group that has been engaged in the analysis of Cuba's transition

(inaudible) with prospects over such a long time but maybe created a context about how to think about the hours that have. And in that sense, I think we have quite a momentous opportunity in front of us, and it is, I think, an appropriate time to be focusing this additional attention to (inaudible).

Since January 1959, as we all know, Cuba's politics and its economics, its international engagements have been dominated by one person, and that's been Fidel Castro. And that's been made possible in part by his personality, his charisma, the historical legacy that he came into power with, and it's affected his ability to dominate, it's affected his ability to get people to bear hardships in the name of the revolution, and, at the same time, he's even been able to retain respect by some controversy, but, too, I think one has to argue he's retained a certain degree of respect. He's also been a revolutionary symbol, which has facilitated at different times huge subsidies from the outside instead of the union (inaudible) Venezuela. And when he dies, I think it's inevitable that that will influence the dynamics of Cuba. No future leader, I would argue, can hold Cuba together in the same way that Fidel has. That doesn't mean that the outcome will be good. It will be different. And it challenges us to understand what are those differences? What would the next leadership be like? How would it function?

Almost concurrent with Fidel's rise, I think we can say that U.S. policy toward Cuba has been characterized by an attempt to isolate and undermine Cuba and to demonstrate opposition; that policy, one might argue, might have been originally founded on principle. It was probably founded on some degree of fear of what internal changes and transitions might be like throughout Latin America. But one can also argue -- if nothing else as a result that Fidel is in power, still nominally in power, and his regime is in power -- is that it has produced little result. And I would further argue that it has been out of sync with historical experience.

What we've come to understand is that some of the most dramatic changes that have occurred in the international community have been linked with engagements. In the Eastern bloc it was in part that engagement with Poland and Hungary and the Czech Republic, the then Czechoslovakia that was so critical to fall of the Iron Curtain in 1989 in keeping alive the aspirations of people there who believed in change. In the Soviet Union it was very much linked to a series of political and economic realities that came in line together with the Soviet Union (inaudible) and collapse and -- while at the same time you had Ronald Reagan calling the Soviet Union the evil empire, we were providing unprecedented levels of aid in food sales to that country and having

extensive cultural exchanges.

And even in China I think one would argue that China has been one of the greatest exploiters of globalization and global markets, and its China's engagement with those global markets and the pressures that they have created that have in fact actually begun to create not only changes in the economic reality of China, but if one walks down the street to Beijing or Shanghai, one has to start to look around and wonder what will happen as the entry's personal freedom that individuals have come into clash increasingly more with the political freedoms that they might receive.

And so engagement has been, I think, a particularly important lesson over time. Among the Cuban-American community, thanks to some of the excellent work in polling work that has been done by Florida International University some of the individuals who are participating now.

We know that less than 25 percent of Cuban-Americans think that the embargo is worthless. This is not new to Cuban-American (inaudible). As a result of that, those who have supported the embargo have decreased from about 85 percent of the Cuban-American community in 1991 to about 57 percent in the poll that they did last year -- so still over a majority but I think for understandable reasons, because right now

nobody wants to give Fidel or the Cuban regime what appears to be a gift without in fact actually seeing something extracted from them.

What we've also seen are changes in attitudes in the Cuban-American community as a result of new arrivals, and so you now get percentages that are 50 percent, 60 percent, 70 percent depending on (inaudible) support, more open sales, food and medicine, and travel and even over 50 percent that have supported creating, establishing diplomatic relations with Cuba.

So, on both sides of this 90-mile dividing line, what we're starting to see is that there are opportunities for change, and part of that is demographic. One aspect of that demographic change is Fidel's age and his imminent death. But there have been real changes in politics and attitudes and lessons that have been learned.

Let me add another factor to this context. One of the things that we've learned from our experience in global transitions over the last 20 years is that political and economic transitions have to come from within to succeed, and democracy by its very definition is obviously a people exercising greater control over the future and so those people are now at the center of that political change and that they don't believe in it is kind of hard to understand how it's actually going to succeed. It implies that there has to be a local base to be able to work with, and without that

base it raises the question well, if you're going to have a successful democracy, where does it emerge from and what can we do? Are you limited to training and engaging individuals? What we have seen is that you can't create it on the outside. And even on the economic side, we've learned that through the lessons of structural adjustments in the 1980s and the 1990s -- Antonio Ioso, I saw here earlier, I'm sure would have words to say on this -- that economic reform also has to be internally driven.

You know, there's a great lesson with World Bank and the IMS. Certainly the former Soviet Union that I was extensively engaged with was --you know, we all knew what the right economic policies should be, right, and that they were only adopted, and so we played out these frameworks that should be followed, and unless they were believed and absorbed and integrated into way their countries function, those economic strategies in some cases actually could be counterproductive, because they would result in imbalances of countries implementing certain policies and not others, and so you would get collapse of budgets with extensive subsidies being maintained at the same time the two weren't able to coexist in any kind of an effective way.

And so what we've seen now is this lesson of change coming from within being reinforced. We've seen it in failures, in

(inaudible). We've seen it in stalemates in, say, Egypt, (inaudible), North Africa where without that real emphasis for change there have been alternatives that have been put in place. The governments get smart.

You know, one of our colleagues at Brookings has written a paper that talks about how in the Middle East the governments have created their own NGOs so that they have the capacity to say that there has been internal consultations involved in a civil society that's looking to change in the future, but of course it's all defined and determined and written by the government. So, governments have their own way to adapt to these issues.

And we've also seen reports of internal drivers and the successes that have occurred in South Africa and Poland and Hungary and Baltics, and let's say, with an asterisk still, in Ukraine and in Georgia.

So, why this time? Why this discussion on Cuba? The change has to come from within. It means that we have to understand Cuba. We have to understand what the potential dynamics could be when those critical actors and forces that have been maintaining what I would argue is this unstable equilibrium around Fidel change.

What could be the drivers for change? Are they going to come from the Afro-Cuban community? From youth groups? From dissident groups? From church groups? Or none of the above? What

should we be looking out for? Would the prospects for those movements for change turn into political parties that could organize people into some cohesive political units? If there isn't the prospect for that kind of political cohesion emerging, what are the implications for what that kind of environment of change might look like? Who's going to resist change? Who are the ones who are going to actually try to suppress this with all this military (inaudible) the Communist party intelligence services? What fears do they have? What do we know and what can we predict about what the economic situation might be from other transitions from centrally controlled economies. We've seen in virtually every single one of them that budgets collapse? And as a result of budgets collapsing, you can't maintain subsidies to vulnerable groups, and so the irony is that some of the vulnerable groups that maybe might be the most to benefit from change are also the most conservative about thinking about change. Could that happen to Cuba? And what are the implications then for Afro-Cubans? Or is it the pensioners that are going to be most concerned because they're going to see their future becoming unstable when they don't have that much of a future to adapt to.

These are some of the questions that we have to understand about the interactions between economics and politics where they may be splits within the Cuban society, and how we, the United States, and how

the international community more broadly might play into those splits and how we create a more effective policy.

And so in order to do this at Brookings Institution, for me it's been a pleasure to partner with Vicki on a project that she mentioned, which is focusing on Cuba. Vicki has been the Chief of Mission in Havana. She's held virtually every senior job in the State Department that was related to Cuba. She has been an ambassador in a number of countries, including Mali and de facto in Ethiopia for much of the time over the last couple of years.

We see this conference today and the work that we're trying to stimulate on Cuba as an exercise to learn and to translate that learning into recommendations in policy, and so we will be reaching out to policymakers in the Administration and on the Hill in order to be able to share thoughts and engage in a more effective dialogue, and I think it's going to be critical for the different kinds of constituencies that are represented here. So, we're together in sharing some of those lessons, because it will not be easy to change policies, and there's a certain political dynamic that you all know better than I do that resists change here in the United States.

But in the end I think we have to keep our eye on one central thing. If we fundamentally believe that the Cuban people should be the

ones to determine their future and that they have a right to a democratic future, and if we learn the lessons of history, we will understand that they have to play a central role in planning what that is.

So, how do we structure policy in a way that makes it most likely for them to be able to play that role? How do we most constructively relate to those who are in power and those who are seeking power in the future to make that outside force constructive and not something that might be an obstacle to change internally the Cubans?

So, those are some of the things I'm hoping that might emerge from the kind of dialogue that we have over the course of the day.

Vicki.

MS. HUDDLESTON: Thank you for that wonderful introduction, Carlos. It's very nice to get the perspective of what happened in Eastern Europe and also to focus on, which I hope we will do more and more this morning, on how do we empower the Cuban people, because as I think both Carlos and Jaime -- we were talking this morning and we said, you know, we all are pretty much in agreement on the conditions in Cuba, but we don't agree on just how we get the transition into the -- and maybe we'll come a little closer to finding that this morning.

I am going to call for the panel to come up. I'd like to just say one or two things first. Larry Muster has asked me to note to you that

he has brought *Cuba News* -- which is a really great publication, and it always has all the latest events that are coming up --that you might want to pick up out there. There's also other materials out there.

PANEL ONE - CUBA AND THE WORLD: SUCCESSION TO TRANSITION

MR. HAKIM: Well, just got my last-minute instructions and I'm delighted to be here and to be invited by the Brookings Institution.

Let me just start out with two minutes of some random observations that I have (inaudible) call on the panel to give you a serious look. Let me tell you, the thing that strikes me most -- some of these groups have been watching Cuba for many years (inaudible) Cuba, written about Cuba (inaudible) so I sort of have to follow Cuba.

Fidel Castro has left power now for more than 18 months, and it's remarkable how little has changed. I mean, anyone could have told me two years, four years ago, eight years ago that Fidel Castro would be out of power for 18 months and we would see no change in Cuba or very little change in Cuba. When I say "very little change in Cuba," (inaudible) Domingas was -- he was at an event that we had last week, and he talked about changes in Cuba, and he led off by talking about soap operas now come on TV on time as a major change, and somehow, on reflection, when he told me it sounded like a major change because he's

very persuasive, but somehow, you know, on reflection it didn't seem to me to be all that much of a change, and that's the change he led off with. So -- and how little change there's been in U.S. policy, and obviously we're now coming off Super Tuesday. Radio and television is flooded with talk about new Presidents and change, and of course the one thing that (inaudible) it's hard not to think now about what the U.S. should be doing, how it might change its policy towards Cuba, and frankly, you know, what's surprising is how little, few proposals -- let alone any goals or audacious or really creative proposals -- have come out of Washington.

(Inaudible) at a meeting that I was at recently with a very senior U.S. senator, a Republican. Most of the other participants were Democrats. He looked across the room when we were talking one point about Cuba and he said you know, I'm ashamed of you Democrats. He said after a whole year in charge of Congress I haven't heard one Democrat raise the issue of repealing Helms-Burton. He said not that I would necessarily vote for it, but the fact that no one has even raised it, and indeed the most audacious proposal seems to allow -- to restore the right of Cuban families to travel to Cuba on a regular basis. It seems like the only initiative that had any chance of getting through Congress this year. Just -- and in any event, I agree. I understand -- and Carlos mentioned this in his opening remarks -- that Fidel Castro of course is

complicating things because he's left power, but no one would have expected that he would be still alive and kicking and involved in some ways in it, and that may have been the reason for the slow-down in any change, the paralysis of any change, and maybe it's right that everyone is waiting for now Fidel to leave the scene completely. Somehow, the experience over the past 18 months suggests that maybe that won't even do it, that forces for continuity just seem very, very high and involve both sides.

And one other thing that strikes me is not only is the U.S. -- and we want to understand that difficulties in changing our home policy, for example. We all know about Florida, the last two elections, the close (inaudible) Florida, and the sort of trepidation that you're dealing with, with the very active, politically active Cuban-American community, etc., etc., but (inaudible) to press other countries to sort of pursue the kinds of policies we would like. And so this becomes a factor, again, in U.S.-Latin American relations and U.S. international relations where you build multilateral institutions.

And, you know, right now there's only two other countries in all of Latin America that don't have normal diplomatic, normal economic relationships with Cuba; and it struck me the other day that Lula -- President of Brazil -- visited (inaudible) large contingent of ministers, many

of whom had been in Cuba many times. Some of them were actually exiled in Cuba for a time. Very close to the Cuban government, Lula himself was close to Fidel, and, you know, he ended up leaving something -- and I may get the number wrong, Riordan will surely get it right -- it's something like a promise of $1 million in investment in (inaudible), etc., etc. Well, you know, I'm not quite sure. I've heard different versions from official Washington people who work in the government whether the U.S. was in favor or was happy with what Lula did or whether they oppose what Lula did or (inaudible). I can't quite figure it out. It seems to me we should welcome that. If not, then (inaudible) appeal completely to our adversaries in Cuba -- completely to Venezuela and to Iran. I don't know, I don't want to say China's an adversary, but it seems to me we ought to be encouraging other countries to do it rather -- or at least not interfering and resisting their sort of becoming involved.

I agree fully with Carlos that the big change in Cuba is going to be determined by the Cuban people in Cuba. Those people in power now are going to have a lot to say about how Cuba evolves. Some people who are not in power now that are also important say the U.S. and other countries can help around the edges and -- but the current U.S. policy, if it doesn't change in some way or another, is going to have the most minimal ability to influence. The only way that the kind of isolation from Cuba that

U.S. policy influence, if one has as a logical base that the Cubans, whoever is in government, will want a relationship so badly with the United States that it's willing to pursue the policies that we prefer, and my own sense is that Cuban leadership is never going to have that view that it's so important to have a relationship with the United States that it's going to really pursue policies in order to gain that relationship. So, it would seem to me the only way we're going to shape policy is in fact, if in fact we begin to find someway to engage or at least let some of our friends and allies work readily engage without being criticized or oppressed.

Let me say what I really hope for the next President, at least in Cuba, is not necessarily that he or she makes any big decisions very early on. I don't expect that -- maybe I've been in Washington too long to expect big change, but I do think that one would certainly hope that ones begins to see a real debate, that some Democrat in Congress, or maybe even some Republican, does propose that the Helms-Burton be repealed, that someone does propose that the travel ban becomes something of a bill that gets debated and not simply sort of discussed (inaudible). But that's what's really been missing about Cuba for as long as I've been -- any serious debate that might lead to policy change.

Well, with that I'm going to turn it over to our panelists. We have three really superb panelists. I think Vicki Huddleston has already

introduced herself and others, so I'm not going to introduce her again except to say that I did meet with her when she was in Cuba. She was a good ambassador to Cuba -- or, not ambassador, sorry -- what did they call you?

MS. HUDDLESTON: Chief of the Interest Section.

MR. HAKIM: Chief of the Interest Section.

And I'm delighted to be working with you on this (inaudible).

Let me introduce the rest of the panel, then we can go through. On my left here and geographically --

(Laughter)

MR. HAKIM: -- is Jaime Suchlicki, who is a close follower of Cuba, one of the real experts in the United States. He's terribly well informed. He's now the Director of the Institute for Cuban and Cuban-American Studies at the University of Miami. On my extreme right is Riordan Roett, (inaudible) permanent moderator for panels that he sits on now. He's the head of the Western Hemisphere Program at the School of Advanced International Studies at Johns Hopkins. (Inaudible) careful watch of Cuba and lots of other developments in the Latin American world.

MS. HUDDLESTON: Thank you very much, Peter. Thanks

for your remarks. It -- that gave me a nice platform, because one of the first (inaudible) I wrote on Cuba after I left the State Department was for the *Washington Times* -- or at least they published it -- which said we need to repeal the Helms-Burton. But you're right, we've gotten more conservative on Cuba rather than less conservative on Cuba.

What I'd like to say to you this morning is that I believe that right now there's a huge opportunity for the United States to influence the transition. Yes, there's already been a succession, and we chose not to be involved in influencing that, and I hope that we're not going to miss the transition, because there will be a transition not just to Raúl but from Raúl; there will be a transition to another generation; there will be a transition to a different name; there will be a transition perhaps to (inaudible). You all out there know the names as well I do. And after that there may well be a transition to Martha Beatriz Roque to an Oswaldo Paya, to an Elizardo Sanchez. Cuba is not going to stay the same. The revolution is evolving, and it must evolve. And as it evolves, it will change first on the economic side as we have seen so far. In order for Raúl to gain legitimacy, the first thing he has to do is make life in Cuba more durable or sustainable for the Cuban people, and that at the same time then means the he has to allow some political (inaudible).

But time does not affect just the Cuban revolution, as Carlos

Pascual so well pointed out. Time impacts the Cuban-American community, as we have seen in the FIU Cuban Study Group and Brookings polls. Cuban-Americans are changing and cannot resist, even as the Castros cannot resist, the sweep of time, the (inaudible), 2506, the Flantados (inaudible). The very hard-line isolation is wearing away. It is changing to a new Cuban-American community that now wants to connect with their families, that now want to connect with their friends in Cuba.

And so, too, United States policy will change. It's only a matter of time. When will United States policy change? Will it continue to be the same, and how long? The longer the United States resists changing the policy, the less influence we have, the less possibility we have of impacting the most important group, which both Peter and Carlos pointed out, which is in fact the Cuban people.

When I was in Cuba as the Chief of the United States Interest Section, there was a different policy -- for want of a better word, "engagement." It wasn't a real engagement policy, but it was a policy that was based on more liberal travel, (inaudible), people to people going down to Cuba, talks with the Cuban government on migration, not antinarcotics sent on to the environment. There was a lowering, for a while, of rhetoric and of the animosity, and as we lowered the rhetoric and the animosity, the hardliners in Cuba could not sustain as much the control or the threat

that we have to be in control because there's a threat from the United States.

This Cuban spring that we facilitated by our more liberal policies that were begun by Bill Clinton and continued by and expanded by George Bush hit its high point in the spring of 2002 when Jimmy Carter, our former President, at the University of Havana, told Fidel Castro allow a referendum on the Cuban constitution. Well, he didn't. But the amazing thing was that this was broadcast -- this appeal to Castro -- throughout Cuba, and he was talking about the project of Oswaldo Paya, the project (inaudible) in which in the end Paya had gotten over 40,000 signatures of brave Cubans around the country who wanted an up or down vote on the Cuban constitution.

Well, how did we get that far? We got that far, because there was a benefit to the Cuban government in having Americans come down. Yes, they did get some more money. But if you believe the regime is going to collapse because it's lacking some resources, just look back at what happened when the Soviet Union left. Just look at the fact that depriving the regime of resources always seems to push it further into the arms of Hugo Chavez, who now talks about some kind of joint government. That's probably what'll happen.

It also gave Fidel some respect. People were talking to him,

such as senators and movie stars and authors of major books in the United States, like Arthur Miller, Spiron. But these give ideas. These give thoughts, because Fidel doesn't listen to very many people, and we don't know yet how many are going to listen to Raúl.

So, the first thing we need to do now to impact the transition isn't even to repeal Helms-Burton, as much as I think we should. It is to go ahead with a package of liberalized reforms that are in our own benefit and in the benefit of the Cuban people, and that will hasten and broaden change in Cuba.

And then there is a second thing that we must do that may be audacious. The President said -- President Bush said in his October speech that we would not allow stability to stand in the way of freedom. Well, I would argue this from a slightly different point. We should not believe, in any way, that freedom should be equated with instability. Instability in Cuba leads to mass migration. Instability in Cuba could lead to violence and division. Instability in Cuba would give U.S. policy in Latin America a black eye for the next half century. Instability in Cuba, regime collapse, is not the answer to American policy or to democracy in Cuba. The answer is regime evolution, and one sure way to help get there, one sure way to avoid the tragedy of people losing their lives at sea, of America fueling Mafias -- criminal Mafias who smuggle people -- is to end

the wet foot/dry foot policy.

This does not mean you have to repeal the Cuban Adjustment Act. It simply means that when Cubans arrive in the United States illegally, they're interviewed just like the Cubans who are picked up by the Coast Guard, who are exactly the same people -- they are both interviewed. If you're picked up by the Coast Guard you're interviewed on board the vessel. Now, if you arrive in the United States, if you give up the wet foot/dry foot policy you would be interviewed in the United States and you would go back to Cuba.

Imagine how many lives that saves. How can the United States continue to be complicit in encouraging Cubans -- because that's what we do, because they know that if they make it, if they catch the brass ring they can stay -- to take that huge risk. Children, women, men, families lose their lives trying to make it to the United States. But these Cubans, if they could just stay in Cuba, their energy, their spirit would begin to prepare Cuba for the change, because it must be, in fact, those people who are making the change.

But this policy change should be intertwined with a policy change of liberalizing and waiving parts of the embargo. In fact, it must be, because we are a humane and we are a caring nation, and throughout Latin America, indeed, throughout the world, we allow remittances and we

allow travel. So, if we expect people to stay in Cuba, we have to give them the opportunity to see their children, to see their families, to see their mothers and their fathers. So, they must -- people must be able to travel freely back and forth to Cuba and to the United States. And then life must be better.

Cubans should be less dependent on their government, because then they'll be more ready to take matters into their own hands so that young people believe they have a future in Cuba. They will not have the same incentive to risk their lives at sea.

So, those are the two essential things that we need to do now in order to be part of a transition, a package that weighs the harshest parts of the embargo that harm the Cuban people and the families and prevent them from getting ready for the transition and the end to the wet foot/dry foot policy that ends tragically in death for so many.

Let me just say in winding up that it is true, the revolution will change and it will evolve. But how it changes and evolves depends on whether or not we are involved. And if we are not involved and it's going to look a lot more like Venezuela and it's going to look a lot more like Chavez, then it's going to look like Mexico, Brazil, or Argentina. We need to be involved now so that Cuban-Americans can use their know-how, their investment, their skills so that Cubans and Cuban-Americans can

build on family ties and traditions and we can restore, once again, all the ties of friendship and working together between Cuba and the United States.

Thanks.

MR. HAKIM: Thank you very, very much, Vicki.

We now turn to Jaime Suchlicki, who may have a slightly different point of view, but we'll see.

MR. SUCHLICKI: Thank you, Vicki, for the invitation -- Carlos Pasqual.

I've been asked to talk a little bit about what's happening in Cuba, and then naturally I'm going to make some comments about foreign policy and what should the U.S. policy be.

First of all, this obsession has taken place in Cuba. It has been very smooth. Raúl Castro is in control. The armed forces of Cuba, which control and own more than 60 percent of the Cuban economy, are well entrenched. There is significant unhappiness on the part of the Cuban population. They want some social change. They expect some economy change from Raúl. Raúl has made a number of speeches encouraging the possibility of change.

I disagree that nothing has happened in the past 18 months.

Certain things have happened. Number one, Raúl has been talking about change, and he has elevated the expectations of the Cuban people, so if he needs to deliver on those expectations he has now taken a number of measures to try to fulfill those expectations. He has been buying food in Brazil, in Vietnam, in the United States, and in other parts of the world, so in the next months food consumption will improve somewhat in Cuba. He has bought a number of buses in China, so transportation will be improved in the next few months. He has also bought some locomotives in Iran, so things will improve in terms of transportation of goods throughout the island.

I think Raúl will make some minor changes and adjustments in the Cuban economy. He will probably allow some ownership of wine in the rural areas, not even quality he has now modeled but maybe close to a Vietnam model, and trying to increase food production internally.

In foreign affairs, Raúl very smartly has tried to diversify Cuba's dependence on Venezuela. He has seen what happened in Cuba after the collapse of the Soviet Union. He does not want a repeat of that. He is concerned about the internal situation in Venezuela, so he's moved toward a closer relationship with China, which has provided Cuba $800 million in credits. He signed a credit agreement with Russia for $373 million. He signed agreements with Iran for $600 million dollars.

And more recently, he has some agreements with Lula and Brazil.

The most interesting thing is the visit by President dos Santos from Angola to Cuba in December. We don't know what came out of that, but this is an oil-producing country, so I think Raúl is clearly trying to diversify and open up to a number of countries. This does not mean opening to the United States. The biggest hold that has increased the policy -- the Washington policy establishment was a statement on July 26th of last year when he said he was willing to negotiate with the United States. This was preceded by a virulent attack on the Bush Administration and American foreign policy and followed by the now stagnant statement that Fidel has made for the past 37 years that the revolution is not going to change; nothing is going to change here.

Sitting in Havana, why would Raúl Castro want relations with the United States? Tourism? Are we going to provide a hundred million -- a hundred thousand barrels of petroleum per day? Are we going to give Cuba a significant amount of credit in the United States? In exchange for what? For changing to a society? For opening up the political process? Opening up the economy process? If I were sitting in Havana with Raúl, I don't feel threatened by a social explosion in Cuba. I am concerned about what's happening on the island. I am concerned about the expectations of the Cubans. They're trying to get out. They're trying to get better food

and better housing. I don't expect a massive uprising. The opposition in Cuba -- although it's widespread, it's not organized, it's weak, it is infiltrated by the operators of the state police. I don't see giving Raúl a challenge here. They are divided. There is no internet access. The telephones are listened to. You can't travel from one area to the island. So, from a point of view of organizing a solidarity type of movement, I think Cuba is due three years of wait from that kind of a change.

So, now, we come to the magic solution about American foreign policy changing Cuba, and every -- I've got to tell you for the past 40 years I've been involved with Cuban affairs, and every four years we carry on this kind of seminar, and the policy establishment -- every time there's a new administration, whether it's Republican or Democrat, now it's an opportunity. All the others willing to negotiate with the United States -- now we've got to this, now we've got to lift the embargo, (inaudible), let's see what we can do.

(Inaudible) junction now that the leadership of Cuba is willing to engage with the United States. If we're willing to offer unilateral concessions to the Cuban government, naturally they'll be delighted. They just recently sent a head of the Interest Section to Washington -- Jorge Bolanos, a sophisticated ambassador -- not to negotiate with the United States but to further this process of unilateral concessions by the United

States by encouraging think tanks, by talking to Congress, and so on so the United States will either provide credits to Cuba, lift partially the travel ban, or lift the (inaudible) Helms-Burton (inaudible).

American foreign policy as distinct from American foreign policy for the rest of the world in Latin America has emphasized constitutional change, democracy, and elections. This is going back to the period of before the Carter Administration, who in those eras (inaudible) created a new policy for Latin America. We rejected the concept of dictatorship, and we began to encourage and emphasize change (inaudible) Latin America. We intervened in Haiti. We intervened in (inaudible). We intervened in Granada. We prevented coos in a number of countries. (Inaudible) in Latin America. So, our policy, not the rest of the world but Latin America, has been based on the idea of democracy, constitutional government, our freedom; and we've been consistent in (inaudible) by a number of (inaudible).

So, change in the policy now without a significant opportunity for change in Cuba without a significant and irreversible *quid pro quo* from the Cuban government would be a denial of 40 years of American foreign policy would send a message to other militaries in Latin America that we are willing to support a military government in Cuba, that we will be supporting a dictatorship by the succession, and therefore we're willing to

start again. Well, this is a difficult message if you want to send it to Latin America and a complicated message if you want to send it to Latin America.

Second, changing our policy without *quid pro quo* is something that nations do not do. You change policy in return for other concessions. As long as the Cuban government is not willing to provide (inaudible) concession or releasing 10 political prisoners and arresting 20 or changing a little bit here or there, we need significant concessions, and then we should engage. If the government of Cuba -- whether it's Raúl, whether it's Ozlahey, whether it's somebody else -- is willing to change the conditions of the Cuban people, in turn (inaudible) migration or cooperation of the interdiction of drug dealers or even cooperation on terrorism, which has some things that some people in the U.S. government would like, but it does not affect the Cuban people or the well-being of the Cuban people. But when the regime in Cuba is willing to say look, we're willing to open small enterprise, we're willing to open up to political process, we're willing to have free press, we're willing to allow more opportunities in Cuba I think we should engage, and I think we should have a package ready for that but only when that engagement is ready. If you are willing to offer concessions now to a military government in Cuba, you are going to be strengthening the military in Cuba, you are

going to put money in the hands of the elite of Cuba, and, sure, in Cuba if you have a million tourists from the United States coming into Cuba, you're going to have some benefits for the Cuban people. The bus boys and the bartenders have only to make a few dollars. But tourism is not going to bring democracy to Cuba.

I spent one hour with Congressman Jeff Blake in a long discussion about that, and in exasperation at the end of the discussion I said to Jeff look, if you think that tourism can bring democracy to Cuba, let's send them to North Korea; let's start a program to send American tourists to Iran and North Korea to see if we can bring democracy. It's not consistent to say oh, we're going to send tourism to Cuba to bring democracy and not say we're going to bring them to North Korea to bring democracy to North Korea.

So, I think that the policy has to be crafted in a sophisticated way to take advantage of the opportunities that realize. We may find that there are no opportunities that realize in Cuba. We may find that the leadership is so hardened in their position that no matter what we do we're not going to be able to influence internal development. You can do it for humanitarian reasons. That is the policy of the United States -- helping Cuba for humanitarian reasons. Let's send them (inaudible). Let's help the Cuban government (inaudible). But if you're talking about real

politicking, if you're talking about realistic trying to bring about change in Cuba and moving Cuba to a rapid transition, not a transition that will last for 20 or 30 years, and the military and the party continue to control Cuba, they're benefiting. The (inaudible) Cuba make money, and we have to (inaudible) and coming back and things are (inaudible) the United States, but internally the Cuban people are not benefiting. If that is the policy benefit, fine. Follow that policy.

Now, as a Cuban-American -- and I'm going to take my hat off now as an academic -- I'm going to tell you that this vision -- this vision of a Cuba selling cigars and hats to American tourists is not a vision that I want for my country -- okay, former country. I think that that is a vision maybe for the Bahamas. That may be wonderful. But I think Cuba should have (inaudible) entrepreneurs, to have businesses owned by Cubans. Cuba should not be a lopsided economy dependent on American tourism. I talked at great length to people that are involved in the tourist industry. They want to build a (inaudible) hotel. They want to take the boats to Cuba. Well, this is not the transfer of technology that Cuba needs to be a modern society to (inaudible) changed society. This is a very limited and not a great vision for Cuba. Raúl Castro's vision for Cuba is to remain in power, to (inaudible). He's got two or three or four years more. He doesn't want to change significantly Cuba society. He is surrounded by

the hardest line of people, that you can see the emergence of (inaudible) as Minister of Communications. It is a dreadful form of (inaudible) running Cuba or next to Raúl running Cuba. So, I don't think that the condition exists in Cuba. It may exist in Washington, and we may have a different administration come January, but it's not the conditions in Cuba for offering serious concessions. We can offer concessions, we can (inaudible), but don't give away the house until there are changes in Cuba -- irreversible changes in Cuba -- to bring about a better Cuba, a democratic Cuba, a career Cuba.

Thank you.

MR. HAKIM: Thank you, Jaime.

Let me turn it over to Riordan. He may have a different view.

MR. ROETT: I'm very fortunate in that you haven't asked me to speak about whether Fidel Castro is alive or dead. We'll spend too much time on it.

My contact with Cuba --

-- to the end of the Ford Administration when I first went to Cuba to negotiate the first university change at the University of Havana and Johns Hopkins University. I came back and that was Bill (inaudible) President Ford (inaudible) Secretary for Latin American Affairs, was reading what I had found, and I had a very long conversation with (inaudible) Nacional on

a number of issues in U.S.-Cuban policy. That was my initial exposure to things Cuban, and then with the support of the Ford Foundation were able to take down either four or five delegations of my graduate students to meet with Cuban graduate students and faculty, and we had money to bring the Cubans to Washington and New York. That would be the halcyon days of Cuban-American relations in which we were moving with the opening of the Interest Section and beginning the engagement for a change in policy. That, of course, all became frozen in the 1980s and has been regressive ever since.

To fast forward, in terms of my images of Cuba, I just came back -- I came back from spending Christmas in La Paz, Bolivia, and my host was a neutral ambassador at a dinner party with the Cuban ambassador to La Paz. It was going to be the head of the Interest Section in Washington, but we shipped it to La Paz, and I was asked is it a demotion, and I said no, no, not a demotion, this is the export of the revolution once again. And my host said look, the way it works in Bolivia now is that the Venezuelan ambassador hands out the money and the Cuban ambassador works on strategy. And part of the strategy is to teach revolutionary Spanish to the Aymara and Quechua Indians on the altiplano of Bolivia.

So, Chavez is really a very interesting issue here. As we

know, Cuba gets two-thirds of its daily petroleum needs from PDVSA, the state oil company. It is alleged -- I do not know this for a fact -- that it's largely free of charge. It's also true -- and you might want to Google the *Miami Herald* for January 28th. There's a superb article by Pablo Bachelet and his colleagues on PDVSA and the oil industry in Cuba. As they point out, there are some very serious problems beginning to develop in PDVSA. Oil production in Venezuela has declined by 28 percent. The company's debt has soared. Corruption has flourished. Foreign oil partners have pulled out. And PDVSA's payroll has skyrocketed and the company has taken to hiring employees of their (inaudible) Hugo Chavez, not their expertise.

Now, why is this relevant? It's relevant, because if indeed we're going into a recession, which obviously we are -- they were involved with Dow Jones yesterday -- and there's going to be drop in the American consumption, therefore a drop in the need for oil and petroleum. Now, that's margin at least. Prices will begin to fall. When prices begin to fall, Hugo Chavez has a very serious problem, because there is no Venezuelan economy outside of PDVSA, and Hugo Chavez has destroyed PDVSA basically as a functioning company where when it was, it was one of the very most important state oil companies. This brings up the issue of the evolution, the transition, the change in Cuba. What happens indeed, it

is impossible for Venezuelans at some point in the future, not tomorrow, not to be able to afford two-thirds of the daily petroleum needs of Cuba to the island. What kind of adjustment is going to be made by whomever is in charge in Cuba, because given the fact that PDVSA has been so active for the last eight, nine years, this really has clearly contributed (inaudible) but contributed to a quality of life change on the island. If there's an abrupt break in that export factor from PDVSA -- and PDVSA is an increasingly fragile company and the Venezuelan economy is an increasingly fragile economy -- we then have to worry -- for those who were following transition issues in Cuba need to worry about the adjustment that would be needed. What kind of adjustment would be needed by the Cuban government if they no longer have two-thirds of their daily petroleum needs coming from Venezuela? What if it drops back to just a third or 5 percent on an annual basis. We then have to talk about a different set of policy alternatives -- will in time move Angola into the place of Venezuela. Difficult over time, because of transportation costs, because of the shortage freighters, quality of oil refining. All these complicated issues come in when we begin to look for substitutes for Venezuela in the economy of Cuba. China is not going to provide oil for Cuba. Very difficult to imagine that other countries will be able to immediately fill that gap. Now, it's possible that Brazil would attempt to do

so since Brazil has now made a major petroleum find off the Santos Basin compete. But that'll take at least six to eight years -- ten years to really bring on line petroleum as well as natural gas.

So, the search for alternative energy, it seems to me, is going to become a very important critical question that is deeply linked to what is happening in Venezuela to the state oil companies due to pricing of oil on the international markets and whether or not Chavez -- if we can buy lower oil prices -- survives; if he survives, what kind of succession do we have for Venezuela that then relates to what kind of linkage we have between Caracas and Havana.

So, this has become a very complicated issue, it seems to me, in terms of dependence in the last six to eight years of Cuba and, in particular, Fidel Castro, his relationship with Hugo Chavez, who some of my colleagues argue Hugo Chavez is the real son that Fidel never said in terms of revolutionary zeal and the export of the revolution and sending extraordinarily competent ambassadors. But maybe it will be that Fidel doesn't do any of this anymore, that he basically is in pajamas and watching television.

So, it seems to me that we probably do still have a framework for foreign policy in which at least the idealism and the revolutionary zeal of Fidel still flows. And the Cuban ambassadors I have

met overseas are extraordinarily competent, extraordinarily astute, well read, well traveled, and are no dummies. With all due respect to the U.S. foreign policy establishment in Washington, one has a sense that they're a bit more sophisticated when talking about the United States and Cuba now that our foreign policy establishment has quit, present company, etc. That is one set of issues -- the oil question and Chavez.

The second question, of course, is indeed if Chavez is able to maintain his regime, PDVSA continues to stumble along but even though production is falling, there aren't enough rigs, they lie about the numbers in terms of production, they're not really putting any money into the oil industry for very strange reasons none of could quite fathom, they will be that Chavez doesn't know much about oil or (inaudible) maintain the oil industry but he's able to maintain his flow of money first to Cuba. But it seems to me a stabilizing factor in whatever the evolution of transition is and needs to be factored in.

But most importantly, Hugo Chavez is not going to stop exporting money to Bolivia or to other countries, and that means that there is a renaissance in revolutionary foreign policy on the part of the Cuban -- foreign ministry that will continue to grow.

We're all old enough -- or most of us are -- to remember the revolutionary foreign policy of Fidel in the 1960s and 1970s.

One of my colleagues, Piero Gleijeses, has written a brilliant book on Cuban foreign policy in Africa where the Cubans are told to basically defeat U.S. foreign policy goals. He's now doing research in the archives in Cuba on his second volume.

Cuban foreign policy is one of the more interesting aspects of revolutionary Cuba. In talking during the week I was in La Paz, two colleagues -- not Cubans, but Bolivians and other foreign nationals -- the presence of Cuba -- the presence of the embassy -- the way in which the very sophisticated ambassador and his wife -- his wife does the social planning I'm told for the revolutionary movement. The ambassador does some of the most strategic thinking in terms of where Bolivia may or may not be going.

And indeed, the Cubans, as you may imagine, play favorites within the revolutionary movement in Bolivia, which is increasingly of concern to the indigenous segment of that movement. So, there are a number of very interesting and complicated foreign policy questions in which ultimately Washington is going to be involved and concerned about the expansion -- targeted expansion, I believe -- of Cuban foreign policy, once again, in the Americas. Other targets: Bolivia -- after Bolivia? Very difficult to imagine. Nicaragua certainly. Possibly Ecuador, we're not quite sure. But quite clearly, you know, that dynamic we have not had to

confront for almost 35 years. It's a new dynamic. The only thing that is going to become increasingly complicated, the Chavista issue, petroleum production, oil pricing, oil exports, and the dependence of the Cuban economy on those oil exports (inaudible), as well, in the short to medium term.

Let me finish by mentioning that China has been mentioned twice here. Be reassured that China is not going to become an active agent of revolutionary support for the Cuban regime. Anyone who'd like some reinforcement, I have a book coming out next month at Brookings Institution on China and U.S. -- (inaudible) China and Latin American relations and coauthored (inaudible), and my colleagues British, Latin American, American, and Chinese have come to the consensus that China's objectives, even though they are active in Cuba diplomatically, are not revolutionarily gridded, so you can take China off the table in terms of our concerns.

Finally, it seems to me that U.S. foreign policy indeed needs to begin to change, given the extraordinarily difficult relationships we now have with Venezuela, with Bolivia and other so-called revolutionary regimes in the region in which the Cubans in some ways are involved. Will this bring about some kind of diplomatic confrontation between Washington and those capitols? We've not handled our relations with

those revolutionaries very well, just as we've not handled our relations with Cuba very well. Therefore, the next Administration, whichever party wins in November, will have the opportunity, whether they're overseas or not, to change our relations with Cuba is one issue. But, really, in many ways the relationship of the United States in 2009 with (inaudible) and Hugo Chavez if the Chavista regime is still in power, will have as much, I think, importance for our relations with Cuba than our observations of the evolution transition in Cuba as any other factor. Thank you.

MR. HAKIM: Thank you, Riordan.

I thought I would ask the first question.

My interpretation, Jaime, of what you said (inaudible) --

I was going to comment on what I interpreted Jaime's intervention -- and you can tell me if I'm right or wrong, Jaime -- but that basically economic failure of the current Cuban regime is preferable to economic success if that's more likely to bring about the kind of change toward a democratic Cuba, that -- is that right or wrong that you would prefer to see this regime fail economically; and then I'd turn it to Riordan or Vicki to -- is economic success or failure likely to -- more likely to bring political change, democratic change to Cuba? Because if there's one we can influence is whether the regime is -- fails or succeeds economically.

MR. SUCHLICKI: The only moment in the past 47 years that

there was change in Cuba was after the collapse of Eastern Europe. Fidel Castro was concerned about increasing social pressures. The economy went into a dive. So, he introduced a number of reforms -- the dollarization of the economy, foreign investment, tourism, (inaudible). But this was the only time when he felt that there would be an enormous danger of explosion in Cuba that he was willing to open up the economy. Following that, and as early as 1994, '95, he began to backtrack on all those measures, and there's been no change since then. So, I think that the only thing -- the only way to produce that kind of change that we want is to keep (inaudible). On the other hand, maybe that's not enough. American foreign policy may not be the decisive factor when you have Venezuela, China, Iran, and other countries supporting Cuba. And the Cubans may see that in the next few months things begin to improve, the pressure will go down, and Raúl will feel more confident that he can continue to do whatever he wants without necessarily making some changes.

Let me add one point that I didn't make and I think is important. Cuba has offered concessions for deepwater exploration of petroleum on the north coast of Cuba to a number of countries, including Spain recently, (inaudible), the Indonesians, and others. There is significant petroleum in that area. In the next two or three years, that

petroleum will come on stream and will be able to satisfy the supply of Venezuela. So, I think that Raúl is also playing on that timetable to be able to satisfy his internal needs for energy and not having to depend on anybody.

MR. HAKIM: Well, my interpretation is you said yes, that economic failure is (inaudible) towards democracy.

MR. SUCHLICKI: If that's the wrong term (inaudible). I'm also saying that given the embargo --

MR. HAKIM: I understand, I understand. But economic failure or success the best route for democracy?

MR. ROETT: Well, I think it depends on the factors we were talking about here. It seems to me that whoever is making the decisions in Havana today, and I don't (inaudible) making decisions, but someone's making too smart decisions in terms of preparing for the next step in the evolutional transition, but in terms of dealing and working with the Brazilians, with the Angolans, with the Chinese it's not -- it's rather obvious that these are nation states with which the United States does not have the most perfect relations at the present time. The George W. Bush Administration is detested in most of those countries. That may change in January of 2009, but it takes time to change those kinds of policies. So, the Cuban regime I think is taking some very interesting and very

important steps to shore up their economy if indeed there were a shortfall in oil or indeed to provide better living standards for the average Cuban. I think the transitional group in Cuba understands how extraordinarily important that is.

I think Washington -- official Washington, not the nice people sitting here --

(Laughter)

MR. ROETT: -- but official Washington has a tendency to forget that in Latin America, it isn't that Cuba is necessarily popular, or Fidel Castro certainly is, you know, welcome to (inaudible) American summits (inaudible), but that the dislike of U.S. foreign policy has increased so dramatically and our policy towards Cuba is so disliked. Since almost all the countries now recognize Cuba, there is frequent diplomatic interchange between the major Latin American countries and Cuba. That expectation that there would be at the margin at least economic support for continuing to keep the Cuban economy functioning I think is relatively high. Even if you spend the time as far south as I do every month in the new government of Cristina Fernandez de Kirchner -- it's not clear who actually runs Argentina, whether she does or her husband, but it doesn't make any difference, they live together -- that --

MR. ROETT: -- there is still a great deal of sympathy for

Cuba and for Fidel Castro, and I think we tend to forget that since increasingly our embassies are so isolated in Latin America -- you know, fortress mentality and fortress construction -- it makes it difficult for ambassadors to get out and for us to get in, whereas that's not true -- the Cuban embassies in most of these countries -- the Cubans circulate rather freely, as the Chinese now do as well at academic seminars and meetings, and they're most welcoming if you try to get an appointment, which wasn't true 20 years ago either of Cuba or of China. So, the diplomatic dynamics I think are very different today than they were just 10 or 15 years ago in terms of primarily South America support and willingness to work with whatever transition of a revolutionary regime in part because none of the countries in the region like intervention by the United States, and they see the embargo and the other -- Helms-Burton, etc. -- as intervention in the internal affairs of Cuba, but again because of the unpopularity of U.S. foreign policy in general (inaudible).

MS. HUDDLESTON: Thank you.

First of all, economic success for the Cuban people would bring change, an almost immediate change, because what has happened is the money goes into the government. The money goes in either through the oil from Venezuela or trade with China or trade with the rest of Latin America. The government controls the money.

Where I disagreed with Jaime is he said there was only one time that Cuba began to change, and that was when the Soviet Union ended its aid and retreated from Cuba. The second time was when we had a different policy, a more liberal policy, and we had Cuban-Americans traveling to Cuba, and we had people to people traveling to Cuba, we had tourist exchanges, we had culture exchanges, we had museums of modern art, we had consuls on foreign relations coming down, we had senators sitting in major hotels meeting with Cuban rights activists and giving them a status of what happened then. More (inaudible) were coming into Cuba, more care packages were coming into Cuba, and more families were able to help their loved ones. And what did that mean? That meant the Cuban people were better off. And what does it mean when the Cuban people are better off? They have greater independence.

When we still could travel outside of Havana, and now we have imposed on the Cuba Interest Section that they can't so we can't, which doesn't make any sense, so we can't find out whether the people would return or the Coast Guard returns to Cuba, whether they're all right or whether they're being persecuted. But when we could -- and we could -- I used to go out and I'd talk to these families, and it was amazing. The families who were independent, the families who could speak out, the families that weren't controlled by the bloc committees were the people

that got the money from the families in Miami.

So, if we're going to prepare the Cuban people to make the change, if it isn't Miami who's going to make the change and perhaps in the end it all comes down to who is going to make the change -- Miami or Havana -- then we need to give the money, the ideas, the exchanges at the influx to the Cuban people, and that's what I'm talking about. I'm not talking about concessions. It's not a concession to let people travel to see their families. It's not a concession to get people enough food so they don't want to risk a trip across the Straits. These are the things that empower people, and these are the things that we saw did make a difference in Cuba, and it did lead to 40,000 people signing a petition. It did lead to Beatriz Roque earning her national assembly. We should do these things not as concessions. We certainly tighten the embargo and don't look (inaudible) *quid pro quo*. We should do these things because it will force change in Cuba and it will eventually force out an autocratic regime.

MR. HAKIM: Okay.

(Applause)

MR. HAKIM: We have some disagreement on the time, so I'm going to go to the audience where I'm sure of the answer -- consensus out there -- and who's going to be the first one to voice that concern

(inaudible)? I'm going to take six or seven questions, so why don't you start here -- start in the center (inaudible).

GARY: Gary (inaudible) from -- I'm a retired foreign service officer, and I was counsel for Economic and Political Affairs in the Embassy in Nevada just before (inaudible). Excellent panelists, and I find myself agreeing with all of them, even when they apparently disagree. (Inaudible) disagreement is anywhere near what is (inaudible).

A couple of comments first. I'm going to associate myself with the earlier comments of Carlos and later of Vicki.

I was there towards the end of the economic open within Cuba --

MR. HAKIM: (Inaudible)

GARY: Okay, very quickly, very quickly.

MR. HAKIM: -- get to the heart.

GARY: Very quickly. I think there was a great increase in personal freedom during that period when there was a small economic opening, and I think if that happened again it would lead to major political changes eventually.

To Riordan's comment about Venezuela and oil, the only thing I would say -- I left Cuba to become economic counsel to Venezuela -- Venezuela has accumulated enormous cash reserves. It doesn't just

show in the statement of Central Bank; it's also in all the development banks. Venezuela is in a position though from several years of recession and still hold it together -- (inaudible) hold it together isn't an issue. But there were some civil resources.

Finally, a question to Vicki, then I'll be disciplined.

Vicki, you mentioned the Cuban Adjustment Act, and you said we need to, you know, end the wet foot/dry foot policy, but you said we didn't need to repeal the Act. My problem with that has always been -- and I'm not a consul officer --

MR. HAKIM: You need to get to the point.

GARY: The point, point. Cuban-Americans -- a Cuban who arrives on U.S. shores could always ask for political asylum, and once they do that, they have to go through an adjustment process, which is going to probably going to take more than a year -- am I wrong in that?

MR. HAKIM: Wrong in that.

GARY: Wrong, okay. Thank you.

MR. HAKIM: This -- go ahead.

SPEAKER: (Inaudible), American citizen, born in Cuba, became (inaudible). What I am going to do is comment (inaudible) as an invitation (inaudible).

SPEAKER: We have spoken about stability and instability and the fear of instability. Let us see the result of stability. In Cuba more than 50,000 people lost their lives (inaudible). Thousands of people were executed before the firing squads. Thousands died (inaudible). Thousands died in Latin America because of the subversions caused by the Castro regime with the finances of the Soviet Union and now of Venezuela. One hundred million dollars in Soviet subsidies were lost --

SPEAKER: That is the price of stability. I would say that those who favor that policy, the Department of State, are covered with blood from head to foot regardless of their (inaudible). Thank you.

MR. HAKIM: Okay.

MR. JOSEPH: (Inaudible), also of Johns Hopkins (inaudible) studies. I just came back Monday from a U.S.-approved mission to Cuba and would just say everyone I spoke to we got out of Havana as well -- is virtually every single person (inaudible) is not out there without changes. Almost everyone said that they do not believe that there will be much change coming in the near future.

My question for Jaime, sir, you -- I was quite perplexed by your skepticism (inaudible) on the border of contempt for tourism. You know, in the hotel we stayed in Havana, it's swarming with European tourists -- not only tourists, French -- a man I met, a businessman, was

there on a convention. So -- and these hotels that they're building, you know, of course are done as joint ventures with major European enterprises. There's others of citrus -- a joint venture as well. So, I'm wondering why you believe that our restriction on tourism would have this affect, and when many other countries, including (inaudible) countries in former Communist regimes -- for example, Croatia -- are quite happy -- and Montenegro, too -- to expand their present economies and do not look at it as selling cigars and hats.

SPEAKER: The panel has basically concentrated on finding a desirable state in Cuba and in Cuba-U.S. relations and set forth approaches that they think might increase the probability of a desirable state. I'd like to reverse the telescope and ask Vicki and Jaime to talk about the worst case scenarios, that is, the worst outcomes that might be visible and foreseeable and how their particular approaches, their respective approaches, diminish the likelihood of the unfortunate scenarios.

MR. HAKIM: (Inaudible)

SPEAKER: I was going to introduce myself --

MR. HAKIM: Bring the agenda issue --

(Laughter)

SPEAKER: (Inaudible) There isn't in Cuba, by the way, a lot

of women in charge in Cuba.

I just want to introduce myself. I'm part of a sister city with Cuba, and I don't think a lot of people know that. We have many sister cities. I happen to be from Monworth. We have constant contact with (inaudible). (Inaudible) was just there. And I wanted to say one thing. You say China (inaudible), that on Cuban TV they have China language lessons every single day, and Cubans are learning that. They're not learning English; they're learning Chinese currently. And also the largest trading partner is Canada. So, we do have relationships the last time I checked. So, there are many, many people (inaudible). You've got the U.V. and you've got China and all in (inaudible), and they're all arriving in Cuba, and it somewhat makes the United States (inaudible) when you talk about these (inaudible). These people I've talked to -- and I travel all around the island, because I'm not official, and my sister city is (inaudible) to be sure. So, I just wanted to say that, and I actually have a (inaudible) professor, director (inaudible) University of Miami, and (inaudible) in fact in Latin America we have a lot of support of the dictator (inaudible), we have the support of democracy. You call Chavez a regime, but he's been democratically elected (inaudible).

MR. HAKIM: Let's not get into that debate.

MR. HAKIM: Thank you very much.

MR. MARTINEZ: Thank you. My name is Tony Martinez. I just have a question and a suggestion that all the panelists that speak today please tell the audience when was the last time that they were physically in Cuba, because prospective experience (inaudible). A lot of people comment or are talking from their rise in power. It's important to -- it would be helpful to learn where -- when was the last time the panelists were in Cuba, so I ask each one of the panelists when were you physically last in Cuba?

MR. HAKIM: Thank you. All right.

SPEAKER: Just a quick question on the issue of the travel ban. I wondered whether -- if you could -- it would be speculating, but what's the likely reaction that the Cuban government might be to unilateral action (inaudible) of the travel ban? Professor Suchlicki thinks that they would greet it as a profession and as a victory and economic benefit, but I wonder if (inaudible) whether they wouldn't look on it as a threat to their regime, that the prospect of many North Americans in large numbers visiting their country and England (inaudible).

SPEAKER: (Inaudible) I am a Cuban. I'm talking about tradition, just (inaudible) trouble trying to disband the position of the panelists. My question is to Professor Riordan. You were talking about

(inaudible) placements in case of a -- Chavez is not in power anymore, and there is a new government that is going to be very (inaudible) Cuba. So, isn't that the case that instead of talking about Oshay's replacements, we should be talking about replacing the finance (inaudible) of oil shipments? That's my question.

MR. FLETCHER: Thank you all -- Frank Fletcher, FIE graduate. Macro-politically speaking, since most countries in the world have normal diplomatic and other relations in Cuba, why has that not brought about the kind of democratic change (inaudible) the ports through Canada can go there and other democratic and capitalist countries?

And, second, the Cuban government confiscates most of the wages of foreign companies that pay -- that invest in Cuba. Wouldn't this be something that the Cuban government could do if they could make this change -- to start paying the full salary that's paid to the government to the workers. That might help go a long way to alleviate suffering -- perhaps.

MR. HAKIM: Thank you very, very much.

I'm going to give you the last question since you -- we've got to get the agenda equality up. There's the -- take the microphone now.

SPEAKER: Thank you all very much, and the question is for Ms. Huddleston. Thank you all very much for this conversation.

Ms. Huddleston, if in abolishing the wet foot/dry foot, why would that really make a difference if the current U.S. policy on immigration doesn't make a difference towards other Latin Americans, given the numbers. We have 12 million undocumented citizens in the United States. Why would that deter Cubans, really, from trying to leave the island?

MR. HAKIM: Thank you.

We will start with going in the same order that we started with -- Vicki -- you have about 10 minutes left.

MS. HUDDLESTON: Okay. Well, I'm going to try to be fast and I'm going to start with the wet foot/dry foot Cuban adjustment, because those are the issues that I was pushing, and let me, first of all, say that the situation is different for Cuba than for the rest of Latin America, and that's why you need to change it for Cuba.

Now, the first thing is that the Cuban Adjustment Act allows Cubans, after they have been admitted, to adjust status and then eventually become residents of the United States and then eventually citizens without asking -- or if they can ask and their often turned down. There's a whole judicial system in Southern Florida that listens to the Cubans who come in and decides whether they deserve political asylum or not, and most of them on the whole don't receive it. What happened

was Janet Reno passed a regulation which was basically called wet foot/dry foot, and it happened shortly after the 1994 mass migration, and the Clinton Administration went to Cubans and said we don't want that to happen again, and they said fine, we'll work out this agreement. We'll allow 20,000 -- the United States will allow 20,000 Cubans in a year, and then we will return Cubans to Cuba. Well, as soon as they -- as soon as the Cuban-American community heard that they said we can't do that, so they came up basically with a compromise: We'll send the guys who get caught at sea back but we won't send the people who we can see on the television cameras back who make it to Miami. And that's where we are right now. To reverse that, all that has to be done is the same thing that we do with the people on the boats. On the boats, Homeland Security or Immigration and Naturalization interview those people. If they're not in fear of their life, fear of persecution, then they're sent back. You do the same thing when people come across the border from Mexico, Cubans, or when they land in the United States. The same thing. Because that'll save their lives. You remove, then, the incentive that if you make it to land, you are in the United States. But that's why at the same time -- and I'll hit the travel ban then -- you want more liberal travel, because you don't want families trying to get here because they're trying to see a parent before they die or a child that they haven't seen in 10 years or simply

economic opportunity. So, if the travel ban is lifted, if there's more Cuban-American travel, if there are greater remittances then we have a justification for ending the wet foot/dry foot policy. You do not have to suspend the Cuban Adjustment Act in any way.

And the next question that I wanted to jump to is the worst case scenario. I love that word. Here is my worst case scenario. Fidel dies. The plan goes into operation of the U.S. (inaudible) in which the ports are closed. We tell Cuban-Americans no going to Cuba, and Pepi's looking very disgusted at me and he's saying Cuban-Americans are not going to get in the boats to go to Cuba -- that's good, that's fine. But some of the Cubans in Cuba say, you know, I'm not at all sure what's going to happen. This is my opportunity. I'm in the boat. I'm out of here. Already perhaps a number of Cuban-Americans have been funding the families, so they all are ready to go. They get in the boat, and, despite the fact that the ports are closed, despite the fact that the Coast Guard is out there making sure this isn't going to happen, 30 Cubans arrive on South Beach. Cuban-American community is ecstatic. Fidel is dead. Here are 30 more Cubans arriving. And Cubans in Cuba see this and they say okay, it's time to go, if we can get there, we can stay. And that's when you begin to get the possibility of a mass migration.

The other side of that that happens is you have Raúl Castro

in charge. Raúl Castro's already been told by the Administration don't you allow a mass migration. If you allow a mass migration, that's a threat to the sovereignty of the United States. So, what does Raúl Castro have to do right away? He'd better clamp down tough and hard and make sure that that population is not getting to the boats, because he doesn't like the idea that this might be an excuse for some kind of deployment of United States forces close to Cuba. That's the worst scenario. At the -- or the very worst scenario is if there is violence and chaos in Cuba and the United States would go in with its military humanitarian gesture, because we're really great with the military handing out food, setting up shelters. But that would, to Cuba -- the Cubans who want their sovereignty -- be absolutely the worst thing. (Inaudible) Lorenzo told me, who was a MIG pilot who defected from Cuba and he (inaudible) and then he went back in a little plane, had picked up his wife and two children. He said if the United States had invaded Cuba the day before I left as a squadron commander, I would have been the first one out there. If Cuba turns to chaos, the best thing the United States can do is help other countries provide the humanitarian assistance and the stability needed.

MR. HAKIM: Thank you, Vicki.

Jaime.

MR. SUCHLICKI: There's a lot of questions here. First let

me clarify that I am not against Cuban-Americans' travel to Cuba; I am not against remittances. So, Vicki, we are in agreement on that.

But there are implications that both those things -- that this is by Cuban-Americans to the island and the remittances of money to Cuba has had tremendous implications in (inaudible) the island as divided to Cubans between the haves and the have-nots has produced a racial divide in Cuba that Blacks on the island do not receive money. They're 62 percent of the Cuban population. The Whites are receiving the money.

And I will also argue that the visits by Cuban-Americans have increased the desire of people to migrate out of Cuba, because they talk to their families, they saw how the Cubans living in Miami, and this has increased the desire to leave.

In terms of U.S. tourism to Cuba. Well, like one of the people sitting here, for the past 20 years we've had hundreds of thousands of Canadians, Latin Americans, Europeans visiting Cuba. Many of them speak the language; many of them (inaudible) population. Number one, we haven't seen a significant economic improvement in Cuba, and certainly we haven't seen democracy in Cuba. So, I don't think that the American tourist has a magic wand that he's going to arrive in Cuba (inaudible) democracy here, democracy there, transformation here. I just don't see it. So, I think that releasing American tourism into Cuba

will create a more lopsided economy, will throw some money into the government, and some of the dollars will filter to the bus boy, the taxi driver, and so on. But this is, again, not the vision that I want for Cuba.

Worse/best case scenarios. Well, depending on what you're talking about. If you're talking about a worst case scenario for the Cubans, you're talking about a military dictatorship that doesn't make any changes and keeps the Cubans the same way they've been kept for the past 47 years. That's a worst case scenario for the Cubans.

If we're talking about a worst case scenario for the United States, I would think a civil war and a racial war, which is possible in Cuba. Given the animosity that exists, we may see a civil war with racial overtones. We may see Venezuelans supporting one side, the Iranians coming to support one side and we, in the middle here, would -- our Congressmen screaming and people in Miami screaming do something. That is probably the worst case scenario.

I think that is -- oh, the policy in Latin America. I have a story. The Latin American books written by political scientist and historian Ocdavian --United States changed its policy toward Cuba in the era of Carter and during the era of Ford. We do not support dictatorships in Latin America; we do not support military regime. Both Democrats and Republicans have been positive and consistent with that policy, so I don't

think that a new administration in Washington should support a military dictatorship in Havana.

MR. HAKIM: Riordan. You have the final word?

MR. ROETT: I'm delighted that Cubans can now study Chinese. My students study Chinese. I was in Santiago, Chile, in August of last year. There are now more students in Santiago studying Chinese than are studying English. China is in a globalized world a reality and a phenomenon, which is all we'll need to deal with.

The issue of oil is very interesting. Again, I'm not an oil expert, but I'm relying on reports and this *Miami Herald* study. Venezuela needed 191 rigs last year to meet its production goals, only had 71 rigs. Number of oil wells, about 19,000 in 2001 (inaudible) just a little more than 13,000 in 2005, the last year (inaudible) we have any data, and oil exports declined even further with 2.5 million barrels per day in 2000 to 1.5 million in 2007/2008. The oil industry in Cuba is in very serious condition. Foreign companies have pulled out. Hugo Chavez does not have the technology, and he can't find the rigs or technology he needs to really increase production. Nothing will happen in the immediate future, but if we look down the road a longer time -- and whether Chavez stays or not is not as relevant as the state of Venezuela, which really is a petro state and PDVSA is the heart and soul of that petro state. As to whether or not the

regime -- and the regime is perfectly reasonable (inaudible) regime -- the regime will have to make some very serious issues about internal investment to support their popular supporters, and given the growth rates in Venezuela the last couple of years, consumption has jumped dramatically and the demand can be met. We then will have to make some very interesting foreign policy decisions, because not only is oil being sent to Cuba under a very interesting agreement, the Petro (inaudible) Accord, 99,000 barrels per day of gasoline and other products are going to 16 countries in the Caribbean and Latin America. At some point, (inaudible) regime (inaudible) different -- may have to make some decisions about their relationship with Cuba and about where they're going to place their oil in the Americas, and that, it seems to me, is a fascinating foreign policy NGO political issue. I'll end there.

MR. HAKIM: Thank you, Riordan. Thank you, Vicki. Thank you Jaime. This was a terrific session. I think you did a good job in starting this off, and I think you'll have a lot of other good (inaudible). So, thanks.

(Recess)

PANEL TWO – AFTER FIDEL: POLITICAL AND SOCIAL CHANGE

MS. HUDDLESTON: As Peter said or Jurgen said in our last panel, people keep talking about whether we're after Fidel or not. And we're going to have to wait another month or so to find out whether we're after Fidel or not.

That's when the National Assembly will meet, and they will select who will be the President of the Council of States and the Council of Ministers. We'll have to take a poll here and see how many people think it'll still be Fidel.

I've always said that I thought it would be very, very difficult to still have Fidel around, and (inaudible) in the position of President of Cuba, but we will see. No one thought that we would have an 18-month succession that perhaps is going to go on for yet another 18 months.

Again, I want to welcome everybody. I'm so delighted that we have such a great turnout, and obviously, it's a compliment to this really outstanding, truly really outstanding panels, and the people who have agreed to join us today.

This panel, as you see, is panel two, After Fidel: Political and Social Change, and really no one is better to talk about this than the panelists that are here with me this morning.

I think -- I'll do what I -- I'll take my cue from Peter, and I'll introduce all the panelists. And first of all, I'm going to introduce the Assistant Provost at the University of Miami, Andy Gomez, because it seems as if we couldn't get his bio into the list of bios.

But he is -- he needs no introduction, but it would have been nice to have him in the list of people who were there. He's very well known for his work with the Center for Cuba and Cuban American Studies. And he is a Senior Fellow with them, and he has done a lot of interesting work on social change in Cuba.

We also have with us Professor Marifeli Pérez-Stable. And I know Marifeli best for her recent book that she edited and wrote and looking forward. And I particularly liked it because it was optimistic in looking forward on Cuba. But really it is one of the best texts that you can read.

Marifeli is a Vice President of Inter-American Dialogue and also a professor at Florid International University.

Phil Peters is an old State Department colleague. But I notice he doesn't mention that too often. Phil and I worked together when I used to work on the Cuba desk, and he was in charge of public diplomacy for the Latin American Bureau.

He is now a Vice President with the Lexington Institute, and I'm sure he will mention to you his blog, which is a great blog and very interesting on keeping you up to date in Cuba. And he also is a consultant with the Cuban Working Group, which is a group of Representatives in the House of Representatives who would like to see a change in policy on Cuba.

And Raj Desai is a colleague with me at Brookings, a Visiting Fellow at Brookings, and we're delighted to take advantage of his

expertise on other issues as well as Cuba to feed in to the panel, and that's what we've been trying to do today is to pull a little bit of outside expertise on other areas as well.

And so with that, I'm going to ask Marifeli to get us started. Thank you very much.

DR. PÉREZ–STABLE: Thanks a lot, Vicky. You know, Cuba is the largest of the Caribbean islands, which it doesn't really mean very much, and it's not really that important. But here you all are, and here we are, because for some reason or another whenever the topic is Cuba, people show up and not just Cubans or Cuban-Americans.

The succession has, in fact, started, but it isn't by any means completed. And I -- that's why I think that a critical moment for that succession will be actually -- it's supposed to be two weeks from now, February 24th, when the new National Assembly of Popular Power is constituted, and they are empowered by the Cuban Constitution to name the President of -- to elect the President of the Council of State.

The Cuban Constitution is weak among the old communist constitutions in that it says that the President of the Council of State is also the President of the Council of Ministers. More often than not, but almost all the time, in the old Soviet world, these -- because they were largely ceremonial posts, they were held by other (inaudible) the Secretary-General of the Communist Party.

So we will know in two weeks, as Vicky pointed out, whether, in fact, the interim nature of the succession is symbolically at least sealed

with the name of perhaps one person who both charges that is not Fidel or a slight amendment to the Constitution, which the Assembly is also empowered to do by the Constitution, to say that you can separate the two charges, and then name two different people.

I thought it was given that Cuba doesn't have a free press, I thought it was unusual that on January 20th, when the National Assembly elections were held, there were three videos show of people -- I mean, leaders voting -- Raúl Castro, Carlos (inaudible), and the (inaudible). They mentioned a whole bunch of other people who were voting, but those three had videos, and I watched them in the course of -- that Sunday I watched them -- Raúl 's I actually watched three times to see if I could figure out something, but I couldn't.

So all right. The -- so that -- I think that that's an important marker, whether, in fact, that Fidel -- Fidel may be elected President of the Council of State, and he may decline. (Inaudible) suggested that a few days ago.

But the point is that that's an important marker. It is an important marker for the Cuban people as symbolic if not in substance at least in symbol break with Fidel in that sense.

The economy is the immediate issue that the successors need to deal with. The macro economy has been improving since 2004, but not breakfast, lunch, and dinner. That is, that the achievements of the revolution are -- health, education, sports, whatever you want to name as the third -- the failures are in breakfast, lunch, and dinner.

And so in that sense, although in a completely different context, Cuba is facing -- the leadership of Cuba is facing a situation not unlike many countries in Latin America where the macroeconomic fundamentals are fine, but the trickling down to ordinary people is not as established.

There has been an ongoing sort of debate since July of 2006. Have there been any changes in Cuba?

And usually when you pose a question like that, you get a yes or a no, when, in fact, it's yes and no.

I myself have been -- I mean, I tend more towards the yes, although not spectacular changes. But the slowness of the pace of change in Cuba has o do with the fact that Fidel Castro has been very much a personalist leader over the many decades that Cuban studies have -- and I've been in that field for a while -- how important is Fidel? How important are institutions?

And, in fact, the answer is that Fidel has been a lot more important than we in some ways have understood.

The slowness of the pace has to do with the fact that the networks of decision making, which may or may not have coincided with institutions that guided Fidel, are now -- have been in the process of being dismantled. And Raúl , who is, because he's not charismatic, thank God, Raúl has to vitalize -- I'm not sure whether I want to say revitalize -- vitalize the institutions such as they are in Cuba and that takes time, especially, I mean, we're going to have change of Administration. No

matter the party, it's going to be a new President, and there's going to be, you know, the first few months maybe year of the new Administration, people are going to be in a state of flux. Imagine after 47 years of Castro in power in Cuba.

So the slowness of the pace I identify in that context, in the context of Fidel (inaudible) and Raúl who is more institutionally based in the context of Cuba, which, of course, does not mean the give and take of democracy. It means another give and take.

Let me say a few words about society, Cuban society. Everything that I have said so far refers to the government, to the political elite of Cuba in one way or another.

And I'll just mention some of the sectors of Cuban society. The new class of "entrepreneurs," many of them former military or intelligence officials, people who are working in the mixed sector of the economy. Would they be -- at a moment of economic opening, would they be more likely to support an economic opening or actually be afraid of the competition that a more open economic restructuring would represent?

I don't know the answer to that, but that new class could go either way in that sense.

The intellectuals. Last year, '07, started with a great debate among intellectuals because some of the more sinister characters of the basically neo-Stalinist cultural policy of the 1970s were resurrected and there was a debate within the revolutions, with or without quotes.

And that is better than had been the case until 2006. At

some point, the envelope has to be pushed beyond what the revolution means because who defines what the revolution means? Castro, Fidel, has been defining it, but without him how are those margins defined?

The debate and the more open debate within those parameters is a positive change.

The youth of the country -- you know, in 1990 that means that kids who are going to be turning today, I mean, today, this year, will not have known the old Cuba allied to the Soviet Union.

The youth is disaffected, and I'll only cite references to blogs written by Cubans but in foreign blogs -- and there are no -- well, there a few underground Cuban blogs, but the are -- they were written by Cubans about the discussions that were held between September and November of '07 and in almost every one of them, the bloggers, who can't publish in Cuba, but publish abroad, the bloggers say that -- the youth are disaffected. We have to win them back for the revolution.

Quickly, because I see Vicky getting ready to pass me a little note, the opposition. It is true that the opposition in Cuba is fractioned; that it's infiltrated by state security agents; that is small, although it is for the first time since the '90s, it exists throughout the island, albeit in small numbers.

What I want to say about the opposition is not to put a date on when or if there will be a movement in Cuba akin to Solidarity in Poland, but to say something that I think is -- had said about Eastern Europe, the old Eastern Europe, the opposition then was also, except for

Poland, small, unknown, and beleaguered.

But the ideas that they defended turned out to be majority ideas after the fall of the Berlin Wall.

So I think that that's important to keep in mind.

Ordinary Cubans I just want to mention that the Gallup Organization, which supposedly conducted another, a second round of polls this January, but I haven't been able to confirm that, but in September of 2006, yes, they went to Cuba and they conducted a poll with the same questionnaire that they used for their Gallup World Poll that polled 117 countries -- that polled in 117 countries.

And those polls, unsurprisingly, show that ordinary Cubans I should say of Havaneros and Santiagedos -- they were only able to poll in Havana and in Santiago -- they are satisfied or more or less satisfied with health, education, et cetera. But what is striking is that there, except for those education and health care, Cubans show markedly -- Havanero and Santiagedos -- show markedly lower sense of personal freedom and of well being than the overall average for Latin America, the most significant being that whereas more than 80 percent of Latin Americans say that they have enough freedom to decide what to do with their lives, 62 percent of Cubans say that they don't have enough freedom to decide what to do with their lives. That's a problem not only for Cubans, but it's a problem for the leadership. What kind of platform is this leadership going to put forward to reach Cubans who aren't thinking so much about history, but about breakfast, lunch, and dinner and their professional development?

I'll end with a question, two questions actually. The current leaders of Cuba say that they will be in power forever. If they really do believe that, they have another coming to them. But the point is do they or some of them, many of them, in the privacy of their thoughts think of themselves as going into the opposition.

And then the other side of that question is those of us who oppose the Cuban Government here and there, especially, do we consider that most of those people in the government today will have rights as an opposition to another type of government. I think that in thinking about the political problem of Cuba, the political issues in Cuba that way I think because I'm loading the deck of cards because I think that negotiations and dialogue of the Cuban government within itself and with the Cuban people are a prerequisite for a Cuba that is at peace.

MS. HUDDLESTON: Marifeli, thank you very much for those insights. I think we'll go next to Andy Gomez:

DR. GOMEZ: I'm delighted to be here with you. Part of my job as the University of Miami's Assistant Provost is to try to measure the education of our students, and one of the things that the students keep telling us that we don't need to have technology in the classroom, so I guess I have to be an example, and, therefore, I'll try to be a little bit different.

Someone asked of the earlier panel that someone wanted to know whether the panel had been in Cuba or not. Yes, I've been in Cuba. No, I am not allowed to go back to Cuba, unfortunately. I do stay in touch

with many of the groups in Cuba and individuals, particularly Cuba's youth.

And I have traveled extensively through East and Central Europe.

Do we really know what Cubans want? Do we really know what Cubans want? And rather to tell you and lecture to you what I think should happen, I'm going to invite you to think with me outside the box, because I don't think this is only applicable to Cuba, but as you can see this is applicable to an particular country or governments that are going through change.

Carlos Pascual asked if change comes from within, how is that going to happen. Who are these people? And what is it that they want?

Well, let's look at the Cuban population today? Roughly about 11.4; eight million born after 1959. Eight million have not seen anything else.

More importantly, and Marifeli referred to this very briefly, 2.2 million born after 1992, the fall of the Soviet Union. I dare to say this is particularly the group has very little, very little interest on what Fidel Castro is going to die or not and less in terms of what Raúl is going to do to a great extent in terms of political reforms, because I do think most of the time we spent a great deal of time talking about political and economic change without taking into consideration what the human needs are and how can we transform the psychological behavior of different groups.

The other point, which I think is interesting and Jaime Suchlicki mentioned earlier, 62 percent of the Cuban population today is Afro-Cuban. Interesting, in Cuban-American exiles, 86 percent is Caucasian. So in terms of remittances and so forth or whatever that, one is not going to the other.

Another very interesting fact that I think I'd like to share with you in terms of the Cuban-American community is what I think the Cuban-American community primarily is concentrated in South Florida. Fifty-one percent of those (inaudible) in the South Florida have arrived after 1980, the majority. Fifty-one percent have arrived after 1980.

Those that have arrived since 1994 I dare to say have more psychological ties to the island, because they tend to have relatives, friends, and whatever not.

So, if that's the case, I think the greatest challenge, particularly for the 2.2 million Cubans that Raúl Castro is going to have or whoever is going be part of that is meeting the basic needs of the Cuban population. They don't care about what political reform, I don't think, to some extent or they care less -- but meeting the basic needs -- public safety was a (inaudible) in (inaudible), so they want public safety, more food, better housing, jobs training, education, and we have to recognize that if there is a success in the Cuban Revolution it's the high level of education among this population, a very high level of education.

Unfortunately, that 2.2 million Cubans see very little hope for the future. And in the last three years, 30 percent of the enrollment in

higher education at the universities across the island has declined.

And, of course, health care. Health care that was promised by the Revolution and today is best the health care offered by the Cuban Government is available to those that can pay.

Let's move on. So, what is the psychological impact of living in a totalitarian state, and I'll just mention a few for us to think about and for you to take with you.

Distrust of the state and the authorities. So, if you think once change began, and I'm being very careful and I'm using the word change because I think its' a little bit premature to start talking about democratic change, as you will see. But I'm talking about change. Once there is change, and institutions begin to play a significant role, how is that population going to turn to those institutions for assistance if they have been living in a system that they no longer trust?

The prison mentality and this applies to both inside the government and in society to great extent, where the individualistic importance of one's self has been diminished and it is the state control and mentality that's what's important.

Lack of initiative and abdication of personal responsibility, particularly to the state, a mistrust of others, and then when my colleague Damian Fernandez at FIU calls lo informal, the informality. And, by the way, that applies not only in Cuba, but that also applies in South Florida. Informality, whereas, we try to find the best way to get to our own personal needs, if you will.

Let us move on. Change process. If there is a change, I dare to say that that change can take a very long time. In order to plan for the future, you have to look at the past, and in Cuba in 1958, I dare to say that most of civil society did not have the solid foundations in order to move democracy forward; and, therefore, the Cuban Revolution.

But to go from totalitarian control to the preservation of the maintenance of a democratic system could take an entire generation. It could take an entire generation.

And the idea that we need to think about is particularly Cuban-Americans in South Florida how tolerant are we going to be and what role we are going to play.

On the right, the ideological transfers of values and attitude. What we learned from East and Central Europe that as the system changed, the older you were -- and I can tell you just from my own personal experience; I don't know about you guys the older I get, the less change I want not only at work, but in my household.

The older generation had become nostalgic for the ways things were, not that they were better, but they knew how to behave within the box, where the younger generation wanted change and wants change faster than the current and new system can provide them. How much is Raúl Castro or whoever going to be able to meet the needs particularly of Cuba's youth?

If this is the case, then what's the equation for change? People's expectations (inaudible) limited to the reform equals regime

survival? Possibly. Possibly.

Or if people's expectations and the continuity of regime practice? Maybe not. And this I think what we need to think about.

Or are we seeing -- and we continue to see -- is this. How much is that 2.2 million Cubans going to allow or be patient to Raúl or to whomever to bring change to meet their basic needs before beginning to migrate at greater numbers?

And we're seeing this already. We're seeing this already. Just alone the 9012 figures from Homeland Security. In the last three years, 27,393 Cubans have come ashore to the United States through Mexico alone. The smuggling operations have intensified. Ten thousand dollars on the average per person. The operation throughout all of Central America is tremendous, tremendous.

One issue that I need to make you aware of in our own research, the majority up to now, and I'm generalizing, but the majority up to now that are leaving the island are those first mostly of Caucasian; second, those that have friends and relatives in South Florida or other parts of the United States.

Today, the level of coordination between the federal government, the State of Florida, and the local agencies is better than ever. As you see in this particular map, if there is a migration, what the Coast Guard calls the "push or pull" factor, if there is a large migration, we are prepared to put a 33-ship armada in the Gulf Straits with the idea of intercepting about 95 to 100 percent of boats that come north.

So we pick them up. We take them back to Havana, which, by the way, is one of the few ports which all of these ships can actually go in because of the shallow waters; assume that these Cubans are going to get off the boat -- assume that these Cubans are going to get off the boat.

We also need to take into consideration, as someone mentioned today, the Cuban-American community in South Florida has been going through our own transformation, and a very healthy transformation.

For the first time in a presidential election -- for the first time, there was no clear Republican candidate in South Florida's Cuban-American community. And I dare to say we actually had Cuban-Americans line up on the other side, on the Democratic side. This is all, in my opinion, a way of how we have begun to assimilate into the American society, not denying the fact that there can be reconciliation, but the fact is that two Cuban-American professors, one from the University of Texas and California a year and a half ago that (inaudible) the Cuban-American community. And when they were asked what are your top five priorities when you think of the presidential election in 2008. First, the Iraq War. Second, the economy. Third, health. Fourth, education; and fifth, Cuba.

We remain very passionate about Cuba, and we will continue to, but we also recognize the fact that South Florida could not assume or take given the current infrastructure another Mariel, which was about 125,000 or half a million Cubans coming into the United States,

particularly when the issue, as someone mentioned, of illegal immigration to the United States will continue to be pressing the United States Congress.

So if this is the case, what are some of the things that we need to think about?

Systems in transition are typically characterized by what? The old and the new structure values and attitudes. The old and the new.

Since change was introduced in the Czech Republic and Hungary, their parliaments and the number of seats from the Communist Party has increased, particularly from that older generation. It's that they have not embraced change.

Why? Because most of the change has been basically being the political system, and they have not seen them personally.

Second, the emergence of the new state has few common elements with the old older. The greater the disparity I dare to say between the old and the new, the more difficult the transitions will be for its citizens, the more difficult the transition will be for its citizens.

And last, as the old state begins to transform, the human needs of its citizens, such as the basic needs that I talked about, many of these could remain unmet depending on what generation you actually represent -- 2.2 million Cubans waiting and hoping for things to change as quickly as possible.

Just alone the infrastructure of Cuba has crumbled

tremendously. The water supply in Cuba, the water system in greater Havana was built in 1916. It has not been repaired since. Cuba loses 50 percent of the water to leaks. Only Haiti, only Haiti in the Western Hemisphere, its social classes are under worse impoverished conditions than those of Cuba.

And last, and I think this one is very important, the dissident and opposition motives no matter how good they are, for pursuing change it may be other than creating a democratic state. It's could very well lead to a democratic state, but the initial stages might not look like it.

For instance, I'll conclude. One of the times I was in Cuba, I had a meeting with a large group of students at the University of Havana. And I asked them if you had a chance to vote tomorrow, what kind of government would you pick. And they thought about it and we argued about -- an advanced socialist state. And I said explain that to me. They really had no idea. What they wanted was change, change for the betterment in their own personal needs and satisfactions. Thank you.

(Applause)

MS. HUDDLESTON: Thanks, Andy, for getting us up off our chairs.

MS. HUDDLESTON: Okay. I just wanted to mention that it seemed to me that Marifeli was pointing us in a certain direction that certain things are happening. And then what Andy did was sort of say okay this is the steam you can put them into. So perhaps when we get to the end of this panel, we can find out how close Cuba is dipping into that

steam or not. Phil?

MR. PETERS: Well, thank you, Vicky, for having me. I hope I can (inaudible) in that direction.

It's nice to be with you all. It's a pleasant surprise to see --

MR. PETERS: Okay. It seems that the Board of Directors of the Association for the Study of the Cuban Economy is here on the forum --

SPEAKER: Yes, it is.

MR. PETERS: -- so that's a pleasant surprise, and I'm going to reach into my wallet and pay my dues so I can go to their August conference in Miami, and I recommend that the rest of you do, too.

So that's the first part. I'm going to plug my blog, Vicky, in due course.

But the second point I want to make is to a book that -- a project that Marifeli did some years ago that resulted in a book that is a terrific piece of work, and with change in Cuba on all our minds now I think is of even greater importance. It's a book about reconciliation in Cuba, national reconciliation in Cuba. It was published in both English and Spanish, and it's a terrific treatment of the question of reconciliation within Cuban families, within Miami between Miami and the island and inside Cuba itself.

I'd like to talk about all these questions that have been put up here. It's kind of nice to go third, because a lot of very sophisticated things have been said that I don't have to try to attempt to say with less

sophistication.

I'd like to talk about these same issues in the context of the United States, and the first thing that comes to mind is that we are in the 50th year of tropical socialism in Cuba, and we have not knocked off Fidel Castro. And I agree with the working assumption here that in a few weeks he won't be the President anymore.

And the whole of history of American efforts to get rid of him through a whole variety of means -- and I don't have to rehearse them all -- have failed. And things seem set for him to just leave and for a constitutional process to follow its course, and he'll go into some other role.

What has happened in Cuba since he got sick and left the picture, and he has not been seen in public for at least 18 months, is there has been stability. There has -- we've not seen any demonstrations of note. There hasn't been any turbulence inside the system. It's been a stable situation. In fact, the U.S. intelligence community described it that way in some testimony yesterday.

But what has happened is the debate that Marifeli discussed a bit -- before Fidel got sick, he kicked off a debate in a way. But since he got sick and left the picture, I think the debate took a different course. But it's a debate where they decided to confront some of their strategic challenges.

He explicitly said in the -- Fidel did in his last major speech -- he talked about the fact that these old soldiers that fought the Revolution

and triumphed in it, as they say, were leaving. And how are they going to hand things over to the next generation.

And they identified between him kicking off this debate and the debate continuing under Raúl Castro, they've identified some strategic challenges that they face, and I think with considerable frankness. The fact that the young generation in Cuba, and the youngest generation is only -- has only -- really only known sacrifice. They've grown up in a period of economic crisis -- that the young generation is not connected to the revolutionary process, period.

I didn't say disconnected. I said they're not connected. I don't think they've ever had a connection because they have known scarcity, and the system in many ways has been in dysfunction during the whole time they've grown up.

They recognize that they don't generate enough jobs. They recognize that the earnings of workers are not enough. They recognize that the bifurcated economy that they've got, which is a result of efforts that got them out of those -- the post Soviet crisis, does not work, and, in fact, is not just.

And it's crazy to us and to any concept of economics anybody in this room has, but it also does not fit with any socialist concept of social justice to have an economy split in two; where there's two currencies, and people who are afraid, like doctors and teachers, as everyday heroes of the Revolution are not paid enough simply to get by. And they have to scrape on the side.

They recognize that food production is not enough, and they got big problems in agriculture, and on and on.

The debate that has taken place I say has been I think frank, and I think kind of brutal in some ways that they have laid out some of these very serious problems. If you look at the Cuban press, they've even broken some taboos. There was an article in a Cuban newspaper that documented the fact that the unemployment rate, which is the big lie in all communist systems, that they have a full employment or one or two percent unemployment, that the unemployment rate that they publish is a joke. I believe it was in the Province of (inaudible) they documented that the unemployment rate in reality is about 15 times higher than what they publish in the official statistics.

Another taboo that's been broken is -- involves health care. Before Fidel got sick, the only way to discuss health care was to say that it was fabulous from beginning to end. And everybody knows in Cuba that there's a strain on the delivery of health care services, and it's not just because of material scarcity. It's because a lot of doctors are deployed overseas. And a lot of people, their family doctor is gone. And there's somebody new or there's like a fifth year resident who's taken over, or maybe their territory got combined, so they got to go to another consultario. Everybody knows that this strain is there, but nobody has said this. Well, they put that in the newspaper and acknowledged that the deployment of Cuban physicians overseas is causing a strain in delivery of health care services domestically.

So they've laid out what I think are real challenges. They've started to confront them. Again, it's important to point out what Marifeli said, it's not a free press, but the state media has started to break some taboos and address these things in a truthful way.

I'll mention one last thing. At this point, I'll plug my blog, which is called the Cuban Triangle, and it's easy to find. Yesterday, there was a report on the BBC, and it was the Spanish service of the BBC, which was fascinating. Somebody slipped to their correspondent in Havana a video of a meeting that Ricardo Alacon had at a university there. And as you look at -- my blog links to that story, and in the middle of the story there's the audio. It's like a four- or five-minute story. The video is not available unfortunately, but you can listen to it.

And it's pretty interesting. He is -- he goes to this university, and you hear the students questioning, you know, why is it that workers here are paid in pesos, but we have to buy basic necessities in hard currency. Why don't we have Internet access? Alacon, by the way, said I'm not really up on that issue.

(Laughter)

MR. PETERS: And they asked about -- yeah. And they asked him about travel. Why can't we travel overseas? He said well, you know, a minority of people in the world travel internationally, and so here in Cuba the people travel according to merit, and it's not like before when it used to depend on how much money you had. And he said, you know, he said ask yourself how many Bolivians do you think travel

internationally. I really wonder how that set with Cubans to be -- to have that -- yeah. And on and on.

But another student said why don't -- one student said who are these candidates that we vote for. You talk about those "voto unido" and all that. Who are these people? They don't come to the university. And another said that why doesn't the Council of Ministers communicate with us. Why don't they communicate with the public so we know what it is that they're doing? What are they planning to do to address problems, and so that we know what the plans are and so that we, in a more conscious manner, can participate in those solutions?

I don't know how Alacon is feeling today, but the bottom line is Raúl called for a debate. He specifically probably more than a year ago said to young people, I would want you to speak up, and they sent Alacon to see what that was all about.

As a politician, Raúl Castro has done one thing with utmost clarity. He has raised expectations of change through this debate, through -- and it's got broader dimensions than I've described right now. He's raised expectations of change to a very great degree. And so none of us knows quite what's going to happen in Cuba, but I think we can predict that this year he's going to deliver or he's going to disappoint.

Cuba is clearly on the cusp of change, definitely in the generational sense just because the clock marches on, and those old soldiers can't stay in their jobs forever. I think a lot of them don't want to stay in their jobs forever. I think they realize they got hand it over to their

replacement, and I think what we're probably going to see is some -- as I say, some sort of advisory role on the part of those old soldiers to get the next generation going.

So generational change is coming just because the clock marches on. And I think unless Raúl Castro is the craziest politician in the world, who's going through this exercise of raising expectations we've never -- not seen in a long time in Cuba, and then he's going to just do nothing. Unless he's crazy politically, we're probably going to see some changes in domestic policy in Cuba that are going to start to address some of those strategic challenges.

And then the question would be how fast does he go and to what extent do the changes that he makes in economic policy to address them. And will they go far enough -- for example, to unify their currency. Even Philippe Perez Roque has come out and said that they needed to get rid of the dual currency system. That's not a simple proposition to pull off in that economy and I don't believe that they can pull that off with some small reforms that deal with the issues marginally.

Now, where is the United States in all this? I'll start with an analogy. I mean let's say that I live in the same neighborhood as Donald Trump, and I hate Donald Trump, and I want to bring him down. And this is my purpose in life.

And I manage successfully every day to prevent $10 from reaching Donald Trump or I steal $10 out of his pocket. Now, I may feel pretty good about that, and I may think that advances me a great deal

towards my strategy of bringing down Donald Trump. It certainly satisfies me, because I hate him. And I get the 10 bucks every day.

And I can construct around that a pretty good speech, and I can lace it with a lot of very macho rhetoric, and all of that. But I can do that absolutely forever, and Donald Trump probably won't even notice it.

I think you see where I'm getting. Where is the United States in all of this? We're with -- we have this assumption that money is the issue in Cuba; not only that money is the issue, but that we got a handle on it. We got a grip on it, and that our sanctions are going to make the difference.

Well, I don't think this is quite the case. I don't think that the chivatos in Cuba are forever suffering for lack of few pesos to pay them. I don't think they lack money for microphones or Ladas to drive people here or money to pay the police or this or that.

We've seen over the last few years, with our sanctions in place, we've seen the Cuban economy recover. Our sanctions have gotten harder; the economy has continued to recover. They've built a tourism industry. The price of nickel has gone through the roof. They have a partnership with China. The president of Brazil, to everyone's surprise, just came and went in Cuba and left a billion line of credit on the table, and on and on and on.

Our-this assumption that money is the issue and that we got our hands around the neck of that issue is just as strong assumption as mine about Donald Trump.

What this assumption then leads us to is a policy and a set of theories that say American contact with Cuba is a bad thing, and something that sets us back as opposed to being an opportunity. And so we list this anomaly to say (inaudible) that the whole of the great tradition of American public diplomacy and the confidence that's in American foreign policy that animated presidents for all the way from Truman through a great Democratic like President Kennedy, who created the Peace Corps, to a great Republican like President Reagan, who said we need exchanges with the Soviet Union, and the best way to do it, but with an evil empire, the Soviet Union. And the best thing government can do is get out of the way.

This whole tradition is out the window. And Cuba policy is that's it's worthless; more than that it's as if it's threat, and it's just counterproductive that American confidence that Democrats and Republicans have been exponents of for generations. And then, incidentally, I think it's contributed to a few foreign policy successes for our country and for our values.

So in the end, this assumption about money, this distaste for contact with Cuba that derives from that -- high school students can't go. You saw your mom last year. You can't go this year. You want to send money to your cousin or your aunt. Forget it. She's not your family. If you want to -- if your church wants to go, you need a license (inaudible). If you're part of the government, you need a license if you're not part of the government, and on and on. We treat contact as if it's a liability as

opposed to an opportunity, and so we're in this situation now where we try to have influence in Cuba without having contact.

I mean, I should really be dragging out at this point some kind of sophisticated foreign policy theory. We have a Dean of American University here. But I speak for me, so I'm not going to impress anyone (inaudible). I don't have any theories from Max Webber or anybody else. This is simple human nature, my friends, that if it is a matter of having influence with your wife or your insurance adjuster or the loan officer or the board of directors of AFSCME or anybody in your life. You can't have influence without having contact.

So this evolution that's going on in Cuba I think is going to continue happily for some in Cuba without us interfering too much. We'll see how long that lasts, and we'll see how Cuba does.

MS. HUDDLESTON: Thank you very much, Phil. I love the Donald Trump. Raj.

DR. DESAI: Thank you, Vicky. I appreciate the opportunity to be here. I feel like a little bit of an outsider. To answer the fellow who asked when was the last time you were all in Havana, I have to confess I have never been physically in Cuba, ever, in my life.

I have been, however, quite a lot in Eastern Europe and the former Soviet Union, and China since 1990 all the way up until I guess my last trip was July of last year. And what I would like to do is put this idea of political, economic, social change in some context based on the variety I think of experiences in other formerly socialist or currently socialist

economies.

So we're talking about change. We -- everyone seems to be talking about change these days. And the question is what kind of political and not to intrude too much on the next panel economic transformation is possible given the kinds of factors that seem to be present in Cuba today based on the experiences of many countries over the last 15 years or 20 years, basically 25 years.

But so what I'd like to do is talk a little bit about what kind of reform is possible. What factors one should look for in order to anticipate these types of things, and then end with some quick words of caution.

Now, we've had some talk about the Chinese model, the Vietnamese model. Now, this may or may not exist. But the idea is pretty familiar to everyone, which is sort of some (inaudible) experiments in political (inaudible) political participation, but otherwise a fairly restrictive political franchise where there is some economic liberalization alongside a state-owned sector.

Now, in Cuba, of course, there's been a lot of expectations that Raúl Castro might actually follow the Chinese model. There have been lots of high level visits of Chinese Communist Party officials, and that he would somehow maintain a political monopoly while allowing price -- some price liberalization, trade liberalization, perhaps the establishment of currency, currency convertibility. Perhaps Cuba might join the Bretton Woods treaty. But there seem to have been some mixed messages about this coming from Havana lately from what I understand.

Then, of course, there is in contrast to the Chinese model what has been talked about as the Soviet model. Now, I want to tell you there is no Soviet model. There isn't even a Russia model. There is a Russia model for 1992 to about 1998. There is a Russian model after the financial crisis, and there is a Russian model under Putin. And they're very different approaches to political transformation and economic reform, not to mention that there is a big difference between what Russia has done, what a country like Moldova has done, where a rapid series of reforms a couple years later in elections ended up returning something like 71 percent of the population voted for the Communists, and in free, fair elections returned the Communists to the parliament.

Compare that to what has happened in Turkmenistan or Uzbekistan, where some of the most colorful dictators have been around the last few years.

So the question is what factors should one look for in thinking about those kinds of trajectories, those kinds of paths?

Of course, the first thing, the first place we tend to look I think are economic conditions. There was a question this morning about whether democratization has to occur under deteriorating or improving or good economic conditions. Well, the evidence is very mixed on this. There are lots of examples. Obviously, all of Eastern Europe practically went through a kind of democratic transition under fairly adverse economic conditions.

China after Mao was also suffering some economic

dislocation, and the reforms that were enacted were in response to that.

On the other hand, there are lots of examples of democratic transitions in East Asia, in Chile perhaps, where there were no crises. Economic conditions were not deteriorating and, in fact, were improving.

The point is that it is not enough -- the discontent -- the public discontent -- the fact that 80 percent of the population of -- you know, is unhappy with conditions, with the availability of public services, the public goods, whether unemployment is high or low, those things are not necessary and they're not sufficient.

There are other things that are required. Also, I would point out that in socialist states, it's sometimes very difficult to measure the true extent of economic hardship because of the role of the public sector, because central planning can obscure things like stagnant or declining real wages, price inflation, shortages, employment rates. Things that have been the source of lots of lots of instability historically in socialist and non-socialist states are very hard to gauge where you have central planning.

It's very good that we have opinion polls identifying some of these things. But as I said, there are other factors, one of which has been mentioned a couple of times, the role of external consequential external actors, Venezuela and China particularly, which are now some Cuba's biggest trading partners. Venezuela, of course, is subsidizing oil consumption, which is a big benefit, economic benefit, to China -- sorry, to Cuba.

China, on the other hand, is now a major source of

investment, a provider of durable goods and so on.

Political economists refer to something called the authoritarian bargain on the assumption that citizens are willing to trade off more -- less economic -- less political participation for more public benefits, for more economic benefits -- welfare, social spending, and so on, and that if one-if you push down on one piston, you have to let go on the other.

If that is the case, if economic hardship increases demands for greater public participation in political life, then the role that these types of external actors in providing the sources of continued public spending on issues such as welfare, health care, public sector employment would be -- wouldn't matter.

Another one, of course, is some signal of weakness that the public perceives in the ruling elite.

Now, from what we've heard today, there does not seem to be any factionalism among the ruling elite in Havana. There does not seem to be any credible challenges or credible threat to the governance -- to the rule of the Communist Party, and that there is little evidence of any deep rivalry that is about to break, you know, about to explode among the government and military ranks.

Again, this is in contrast, sharp contrast, to most Eastern European post-Soviet countries and in China. China after Mao, of course, there was a very severe split between hardliners and reformers. Although there was some consensus that reforms should not endanger the

Communist Party monopoly, there were significant differences in the scope and content of reforms advocated by hardliner versus liberals. In Russia, in the Soviet Union under Gorbachev, of course, there was another split between hardliners and reformers quite early on that sort of culminated in the coup, in the break up, in the coup that deposed Gorbachev temporarily and, of course, and the events that led to the break up and the collapse of the Soviet Union.

One question for Cuba, of course, is whether bottom up experiments would be possible in such a small country. These were a very big factor in China, of course, but so the question is whether that kind of thing is possible in Cuba.

And then finally, there are unpredictable events that no one can gauge in terms of how likely they are to precipitate something. In Eastern Europe and in the Soviet Union, a lot of these things occurred around the anniversary or the death of prominent dissidents. The (inaudible) Revolution began only the anniversary of the death and burial of the person who immolated himself through during the Soviet invasion in 1968, who was himself was protesting on the anniversary of the execution of an anti-Nazi dissident in 1938.

So, you know, there's a sort of string of connections -- prominent dissidents that led to students marching back from the burial ground and meeting the police and the events leading to these clashes that eventually the collapse of the communist government in Czechoslovakia.

All right. Finally, to conclude with just two notes of caution. We seem to think that some changes are coming. However, the experience in socialist and non-socialist states shows us that dictatorships can survive a very long time, when they're coupled with some financial support from outsiders, from external -- from partner nations, with some partial political liberalization, not completely bogus elections, but some elections with some limited competition that doesn't endanger the ruling party.

These things can contribute to very long lasting regimes, long lasting dictatorships. And the question is whether Raúl Castro or his successors have learned these lessons.

However, whether or not they figured out how to reform just enough without losing power, without -- I would point out that no political leader is completely free to the reform path without facing severe constraints. There are always internal power struggles that may or may not be seen. There's always a need to compromise to secure a minimum degree of public support, and that is going to limit those options.

Finally, the last thing, there are reformers, and there are opportunists. Now, often the public cannot tell them apart, so what this means in practice is that, look, everyone likes change, everyone likes reform. If you look at the world values surveys that gauge the opinions of I think 80 countries -- populations in 80 countries -- they all say, all publics say they want reform. What does that mean?

There is an incentive for politicians of all stripes to mimic

reformers by engaging in certain minimal signals, but without actually giving up control of anything, without giving up the control on the levers of power.

For example, in the elections, they don't threaten their (inaudible) or enacting economic reforms that enrich their allies, but don't actually reform the economy.

So there's a difference between those types of signals and signals of credible reform, and so that's something we need to better understand I think.

MS. HUDDLESTON: Thank you very much. Well, (inaudible) again, the rest of the world to Cuba. And I think sometimes we can take a look at the rest of the world.

The way I'd like to do the questions is I guess Santa Fe style, because I lived (inaudible) Santa Fe from time to time, but I prefer to just have people stand up, ask the question, and then have one or two people answer them and then move onto the next question. So, can we have the first question, please?

MR. McCULLOUGH: John McCullough from the Fund for Reconciliation and Development. I'd be interested if Marifeli agrees with the dissident economist Oscar Espinosa Chefe that one of the retarding factors in the change or the debate over change is the attitude of the United States, the sort of dismissive tone the moment Raúl took over, the threatening tone of the President's speech.

And then the other side of that, to Phil or anyone else, is

whether the man who won the most popular vote yesterday, Barack Obama, has talked about a fundamental re-approach to U.S. policy in Cuba, including unrestricted remittances and travel for Cuban-Americans and un -- non-conditioned negotiations with Raúl Castro, separating himself from all the other candidates.

And I'm wondering what the impact may be of both that debate going on through the election period and then what happens if he wins the election.

DR. PÉREZ–STABLE: I usually agree with Oscar Espinosa Chefe, who writes very insightfully about the Cuban economy. However, I think that it's -- I would simply modify it a bit.

What the U.S. does or doesn't do has always has a -- some effect in Cuba, Donald Trump notwithstanding. But I think that this -- what I tried to do -- say quickly was that the slowness of the change in Cuba since July 31st, 2006 due largely to the internal process of the Cuban government and the dismantling of the way that Fidel Castro made decisions, and also the fact that, although he really was dying, in the last semester of '06, he recovered, not enough to come out in public live, but he recovered, and, therefore, he is still a player, though, not the same player he was when he was healthy.

So that's my answer.

MS. VELLAS: Thank you. I'm Jo Vellas of USAID, State Department and Georgetown University, but actually I'm one of those Cubans who was American married to a Cuban -- Jo Vellas associated

USAID, but I'm an American spouse of a Cuban.

I just have -- and we're a special breed. I have a question to Andy and Marifeli about how do we see what they call the dual morality affecting people's behavior, either in the process of change or the process of activism and whether or not they think the would be willing to trust another system.

DR. PÉREZ–STABLE: The dual morality is a typical not only of Cuba, but of all -- of anyone living in a dictatorship. I think it takes time in developing trust, not the kind of trust that you have in your family or you should have within your family, but the kind of trust that allows us to sit here and talk. That is only -- that will -- that mistrust will break down as the society opens up. But it's a long process. It is a long process. So it is a hindrance to change, but at the same time, there are Cubans -- more and more Cubans, not the majority thus far, who are losing their fears. This doesn't mean that they will go out and wear a white band calling for change. But they have lost their fears and they are even if they are becoming more independent, not only materially perhaps, but especially psychologically and spiritually from the regime. But that is a long -- it's a long process.

And it is a reality, which, by the way, in 1991 the Cuban Communist Party recognized and, but, of course, the antidote to that is allowing freedom.

DR. GOMEZ: I completely agree. I think the issue is what do you replace it with to a great extent, and this is one of the things that

we try to mention in 2002. We did a survey of recently arrived Cubans, 72 hours or less. And we found this to be very adamant. But the question is what do you replace it with, because, as Phil mentioned, even though particularly Cubans view -- they have been taught communist, Marxist, Leninist ideas, even though they are to some extent the more oldest generation Fidelistas. The transformation from Fidelismo to Raúlismo I think is going to be quite complicated, particularly of a younger generation to buy into to a great extent.

MR. FRONDEAU: Peter Frondeau from the National Security Archive. You know, when Fidel was turning 70, more than 10 years ago, the late William Rogers, who has been mentioned in an earlier panel, who many of us knew, wrote an op-ed piece in the New York Times called the “Morning After,” where he basically argued the United States needed to be prepared for Castro’s departure and what would there policy and should their policy be the morning after. Now, this -- obviously, he was more than a decade premature.

But it seems to me that given the title of this panel, the question is February 25th, the morning after. And what U.S. policy will be and what it should be, and I’d like to direct this question to anybody, Vicky Huddleston and Phil Peters, but particularly Phil, who was in public diplomacy in the State Department. You know, what will the U.S. say on February 25th, and what should they say?

MR. PETERS: You’re asking me what they say. Well, my guess is that they’ll say it’s the same system, and it’s been a shuffle of

people. I think that's what they'll say, and that, therefore, no -- there should be no change in anything that we do until there's a change in the nature of the system.

I think to answer John's question, it's -- I wouldn't think -- I wouldn't say that United States policy is going to determine the course of the -- of the actions of the Cuban Government with regard to their domestic policy. I think that it's a lot of what's going on in Cuba -- well, I think almost everything that's going on in Cuba these days is occurring without reference to the United States. It wouldn't hurt if we changed our policy and, in fact, it would help a lot of things in a lot of ways. But I wouldn't make the argument that it would make some kind of decisive difference in the debate that they have on their domestic policy. I think if at the level of diplomatic engagement, if we decide on the other kinds if we -- I think that if we would engage diplomatically with them, there's a lot of things we could do on a bilateral basis, probably do better in some of the things in the cooperation that we have between our Coast Guard and other law enforcement agencies and the Cuban side, when it comes to things like alien smuggling and drug trafficking and other bilateral issues like that.

But I think that there -- I think that the domestic policy debate is occurring without reference to the United States. In large part, I don't take it (inaudible).

DR. GOMEZ: I (inaudible) stop Peter or anything, but, John, as you mentioned about Senator Obama, I think we have to realize to

some extent that U.S. foreign policy towards Cuba has been domestic rather than foreign. And the intent is to try to appease a very large and influential Cuban-American community in South Florida. And for the first time, as I said earlier, that has changed, because candidates on both sides are coming into South Florida and recognizing that they cannot no longer scream "Viva Cuba Libre" and win the votes.

As a matter of fact, one candidate in one of his first speeches even quoted Fidel Castro at the end of his speech, thinking he was going to be smart to a great extent.

DR. GOMEZ: But I can't -- I don't think, in my opinion, personal opinion, I don't think any future Administration can deal with Cuba alone without looking at Cuba within the scope of the entire Latin America. I think you have to look at the greater piece with Cuba being part of it.

MS. HUDDLESTON: I'll take the moderator's advantage and just add -- what I'd like to add to that question that John asked is that okay, what happens if Fidel -- what happens in Cuba when Fidel dies? We keep the same policy. His regime hasn't changed. We don't send anybody to the funeral. People come from all over the world, major diplomats, major leaders, presidents of a good part of the developing world, and we're not there.

I think that's going to be one of the big questions right now is how does the United States look and how does its policy look when

everybody's in Havana and we're home.

And I think the second part of the question is what is going to happen in the Cuban-American community because there's been this longing, this waiting for Fidel to die, and then he dies and nothing happens. What does that go down?

So I think, you know, Fidel's death is not going to be as his illness has been. I think it will send out some (inaudible), and we're saying it won't. But I think it almost has to after 50 years of a dictatorship.

DR. GOMEZ: We can send Bill.

MR. FLETCHER: Hans Fletcher, (inaudible). I guess my question is to be addressed to professor Pérez-Stable or professor Desai.

You mentioned -- this is sort of a comparative sociology question -- transitions. Speaking of Eastern Europe, the way they occurred or what was the proximate cause, maybe not been long term, crowds went into the streets. And unlike in the '50s and '60s, there was no outside intervention, but an internally -- in military forces -- the armies were not willing to shoot at their own people. What would the Cuban Army do, not the secret police or the police, but the Cuban Army if such event occurred? I'm not saying it will happen.

DR. PÉREZ–STABLE: Well, first I -- I mean, it's a very good question. But the -- just to amend a little bit. What happened in Eastern Europe that is a crowd went out in the streets after Mikhail Gorbachev

went to Eastern Europe earlier in 1989 and carnations were thrown at him. And he basically said to his counterparts this is your problem. We're not going to send troops in.

So that's important. But we don't have that in Cuba. There's no outside detonator of domestic change in Cuba.

The second is that the Cuban, you know, in 1989 and not only Eastern Europe, but we had Tiananmen Square, and supposedly Fidel Castro said it ain't going to happen here, because we're going to deal with it before they assemble in any plaza of Cuba or along the revolution -- the Plaza de la Revolucion.

I don't -- you know, this is all very subjective, and we don't know, but I think Fidel Castro would have been more willing to give the order. In Eastern Europe, by the way, it had to be a civilian giving the order because there was, by and large, the military was under civilian control in the old communist world, and the military is not under civilian control in Cuba.

But Fidel I think would have been more ready to give the order to shoot. I don't think that -- I think that that is if Raúl Castro is named the successor is a nightmare scenario.

DR. GOMEZ: If I may be the one -- when the sinking of the tugboat, the order was given when people are started -- taking to the police under (inaudible) in Havana, the orders were given to the Havana Army, and we have the general and a colonel that defected since then that have told us there was a lot of apprehension as to whether they were

going to arm themselves and take to the street and shoot on the Cuban people.

SPEAKER: How long did the (inaudible)?

DR. GOMEZ: High-ranking military.

SPEAKER: That they did not want to?

DR. GOMEZ: They did not want to. So that could be a problem if that happens.

MS. HUDDLESTON: Okay. Abe, and then I'll get (inaudible). Why don't we get Abe (inaudible), and (inaudible).

SPEAKER: Thank you very much. This is really more a brief comment than a question. I want to underline something that Dr. Gomez said with his chart on the PowerPoint, and that is when (inaudible) the thinking in terms of a generation for the kind of transition I think we're talking about.

I know it's very good to think about the time perspective, what we ought to have in mind as we're looking at these issues. We all necessarily think in terms of historical experience and analogies. That's' the way the mind works, and people have talked about Central and Eastern Europe in terms of analogies. Because of my own particular experience, I think of the Dominican Republic, where a dictator ruled for 31 years. He was assassinated. That was in 1961.

It really took about 35 years of coups, civil war, intervention, manipulated elections, rule by a democratically elected president ruling in an authoritarian fashion, fraudulent elections, intervention of the church to

have a new set of elections. It took an awful lot of ups and downs over a considerable period of time, and there was considerable U.S. influence and presence in that situation. But even with the U.S. influence and presence, the local situation was very complicated. The Cuban situation is certainly not less complicated, and it probably will not be (inaudible).

SPEAKER: I am Ernesto with (inaudible). I (inaudible) in Washington to (inaudible), and I work for the Cuban --

MS. HUDDLESTON: Wow, the --

SPEAKER: Okay. I think that the role of the (inaudible) in the present (inaudible), which I would like to ask about is that in Cuba there is a regime that is totally geared to one person, Fidel Castro. Fidel has changed the whole system of government to fit his needs and his ego. And I think that that is the reason for the (inaudible) in the past 18 months.

Now, I think that some changes have to take place in your (inaudible) of the Cuban Government because people don't realize that in Cuba, if you're working for a foreign company, you are suddenly being paid in dollars to the Cuban Government. And then the Cuban Government pays you the equivalent in pesos, which has a rate of 22 to one. That means that you get a tax of 95 percent on your salary. And that is one of the things that have to change.

There is a crime in the Cuban penal code that is called (inaudible) de ciudad. Do any of you know what (inaudible) de ciudad

means? It means that you can be sent to prison for four years for the mere fact that the policeman says that you have to dangerous inclinations. That's all you have to (inaudible). The policeman says that you have dangerous inclinations and then you get four years in prison.

I think that those things have to change, and I don't (inaudible). I think that that was a very tough policy. So living (inaudible), in fact, that's one thing unless those things are changed. And I think that that's the important thing, and it's going to go from the Cuban people from the day they first cut off pesos for that change (inaudible).

Now, they are all scared out of their wits by the depressing Havana regime. But if you consider an analogy to a revolutionary dynamic, you will see the increasingly repressive apparatus of (inaudible) from the state of apathy in the previous -- previously end of the youth.

If you know Raúl and Fidel personally, as I do, you realize that there is a tremendous difference between one and the other. Fidel is a very creative, imaginative person. And he cannot really play, like some others I know who have complete lack of charisma and (inaudible). And I think that that is one of the things that has to be taken into account, because there is going to be a period in which things are going to get out of whack. I don't know how it's going to come. I have (inaudible) places a (inaudible), because I hate the possibility of violence. I do realize that people will say that the Cuban Government has to be given a chance. They have to be given an opportunity because most of them have no (inaudible). So you have to take that into account as to what is going to

take place because I have seen that the problem was that the elites of regime were (inaudible) to the (inaudible) they had, and the Soviets supported in there, and it was an action of the government. And these people they oppose change, because they realized that they were forcing a national (inaudible), because (inaudible) and I'm afraid to say that.

But this is not the case here. If Cuba (inaudible) a national regime that gets (inaudible) by himself, the Soviet Union has nothing to do with Castro (inaudible) coming to power.

MS. HUDDLESTON: And that's the --

SPEAKER: And that's a very important thing to take into account.

MS. HUDDLESTON: You're absolutely right. It is this excellent reminder to put us, you know, back again that after Fidel, as good as this panel is, we still don't have any idea for sure at all.

Thank you all. You've been a great audience. Thank you to the panel. You've been a great panel.

(Recess)

PANEL THREE – IT'S THE ECONOMY: CONSTRAINTS AND INCENTIVES TO REFORM

MR. MESA-LAGO: It is the Economy: Constraints and Incentives to Reform.

After almost 50 years after the Cuban Revolution, 18 years (inaudible). It is crucial to us to assess what is the current status of the economy and the constraints (inaudible).

Last year, the (inaudible) published a very interesting poll conducted on the (inaudible) in Cuba, and their main concern was the economy. It is the economy (inaudible), and this is what we are going to (inaudible).

The (inaudible) that I am going to present to you, 90 percent of it is from the U.S. National and Statistical Office and then a few things from the Economic (inaudible).

After suffering the worst performance in Latin America in the 1990s, we are talking a GDP growth rate of minus 1.4 percent, the (inaudible) economic reforms (inaudible). In 2001, GDP per capita, however, was still 7 percent below the level of 1989, the year before the crisis. We then reversed monetary reforms since 2003 (inaudible) the economy.

In the last three years, GDP grew at an annual average of 10.5 percent. This is the highest rate in Latin America of all time, but that rate has been grossly inflated -- I have written a lot about this -- by two manipulations, the first, (inaudible) the base price from 1981 to 1987

(inaudible) 26 percent over the (inaudible), and the second one (inaudible) free social services and subsidies to prices of goods. In summary, data on GDP on Cuba is virtually worthless.

(Inaudible) of the Caribbean, have not published (inaudible) estimating the last two years. (inaudible) This is unique in Latin America. There are (inaudible) with a cautionary note that these are the figures supplied by (inaudible). It is impossible to do a serious accurate estimate on what the real Cuban GDP is. There is a rough estimate that I have made to suggest that it is about one-half of what is published.

In any event, as Marifeli imparted this morning, an increase in GDP has not resulted in a significant improvement in living conditions in Cuba. I think this is quite important.

Gross capital formation which is a key factor in promoting future economic growth has declined by almost one-half in the period from 1989 to 2007. The fiscal deficit was cut by one-half in that period because of (inaudible). So that is a positive thing (inaudible) tremendous control of price, and you have the price inflation and that (inaudible). However, in the increase of 11 times the (inaudible) rate of 1989 (inaudible) 2007. Another indicator is monetary liquidity as a percentage of GDP which has doubled in the period.

Official data on 20 key goods in Cuba, both for export, key major

exports and for domestic consumption, show that most of them have had (inaudible) performance in the period.

Let me start with (inaudible) is in mining where you have significant foreign investment, and the share of mining in GDP has increased significantly. Natural gas has jumped 35 times. You take into account that production in 1989 was very low, but it has increased tremendously, and it shows an increasingly trend through the whole period.

Oil production increased four times, and nickel increased 62 percent in the period. But in recent years, oil and nickel have decreased and then stagnated. That is (inaudible).

But gas accounts only for 22 percent of the combined (inaudible) and gas, natural gas. So oil is considerably more important.

Cuba only meets about 40 percent of the domestic needs of energy. You will have an excellent paper later on from an expert on these things, so I don't have to go more into this. Sixty percent is imported.

During the (inaudible) period, there was a process of (inaudible) in Cuba which is proved by the sharp decrease of the industrial share of GDP. (Inaudible) the most important (inaudible), manufacturing lines were, in 2007, well below the year before the crisis. For instance, sugar, 86 percent. This year, (inaudible) per capita is at the same level after 18 years (inaudible) fertilizers, anywhere between 38 to 94 percent below

1989. Only cigars output has increased about 38 percent.

The worst performance has been in agriculture. (inaudible) were 24 percent below beef, milk, fish, rice, tobacco leaf, which is quite interesting because you (inaudible) in tobacco leaf.

Eggs, (inaudible) and seafood, the last two were very important export products before the crisis. They were in 2007 anywhere between 12 and 71 percent below the crisis level. Conversely, tubers, which is only (inaudible), were 117 percent above but declining since 2004.

Price increases for food, utilities and other services have surpassed the most increases in salaries and pensions that took place in 2005. Basing that on the Cuban economy, I have estimated that the real salaries in this period from 1989 to 2006 declined by 75 percent in real terms. This is because prices have increased tremendously in the agricultural market, (inaudible), et cetera. Pensions decreased 61 percent. Even with meager pensions, they take 6 percent of Cuba GDP last year. (inaudible) another burden and pensions are miserable.

Poor agricultural performance (inaudible) have resulted in serious (inaudible) of deficiency inside of Cuba that have forced importation of food particularly from the United States. The total amount imported including from the U.S.A. in 2001 is $2 billion, but these imports are insufficient to meet domestic demand.

Raúl has discussed these very important issues in several of his speeches, and one of the few measures that he has introduced was to increase the price of what is called the (inaudible) the procurement price paid to private farmers and cooperative members. Also, (inaudible) in the central bank, and he paid back debts that are being accumulated by the state to these producers. This has resulted in some modest increase in agricultural production last year. So a small incentive paid off significantly. That can be sort of an indicator of what could be (inaudible) in the future.

Let me go into a final (inaudible) which is quite important because it is one of the constraints of the Cuban economy under Raúl. Export value in 2007 was 20 percent below 1999, after 18 years of (inaudible) period. So, a major reform of Cuba is to enable not only (inaudible). They have not been able to recover the value that they had 18 years ago. Of course, this is (inaudible). On the other hand, imports increased in the period 80 percent.

So, the result of this has been a huge deficit in the trade balance of goods which has reached about $6 billion, and the deficit in 2007 was twice the deficit in 1989. External debt in (inaudible) currency is about $15 billion. That, of course, excludes the debt with Russia and Eastern Europe because they have never agreed to what exchange rate (inaudible) that was $25 billion in 1989 should be.

The number of foreign businesses in Cuba dwindled by one-half in the last five years. The government has shut down several joint ventures, and the Minister of International Economic Cooperation declared that they are only interested in large investment in specific sectors of the economy. Yet, the most important, huge successes of the Cuban economy have been in those areas where there has been substantial foreign investment.

Tourism, that is the most important income of Cuba. The number of tourists jumped 8 times in the period, and gross revenue from tourism increase 13 times, but last year both the number of tourists and gross revenue were 7 percent below the 2005 levels. Even more important, only 47 percent of hotel rooms are occupied, and the trend is a declining trend. These are official statistics from Cuba. This poll was two months ago. Also, the tourists' average daily expenses have declined by 42 percent in the period.

The brightest spot in the Cuban economy is aid and trade provided by Hugo Chávez. There has been a discussion this morning about this. I just want to go into two important things. Chávez' huge subsidies in all exports account to about $2 billion. By the way, there is a big discussion whether Cuba has accumulated a debt or not. I am not going to into that. We don't have enough evidence.

Paying our currency to the Cuban Government for professionals

working in Venezuela -- physicians, paramedics, teachers -- generated last year $5 billion. By the way, originally, those professionals, their salaries were expected to be paid by Cuba, but in the agreement in 2005 (inaudible) in our currency directly to the Cuban Government.

Investment in credits for billions of dollars including the completion last December of the oil refinery (inaudible), and also 36 percent of Cuban (inaudible). Venezuela's help shifted the (inaudible) Cuba's balance of trade from a huge deficit to a small surplus in 2006 and a tiny deficit in 2007. The enormous deficit in the trade of goods, $6 billion last year, is largely compensated with professional services sold to Venezuela and, to a less extent, tourism revenue.

The relationship we see with China is another story. It is on strict business terms without subsidies. Trade accounted 15 percent last year. China's promise to build a federal nickel plant and exploit a new nickel deposit in San Felipe didn't materialize. Chávez promptly substituted the Chinese on the first one, on the federal nickel plant.

Last year, before Chávez was defeated in the referendum, he then warned of the first consequences that such events could bring to Cuba. (Inaudible.) reminiscent of the collapse (inaudible). Raúl began immediately to search for other venues as the fiscal deal was (inaudible). But it will be extremely difficult to replace Venezuela if Chávez loses

power or oil prices fall significantly as Ramon pointed out this morning.

Raúl, therefore, faces significant problems: severe internal economic flaws and (inaudible) and heavy dependency on Venezuela. His speech last July 26th promised to introduce “structural changes” and the warning that all can’t be solved and don’t expect a spectacular solution. That speech encouraged one of the strongest social economic debates in revolutionary history and has considerably raised the population’s expectations for change. Yet, not one single important reform was approved or even its cost in the National Assembly last December which, by the way, was the shortest in history, leaving us with the perplexing question that was already asked this morning: Why does Raúl raise expectations and then does virtually nothing or very little?

Of course, the common explanation is that while Fidel is alive and sending his (inaudible) to the news media, he could block any significant reform.

The arguments go: Raúl (inaudible) caution because he needs pressure from the people to legitimize the reforms. He is waiting (inaudible) February 24th (inaudible) to hopefully institutionalize his (inaudible). Now if that, in fact, materializes, his best option will be a gradual structural economic reform in the style of China and Vietnam, starting with agriculture and moving to other areas which could increase

economic incentives on production while the Party keeps political control. Conversely, if he makes only marginal cosmetic changes, there would not be significant economic improvement, and frustration of the population could increase.

Thank you.

(Applause.)

MR. MESA-LAGO: We have a distinguished group of panelists that accompany me today, and the first is going to be Carlos Saladrigas. Carlos is the Co-Chairman of the Cuba Study Group which (inaudible) very interesting report of monitoring the prices in Cuba. He is also the Chairman of Premier American Bank, and he was the CEO of the Vincam Group which was listed in 1998 as one of the largest employer companies in the United States and many other merits.

MR. SALADRIGAS: Thank you, Carmelo.

We have spent literally the whole morning, and people like us who spend all this time in Cuba, spend an enormous amount of time reading the tea leaves and trying to predict or forecast what will happen in Cuba and how Cuba will change. What is in many ways humbling to recognize is the fact that how little power and influence we have to cause Cuba to change and to effect those changes on the island.

Three years ago, I was having dinner with a high-ranking official in the Cuban Catholic Church, (inaudible). At that dinner, he tells us. He says, I know just about everyone in the Cuban governing elite, and I know them well. I can assure you that, without exception, every one of them understands that the system is absolutely broken and useless and that change is necessary. The problem is that none of them know which is to be step number one and, much less, which are to be step number two and step number three and so on.

That's the dilemma that I believe the Cuban leadership finds itself in right now. It's understanding, on the one hand, the enormous need for change and, on other hand, asking the difficult questions: How do we begin, what do we do first, and how do we move forward?

The need for reform is obvious in Cuba, and I think Carmelo has outlined many of the ills in the Cuban economy, but there are three fundamental things that I think are very important. The revolution is failing in the areas in which it has based its own legitimacy. This is providing a successful regime with the difficulty of understanding it is going to draw legitimacy from.

The previous regime under Fidel Castro drew legitimacy, significant legitimacy, from Fidel's own charisma. It drew enormous amount of legitimacy from the confrontation with the United States, and it drew

enormous amount of legitimacy from the social goals of the revolution.

Raúl is inheriting this government where he knows he doesn't have Fidel's charisma. He is not willing or able or capable to entertain constant crisis with the United States, and the goals of the revolution, especially healthcare and education, they are crumbling, crumbling because of neglected or deferred maintenance and investments that haven't happened for years. Therefore, he must ask the question: Where am I going to draw legitimacy from?

(Inaudible) only one answer, and that answer is to draw legitimacy to make all the changes that the people are going to perceive as positive and that is going to turn it around the course of (inaudible). That, I think, is the most important movement for change.

Add to that the fact that even studies done in Havana's university show that the level of poverty in Cuba is increasing dramatically and that it's not only poverty. We have malnutrition and hunger prevalent in many sections of the Cuban population. This is a serious issue.

However, this is also a government that is based on the assumption that they want to retain control. Therefore the question, like was dealt with by all the other totalitarian regimes we have seen in Eastern Europe and elsewhere, is the perennial question: How can I change without losing control or how can I change minimizing my loss of control?

Therefore, because they are humans, just like all of us are, we believe and I believe that change is going to go in that direction, in the direction of what can they do that will solve the problems and yet allow the minimal loss of control. I think they understand what we know, that it is impossible to change without losing control. Because of the information, I think they need to understand what they are the risks of changing and what are the benefits of changing.

In many ways, the benefits of changes are the perennial questions of: Well, do we pay now or do we pay later? What is the cost of change today versus what is the cost of change tomorrow? If we delay this for five years, what is going to be the cost of change five years from now?

This is an equation. This is a thinking process that is going into their heads. They are evaluating this sort of thing.

In favor of changing today, you have a number of forces, primarily the fact that they will be changing from a position of strength. Venezuela, as Carmelo mentioned and others mentioned today, is providing Cuba with a significant subsidy. You have a favorable geopolitical wind in the region, being friends with Lula in Brazil, the most important country in Latin America. It's renewing and strengthening relations with Mexico. You have friends in Nicaragua, in Bolivia, in Ecuador. You have a complete left-wing movement that is providing an enormous geopolitical

tail wind to this regime.

Raúl and others, who are more pragmatic and even from the military background, understand that change is best effected from the position of strength than to try to deal with change from a position of weakness. So, from this perspective, they are more likely to change now than to change later.

The second factor for change is that there is a whole new generation of change in the Cuban leadership, and these people are fed up with revolution. They want stability. They want stability, and they want long-term stability, and they do not see Hugo Chávez providing that stability. They do not trust Hugo Chávez to be stable. If there is one factor that has been ingrained in their minds, like the branding of a cow on ranch, it's that they promise themselves that never again are they going to go through the difficulties that they underwent in the Special Period. Therefore, they are desperately looking for ways to diversify the Cuban economy and to not allow the Cuban economy again to become dependent on one state like Venezuela or the former Soviet Union.

They also know another thing. They also know that expectations for change alone will not bring about change. Only when the problem is broken down into pieces do expectations for change become and enable people in the country to become agents for change. Therefore, they know

that one way in which change is going to come about and one way in which they are going to gradually lose control is to break down the problem into manageable pieces so that people can become agents of change in those small problems and small pieces. Therefore, they are going to do their best to make this change gradual and clearly as slow as possible.

However, on the other hand, they know that if they go too slow, as Carmelo mentioned, they are not going to produce the kind of results. If they're going to implement significant reforms, they have to be serious, they have to be structural, they have to be fundamental because the most critical element of the Cuban economy is lack of productivity. The only way they are going to turn this program around is to make reforms that enable the Cuban people to become productive in agriculture and in other sectors of the economy.

In other words, they have to open the internal markets of the country. That, I think, is probably what they're going to be facing.

Also, arguing for change is the fact that they've done it before. Been there; done that. They did it in the Special Period, and it worked. (inaudible) Yes, they lost control, and this is what led to the spring of 2004 or 2003, 2002 or 2003. So they know. They know that very well. They know it worked, but they also know that it created problems and it

empowered civil society and it empowered an opposition.

But, for them, I don't think it's a question of choice. I think it's a question of what to do.

On the negative side of change is, of course, Fidel Castro and it's not Fidel Castro in the fact that he's preventing change. I believe that they're past that. I believe that Fidel Castro doesn't matter. What really means Fidel Castro is that they know that if they begin a process of change and a crisis occurs like (inaudible) occurred earlier and others, that they don't have the figure of Fidel Castro to come in and personally solve the problem with gentle fortitude the way he has done before. So this is an issue, and this is significant also. This is significant.

The real issue is, clearly, Cuba is on the path, and I think there is going to be fairly quick significant and fundamental economic reforms. I, personally, believe and I would bet my money that they are going to start with important microeconomic reforms in the agricultural sector, self-employment and others.

The question that it really poses for us in the Cuban American community and the question that it poses for policymakers in the United States is how do we react to that scenario which is probably the most likely scenario to occur Cuba, and it is a process that is going to take several years. Do we take the position that we are not going to engage in

any way, shape or form?

Do we take the position that we are going to try to impede or scrutinize those changes in any way, shape or form?

Or, are we going to begin a process of at least partial engagement and begin to anticipate some processes that are really going to help Cuba's future and that are going to empower the Cuban people significantly to then be able to be their own agents of change, which is really what we want to accomplish?

MR. MESA-LAGO: Thank you, Carlos.

MR. MESA-LAGO: The next speaker is Robert Muse experience in U.S. who is a lawyer in Washington with much experience in U.S. laws relating to Cuba. All of his clients are major corporations who engage in international trade and foreign direct investment. He has testified on legal issues involving Cuba before the Senate (inaudible) and other entities.

MR. MUSE: Thank you.

I'm going to be depressing simultaneously on three different problems. I don't think economic or political reforms are realistic or it's realistic to expect them in Cuba anytime soon. I also don't think that the U.S. Congress is going to revise its embargo policy anytime soon.

But I will argue that the new administration coming in less than a

year should nevertheless pursue a policy toward Cuba that genuinely reflects the U.S. national interest, and I think that U.S. national interest has to now be seen regionally -- what has occurred in the northern tier of Latin America, in Venezuela, Bolivia, Ecuador. Danny Ortega is back in Nicaragua, for example. We have to think of Cuba in the context of our regional relationship with Latin America as a whole and particularly with northern Latin America. Every President in my lifetime that's ever come into the White House has talked about an emphasis on Latin America. I think we're finally reaching a point where that emphasis is inevitable.

So I'll give you briefly my reasoning as to why we shouldn't expect economic and political change in Cuba of any fundamental sort, and then I'll get to what I'm really more interested in: what the U.S. reaction should be to stasis in Cuba, whichever is the most likely outcome.

Quickly and going back to my earliest involvements with Cuba in the late eighties and nineties, the frame of reference was post-Cold War. That was the orientation. The embargo was a relic of the Cold War era. The Cold War no longer existed. The embargo should go. It didn't for a number of reasons that could occupy us all day, particularly to do with dynamics within the U.S. electoral system that kept that embargo in place.

We're now beyond the Cold War period, but we've been slow, it seems to me, to grasp that. We're now in a post post-Cold War period

where many of the assumptions of 20 years, well, depending when you begin to count -- 1989 in the Eastern bloc and Cuba in 1991 -- are no long operative.

What the Cubans call neoliberalism and we call globalization is the god that largely failed in Latin America. That leaves Cuba just on the political and economic front with far more allies of solidarity. It had essentially none in the early mid-nineties. I would argue that most of its economic openings at that time were tactical -- they reflected that isolation -- and have been largely withdrawn since Cuba's sense of its own security has strengthened with governments like Chávez and so on in the region.

The reason I don't think there's going to be broad economic change in Cuba is even if the Cuban economic growth is only half of what the CIA is saying it is, at the moment, 10 percent, even if it's 5 percent, that's still double U.S. growth. I think some of the macroeconomic trends involved in Venezuela and nickel prices, et cetera.

Parenthetically, it's ironic that Cuba, which prides itself on an educated population, is converting itself in some ways into a primary commodity in nickel, oil, these sorts of things. It has only substituted these commodities for the old the commodity of sugar, but it hasn't made much progress in extending or rendering any more sophisticated, its basic economy.

With the army in charge and when we talk about Raúl, we have to make that point. Raúl is the army. They control the economy. That means two different things.

I was speaking to someone during lunch, who made the interesting observation that economic reform in Cuba in the form of allowing even small private enterprise -- restaurants, hotels -- immediately come into direct competition with the army. There has been a pattern of closing small restaurants, paladares and so on in order to drive tourists back into the state enterprises operated by the army.

Then there's a psychological resistance by the senior army officer corps to either notions of private enterprise or liberal democracy.

Both of those are messy and essentially uncontrollable dialectics. I see no evidence the Cuban leadership is going to relent, accordingly won't relent on an economic or political front.

So when a year from now a new President takes office, some of the things he or she is going to have to deal with early on, and I'll limit it to Cuba and then try to broaden it out.

How do they deal with the notion of Cuba? There are some elements of real concern. Earlier, Professor Gomez was talking about an imminent or pending potential immigration crisis. That is a problem that seems to be getting worse.

There are serious issues, environmental issues, as they involve fisheries, reefs and so on in the American southeast and Cuba. Those issues are going to be exacerbated by the fact of Cuban drilling in the Florida straits, deep sea oil extraction. One bad spill in that zone, and it seems the economic zone is 50 miles off Key West. We split the difference between the Cuban coastline and the Florida coastline. They are, under the Law of the Sea, entitled to drill up to 50 miles from the Florida coast. One bad spill is going to have devastating consequences to the U.S.

There are drug interdiction issues.

All of these things ought to properly and ethically be addressed if we have a White House discharging its obligations to conduct the nation's foreign affairs in the national interest.

How would a new President do it, assuming the will existed? Congress has gone some way toward codifying the embargo, and that means they took what historically was a purely executive branch prerogative. The embargo could be ended with a stroke of the President's pen into placing (inaudible) with things like the Helms-Burton Act that require that Cuba meet a number of milestones in order for the embargo to be lifted.

The resurgence of the Cuban American conservative power in

Congress through artful PAC contributions, they should be credited. It was axiomatic a few years ago. I remember the majority leader, Dick Armey, was saying that the embargo. I think he said and somebody will remember. I think he said it in something like 2000 or 2001. He said if the embargo lasts for another year, I'll be surprised.

Those of us who have sought to assail the embargo thought we had two principal opponents blocking progress on that front, Tom DeLay and Jessie Helms. They're both gone, and the embargo is more bipartisan today than it has ever been in the U.S. Government. So the President is going to have to be realistic.

There will not be industry groups that are going to move to lift the embargo. The Cuban market is small, and it's a formidable enterprise because it requires a giant lobbying effort. History teaches us even the farmers won't get involved, as I think Kirby has pointed out occasionally, to protect their markets in Cuba. They're willing to place very little of their influence and capital toward that end. So it's not realistic to think that it's going to be a corporate lifting of the embargo.

A President is going to deal with a very much deteriorated set of relations throughout Latin America that are going to have to be addressed. Regional trading blocs are forming. Energy blocs are forming. We're going to have to deal with that. I would suggest we put Cuba into that

context. Think of it in regional terms.

We address initially within the remaining areas of executive branch discretion. We deal with things like immigration. We begin talking with the Cubans again on environmental issues. We tone down the rhetoric, stop the insults and referring to Raúl Castro as Fidel-lite, as an assistant secretary of state. Deplorably, again, that's just not acceptable. So, tone down the rhetoric.

Then when Cuba, and it will, it's going to introduce. To my mind perhaps, they're going to be largely insignificant economic reforms in Cuba. Praise them extravagantly the way you would a child's fingerpainting. You don't have to believe it's a work of art, but again you're encouraged by it. These all confidence-building exercises might get a White House inclined to follow this path to a position of diplomatic negotiations with Cuba. That's what's going to be.

A global settlement of all outstanding issues which would include claims, and we need a trade agreement with Cuba at this point. When you sever relations for the better part of 50 years, the world moves on. We need investment protection agreements, assuming Cuba wants U.S. investment someday. Intellectual property protections have to be brought up to date. This can only be done in a global diplomatic settlement with Cuba that is then presented to the U.S. Congress for ratification.

It's only an opinion, but it's based largely on my personal experience in dealing with Cuba for several years, and I think it attempts to be realistic about Cuba and recognizing that Cuba is not going to be the dynamic of a changed U.S. policy. That's going to have to come from within, and it's going to have to be a White House-led endeavor at this point.

Thanks.

MR. MESA-LAGO: Our next speaker is Daniel P. Erikson. He's the Director of the Caribbean Programs at the Inter-American Dialogue. He's researching the functions of U.S. foreign policy in Latin America and his current work is focused on U.S. foreign relations. (Inaudible.)

MR. ERIKSON: Great. Thank you very much. I'm happy to be here. As I perceive this panel, I think I'll just probably extend the remarks you've already heard.

To begin with, Carmelo said at the beginning of his remarks, it's the economy, stupid.

I would perhaps put it slightly more delicately in the sense that the economy is really where the action is for a lot of people in Cuba and the way that they're trying to forge their way forward, and I think it's where the action is probably most likely to be when you look at the government and the policymakers in Cuba as they try to figure out the future of their

country. So I really want to focus my remarks, a few remarks on the state of the Cuban economy today and then also some of the likely choices that I think people will face in the future.

To begin with, it's been said that it's been 17 or 18 years since the Special Period began in Cuba which was the really profound economic crisis that was precipitated by the clash of the Soviet Union. I think that really it's very interesting that almost two decades later that how Cuba has suffered from the Special Period and it's also trying to overcome the crisis of that period really defined how people see the economy today.

On the one hand, the real world impact of the economic collapse was extremely profound. GDP shrank by about a third. You had a spike in malnutrition. You had a lot of difficulty in the healthcare sector and a lot of scarcity facing the economy. Also, I think it really impacted the perceptions of change and what the economic change looks like from the perspective of the Cuban population.

Of course, the Special Period also produced or the government's response to it produced a series of economic reforms allowing some small scale entrepreneurship, allowing the dollar to circulate freely for a number of years. Of course, you have the famous paladares and other basic episodes of entrepreneurship allowed in Cuba. I think the government is still trying to kind of reconcile that and what the impact has been both on

the society and on the levels of equality or inequality within the government.

The economists that I've been following tend to say that it's probably correct that the government GDP has more or less come out of the Special Period, and GDP is today more or less where it was in 1989. They think the standard of living is about half what it was in 1989. Certainly, if you look at the availability of food on the rations, if you look at the quality of many of the social services, if you look at the cost of living in Cuba, it's just extremely difficult for many people to have their basic needs met.

The Associate Press reporter in Havana conducted an experiment earlier, I guess it was last summer actually, where she decided that she'd lived in Cuba for several and decided she'd go on a ration system for a month to see if she could make ends meet. She ended up losing nine pounds, and this wasn't a heavyset woman to begin with. I think that you really do have a great deal of scarcity still today.

At the same time, the government is experiencing a period of economic growth. They say the figures are around 10 percent a year over the past few years. I think according to the CIA world fact book, it's estimated at 7.5 percent. You can argue how much the growth is, what the rate of growth is, but clearly it's occurring and Cuba is on an upswing

of economic growth.

If you look at the overall makeup of what's driving the Cuban economy today, tourism remains extremely important. Remittances, although flows have decreased somewhat with new U.S. restrictions, remain extremely important.

Cuba has made a very big investment in the biotech sector and actually has some licensing agreements with other countries, and even some U.S. companies in California have looked into biotech.

You obviously have nickel where prices have remained relatively high, oil where exploration is ongoing, and Cuba is meeting more and more of its domestic energy needs.

Then the last and probably the most important category is what the Cubans classify as export of medical services. This is, in essence, the oil for doctors swap that Cuba has implemented with Venezuela where you have 20,000 or so Cuban physicians serving in Venezuela and, in exchange for that, the Cubans receiving the subsidy or, rather, the oil from the Venezuelan Government that comes to about $2 billion a year.

Some very creative economists have actually run the figures on the agreement and said that Cuba is subsidizing Venezuela because you can cost out the amount of services that Cuba is providing and perhaps make that argument. I wouldn't go that far, but clearly there is some sort of

(inaudible).

Now, you really have to recognize, I think, Fidel Castro's genius in getting this oil for doctors trade with Venezuela. They signed this deal. It's called (Spanish) in 2000 when the price of oil per barrel was between eighteen and twenty-two dollars a barrel. Today, we're close to $100 a barrel which is the equivalent of buying Google stock at 100. Fidel, himself, I am sure, is surprised that it's worked out the way that it has. By any measure, it's just a spectacular return on investment.

You also have China which is Cuba today and is the number two trading partner and is playing a very significant role. You have Cuba buying a number of things from China as was mentioned, the buses and so forth, but also selling some goods to China. This is an important, I would argue, stable trade relationship.

Of course, you have the Canadians and the Europeans who are very engaged in Cuba as well.

Against this backdrop, if you look at the nature of the economic debate in Cuba today, I would break it down along three or four categories. I think the traditional debate tends to be, as we heard a little bit on the previous panel, between shock therapy as was practiced in Eastern Europe and the former Soviet Union versus market socialism or gradualism or the China model as you see in China and Vietnam. I would

say -- and I apologize for those of you who have heard me say this before -- I think the Cubans feel like they've had the shock without the therapy, and right now what they're looking for is more therapy and less shock. I think that really advocates for a more gradual approach.

So what you see in the context of the debate is, obviously, there are people who are saying, look, the situation now basically works. We've got Venezuela. We've got China. We don't need to any reforms whatsoever to maintain the current situation.

Yes, their expectations have been raised, but every country in a sense has a long line of raising expectations that haven't been necessarily met. It doesn't indicate a severe crisis necessarily for the government.

Then I think there is maybe a very moderate debate around what they call (Spanish) or, if you prefer, the rectification of socialism, saying we need to stay a socialist state but make this more efficient and somehow have the transportation system work, make the trains run on time and try to perfect the institutional workings of the economy under socialism.

Then you have what I find a very interesting debate about the China model. One thing that China has done is legitimized a certain aspect of economic debate in Cuba because people can freely discuss the China model and often do. It's been a huge subject of academic studies within

Cuba. What's interesting, though, is people who advocate the China model tend to do so under the framework that this is what helps the Communist Party stay in power in other countries and it can perhaps work in this country as well.

There are many Cubans who find the China model appealing as a way to push forward towards greater economic modernization. They think it could really help in the agricultural sector and in other sectors, but they don't necessarily make that argument. They tend to make the more political argument.

Then I think you do have a group of Cubans who the social democratic consensus as it exists in many countries in Europe -- one could argue perhaps to some degree in Canada and other countries -- is very appealing. And so, while you don't have anyone that's really pushing for as much of a neoliberal model or a very dramatic break with the past, you do have some European ideas of social democracy which people find interesting.

Now, when you look at the situation today, when you talk about economic reform and particularly here in the United States, there's a lot of debate. Is it Poland or is Vietnam? Is it China or is it Russia? This type of debate really appeals to all Cubans because most of the countries, particularly China and Russia, are big, important countries. When you

compare Cuba to these big, important countries, it also sounds big and important.

However, you can't forget that Cuba is in the Caribbean, and its future economy will basically be a Caribbean economy. That means that you're gong to have some light mineral extraction, perhaps some manufacturing in the future, certainly remittances and tourism, and perhaps Cuba could do more in the educational and health services. But you have a number of countries in the Caribbean today -- Granada, Jamaica and others -- that are engaged in these sectors as well. And so, I think it's important to situate Cuba's economic future in the regional context which is the Caribbean.

To work towards my conclusion, we were asked to talk a little bit about constraints and incentives, and we've heard a lot about those today. Carlos said that Fidel doesn't matter anymore. I think that might be news to Fidel. He might disagree. I don't know.

I would argue that Fidel matters a great bit both because I think he still represents a break on reform in Cuba and to some degree the new group of Cuban leadership needs to figure out how to deal with Fidel's legacy. After 49 years of socialism or communism, what does this mean? What does this mean for the Cuban Government? What does this mean for the average Cuban? Is there a way to modernize the economy without

necessarily repudiating Fidel? I think that is a challenge people are grappling with.

There's also another constraint. There is still large a push, I think, in Cuban society for equity and concern about social equity and limited amount of inequality. One of the greatest criticisms of the government's reforms is it really deepened inequality in Cuba. I think that the Cuban people, although they want to build a better future for themselves, they don't necessarily want to see a hugely unequal society develop as exists in Brazil or in many other countries in Latin America.

Then, of course, you have I think institutional limitations and institutional constraints and that Cuba's technocratic class, although it is very good in some instances, would really need a lot of training and development to prepare for a more open economy.

What are the incentives for reform? One is that Cuba has all this human capital, and it hasn't figured out what to do with it. You have a lot of unemployed, probably people who are really quite well trained in many instances. So the need to generate the types of employment that can have Cuban's human capital be utilized, contribute to the productive capacity of the country and for people to build a future in Cuba is important.

I think that you also have an incentive, a very interesting incentive,

set up around the Venezuela phenomenon because with Chávez losing the referendum in Venezuela, his current term, unless he tries a second bite of the apple and tries another constitutional reform, ends in January of 2013. The clock is ticking on that.

The Cubans have learned, both with U.S. pre-1959 and with the Soviet Union during the Cold War, as they say, you shouldn't put (Spanish). You don't put all of your eggs in one basket. I think the Cubans realize that they're going to have to figure a way to move their eggs out of the Venezuela basket, and they can't rely solely on this in the future. The referendum was a big wakeup call for that.

To move on to the U.S., I think there is a lot of debate today about whether the U.S. embargo represents leverage or does the U.S. embargo represent the absence of leverage which is, I think, a key point. There are people who support the embargo and say today and have told me the whole reason we have the U.S. embargo to Cuba is for precisely this moment because it's leverage over the next government.

Well, maybe, but I think we've heard some pretty good arguments that it's actually not leverage or it represents the absence of leverage. That's probably where I would come down on that.

Notwithstanding that point, I think it's important to realize that Cuba's economic future is inextricably bound up with the United States.

The United States can have a negative impact. It can have a positive impact. It could have a transformational impact, but there is no denying the fact that although everything that we say about Venezuela and China and the Cubans don't care about the U.S. anymore or they're not going to make the concessions that the United States demands of them are true, that the United States nevertheless is the dominant economic power. Cuba is right off our shores, and I think U.S. actions will have a great deal of influencing Cuba's economic future.

Thank you.

MS. MESA-LAGO: Thank you.

The last speaker in this panel is Kirby Jones. He's the founder and President of the U.S. Cuba Trade Association and serves on the board of the Center for Cuban Studies in New York. He is currently the President of Panama Associates and is a contributing author to the book, *Subject to Solution: Problems in Cuban-U.S. Relations*.

MR. JONES: Thank you very much. Sometimes it's good to be last, and then it's not so good to be last. We'll see how this turns out.

I made my first trip to Cuba in July, 1974 and made my last trip to Cuba last week with many in between. I want to start off with a personal observation, and then I'm going to get into U.S. trade and U.S. companies.

If you had told me in the seventies or eighties or up to 1990 that I would see the trend we see in Cuba today, I'd say you were smoking pot or worse. The changes that have happened in that country over the last 13 years compared to what it was in the last 30 years have been remarkable. I'm going to come to those shortly.

One of them, not the least of which, is trade with the United States. For almost 40 years, there was no trade with the United States. Now the United States supplies more food and agricultural products to Cuba than any other country. It is a system which developed very rapidly. It started in December, 2001. With $4.4 million worth of food sales, last year Cuba spent $682 million on agriculture products and food to the United States.

There was a steady increase in 2001 through the end of 2005 and began leveling off in 2006 and leveled off in terms of quantities of food this year. The higher price is because the prices of food have gone way up. In terms of the quantities of food and the tonnage of food, it has pretty much been level over the last couple years.

Cuba has done business with 168 American companies in 37 different states and sold 300 different kinds of products to Cuba, everything from wheat, corn, rice, soybeans, limes, chewing gum, railroad ties, utility poles, live cattle, cookies, frozen chicken. It goes on and on, and so it's from the staples to the chewing gum to Wrigley's chewing gum

which you can buy in the stores.

Nine million metric tons and the shipping has been largely done by the United States. Seventy-five percent of the trade has been shipped on American carriers. So it has been a good and a surprising, to me, increase in the amount of trade over the last six years. Some American sectors have done very well.

But things are changing a bit, and it changed in the last six months. There is a discernible change in Cuba's attitude toward doing business with the United States, one of the reasons for which is that Cuba views U.S. companies as being unreliable not because the companies themselves are unreliable. Quite the reverse, the Cubans have very good things to say about the efficiency and the quality of the products the American companies are selling, but the system within which American companies have to work is unreliable.

That goes to the regulations and the restrictions on trade that have been put on by the Bush Administration and implemented by the Treasury Department which have caused being in the middle of certain deals and certain transactions and everything has stopped. Cuba has been in the situation where its money is in the United States and the product is in the United States, and they have neither which is the worst case scenario. So they look on the U.S. as not a particularly reliable source, and they've

turned to other countries.

Other countries which saw themselves losing markets to U.S. companies are now beginning to recapture some of them. They're offering credits, particularly from Canada, from China and Vietnam. They're offering long-term credits. One can expect the trend over the next few years, unless the restrictions change, as to be relatively stable.

I want to talk about the business environment a little bit down there. A lot of you have been talking about the changes that have occurred over the last 13 years in which American companies now work and the environment in which they will find themselves should the embargo change to allow an increase in different kinds of activities.

If you take a trip to Havana, you arrive in an airport which was built by the Canadians. You walk outside and get taxis which are Mercedes or Toyotas. You go to a hotel which is managed by the Spaniards or the Germans or the Dutch. In your minibar is a beer which is a product of a joint venture with the Canadians or a bottle of rum which is a joint venture with the French.

You go down to the business center and rent a cell phone which is a joint venture with Italy. You go down to breakfast and have oranges and grapefruits which is a joint venture with Israel which has the largest joint venture citrus plantation in the world. In your bathroom are cosmetics

which is a joint venture with a French company.

You look out the window and there's a ship, a container ship, going into the harbor. In the harbor is a container port which is a joint venture with Spain. You go visit a foreign company that's there that has its office at the Miramar Trade Center which is the largest real estate project in Havana, which is a joint venture with Israel.

You may discuss what we've heard about oil and mining, mining which is a joint venture with the Canadians and oil which has joint venture operations with China, Canada, Spain, Norway, India, Malaysia, Vietnam and now Brazil.

There is not a sector in Cuba which does not have the involvement of a foreign business company other than medical services and education. This development over the last 13 years of the involvement of the foreign business community, I think, is one of the most important changes that have happened. Five hundred companies around the world have offices in Havana. There are 235 joint ventures around the island. If you had asked me, again, 20 years ago would I have seen that, I would have said, impossible.

But there are other changes of equal significance. All of these changes, I have to mentioned, were under Fidel's watch. There's a lot of talk about Fidel and change and he's obstinate and he doesn't want to do

this and he doesn't want to do that. But everything I'm about to mention was done under his watch. I'm not ascribing him motives or that he was forced into it or not, but the fact is that it happened.

Diversification: Fidel Castro, almost with a flip of a switch, ended 400 years of dependence on sugar. He was out of the sugar business. They are importing sugar, and it is not significant. It is the opposite of any significant factor in the Cuban economy.

He did this for one simple reason: They were losing money. These old refineries were eating up oil, and the price of sugar at the time was four or five cents. Then why are we in this business?

You look at the source of their income now, and there are sources which didn't exist 15 years ago. The number one source of countercurrency now is nickel. Cuba has the third largest deposits of nickel in the world, $2.5 billion.

The second is personal services. All these doctors and trainers that Cuba is sending around the world is not a Peace Corps. He is charging money, and it generates income, about $2.3 billion.

Tourism is third, whether it's up or down, 7 percent or 3 percent for one year, it generates a little over $2 billion a year in revenues.

Then throw in foreign remittances. Nobody knows the figure. The Cubans don't know the figure. There is no way of tracking it. Estimates

are about $800 million.

Biotechnology, $350 million. Cigars and rum, about $500 million. Then the list begins to dribble down, but this is a market diversification in a country which for centuries had been dependent on one crop.

Entrepreneurship, however small it is, again it represents a dramatic change from the sixties, seventies, eighties and beginning of the nineties. The paladares, the private restaurants, and the casas particulares, the bed and breakfasts, and now add in personal services. You talk to Cubans in the street, and they need a plumber or an electrician or a seamstress a car fixed, José down the street will do it for hard currency.

Can José set up a company to do it? No. Does he do it and get paid in hard currency by his neighbors? Yes. So these little personal services are going on which again is a market difference.

The point of all of this is that all of this is institutionalized, and there is a structure, and its functioning does not depend on anybody whose last name is Castro whether it's Fidel or Raúl. If Fidel Castro dies tomorrow, that worker in any of those joint ventures or any of those operations in a company is going to work the next day, and that structured institutionalization will continue. It represents a total difference from what we had in Eastern Europe and the former Soviet Union where the foreign business community was not at all operational.

This foreign business community there in Cuba, among its many objectives, one is going to be very close to the top which is stability and predictability. They're not going to let any chaos or any problems of the nature some have talked about happen in that country because they have too many billions of dollars invested. It is into this business climate that U.S. companies one day will find themselves.

As we look ahead to the United States and the impact of what's going to happen over the next few weeks, people have prognosticated and have been pundits. (Inaudible.) I will give you my two bits.

I think some assumptions are incorrect. That there is going to be a systemic political transition, I don't think that's going to happen. I don't think there's any evidence that there's going to be a profound change in the overall system in Cuba. So when you talk about a transition, I don't believe there's evidence that it's a transition from Political System A to Political System B.

Second is that change is inevitable. Our political system here is full of the word, change. We're talking about change in Cuba. What most people think about is change to democracy and capitalism. That's our image of change. I think it's going to be a long day before you see in Cuba what could be defined in our terms as democracy and capitalization.

The third assumption that I don't think is correct is the U.S. can play

a role. With all due respect to myself and all due respect to the panelists and all due respect to all of you here, what we say doesn't matter one whit in Cuba, and the Cubans, quite frankly, don't care what we say in this room. They have moved on.

Our assumption is that since we're not there the sun doesn't rise and set. Well, Cuba has moved on. Whether it's Venezuela or China or any of the other countries that I mentioned, they are looking at other fish to fry.

They look at the current U.S. system and they look at the current administration and the current election, and they say nothing is going to happen for 18 months. It's going to take a new President, whomever it is, even one inclined to do something, six months to get their act together. There are lots of other priorities in the United States other than Cuba.

This process, this attitude started about a year or year and a half ago. So we're going to have, to the Cuban mentality, two and a half years of the United States doesn't matter to us. The reality is each day that goes on, we do become less and less relevant.

Where I disagree with Dan, their future is not necessarily bound to the United States. They've lived without the United States for 50 years, and they're prepared to do it for another 50. They are, again, looking at China, looking at Brazil, looking at all these other countries that drill the oil

50 miles off our coast. They are looking at other sources and a great diversification of foreign investment which they have achieved. The U.S. is going to walk in and be met with lots of other people who were there before us.

I remember talking to the foreign minister one time, and he said the embargo is your problem now. It's not our problem. We have learned to cope with it. We don't like it. It hurts us in various ways here and there and the other place, but we cope with it and we have other partners, political partners, foreign policy partners and economic partners, and we don't need you now the way we needed you before.

The oil, I set up a meeting between Cuban oil officials and American officials in 2006, the one where the Pope kicked the Cubans out of the hotel, and it took me a year, year and a half to set that up. The principal obstacle was the Ministry of Basic Industry was saying why do we even need to talk to the U.S.? We've got all these other partners. Nothing is going to happen with the U.S. They're not part of our planning.

And so, I think as we look to what the U.S. can do, we have to recognize I think what our position is now.

And, a final word about the quid pro quo, we shouldn't do anything until they do something. That's a refrain that has been on the lips of U.S. foreign policy for 40 years. Since you are a puppet of the Soviet Union,

once you divorce yourselves from the Soviet Union, we'll change the embargo. It didn't happen.

Once you get your troops to Africa, we'll look at the embargo policy. It didn't happen.

Once you stop meddling in Central America, we'll look at the U.S. embargo. It didn't happen.

Now we're saying once you change your internal systems, we'll look at maybe changing the embargo. I don't think there's a Cuban official -- quite frankly, I don't think there's anybody in this room -- who would honestly accept that situation, given the 40 years of background.

So if you're waiting for a quid pro quo, that also isn't going to happen, and we are going to have this embargo in place for another 50 years. By doing so, who is determining U.S. policy towards Cuba? The Cuban Government because if our condition is unless you change.

MR. JONES: My final sentence, I'll make it a long sentence.

If we look, as Bob says, at this issue in terms of the U.S. interest but hang onto the idea that Cuba has to change first, we are letting the Cubans determine what we do which is in our self-interest rather than the deciding this is in our self-interest and we are going to do it because it's in our self-interest, not caring if Fidel Castro or Raúl likes or not.

MR. MESA-LAGO: What I will do, and I think it worked quite well on the first panel, is I will take five questions and then have a round with us and then have another round of questions.

Yes?

QUESTIONER: A comment and a question, Robert, about the PAC and the political will and all of that, are you aware that that PAC, the U.S. Cuba Democracy PAC, is a PAC of approximately less than 1,000 contributors that have put together just a million dollars? It's a million dollars.

I submit to you or would you agree that if this community that wants an end, that wants a change to U.S. policy, were not competing, if we were to compete with that political sophistication, that we could change things?

MR. MUSE: I agree. It's a pitiful amount of funding.

QUESTIONER: That's right. You want to find out who is funding, go to OpenSecrets.org. You can find out who gives the money, who gets the money. It's really shameful that less than 1,000 individual donors have more influence on this issue than anybody else in the Congress, and this is where the change in U.S. Cuba policy must come from.

QUESTIONER: My question was I understand Cuba. Recently, I

noticed there were an awful lot of initiatives about the Green movement mainly because when the soviet Union pulled out, they lost 80 percent of their income. So they were forced to have to do things with less.

But I'm talking to folks in the Green movement, at least in Baltimore, and they're giving me examples of what Cuba is doing. I don't read about it in our papers or anything, and I wondered if any of you have any studies talking about that.

QUESTIONER: Some questions about how to evaluate the Cuban rhetoric about where they're going: My experience in Vietnam is that changes always characterize, at least in the kind of countries, socialist countries, that the change is always characterized as the way to protect the revolution, and it's always characterized as improving socialism until you get to the point that through improving socialism, you have a flourishing market economy.

If you look at stuff that's coming out now about the debate on internal reform, people clearly are talking not just about steps in the agriculture sector but then how do you provide places that people who are earning a lot of money in the agricultural sector can spend it. I think that.

I guess the other question I'd ask is the premise that the U.S. doesn't matter. I mean no country in the world will acknowledge that it makes its decisions based on another country, particularly if that other

country for a hundred years has been trying to control them. That doesn't change the reality that, in fact, it does make its decisions based on the large imposing country that can either make its life very difficult or if it changes its attitude, it could offer it all kinds of options that now don't exist.

QUESTIONER: The SIGINT intelligence facility in Lourdes, Cuba was abandoned by the Russians. I understand the People's Republic of China is there. Are they paying and how much?

Cuba produces steel. Where do they get the iron ore and what do they use the steel for? Do they export it?

QUESTIONER: I am terribly frustrated. I have sat here since 9:00, 9:30 this morning and listened to what I believe is the consensus which is that change in Cuba will be evolutionary and it may have already started. But, guys, give us a plan. What's your plan? What would you like the world outside Cuba to do?

What is A, B, C, D to get the job done, whether it's the U.S. or it's Brazil or anybody else? Let's stop wringing our hands and let's come up with a plan today. Thank you.

QUESTIONER: One question: How come that the most conservative think tank of the United States, with a few exceptions, has said not only that the embargo has not worked but that it's not in the best

interest of the United States and yet continues to exist?

QUESTIONER: Thank you. Continuing your comment, how is Cuba financing this international trade? Are they paying cash? Are they getting any (inaudible)?

QUESTIONER: Kirby, as usual, you were very stern with your presentation, but when you suggested essentially the United States is irrelevant, Cuba has moved on, they have all these other relationships and so on. If you look at the rest of Mexico and Central America, overwhelmingly they are more oriented toward the United States and more integrated demographically and economically with the United States, a tremendous amount of tourism and exchange and so on and so forth. Do you really think, looking forward 15 or 20 years the way you look back 13 years, that Cuba will be the unique separation to the dynamic of the whole region?

MR. MESA-LAGO: Now we are going to have answers.

MR. SALADRIGAS: Well, there were a lot of questions here that were posed. One comment that has been said is Cubans are saying we want to protect the revolution and we want to include socialism. I think that's purely rhetoric.

I think what they are saying is that they have understood one fundamental principle of politics, and that is that for them and for everyone

in that kind of a system, equality in poverty is fundamentally, politically stabilizing force. Inequality in wealth is a force, is a factor that brings enormous instability.

So as they think through this problem that we change and assume a degree of stability or that we stay where we are and remain stable, as they move in that function, they fear the inequalities that economic openings are going to create as they did back in the early nineties when they tried the reforms. Wealthy, rich (Spanish), rich entrepreneurs and restaurant owners and other people were starving and very, very poor -- that scenario creates instability.

We talked earlier today about the speech of the President. Where Cuba went completely wrong is he doesn't understand that instability does not produce openness. It is openness that produces instability. This is kind of the equation where we are.

When we talk about the future, what do we do? Open up? When we open up to Cuba, we provide Cuba civil society, and we provide Cuba a position, and we provide people in the Cuban Government who want to be reformers with opportunities and information.

But, in the end, if Cuba is going to change, it's going to have to be Cubans on the island that do that and that bring about that kind of change. We just need to enable them, and the best way to enable those

processes is to open up to Cuba. That doesn't mean that we cannot have economic sanctions. That means that isolation as an element of policy for a totalitarian regime is absolutely counterproductive.

MR. MUSE: Number one, I was asked about the small amounts of money that go to the PAC that have created a largely bipartisan pro-embargo policy for Cuba. Yes, it's a very small amount, and that's what makes it stand even more, that there has never been an offsetting PAC in favor of lifting the embargo.

Pepe Hernandez is here today. Scott Fitzgerald once said that there are no second acts in American lives. The fact that this PAC is modeled very much on what you and Jorge Coskinosa were doing beginning in the early 1980s. So, to me, it's an almost embarrassing slippage in position as an anti-embargo (inaudible.)

The Green movement in Cuba, don't know. The idea of how far the dialogue is going internally in Cuba, (inaudible) about how do we deal with very wealthy farmers and that sort of thing, I would caution that and again I want to make a point.

I'm saying we should decouple U.S. policy from events in Cuba and pursue a regional self-interested national policy, but I think we've been underestimating the degree of self-criticism analysis that seems to be a feature of the Cuban revolution. In the workplace and elsewhere, they

discuss tax laws. I've seen many instances of this. The fact of the discussion, I don't think necessarily presages the action.

Lourdes and the listening station, is the PRC paying for it? They might be. I've always thought that the PRC tries to replicate our support for Taiwan with their support for Cuba. If they can bait us in that way, they're happy to do it.

Steel, to my knowledge, Cuba doesn't produce steel.

Oh, somebody said they were disappointed in all these panels to date and asked us to define the job or how do we get on with the job. I would need further definition of what that job is.

Number seven, embargo hasn't worked, why continue it? There's a sort of ennui or stasis of human affairs. We have Indian reservations which are a national disgrace and have been for 150 years. Just because something is a bad idea, governments are not very much in the business of correcting errors.

(Inaudible.)

MR. ERIKSON: I'll just take a couple. I guess I'll take the Green movement because no one has picked upon that yet. A couple years ago, Fidel Castro declared, every year, the Cuban Government declared every year to have a title. They have the year of the Energy Revolution. (Spanish).

They were doing the rice cooker, and they were doing energy efficient light bulbs and all of this, but that was predicated after a period where they had severe blackouts in the summer because of problems with the electricity grid and so forth. And so, a lot of I think the Green movement, as you describe it, in Cuba is a pragmatic recognition there is not enough energy to go around and they need to conserve some of it.

Cuba generally has a problem, as anyone who has been there knows, with all these old 1959 Chevys and so forth, driving around. There's just like a lot of old infrastructure. There is a lot of infrastructure in Cuba, not just the vehicles but plants and factories, et cetera, with 1950s, 1960s technology. It hasn't been sufficiently update. So Cuba could probably actually do a lot more to green itself with more resources.

On improving socialism, I agree with the gentleman over there. It's one of those terms that's kind of like a Rorschach test or inkblot test. You can kind of see in it. What you see in it depends on where you stand.

So the reformers say, oh, improving socialism, that means reform. The people who are more hardline say, well, it's jut a way to appease the masses and kind of keep everyone happy for a little period of time. There's real division under that in what improving socialism means, and I think fissures will become increasingly apparent.

Then I just want to say on this whole issue of the U.S. and does it

matter, does it not matter and so forth. I think it's clear. I mean no one talks about the impact of the U.S. embargo today because the chances of changing it seem so remote, but it clearly still matters. I mean it has a day to day impact on the lives of people in Cuba and makes it more difficult to access certain goods. It makes things more expensive. It makes Cuba's trade more difficult. Insofar as the centerpiece of U.S. policy is the embargo and the embargo affects the daily life of Cubans, it matters.

The second point, a little bit to Kirby's point, I think the Cubans think that they are well-equipped for any eventuality. In other words, if the U.S. keeps the embargo, they can manage it. If the U.S. lifts the embargo, they say, well, we have the Malaysians, the Indians, the Spanish, and we can pick and choose our investments or trade deals with the U.S.

I think they're probably overestimating their capacity to manage that process. When you have such a large, diverse country with so many different sectors and industries, I think the Cubans would find it just extraordinarily difficult to really stay on top of that.

In terms of the future, Kirby, I'm sure will be here in 13 more years, and then we can discuss what the impact was with the embargo then. Thanks.

MR. JONES: I'd like to tackle the Green (inaudible).

On financing trade, we're the only country with which Cuba trades to

whom Cubans have to pay cash. It's an anomaly. It's not the way foreign trade around the world is done, but Cuba has to pay cash in advance to U.S. companies.

Everybody else works with Cuba in the same way that everybody else works with everybody else. There are bilateral trade credits. When Lula was in Cuba, it was either $100 million or $200 million line of credit for agricultural products. Canada has activated its credits. There is trade financing. Cuba works no differently than anybody else around the world in the normal course of doing business. It hurts us because we can't offer those credit terms.

The embargo doesn't work. Albert Einstein said the definition of insanity is doing the same thing over and over again and expecting a different result. The embargo in terms of why do we continue it, I haven't the slightest idea.

From a logical point of view, it doesn't make any sense because it hasn't worked. It hasn't accomplished a single stated reason in the sixties or seventies for having it. It just hasn't worked.

One thing we now know in terms of will it work going ahead is that Fidel Castro and the Cuban Government do not respond to threats. They just don't and quite the reverse. So if we're threatening them with the embargo or anything else, it's just not going to work.

Then in terms of decisions, to get to Abe's question, it's been my feeling that over the years, Fidel Castro measures. One of the main criteria that he uses to measure whether to do something or not is not what is to be gained or what is to be lost. If you look at his readings and the diaries and the stories in the mountains and whether he was going to attack or not attack this Batista patrol or the other, it was based on how much do we have to lose if we do this.

He went through other decisions, obviously when he took power and the government. It was, what do I lose?

Well, for years, particularly now, if there's a decision to be made and he opens up his book or Raúl does or the staff. If you take Position X, this is the impact on the United States, the page is blank, absolutely blank because the U.S. has done and is doing everything it can possibly do. You can't turn the spigot that's almost all the way off.

MR. MESA-LAGO: I want to say one final word too.

Cuba produced 287,000 pounds of steel last year and that was way below what it was (inaudible). Those raw materials are (inaudible).

How does Cuba get trade? Well, usually, it's by credit. In the case of the United States, they have to pay what they can afford, et cetera, cash before buying.

One final thing, I will offer on inequality. There is no way that you

are going to have economic development in Cuba without increasing equality. Already, there is phenomenal inequality in Cuba, but also there are significant problems of consumption and others that we have discussed here.

What you have to do and if you try to control the trade incentive, then there is not going to be development. So you have to tax this and use other incentives because they have to go together.

Thank you very much.

MS. HUDDLESTON: This was a great panel, but we have a really great panel coming up. So if you'll take just a very short break, I'd really appreciate it.

(RECESS)

PANEL FOUR – WHY CUBA MATTERS TO THE U.S.

MS. BARDACH: Hi there. I'm Ann Louise Bardach, and we're, I think, on the last -- we're on the last panel of the day, in which we've solved all the problems between Cuba and the United States. We're going to have a break now. It's good to be optimistic here.

Anyway, the name of the panel is why Cuba matters. And it may be hard to believe that some people in this room or anybody, you know, north of Broward County, why Cuba matters. There are people out there who have battle fatigue with the Cuba issue. I mean, when something goes on 45 something years, not to mention a good many people on the island in Miami, who share battle fatigue, but also just the general person on the streets.

And sort of in the immortal words -- I'll never forget this one time I interviewed Juanita Castro one day and she said ya basta, you know, it's enough already. And for some people out there, many, many Americans say, you know, is Cuba a trophy for a greed minority or are there really strategic interests. So, we will talk about that to some extent.

I also want to and some might think this is a little bit more tangible and I want to point out that we have a very interesting race about to happen, political race in Miami. Aside from the presidential races, which could potentially be interesting in regard to Cuba or potentially more of the same, but we have a really interesting race in Miami in which we have Raúl Martinez, the former mayor of Hialeah challenging Lincoln Diaz Vellart. I do not know the latest polls. I would imagine it's a bit of a long shot because of the tenure of Lincoln Diaz Vellart, but I will guarantee you it will be very lively and perhaps the liveliest in the country.

It is already -- it is already, at least from a reporter's point of view, been a very auspicious beginning. They are just slinging it like you cannot believe. And hopefully in the swinging, we'll see a few things. I would argue, I think some other people would argue that if you took out -- well, I'm not going to say all the Diaz Vellarts, but if you took Lincoln Diaz Vellart out of the equation politically, we would have a different relationship arguably.

It would certainly depersonalize things to a large extent. Those of you who are familiar with my work know that I do think there are some personal components in the Cuban political culture. In any event -- and also the fact that Lincoln Diaz Vellart controls a good deal of the political money, not just for himself but for other races and also for various institutions and so, it would be a very interesting -- it would be very, very interesting.

Also, some of you probably know (inaudible) harbors some ambitions that he might succeed his once former uncle. So, I don't know how accurate those ambitions are, but he certainly has had them over time.

I'm also going to -- want to make reference to something we talked a bit about today, and that is oil because oil seems to make people, you know, it makes people come alive. And I want to bring up something.

I had a conversation I think it was around 10 years ago with Havana. This was really something. It was somebody who was very high up in the oil industry at that time in Cuba. Oddly enough and I'm not making this up, his name was Orlando Bosh. And I remember him saying that he had a most unfortunate name for his point of view working in the Cuban oil industry.

But in any event -- and I remember him lamenting over dinner that they had looked high and wide for oil, that they had turned over literally every stone, that they believed because Cuba was between Mexico and Venezuela that that sheik of oil -- that they had to be there somewhere. And they had put so much time and money look for it, but alas, he was saying, and at that point it was off the record, we can't find it anywhere, the money load of oil at this time. This was around 10 years ago.

And well, lo and behold, as we all know, they have finally struck oil deep, deep, deep in the Gulf of Mexico. And as I understand it, everybody is ponied up to try to dig that oil out. So, we have Chavez on this recent trip, he made a deal besides the fiber optic deal, which by the way, I think is extremely interesting in terms of the information highway and technologies et cetera, but specifically with the oil, which as I understand it, you have Malaysia, you have China, you have Spain, and I

think even Norway. I mean, they have literally lined up. I think this goes to sort of purview Jones's argument that, you know, of how it was and the certain way they've become sort of self-reliant and self-sufficient in terms of shopping elsewhere.

But, let's say they do get that oil. And let's say that Cuba actually has the potential at some point to become an energy producer. And I guess this -- I know this is all hypothetical. And -- but that is, I think, a good place to begin. So, I thought we might begin with Jorge Pinon on that subject.

But I also wanted to throw out another subject before we turn to the panel. And that is if we are going to go forward, I believe we're going to need some kind of form of amnesty and reconciliation, a commission of some sort that looks at both sides. I just don't see the entrenched government in Cuba or the entrenched government -- the politic of Miami changing without some kind of reciprocal amnesty -- something in which less parties become less fearful and therefore, reduce the rift.

So, I'd like to bring that up and -- but let's begin on the -- let me just start with Jorge Pinon on the oil issue, which I think would be the most transformational issue, at least on the economic end in terms of why Cuba matters today and let the panelists also, you know, expand in

whatever way they want to go.

But Jorge Pinon was in private practice with former private consultant and former president of Amoco Oil Latin America, and he is now I believe with the University of Miami as a senior research associate at the Institute for Cuban and Cuban American Studies. So, why don't we go from there.

MR. PINON: Thank you. When Vicki invited me to come here, I never expected that oil was actually going to be a subject in every one of the panels, and so, I told Vicki, I said, boy, that's a lot of load on my part.

What I'd like to do is I want to put before you a lot of facts and pictures. There's a lot of different things going on. I hate to say that no oil found -- has been found in the deep waters off of Mexico. There was only one or two or three wells built by (inaudible). And the core sample was good, but there wasn't -- it was not a commercial reservoir.

But let's begin -- let's go to the start and I hope I can -- was that me? There we go. First of all, let me talk about crude oil production in Cuba. Around my usually (inaudible) numbers in barrels of oil equivalent in hundreds and when you look at the numbers, in fact, there was a very good European financial newspaper recently who took the number from (inaudible) converted that number to barrels a day using a

conversion factor for crude, and they said that Cuba produced 80,000 barrels a day.

So folks, all of those of you guys out there that take numbers off the press and try to use them, be sure that the number is the correct number. Cuba topped its crude oil production back in 2003 with about 65,000 barrels a day of crude oil. That production now has stabilized more or less at 51-52,000 barrels a day.

Another thing that people don't understand, it is country of Cuba that produces 52,000 barrels a day. Two-thirds of that production belongs to Canadians that the Cuban government has to pay for. In fact, Cuba has to dish out about $250 million a year to the Canadians for what we call cost oil and profit oil. In fact, if you look in this graph, Hufed's production is declining because Hufed production basically controls the Baladero field, which is the oldest field in Cuba, and it's just a natural curve of the production reservoir that is declining while the other fields, that are all bi-directional fields, by the way, have been discovered by the Canadian countries.

In fact, let me just spend one quick minute and show you, for example, Sherot. Sherot's gross production last year was 30,000 barrels a day, about 30-31,000 barrels a day. Out of that, as you can see, 13.7 thousand barrels a day was the production that we owe to Cubit. That

was the portion of the 30,000 that Cubit took home. There was about 9,000 barrels a day which is what we call cost oil. In the business -- in the old business, by the way, the investor, the risk investor is allowed to take out his investment. The first barrel of oil that comes out of the well is for the investor to recover his oil -- to recover his costs, his capital expenditure. And then the balance is split to whatever the agreement was, in this case, Sherot gets about 8,000 barrels a day of profit oil and the rest goes to Cubit.

So again, Cuban -- Cuba's production is steady, it's not growing. And remember the country of Cuba does produce 52,000 barrels a day, but over -- about this goes into to Perecon, another Canadian company, where about two-thirds of the production actually is Canadian. Cuba has to pay for that.

So, when you put together Cuba's energy bill, not only take into consideration the amount of barrels that they get from Venezuela, they also have to pay for part of the production. It's very, very important for you folks to know and understand. By the way, the (inaudible) for last year was $41.51 a barrel. Since Cuban crude is heavy, it is sold on the basis of U.S. Gulf Coast fuel oil.

Also, the production costs are very, very good. They're about $1.71 in some fields a barrel. So, the production costs have been very,

very good by the way, both for Cuba and both for Canadian. They're really doing a very good job.

This is where they're producing today. Basically, it's from Vallejero to Havana. They have finally given up on the Calera and Juanabo fields. I think they're not going there again. It didn't come out to well, so I think they're giving up on that. I am very surprise that the Santa Cruz field, which is the one that Fidel Castro announced in December of 2004, is not as good people expected. I thought Santa Cruz was really going to come out a lot and production hasn't materialized.

They're moving now, by the way, east of Guadalero. They're going to San Anton to Martique to Vido to some of these fields that they're trying to go there. And now, also, they're already in negotiations with Sherot to go for secondary and tertiary recovery agreements for the Guadalero field. They've still got oil left in the Guadalero reservoir, but now we have to steam either water -- inject steam or water or something else to recover those barrels.

Now, it's unbelievable how people say the Chinese are here, the Chinese are drilling in the Gulf of Mexico. Folks, the Chinese are not drilling in the Gulf of Mexico. There is only one block for which the Chinese have signed, and that's block three. Block three is a north shore block between Alrioprance. What are they doing there? I have talked to a

lot of folks in Houston, and we are wondering what are they doing in block three in Vivalevrio, which by the way, is actually west of Biolga going up to north of the city of Vivalevrio. But the Chinese only will have one block and that is block three on shore in Vivalevrio Province.

Bedavesa, by the way, have just acquired block one and two. And Petro Gindown has acquired 16, 17, and 18. and again, geologists in Houston that we talked to were wondering what is Petro Gindown doing with 16, 17, and 18 because that's an area that we do question what's there. Petro Blass was in Cuba a few years back and they were at Leo Chiacoco and of course, as we remember, that was a dry well.

By the way, remember that all of Cuba's production is actually what we call coastal production. When you drive off between Lavanna and Valejero, Laviolanka, you see the wells but they are actually about five kilometers out in the shore. In other words, you drill down, then you go by direction -- they broke a record, by the way. The had a 5,000 meter well, which is huge. In other words, they drilled down about a mile, and then they go about three or four miles out into the ocean. So, Cuba's production is not onshore. It is actually coastal production reservoirs.

Now, like it was said earlier, this is the good news. And it is not that Cuba's gas production has increased. It is that now they have

recovery methods for gas. Before, in the past, if we used to drive again between Lavanna and Valejero, then we'll see all the flares and we would smell the rotten eggs. Then finally, the Canadians came in and said wait a minute, this is crazy. There's more ways and then Energas came about.

And the reason that this production now you are seeing it here is again, not because there is new gas production. Remember, all Cuban natural gas is associated gas. There is no gas wells in Cuba. This is gas that is naturally associated with the crude oil reservoir. All this stuff now is fantastic. In fact, this is the best story in oil. I want a piece of this business. Energas is owned one-third by Cubit, one-third by Omielectica, and one-third by Sherot. Yeah, Cubit and Omielectica. Yeah, Cubit owns a third, Omielectica owns a third, and the Canadians own a third.

But, Cubit supplies the joint venture with free gas. So, the gas is transferred free to the joint venture. They process it, and I think it's about four cents kilowatt-hour that they get paid. This is awesome. This is, for us oil people, this is a very, very nice business. This is the plant in Valejero. This is the one in Bocalejeruco, and there's a third one in Portas Condias.

All right. The big question, $64,000 question. This is the EEC which was agreed to during the administration of President Carter. This also happens to be one of the few treaties, I believe, and there's

some lawyers around and I might ask for their help, but I believe this treaty was never ratified by the U.S. Senate. So, even though it's still operational, I think there is a letter that is signed every two years and it gets extended, but actually this has never been ratified by the Senate.

Now, is there oil wells? My opinion is biased, but the answer is yes. The USGF estimates that there is between 4.6 to maybe as high as 90 billion barrels of oil, also natural gas at a 10 percent recovery rate, 40 year life span, we're talking about 350-400,000 barrels a day. It will put Cuba at par with Columbia, for example. So, yes, that is important.

Let's go back to Drexel for a minute. Drexel drilled their well in July of '04. the core sample of that exploratory well was good enough that when they shared that with the Norwegians with Noshedro, Noshedro came on board and bought 30 percent of the active participation. So, the first sign that the industry got that there is something there is when a company like Noshedro, who is one of the best big water operates in the world, and it is a company that politically doesn't need to be close to the Cuban government for any political reason, buys a 30 percent participation of the project with Drexel, those in the industry said they saw something that to them was very good.

Drexel has blocks 25, 29, and 36, Sherot 16, 23, 24, and 33. By the way Sherot has to do something here in the next year and a half.

If not, they might very well lose that concession. Do not be surprised if you see Petrogos joint venturing with Sherot. The Indians have 34 and 35. Petrogos, which is Malaysia, has 44 and 45, 50 and 51. Vedavesa has another and Petro Gindown has another four. And again, you will find, I think Petrogos picking up even six blocks, and the announcement might very well come in the next month or so or pick up another two blocks.

I got to finish up here. Let me -- do you notice that the end -- there's cutoff, there's a cutoff and by that I mean 76. there's a reason for that cutoff, my friends. The reason is the eastern gap. Those are the (inaudible). That's where the big prize is, the western hole which was already agreed during the Clinton Administration and is already being drilled by Exxon and Chevron of the U.S. side.

Ambassador Jeffrey David Ballahi just came back from Mexico City last week in meetings with Pennex. By the way, (inaudible) is going to Cuba pretty soon and I understand that on the agenda is the eastern gap. Both the eastern gap and western gap are reported to have maybe 15 billion barrels of oil. Cuba will get a piece of the eastern gap.

So, there's a lot of talk about our companies going into Cuba because of Cuban oil or they are positioning themselves to eventually go into the eastern gap if the Florida moratorium of offshore drilling succeeds.

There is a lot of politics into this. Cuba actually now plays a role even into the Florida moratorium of drilling on its west coast.

Let me -- I know that I've got to finish. Two minutes? Well, I won't be able to talk about (inaudible) and ethanol. Let me talk about the Venezuelan supply. The Venezuela supply in Cuba about 90,000 barrels a day. Remember that about almost 50,000 barrels a day of that is clean products. Cuba just doesn't have the refinery capacities. So, when you look at the Venezuelan numbers, remember that it is not only crude oil, but it's also product.

We just ran numbers about a week ago, and our estimate is that the bill -- the value of the oil, the value of the oil -- what we are saying is if Venezuela would have taken that oil and sold that on the U.S. Gulf Coast, we'd take what? What is the value of the oil? I'm not concerned with the contractual value of the product between the two entities. I am actually concerned about the value of the oil in the open market. We think the value today is about $2.4 billion. So, the value of oil and refined product trade between Venezuela and Cuba based on U.S. Gulf Coast flat numbers is $2.4 billion. Too mad you have to add the $245 million that Cubit pays to the Canadians and that's Cuba's "energy bill."

Another point, Cuba is not reselling Venezuelan oil in the marketplace. I'm tired of listening to that story. If anybody mentions that

again, please show me data that supports it. Cuba is not reselling Venezuelan oil in the international market.

All right. I have one more second. Let me talk about Synfuegos, because again, it's very important politically and again to take a look at. Of the three refineries, Santiago really has been in very bad shape for many years. Lavanna is the one that is really working and only at 40,000 barrels a day. And then of course, now, we have our friends that have just bought Synfuegos.

The beauty of Synfuegos is that people won't tell you is that the joint venture valued at a quantity of 204 million. Forty-nine percent Velavesa joint venture, the bottom is Cubit. Velavesa paid about $100 million to Cuba that is not showing anywhere yet for the 49 percent (inaudible). And then there were two budgetary items for improvements to the refinery, one for 44 and one for 82. my number is 127, Cuban press says 136. so, the investment in the refinery, let's call it about $150 million in the refinery and another $100 million in equity participation to buy the 49 percent.

This is the address of the (inaudible) ships that we follow. We follow the Andros very closely to see where it goes. That's how we -- we follow ships. We know what goes where, so that's how we keep track of where things are going. Of course, these are -- the crude oil tanks that

we have spent very good money. The bottom line is that what they have turned Synfuegos in (inaudible) is that Synfuegos is going to replace the 40-58,000 barrels of products that Venezuela used to give to Cuba. That is now going to come out of Synfuegos. So, for Venezuela, Synfuegos is a very good investment. The payback that I have seen is about a three-year payback. And I have to skip the electric sector, and let me go to my last slide.

Let me go to that slide and that's it. I agree with everybody here that have talked about the role of Velavesa and the role of Venezuela in Cuba. My charge to the group is and I agree with plenty of others, their option is (inaudible). Their options are Angola. Those countries might have the volume to give to Cuba, but I don't think they have the will to subsidize or to cover $2.4 billion of subsidy.

I think strategically it is for our best interest to allow Petrogos and Brazil to come into Cuba. Petrogos and Brazil can also afford to help the industry to get back on its feet. So, if we wanted a bicker of Venezuela and Cuba, if you want to play that chess game, I would rather take Venezuela out of the picture and put in Petrogos or Brazil. I'd rather deal with Brazil than with Venezuela. And I can answer a lot of questions later on. Thank you.

MS. BARDACH: Okay. Thank you. We're going to maybe possibly address here and I'm hoping William LeoGrande can help us with this next is what's the downside of --

Next maybe we could talk a little bit about the downside of continuing to do nothing, non-engagement with Cuba. I heard one of the speakers earlier say that the Cubans are ready to do another 50 years. That's kind of sobering comment. I don't know if I entirely think that's the case. I don't know if we would have had Raúl Castro making the comments. He said last year regardless, you know, indicating some interest in some perestroika at some level.

But, William LeoGrande is the dean of the School of Public Affairs at American University. He's a specialist in Latin America policies and U.S. policies. So, maybe you could help us out a little bit with the downside of continued non-relations here or the upside of relations.

MR. LEOGRANDE: All right. I will try to do that. first, I wanted to suggest what Vicki asked me to which was to talk a little bit about the election in this country, as opposed to the national assembly elections with the state of Cuba and what impact that's likely to have.

The title of our section is why Cuba matters to the United States and thinking about that to get started, it occurred to me that it was striking how often Cuba has played an important role in U.S. presidential

elections and I think more so over the years than probably any other foreign country with the possible exception of the Soviet Union.

So, in 1960, a candidate, John F. Kennedy beat poor Richard Nixon over the head because the Eisenhower Administration had lost Cuba and was doing nothing about it. and that contributed in some small way to Kennedy's unwillingness to cancel the Bay of Pigs invasion when he became the president, having just beaten up Nixon and Eisenhower for being soft.

In 1976, it was Ronald Regan's criticism of Gerald Ford in the republican primaries for having allowed the Cubans to intervene in Angola that led Ford to suspend the secret talks that were ongoing then with the Cubans about the possibility of normalizing U.S. Cuban relations.

In 1980, of course, the Mariel crisis undermined President Carter's reelection bid. It wasn't the only thing that did that. It wasn't something that overly determined the outcome, but it was at least one contributing factor to it.

In 1992, Bill Clinton endorsed the Cuban Democracy Act, which then led President Bush to drop his opposition to that bill and led to its quick passage. In 1996, it was the Cuban shoot down of the rescue planes that led President Clinton to drop his opposition to Helms Burton.

And it was at least in part concerns about his reelection that led him to accept the codification of the embargo into the law as part of the Helms Burton bill.

And in 2000, of course, it was the Clinton Administration's decision to return Elian Gonzales to his father in Cuba that cost Al Gore the election in Florida and hence the presidency.

So, I'm holding my breath to see what's going to happen this year with U.S. Cuban relations that might have an impact on our election. So far, I think it's fair to say Cuba has played a pretty minor role in the election campaign. It was in the spotlight very briefly when Barack Obama, during one of the democratic debates, said that he'd be willing to meet with U.S. adversaries and he listed a whole list of them, including Cuba negotiations. Senator Clinton then quickly charged him with being naive about foreign policy, and Obama countered with an op-ed in the *Miami Herald*, which he called the (inaudible) all restrictions on Cuban-American travel and remittances, but did sort of qualify his offer to negotiate, saying that it was to negotiate about democratic change in Cuba as opposed to just negotiating unconditionally. Senator Clinton then countered that she supported some relaxation of restrictions on remittances and Cuban-American travel, although not a complete abolition of them. So, as the two candidates jockeyed for position, they really came to a position that was

first not very different from one another, naturally, and also not very radical since it amounted to not too much more than a return to the policy of President Clinton back in 1999.

I think it's pretty clear that Senator Obama's strategy has generally been to try to appeal to moderate Cuban-Americans, particularly democrats, who, polling in South Florida, have shown -- tend to support remittances, Cuban-American travel, and who tend to vote Democratic. It's a minority in the community, but it's nevertheless an important growing group within the community and hence is a place where a Democratic candidate might be able to make some headway, as Andy Gomez described this morning.

Whereas I think Senator Clinton's strategy, on the other hand, has been very much like her husband's, that is to say, take a hard-line position on Cuba for the most part in order to take it off the table as a campaign issue in the hope that if Cuban-Americans vote on some issue other than Cuba, they're more likely to vote on social and economic issues where their opinions tend to be similar to other Latinos and therefore tend to be more sympathetic to Democrats than Republicans.

Now, some of the other Democratic candidates in the race had called for much more of a policy of engagement -- Senator Dodd and Governor Bill Richardson -- but they're gone, so that doesn't really take

too much here.

On the Republican side, there's really not much difference at all in the policy that the candidates have articulated. All of them support current President Bush's policy, which is -- I think it's fair to say -- as uncompromisingly hard-line as the policy of any President since 1959. But having said that, it's also clear, as I'm sure we all know, that campaign rhetoric is not a very good guide necessarily to what policy will be when a new President takes office. Jimmy Carter actually took a fairly tough line about Cuba during the 1976 campaign and then of course made a decision within months that it was time to normalize relations with Cuba. Ronald Reagan, during his campaign against Carter in 1980, threatened to blockade Cuba if he was elected President and ended up negotiating with Havana, reaching a migration agreement, and an agreement that (inaudible) Cuban troops from Angola. It's ironic that Ronald Reagan had more success negotiating with Havana than any President since Eisenhower.

President Clinton took a tough position on the Cuban Democracy Act during the campaign to the right of then President Bush, but he had opened the door to more people-to-people contact than any prior administration had. So, as I think we all know implicitly, campaign rhetoric is one thing; governing is something else again; and Presidents,

when they get into the White House, have a lot of things to consider.

Well, what interests are at stake in our relationship with Cuba? Because I think once we ask the question why is Cuba important, that's where you have to go next -- is to ask what are the interests that the United States has in the relationship, and at the top of the list certainly for the last two administrations has been a political interest in a stable, economically prosperous but democratic Cuba. That's been the stated objective of the last two Presidents.

We heard this morning that there might be a countervailing political interest in an improvement in relations with Latin America. I think the call to see the relationship with Cuba in a hemispheric context is a very important one, and that would suggest that the current policy of demanding a regime change in Cuba is not a politically sound one in terms of our relations with the rest of the hemisphere.

But, secondly, besides the political interests we have, I think it's fair to say humanitarian interests in seeing that the Cuban people have improved social conditions, freedom from hunger, freedom from disease. We have economic interests in the business possibilities available, and we've just heard about one of the more important ones, which is oil. But that's an interest that's currently subordinated entirely to the political interests in democracy promotion because of the embargo.

And, finally, the interest that used to trump all others -- we have a national security interest, and I think the national security interest we have in Cuba today is in preventing uncontrolled migration and migration crisis; in reducing the organized people-smuggling that goes on and preventing Cuba from being a jumping-off point for narcotics trafficking; to limit the possibility of an environmental disaster of the type that was described in one of the earlier panels if there should be an oil spill; and then, in looking forward, if there were to be instability in Cuba we have a national security interest in having an unstable -- in preventing an unstable Cuba from becoming a haven for either organized crime or international terrorism.

As in the case of most countries, there's a tension that exists between these various interests. The embargo aims at weakening the Cuban economy to hasten regime change, but at the same time it damages the standard of living of ordinary Cubans, so it tries to advance a political interest, works against the humanitarian interest.

The Bush Administration has been somewhat unusual, I think, in subordinating all interests to the political interest in regime change, and I think the problem with that -- and I'm going to try in the last minute here to answer the question that a gentleman posed earlier: What should we do? -- the problem with that is that a good foreign policy ought

to calibrate aims to the available instruments of power. The stated aim of the embargo is to force regime change in Cuba. Now, the embargo may hurt the Cuban economy. I agree with what Dan Erikson said earlier. But it does -- it's not fatal to the Cuban economy. So, the means that we have are inadequate to the stated end, and it's hard to imagine that the Cuban economy survived the special period, that the current embargo will ever be adequate to the end discipline postulated for, and so it seems to me that we have on the face of the policy that empirically it hasn't worked, and by what we know about the nature of the economy in Cuba is not likely to.

So, what should we do? Well, Vicki Huddleston has talked very engagingly about the need to engage people to people. I think it serves the humanitarian interest as well as serving the interests that the American citizens have in a constitutional right to travel -- I want to get that in. The right to travel is not just something that we give to Cuba as a concession, but American citizens have a constitutional right to travel.

And I think we also want to engage Cuban government, as well as the Cuban people, on issues that are in the international interests of the United States, and so it's a list that other people have run down before but it's on the issue of migration, on the issue of narcotics trafficking, on the issue of people-smuggling, on the issue of environmental cooperation. These are all things that are not things we do

for Cuba; they are things that we do for the interests of the United States, and I think they will set a context, or an environment if you will, that will make it more likely in the long run to see a process of courage, a process of change in Cuba instead of current policy.

Thanks.

MS. BARDACH: I just want to make one quick comment here about freedom to travel, that it should go both ways in U.S. and Cuba, and some of us have found that when we (inaudible) certain things we no longer have the freedom to travel at the Cuban end. I just wanted to point that out, that we certainly have our own onerous policy; they also have one.

Our next person on our prestigious panel has had many lives, many acts, and he is Francisco Hernandez, or Pepe, who is the president of the Cuban-American National Foundation. He graduated in Engineering at the University in Havana in 1960. He went into exile. He joined the 2506 Brigade and he was captured and was a political prisoner in Cuba for two years. He has seen all sides of the political spectrum on Cuban politics and maybe could answer some of the questions about why a change might be helpful to the U.S.

MR. HERNANDEZ: Thank you. Thank you very much.

Let me tell you first that I have not had the opportunity to

hear Mr. Kirby Jones' before, but I wish I could have heard him before, because it would have saved me a lot of sleepless nights worrying about Cuba and the Cuban people, because it is the Cuba that he presents us (inaudible) really we shouldn't be worrying about -- too much about why Cuba matters to the United States. This is precisely the problem.

The problem is that there are many Cubans, and we think you really refer to the Cuba that we know and the Cuba that we have experienced, and we don't seem to really contact or refer to anything other than that. Several years ago during the last (inaudible) crisis, there was a TV -- in the news they were interviewing a boy about 12 or 13 years old who had arrived from Cuba in a raft, and he had been with his family and another family during the storm and one of the rafts just separated and they were lost, and naturally one or two members of the (inaudible) family had disappeared, and the reporter asked him what did you feel, what's your first thought when you arrived in the land of freedom? And the boy looked at the sea and said I saved myself from Cuba. This was his first thought after having all that tragedy. He had saved himself from Cuba. This is the Cuba that I think we should think about, because if we have in Cuba many people that feel like this little boy just by leaving behind that island and all that experience -- he would be saved -- is what really concerns the United States, and it should concern all of us here, because

the problem that we are having at the present time in Cuba -- this is one of the real, real -- at least for me, it's a tremendous (inaudible) -- is that Cuba for the last -- the first half of the 20th Century was an immigration issue.

About 1940, about 30 to 35 percent of the Cuban population was first- or second-generation immigrants. s a matter of fact, one of the greatest accomplishments of the revolution against Mashado (phonetic) was to create a constitution in 1940 that said that all corporations have to have -- and the government had to have at least 50 percent of Cuban-born employees. So, what has happened? And this is one, perhaps, of the -- say -- somebody says that the greatest accomplishment of the Cuban revolution is the health system or the sports. Others say that the greatest accomplishment of the Cuban revolution is Miami. Well, actually, after 50 years or -- almost 50 years now -- 20 percent of the Cuban population has left the island, most of them swearing never to return. And there's another 20 percent, especially those two million young people that Andy Gomez was talking about that want to leave (inaudible). People are concerned that there's going to be another exodus, and I say, like he said, I don't think that it's going to happen, simply because it's happening right now. What we are getting is -- we are getting about 35,000 -- between 30 and 35,000 Cubans every year coming to the United States through Mexico, through the Vistas (phonetic) and through Canada and through

Europe just getting a plane with a false passport and getting here. And this is really the problem that we are facing in Cuba. If we can't change that, if we don't reverse that aspect of the Cuban revolution that has made a nation of immigrants into a nation of fugitives of their island that want to save themselves from that country, there's not going to be a transition to democracy in Cuba.

Regardless of whatever happens there, whatever, according to Mr. Jones, the Cuban government is going to be able to do, the Cuban people are not going to buy that. The Cuban people are going to want to come to the United States and make their futures here. So, what do we do about transitioning Cuba? We have to change the attitude and the mentality, because these, according to -- like Andy told us, what does the Cuban want to do. Why don't they confront right now the problem? Because they feel that they are not going to have any future whatsoever in Cuba. If we want to change this situation, if we want to do something that really will resolve the problem, we have to change that attitude of the Cuban (inaudible).

The other thing -- that inference about the Cuban revolution about what really made these experiences that we have had over the 50 years -- it's almost -- it's incredible to me, actually. About 50 years ago, there was an Italian immigrant that wrote a book. It was Dr. (inaudible),

and he was a -- he wrote a book that was called (inaudible), and the book is about destiny, and this book really made a tremendous impact on the Cuban younger people, I think the (inaudible) of students at that time, and the main thesis of that book was that Cuba's manifest destiny, that he called it, was to -- and I quote him -- "unify the collective will of the peoples of the Caribbean Sea to create the preservation of the seven states of Central America with the support of Mexico to the north and Venezuela to the south." This became the (inaudible), the greatness, grandiose idea of what he was calling Cuba the generation of the -- the centennial generation, the (inaudible). I belong to that -- the tail end of that generation, because I was 12 or 13 years old, and it was commemorated in Cuba 28 January 1953, just about five months before the attack of Fidel Castro (inaudible). And that became -- this idea became the (inaudible) pride of Fidel Castro and his attackers, the Montada, and actually the Cuban people throughout all the struggle of the revolution. We see that now in the Chavistas, a Bolgavarian revolution.

That means that -- and also most of you, I'm sure, know that whenever when every young Cuban comes to the school every morning, they say (inaudible). This is engrained the present time in all this generation and in the spirit of what they -- what the Cuban government has to maintain in the Cuban people, in order to sustain (inaudible). That

is not going to change what -- Fidel Castro death. That's not going to be given up by Raúl Castro. That doesn't matter, and I agree with Kirby Jones, it doesn't matter if we just repeal the Helms-Burton bill or we just lift embargo. That is going to continue, because this is the soul and the lifeline of that revolution and that government at the present time.

I don't think I have more time, but I would also add to this (inaudible) nation what is going to happen when there is a new administration in the United States, and in my organization just about two weeks ago we called on all of the presidential candidates to ask them a number of questions -- what would they be doing about Cuba policy if they were President. Interesting enough, all of them agreed that the embargo has to be maintained --

MR. HERNANDEZ: -- even -- yes, Senator Obama, and by the way, the only difference between Senator Obama and Hillary Clinton was that Hillary Clinton said when one of our questions -- we asked -- one of the questions: Do you believe that the United States should negotiate with Raúl Castro once it is announced that Fidel Castro has died? Hillary Clinton said no, and Obama said yes. But then -- but then he made a comment and he said a crucial component of the Obama plan to promote freedom and democratic change in Cuba would be aggressive in principle by lateral diplomacy. I was sent an important message. If a post-Fidel

government begins opening Cuba to democratic change, the United States is prepared to take steps to normalize relations. So, again, if there is an opening -- a democratic opening, then he will do something. But (inaudible) both who expect a lifting of the embargo from another administration, it's -- I don't think it's going to go. I certainly think (inaudible). There is going to be a (inaudible) station of a number of issues relating to Cuba, and we hope this is probably something that you would not expect from me. But we hope that there's a policy which we actually somehow -- the United States somehow engages the Cuban government in trying to find a solution to the present problem. Of course, the problem is (inaudible). Thank you.

MS. BARDACH: Thank you very much.

MS. BARDACH: So, we're now back to two deeply entrenched governments. We have the government in Cuba and the political culture of Miami. Who will touch first?

Okay, so John McAuliff is kind of going to. He's a founder and Executive Director of the Fund for Reconciliation and Development and knows something about the end of totalitarian countries and maybe what -- he is speaking to something that really interests me, which is the idea that if we don't get into reconciliation, some amnesty, we're not going

to ever see some movement on these two sides, because the founding principle of politics is never going to do anything that can remotely threaten your power base. So, I'm just very interested in tangible -- what can actually, you know, create some movement here?

So I leave it to you.

MR. McAULIFF: Thanks.

I want to first take up a bit of the question that was just discussed by reading, actually, the response -- the Obama response that he quite different from Hillary in terms of family travel and remittances, that she tried to triangulate the difference away but in fact her only modification of the Bush policy is somewhat greater flexibility on emergency travel, but in terms of the once every three years she doesn't question it at all. If you haven't read Theresa Curria's (phonetic) piece from *News Week* that I got, it was also in the *Post*, I recommend it highly. There are copies out on the table.

I'd also say in terms of Obama's response to the questionnaire that he makes clear that he would not only negotiate with Raúl but negotiate without preconditions. He has goals. There's no question about that. He has goals, but he would not make achieving those goals a precondition for negotiation. So, I think that's an important difference, which I say just having spent the last two weeks working for

Obama in New York, so I have a certain subjective prejudice.

I was asked to talk about travel, but I'll also talk about the reconciliation question. I mean, I guess my view is that that will happen as part of the process of normalization, again not as a part of the precondition of normalization.

My experience with Cuba is only of the last seven or eight years. In substance, I've worked for 30 years on normalization with Vietnam, Laos, and Cambodia (inaudible). When I began that, there were travel restrictions, there was an embargo, there were no relations, and there was a psychological barrier that was at least as great as with Cuba -- the losses of war and all those things that related. One of the things that signaled a change was when first the Vietnamese and then the State Department started using the phrase that Vietnam is a country, not a war. I think we will get to the point that it will be Cuba should be a country, not a crusade.

The issues that I would say come from travel -- why is travel -- why does travel matter for us? First of all, the issue of Americans' rights were referred to. Supreme Court Justice William O. Douglas said the right to know; to converse with others; to consult with them; to observe social, physical, political, and other phenomena abroad as well as at home gives meaning and substance to freedom of expression and freedom of the

press. Freedom of movement is the very essence of our free society. Once the right of travel is withheld, other rights suffer. So, I think the crucial view from an American's perspective on travel is it simply is a fundamental right that has been taken away from us and has to be restored. I don't think it's legitimate to sacrifice that freedom and suppose a justification is to achieve other people's freedom.

The second reason is to have an informed electorate, which is I think exactly the reason why the folks in Miami pressed on Bush to curtail the people-to-people travel that was going on in the later Clinton and early Bush Administrations. When Americans go to Cuba, they see a complex reality, not the ideological hero of the left or the ideological villain of the right. They meet Cubans who have all kinds of views and are prepared to talk about those views. They begin to recognize the role of nationalism and the respect for sovereignty in the dynamic. This is not a history that begins in '59; it's a history that begins in the 19th Century or the 18th Century and certainly was a major factor in the development of Cuban self-awareness throughout the 20th Century.

It is not the same country as portrayed by exiles who have their own agenda. Now, I'm Irish-American. I portrayed the Brits' role in Northern Ireland to equal one-sidedness, as I hear Cuba now described today, but that's not the reality and that's not what Americans need to be

knowing if they're trying to determine their country's policies.

The obvious thing of the culture. Thanks to Congressman Irvin (phonetic), culture sort of leaks through in terms of CDs and DVDs and books, but it can't leak through in performers, thanks to the Bush Administration. Cuban performers coming here and Americans knowing and participating in Cuban culture is tremendously important between us as it is between any two countries of the world.

To understand and evaluate the significance of the debate over reform, we have to be there. We certainly can read the stuff over the internet, but we have to talking to people; they have to be talking to us to get a sense of the context of the U.S. Concretely we have to recreate the interest and the pressure for change that took place in the latter Clinton and early Bush times when world affairs councils, alumni organizations, elder hostels, high school groups, bicycles -- bicyclists -- everybody was going and getting a sense of the absurdity of the policy that exists now.

MR. LEOGRANDE: It's also totally inconsistent for it to have this policy towards every other country in the world. No other country suffers from this travel restriction, whether it is a country that is virtually the same political system, (inaudible) legal system -- China or Vietnam.

Vietnam -- the U.S. is a leading source of tourists to Vietnam today aside from China, which is a next door neighbor. And Vietnam's

political system is not so different than Cuba's. We don't object in an organized fashion to the Vietnamese party or the state, but we -- that doesn't inhibit our tourists at all. There are other countries that are far worse that you can go to -- North Korea, Saudi Arabia, Iran. Also, our limits on travel ignore -- give attention to a special interest group. As intense as its feelings are, it's a tiny percentage of the American population. It's even now a minority of it's own population. It does not reflect that two-thirds of Americans who think we should have normal relations with Cuba and believe that there should no longer be travel restrictions, nor does it, as I said, reflect the 40 percent that would travel there on vacation nor the 55 percent of Cuban-Americans that think all restrictions should be ended, not just the revenue restrictions.

It is also unenforceable. It corrupts the rule of law. It distorts priorities. If you haven't read the GAO report, you should read it. They notice -- they note the fact that customs in border protection is using an unconscionable amount of its personnel and resources in the Miami airport to get rum and cigars and anything that people bring back with them who are legal travelers when they should be dealing with serious potential threats coming across and through the airport.

Since 2001, OPAC opened more investigations and imposed more penalties for embargo violations such as buying cigars than for

violations of other sanctions such as goes on around.

Just read the GAO report. It is an absurd policy. It is a double standard. It's a total double standard. Miami -- six months ago several Americans and one Cuban-American were -- pled guilty for charges of setting up phony travel, phony churches for people -- for Cuban-Americans to go to Cuba. They got a penalty. They'll go to jail. There are probably 4500 -- at least 4500 Cuban-Americans whose names the Justice Department has, that OPAC has. Are they going to go after them? Not a bit. They are not going to do anything about those or the very marginal Santaria trips, because they don't want to disturb, more than they've already disturbed, the political atmosphere within the Cuban-American community. So, that means, at least in theory, if you're a Cuban-American you're not going to punished and if you are a non-Cuban-American you will be but in practice that's not happening either. We have a system of intimidation, not adjudication.

OPAC is incapable of doing anything about the people that it knows have traveled to Cuba. None of the cases that are currently on appeal in which people have gotten their letter and then they've asked for a hearing -- none of those cases are moving. There were three administrative court judges that were temporarily assigned. I think at best there's one left. One of the early cases was President Bush's interpreter

in Indonesia. Nothing is happening on his case. We have the civil disobedience cases of the folks from (inaudible) Brigade and (inaudible). Nothing is happening other than intimidation on those cases.

According to the GAO report, 120,000 Americans every year go to Cuba through third countries without any license. A lot of those are Cuban-Americans, but a lot of them aren't. The Cuban figures have about 40,000 non-Cuban American Americans traveling there and it cannot be controlled. If people refuse to follow a law they don't consider is just, even if they don't publicly commit civil disobedience, in effect their underlying in the ability to enforce.

Finally, and I'm still just talking about the United States, the ending of travel restrictions can restore our national reputation faster than anything else. Our policy towards Cuba is as damaging as our war in Iraq. We're considered an arrogant bully by much of the hemisphere and much of the world. They think we're obsessed. It's an echo of the Monroe Doctrine, the Platte Amendment, the concept of the Caribbean as a U.S. lake. People share -- in other countries share our goals, but they think we have silly and counterproductive means; that is, they'd like to see a Cuba more democratic in the greater respect for human rights but they think engagement leads to change, isolation doesn't. Virtually -- as Vicki said here, virtually all countries in the hemisphere have very positive relations.

They're very grateful (inaudible) Cubans for medical assistance and for training.

The last U.N. vote was 184 to 4. That's the 16th year, and each year it goes up, and does that mean anything to us about our reputation? This is a far easier problem to solve than the Israel/Palestine problem or the Iraq problem, but we're not doing anything about it.

I'm out of time. I'd be happy to talk about the benefits to the American travel industry, which would be substantial, and also to talk about the benefits in Cuba, which I think would be very substantial in terms of encouraging the development of a private sector. The (inaudible) Havana in June. I talked about (inaudible) and the Irish model of beds and breakfasts. Every time before now, it's been dismissed as ideologically impossible. On the last trip there was yes, that's what we need to do. Once it opens up with the U.S., that's how we deal with the overflow of tourists that can't fit into the hotels. It magnifies the effect on the private sector.

MS. BARDACH: Okay, thank you, John.

Okay, I think at this point we're going to open up for questions and answers to panelists. You know, I just was going to say that, you know, the kind of -- try and maintain a limit to comments and answer the question.

SPEAKER: Jorge, two questions for you. In that Eastern bloc in the Gulf, does the Cuban (inaudible) economic zone go into that Eastern bloc, number one; and, two, what has been the reaction or what do you think will be or would be the reaction of the U.S. oil sector to a rig finally getting out into that North Cuba Gulf and actually some exploration going on?

MR. PINON: Number one, yes, (inaudible) will have a piece of the Eastern Gap. The issue with the Eastern Gap is that, again, it's very deep. The technology's there. I mean, they're already dredging the Western Gap. The technology's there. But there's more protection somewhere else. Eventually everybody wants a piece of the Eastern Gap.

The issue about American oil companies -- I am very careful to making a statement, because it can be used as a political tool. It will take anywhere between three to five years to develop the potential of the lower Gulf of Cuba, anywhere between three to five years. So, don't think that you're drilling a hole tomorrow (inaudible) oil. There's a lot of stuff that has to go on to really make it productive. So, it's going to take between three to five years. The window, if there is oil and one was (inaudible), is going to be a window of anywhere between three and five years. That's number one.

The political question that I've always asked, because it's a tool to promote the embargo or not, is well, European companies are exploring Cuba; U.S. oil companies are losing position. In our business -- trust me -- we're having conversations with our competitors every day somewhere in the world. No statements of fact -- I'm just saying that we could envision U.S. oil companies already, have had social conversations with the companies that are currently today in Cuba, and conversation has gone like I have concessions in Indonesia, I'll trade them for you for the ones in Cuba, and so on. So, the commercial opportunity -- the commercial opportunity of oil in Cuba is not going to be lost by American oil companies.

And to finish, having said that, the ones that are going to lose it are U.S. service companies. (Inaudible); in other words, we're importing oil companies that in bringing to you -- the Houston companies that supply technology at (inaudible) services, those are the ones that are going to have a true opportunity cost, because those services will come from Mexican companies, Canadian companies, or Venezuelan companies.

So, in -- to finish up, no, in the next three to five years, U.S. oil companies are not going to lose ground. If they really begin exploring, it's going to be U.S. technology and service companies that are going to

lose.

MS. BARDACH: Are you saying that sort of under the table there's (inaudible)?

MR. PINON: No, no --

MR. PINION: It's not under the table, it's not under the table. It is that there is always -- there's always (inaudible) as far as properties, concessions, oil concerns anywhere in the world. That is part of our business. I'll give you 50 percent of my agency participation in Norway for 30 percent of participation in Cuba. I'll give you shares in both those -- I mean, that is something that we do every day as part of the business, and what I'm saying is -- I'm not saying that is happening; I'm not saying that's a fact. All that I'm saying is that I do envision U.S. oil companies having a nice social conversation saying by the way, when Cuba opens up, I'll be waiting to sit down with you and (inaudible) X-percentage of your of your concession (inaudible).

MS. BARDACH: Interesting.

SPEAKER: This is a question for Jorge as well. Actually, two quick questions -- one a clarifying question about this Cien Fuegos refinery. Is -- when is that expected to actually --

MR. PINION: It's already growing. Last week, it ran 52,000 barrels a day out of (inaudible).

SPEAKER: Okay, and what's it expected to go up to?

MR. PINION. Sixty-six. They're talking about (inaudible) press 1.3 billion bars of investment to bring it up. Mr. Chavez wants to make it into a huge petro chemical complex.

SPEAKER: A question related to this. How does that relate, then, to the oil that Cuba is getting from Venezuela?

MR. PINION: That's -- I would say -- that's why my whole point is that it's a very good deal for Chavez, because what he is doing is -- that high-value (inaudible) -- 45,000 barrels a day (inaudible) -- was giving (inaudible). Now we can put that in the international market and get true cash for it. Now he's going to be able to realize the true value of that. Now what's he's giving to Cuba is less than 30 crude, which is a much lower -- it's a very cheap crude oil that crosses in the refinery; so, in other words, all that he'd doing is he's -- the payback of exchange is about three years. It's a very good deal for the Venezuelans.

SPEAKER: Okay, actually just a quick follow-up on the Eastern Gap question. You know, no exploration really can take place until there are some negotiations for the border issue, right?

MR. PINION: No. No, exploration can happen tomorrow. Rexall (phonetic) already did it.

SPEAKER: Then who owns the (inaudible)?

MS. BARDACH: (Inaudible)

MR. PINION: Well, there's (inaudible) lawyers. My understanding from -- I have -- all company lawyers that I have spoken with say that that is not a problem. They don't envision any of the recurring activities in the Cuban (inaudible) Sea as being restricted by a treaty (inaudible) by descent. And I'm not a lawyer, but I believe the --

SPEAKER: No, I -- maybe I'm confusing the sea. I'm talking about the Eastern Gap area --

MR. PINION: Oh.

SPEAKER: -- that's not demarcated yet. Is it true that no exploration can really go further until Mexico and Cuba and U.S. --

MR. PINION: That is correct, that is correct, yes.

PETER:

This is a question for Sr. Hernandez, although I'd be interested Prof. LeoGrande's observations about his response.

You are the head of one of the most truly unique political organizations in recent history in terms of its political impact on U.S. policy. There are some people that feel that the Cuban-American National Foundation has single-handedly dominated control of the policy and has been a force in (phonetic) Cuba for many years. During the time of your predecessor there was a sense that it was almost omnipotent, the Cuban-

American National Foundation, and there's a kind of conventional wisdom that, since the passing of Jorge Mas Canosa, the Foundation is somewhat weaker, particularly given the changes of demographics in Cuba, some of which we've talked about at earlier panels, although when you think about it, these last years of the Bush Administration have pretty much been, again, the same and very much in keeping with the type of policy that the Foundation has stood for. I'm wondering what you think about the issue of whether you are stronger or weaker in the present day, and what is your plan for influencing the type of political power you've exercised in the past in the next administration.

MR. HERNANDEZ: Well, actually I think that the time changes and circumstances change with those times. The seclusion of Cuba is completely different than it was before. I -- yes, to a large extent, we are -- if you see us -- as far as influence is concerned, our (inaudible) station doesn't have the sort of influence that it used to have in the White House before. That has to do with a number of issues.

First of all, there are -- when we first started, we were the only ones going in there. I remember one Senator Solinsky (phonetic) when we were trying to push the radio Martí that said you know, well, the -- who are you representing? And we said we were four of us. Then Jorge said -- Jorge Mas Canosa also said well, the four of us just -- this is all the

presentation.

MR. HERNANDEZ: And so it -- right now, right now there are, what, four Cuban-American members of Congress and there are two senators -- U.S. senators. Interesting enough, one is a Democrat and another one is a Republican, so this is different than it was before, and actually I think that that conveys the fact that we were quite successful in creating in our community the idea -- and this was specifically the first objective of the Cuban-American National Foundation -- this (inaudible), the explorers, and the screaming out of the (inaudible) and take it to Washington and take it to the --

MR. HERNANDEZ: We still scream (inaudible).

MR. HERNANDEZ: (Inaudible) in Washington. So, this is -- that also has been extremely effective, and -- but then what has happened -- there is a very substantial opportunity now, because what has happened in the last -- perhaps during the Bush Administration and specifically since Jorge Mas Canosa's passing -- is that they -- Cuban-American Congresspersons from South Florida realize that, you know, now we are the representatives of the community, and as such they were initially, well, elected on a (inaudible) the same quality (inaudible) that we were pushing

at that time. But things have changed, and Congress -- and our community has changed. But these representatives -- our representatives at the present time unfortunately have not changed, and they have continued to (inaudible), because for them this is something that -- I say publicly because I say also in Miami -- that for them to change would mean to lose that power and that representation that they have, and that has created a stereotype in Washington of a community that has changed, and it has changed because we see now -- we said -- and in the 1970s that everybody was saying that there's going to be changes in Cuba and all that and Fidel Castro is going to open up, and we said it's not going to happen while Fidel Castro is alive. We will have to be (inaudible) not going to change.

MS. BARDACH: You're done.

(Laughter)

MR. HERNANDEZ: But now he dies (phonetic). So, now we've got to -- we've got to seize the opportunity. This is why you see me here on this panel, because we have to change U.S. policy to understand that there is an opportunity right now, and the problem is that Washington doesn't want to change, because we have to prove that our community has changed.

MS. BARDACH: Right.

MR. HERNANDEZ: And opportunity is coming in November.

MS. BARDACH: The other thing that people may forget is that Jorge Mas Canosa -- and God knows I had a few differences with him -- one of the last things he did is he debated on television -- people do not remember this -- Ricardo Alarcon. So, I may point out that Jorge Mas Canosa was really the first (inaudible), okay?

MS. BARDACH: All right? And I think that one of the problems is that we don't really have somebody of this stature (phonetic) who can sit down with the leaders -- (inaudible) myself and I am -- and say listen, you don't follow my example here, you know, and that this would be a tremendous act of political courage if we could find the resources.

SPEAKER: Did Jorge say how he thinks the U.S. policy should change? I'm not sure I understand --

MS. BARDACH: Jorge Mas Canosa?

MR. PINION: Well, yeah, all right. Okay. Yes, I think that (inaudible) these 2003 restrictions from Bush. We said this is absurd. Cuban-Americans must become agents of change in Cuba. We have to increase the relationship between the Cubans in the island and the Cubans in the United States. After all, 51 percent of our community -- they have stuff from Cuba -- and since 1980 70 percent of our community

was -- I mean, Cubans in Miami and Cubans in Cuba were bored after Fidel Castro came to power. So, we've got to change this situation. That is one of the things that I think has to be changed immediately.

Secondly, yes, the United States somehow has to find the way to engage the Cuban government in the island. We should not just open up and say look, we are going to lift embargo and do all these things and you tell me what you want to give me in return. I don't think so. I think that we have to say look, are you -- and this is something that I have said. We should have (inaudible) when Raúl said we want to talk. Okay, what do you want to talk about Okay? What is it that you want us to talk about? And, yes, we will be willing to talk. I think that the United States has to be. And it's in the interest of the United States right now to say okay, fine, what is it that you want to talk about? So, I think so. I think that -- but I also think that the Cubans have to talk to each other. Cubans in the island have to talk to each other, and the Cuban government has to talk to their people inside the island. If that doesn't happen, then there's going to be very, very little opportunity.

And, finally, finally, you know, this (inaudible) stereotype, slowness. You continue to believe that we are these radical people that want to eat all the -- for lunch -- all the -- or for dinner -- all the Cubans who don't agree with us. I mean --

MS. BARDACH: (Inaudible)

MR. PINON: Not true. It's not true.

MS. BARDACH: Okay, I think we may have time for one question. Are we kind of --

SPEAKER: Eva (phonetic), I think I'd better cut it off. I'm going to try to keep this to the minute. I, first of all, want to thank very much this incredible panel that we just heard, but all the panelists have come extremely well prepared. We've had a really dynamic discussion from all ends of the spectrum, and I must say I think that's really where we have to come from if we are going to get the right to a policy for Cuba so that we do have a Cuba that does transition peacefully to a democracy and to a stable, prosperous country.

I would like to thank the audience. You have been really wonderful. You've come with us all through the day. You're as big of Cuba experts, that's for sure, as any of us on the panel.

I'd also like to thank very much my colleague, Jason (inaudible), who has worked very, very hard in bringing this all about, and it really has been a great conference.

Now, I am not going to summarize this whole thing. You've been here and you can draw your own opinions, your own conclusions. But I am going to say one or two things.

Now, one of the things I'd like to say -- I feel sort of funny, kind of, behind this desk, so I'm going to come around a little bit and say -- and tell you a little story. My last Fourth of July in Cuba was the spring in Cuba -- the Cuban spring, and it was summer. It was the Fourth of July, and it was 2002, and everyone came to this great party at this beautiful residence that was built for the ambassadors, and as they're coming down this road and streaming in, of course the camera across the street -- tick-quick-pick, thank you, on cue --

SPEAKER: -- is taking pictures of everybody who's coming by just when the Cuban government is particularly (inaudible) annoyed they can call them in and say I saw you going to the Americans' Fourth of July party. In any case, I'm -- I was a (inaudible) greeting them. I'm having a great time. About an hour into this long line of people that's coming in, one of the journalists ran up and she said do you know that Fidel is hosting a Fourth of July. Wow. And do you know that he's invited all these musicians that you've invited to the party here. Wow. She said well, what do you think? I said well, first of all, I think it's fantastic, you know, it's -- the day that Fidel wants to celebrate Fourth of July is just fine with me. But he's sneaking all your guests away and, sure enough, as I'm still greeting the stragglers, the musicians are walking out and they have their plastic bag with a radio -- AM/FM/short wave -- and the same Jose

Martí in there in an opaque, plastic bag, tied with red, white, and blue ribbon, and they're delighted. They got their gift. They're off to the Karl Marx theater to join the Buena Vista Social Club.

So, why am I telling you this great story? I'm telling you this story, because Fidel Castro always knew -- and I am sure Raúl Castro knows -- what the national interest is of Cuba. He was happy to have an American Fourth of July first of all because he thought maybe he could persuade the musicians not to go and they wouldn't get those little radios that he really didn't like at all, because people could listen to information from whatever source that they wished. And the Cuban government used to say oh, they only pick up Radio Martí. But that wasn't true.

What I thought was so striking in this panel was the emphasis -- and I think the one who did it the hardest perhaps was Robert Muse. U.S. national interest. We should begin there. U.S. national interest. What are U.S. national interests? They're migration; they're stability; they're oil; they're humanitarian; and very much they are our image in the region. And all those things have been discussed at some length today.

The next issue is how do you get to following the national interests of the United States in the most effective way. Now, Jaime Suchlicki said this morning that he thought basically squeezing the

economy further, actually bring about the collapse would probably be the best way to get there, and that is certainly a legitimate way to look at it, and then perhaps you could even begin with a clean slate. But the majority of people here have said there is change. Change is coming. It's going to be strong. It may, as Andy said, take a generation and may, as Marifeli says, involve some people who want to change, such as the 2.2 million, or it may mean that you have a group of entrepreneurs, of military and others who don't want to change. And nevertheless you're going to begin to get the change.

The question, then, comes down to how do you best get it, and I think what I've heard most of all here today is you get it through some sort of engagement. Now, I never heard anybody yet say today -- and I'm sort of amazed -- just get rid of the whole embargo, because I know there are lots of people around here who would probably say it. That -- when people say there's no -- the U.S. has no influence, such as Kirby Jones said, that's nonsense to me, because as soon as we drop the embargo we'll have a heck of a lot of influence. You basically are talking about as long as we don't do that -- you're nodding your head that some people would understand that.

But the -- so, the U.S. does have a huge influence, and we also have a huge influence that can rock the boat. You know, that's what

dictatorships don't want -- is some weight shock to the system that they can't contain. And that is what we might at some point want to move to. But at least, I think, what we've gotten today is that if we are going to prepare the Cuban people, if it is going to be the Cuban people who are going to make the changes in Cuba, there has to be a lot more connection with the Cuban people.

Carlos Saladrigas said it very well. It's counterproductive to isolate a totalitarian regime. Tito loved it. North Korea loves it. Idi Amin in Africa loved it. If we want to change this regime, we cannot collude with them in keeping out people and ideas that will change it.

Thank you all very much. It's been a great day.

(Applause)

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