

MEMORANDUM

TO: President Obama
FROM: Ted Piccone
DATE: January 17, 2013
BIG BET: Opening to Havana



Your second term presents a rare opportunity to turn the page of history from an outdated Cold War approach to Cuba to a new era of constructive engagement that will encourage a process of reform already underway on the island. Cuba is changing, slowly but surely, as it struggles to adapt its outdated economic model to the 21st century while preserving one-party rule. Reforms that empower Cuban citizens to open their own businesses, buy and sell property, hire employees, own cell phones, and travel off the island offer new opportunities for engagement.

Recommendation:

You can break free of the straitjacket of the embargo by asserting your executive authority to facilitate trade, travel and communications with the Cuban people. This will help establish your legacy of rising above historical grievances, advance U.S. interests in a stable, prosperous and democratic Cuba, and pave the way for greater U.S. leadership in the region.

Background:

Early in your first term, you made an important down payment on fostering change in Cuba by expanding travel and remittances to the island. Since then, hundreds of thousands of the 1.8 million Cuban-Americans in the United States have traveled to Cuba and sent over \$2 billion to relatives there, providing important fuel to the burgeoning small business sector and helping individual citizens become less dependent on the state. Your decision to liberalize travel and assistance for the Cuban diaspora proved popular in Florida and helped increase your share of the Cuban-American vote by ten points in Miami-Dade county in the 2012 election.

As a result of your actions and changing demographics, families are more readily reuniting across the Florida straits, opening new channels of commerce and communication that are encouraging reconciliation among

Cuban-Americans and a more general reframing of how best to support the Cuban people. Cuba's recent decision to lift exit controls for most Cubans on the island is likely to accelerate this process of reconciliation within the Cuban diaspora, thereby softening support for counterproductive tactics like the embargo. The new travel rules also require a re-think of the outdated U.S. migration policy in order to manage a potential spike in departures from the island to the United States. For example, the team handling your immigration reform bill should be charged with devising proposals to reduce the special privileges afforded Cubans who make it to U.S. soil.

Under Raul Castro, the Cuban government has continued to undertake a number of important reforms to modernize its economy, lessen its dependence on Hugo Chavez's Venezuela, and allow citizens to make their own decisions about their economic futures. The process of reform, however, is gradual, highly controlled and short on yielding game-changing results that would ignite the economy. Failure to tap new offshore oil and gas fields and agricultural damage from Hurricane Sandy dealt further setbacks. Independent civil society remains confined, repressed and harassed, and strict media and internet controls severely restrict the flow of information. The Castro generation is slowly handing power over to the next generation of party and military leaders who will determine the pace and scope of the reform process.

These trends suggest that an inflection point is approaching and that now is the time to try a new paradigm for de-icing the frozen conflict. The embargo – the most complex and strictest embargo against any country in the world – has handcuffed the United States and has prevented it from having any positive influence on the island's developments. It will serve American interests better to learn how to work with the emerging Cuban leaders while simultaneously ramping up direct U.S. outreach to the Cuban people.

I recommend that your administration, led by a special envoy appointed by you and reporting to the secretary of state and the national security advisor, open a discreet dialogue with Havana on a wide range of issues, without preconditions. The aim of the direct bilateral talks would be to resolve outstanding issues around migration, travel, counterterrorism and counternarcotics, the environment, and trade and investment that are important to protecting U.S. national interests. Outcomes of these talks could include provisions that normalize migration flows, strengthen border security, break down the walls of communication that hinder U.S. ability to understand how Cuba is changing, and help U.S. businesses create new jobs.

In the context of such talks your special envoy would be authorized to signal your administration's willingness to remove Cuba from the list of state sponsors of terrorism, pointing to its assistance to the Colombian peace talks as fresh evidence for the decision. This would remove a major irritant in U.S.-Cuba relations, allow a greater share of U.S.-sourced components and services in products that enter Cuban commerce, and free up resources to tackle serious threats to the homeland from other sources like Iran. We should also consider authorizing payments for exports to Cuba through financing issued by U.S. banks and granting a general license to allow vessels that have entered Cuban ports to enter U.S. ports without having to wait six months. You can also facilitate technical assistance on market-oriented reforms from international financial institutions by signaling your intent to drop outright opposition to such moves.

Under this chapeau of direct talks, your administration can seek a negotiated solution to the thorny issue of U.S. and Cuban citizens serving long prison sentences, thereby catalyzing progress toward removing a major obstacle to improving bilateral relations.

You should, in parallel, also take unilateral steps to expand direct contacts with the Cuban people by:

- authorizing financial and technical assistance to the burgeoning class of small businesses and cooperatives and permitting Americans to donate and trade in goods and services with those that are certified as independent entrepreneurs, artists, farmers, professionals and craftspeople;
- adding new categories for general licensed travel to Cuba for Americans engaged in services to the independent economic sector, e.g., law, real estate, insurance, accounting, financial services;
- granting general licenses for other travelers currently authorized only under specific licenses, such as freelance journalists, professional researchers, athletes, and representatives of humanitarian organizations and private foundations;
- increasing or eliminating the cap on cash and gifts that non-Cuban Americans can send to individuals, independent businesses and families in Cuba;
- eliminating the daily expenditure cap for U.S. citizens visiting Cuba and removing the prohibition on the use of U.S. credit and bank cards in Cuba;

- authorizing the reestablishment of ferry services to Cuba;
- expanding the list of exports licensed for sale to Cuba, including items like school and art supplies, athletic equipment, water and food preparation systems, retail business machines, and telecommunications equipment (currently allowed only as donations).

The steps recommended above would give your administration the tools to have a constructive dialogue with the Cuban government based on a set of measures that 1) would engage Cuban leaders in high-level, face-to-face negotiations on matters that directly serve U.S. interests in a secure, stable, prosperous and free Cuba; and 2) allow you to assert executive authority to take unilateral steps that would increase U.S. support to the Cuban people, as mandated by Congress.

To take this step, you will have to contend with negative reactions from a vocal, well-organized minority of members of Congress who increasingly are out of step with their constituents on this issue. Your initiative should be presented as a set of concrete measures to assist the Cuban people, which is well within current congressional mandates, and as a way to break the stalemate in resolving the case of U.S. citizen Alan Gross (his wife is calling for direct negotiations). Those are winnable arguments. But you will need to be prepared for some unhelpful criticism along the way.

Conclusion:

Current U.S. policy long ago outlived its usefulness and is counterproductive to advancing the goal of helping the Cuban people. Instead it gives Cuban officials the ability to demonize the United States in the eyes of Cubans, other Latin Americans and the rest of the world, which annually condemns the embargo at the United Nations. At this rate, given hardening attitudes in the region against U.S. policy, the Cuba problem may even torpedo your next presidential Summit of the Americas in Panama in 2015. It is time for a new approach: an initiative to test the willingness of the Cuban government to engage constructively alongside an effort to empower the Cuban people.