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**Report, Institute of Economics of the World Socialist System, Soviet Academy of Sciences, 'Some Problems and Possible Consequences of the Normalization of Cuban-American Relations'**

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**Summary:**

Report prepared by the Cuba section of the Soviet Institute of Economics of the World Socialist System on the possible normalization of relations between the United States and Cuba.

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We are sending the analytical paper "Some problems and possible consequences of the normalization of Cuban-American relations," prepared in the Cuban section of the Institute of Economics of the World Socialist System, USSR Academy of Sciences

DIRECTOR OF THE INSTITUTE      O.T. BOGOMOLOV

#### SOME PROBLEMS AND POSSIBLE CONSEQUENCES OF THE NORMALIZATION OF CUBAN-AMERICAN RELATIONS

The evolution of Cuban-American relations in recent years has been characterized by their exacerbation on more than one occasion as a result of the collision of both countries' positions on a series of international problems (the African events, the growth of the authority and influence of Cuba in the movement against joining [unclear], its active support of revolutions of national liberation and of movements throughout the entire world and in particular in Latin America).

The most recent example of this were the recent events connected with the issue of the Soviet military presence in Cuba and a landing by a training force of American marines at the Guantanamo base. At the same time, the facts show that although the conflicts which have arisen recently have complicated the process of normalizing relations between the two countries, they have not halted it, and should not be seen as a return by the United States to the policy of wholesale confrontation with Cuba. This is evidence by the fulfillment of agreements which were reached earlier. To these should be added the liberation of 3600 political prisoners in Cuba, including American citizens, the departure of Cubans to the US to be reunited with their families and visits to Cuba by emigrants who have relatives there.

For its part, the US has also made a series of positive steps towards the easing of tensions in the relations between the two countries. The United States' special services warn Cuba about provocations prepared against it by counterrevolutionary Cuban organizations which have settled in the US, and have arrested and brought legal action against several of their active members. The American government permitted official Cuban foundations to open bank accounts in the US, the transfer of 500 dollars to Cuba once every three months per family and the export from the country of up to 100 pesos worth of Cuban goods per person.

In recent years, US Congressmen and Senators who were visiting Cuba more than once stated openly that certain hostile actions taken by America in relation to Cuba were not of a principled character and were aimed at pacifying influential circles in the US which oppose the normalization of bilateral relations. A review of the US's Cuban policy was conditioned chiefly by the fact that the effectiveness of the economic blockade of Cuba which was established by the United States at the beginning of the 60s has persistently diminished with the development and deepening of the country's economic cooperation with the Soviet Union and other socialist countries. To a considerable [nemalaia] degree this has also been assisted by the position of the majority of developed capitalist countries which have striven to exploit the disruption of traditional economic ties between the US and Cuba in order

to use the latter as a market for sales [of their goods] and as an additional source of raw materials.

An understanding of the poor prospects presented by a continuation of this policy of isolating and applying direct pressure to Cuba led to a search by the United States for new forms and methods of trying to weaken its ties with the socialist commonwealth.

Using Cuba's interest in components, spare parts, raw materials, and materials for the American equipment which was established in the country before the revolution and which to this day comprises a significant part of the basic means of production, the United States foresees the possibility of a new economic penetration of Cuba and the gradual strengthening of its positions there.

The US also places significant hopes with a certain portion of the Cuban population's continued predilection for consumer goods from the United States, which in the appropriate circumstance could be used to influence the country's popular opinion through expanded supplies of consumer goods.

The US sees the normalization of relations with Cuba, including, in particular, the exchange of information, the development of scientific, cultural, sporting, and other connections, and the growth in the volume of American tourism, in which Cuba is very interested, considering the huge foreign-currency indebtedness of the country, as a very important channel of ideological penetration.

The experience of mass visits by Cuban emigrants[1] to the country to meet with relatives has turned out to be very instructive in this regard.

As well as the clear material advantages for Cuba which were expressed in the large sums of foreign currency sent from members of the Cuban community, which consisted of about 100 million dollars, according to preliminary estimates,[2] from January to April of 1979, obvious signs of growing dissatisfaction by a certain portion of the populace with their material situation have become evident. This has been manifested, in particular, in a rapid rise in the number of official requests for permission to emigrate from the country in order to rejoin families and a growth in critical statements directed toward the government in other forms.

Besides this, the propaganda apparatus and the majority of the country's population, in whose consciousness the term "emigrant" was long associated with the concept of a traitor and anti-patriot, have turned out to be politically and ideologically unprepared for the rapid change in the government's policy on this issue, which could not but provoke among the people a certain disorientation and contradictory interpretation of the essence of the changes taking place.

On the other hand, the development of contacts with the Cuban community in the United States has increased the erosion of its unity. Pressure on the United States government from Cuban emigrants arguing both for and against the normalization of relations with Cuba has increased. Recently, among its factions [storonniki], the most radically inclined group, consisting primarily of young people and arguing for a return to the native land, has become noticeably more active. However, the Cuban side, being interested at present in the development of tendencies favorable to it among the emigrants, so far has refrained from issuing permission for a return to the country, justifying this, in particular, by the need for those who wish to return to prove their adherence to the social order and to earn this right by engaging in active pro-Cuban activism in the US.

In this way, Cuba should not be seen as a passive participant in an ideological aspect in the evolution of the normalization process. However, in our opinion, its position on

this issue at present is insufficiently firm, which makes it vulnerable to possible complications in its internal life. Henceforth, the task of speedily correcting and strengthening the relevant directives for propaganda work among the masses arises, [since] the ideological and, in the final analysis, the domestic political consequences of Cuba's development of its relations with the US will in large part depend on the flexibility and effectiveness of [its propaganda work].

On the other hand, the prospects and possible consequences of normalizing relations with the US in the economic sphere are assessed fairly realistically in Cuba. Operating on the principle of the mutual benefits of restoring economic ties, which has been confirmed several times by both sides, Cuba does not intend to develop them to the detriment of its relations with other capitalist countries, not to mention the states of the socialist commonwealth.

First, this is conditioned by a desire to have the freedom to maneuver in capitalist markets. Secondly, Cuba would like to demonstrate to the capitalist countries of Europe, Japan and Canada that it has not forgotten the positions they took after the United States' imposition of an economic blockade on Cuba, when many firms from these countries did not give in to pressure from the US. Thirdly, and this is probably the main reason, it is well understood in the country that the large constant specific weight of a single one of the developed capitalist countries in the foreign trade of a developing country (especially in the purchases of machinery and sets of equipment) leads to the latter's increasing dependence in the area of technology and standards with all of the consequences that follow from that. In this relation, the consequences of a full rupture with the United States, which before the revolution played the defining role in the whole complex of Cuba's foreign-economic ties, has not only not been forgotten, but is constantly taken into account in defining the geographical structure of its foreign trade with developed capitalist countries. In particular, this explains why Cuba has preferred on many occasions to pay higher prices for the supply of goods than to end up being appreciably dependent on the supplies of spare parts, raw materials, materials, and so on, from any one country. An example of this is Cuba's purchase of a series of machines and equipment in England and France, whose prices were 15-25% higher than the prices for analogous Japanese goods.

The interest of certain American business circles in establishing commercial ties with Cuba is based not only on the possibilities of the Cuban market, but also on being able to realize a series of Cuban goods on the US market. Among their number are nickel, sea products, tobacco and tobacco products, honey, rum, citrus and other fresh fruits and vegetables, sugar and syrup. Interest in importing Cuban citrus products is explained by the proximity of the market and thereby the savings on transport costs, the vulnerability of citrus plantations in Florida to periodic freezes, which ruin the harvest, and from which Cuba is safe, and, finally, based on the low competitiveness of certain types of Cuban citrus products, hopes for a low level of export prices. It is unlikely that purchases of Cuban sugar by the United States will exceed 200-300 thousand tons in a year, which is explained by the volume of its own production and of imports from other countries.

In a preliminary discussion of the forms of future economic relations which would be acceptable to both sides, the possibility of extending credit to Cuba was not ruled out. However, an unaltered condition for this, and incidentally for the renewal of trade, as put forward by the US, is that the Cuban side pay the value of nationalized American property. For its part, Cuba expressed a willingness to fulfill this condition, which it had never renounced in principle. The news about this, on the one hand, was received in the US as yet another proof of the seriousness of Cuba's intentions to normalize bilateral relations, and on the other, aroused an effort on the part of the former holders of capital in the country to use the situation which had come developed in the interests of profit. As a result, the sum of claims in Cuba began to rise quickly and attained \$2.5-3 billion. The response to this was Cuba's counter-claim for the sum of \$3 billion for damage inflicted on the country's domestic

economy by the blockade, diversions, the illegal export of different valuable, and so on. However, the mutual exchange of opinions on the given issue that followed this resulted in the principled agreement of the sides on the fact that the real value of the US's nationalized property should be founded on assessments made on the eve of the revolution and which fixed it in the vicinity of from \$750 million to \$1 billion.

For its part, in agreeing to pay compensation, Cuba is putting forward a demand for the preliminary and full abolition of the blockade.

At present, the fulfillment of this condition does not present the United States with any difficulties, since the essence of the blockade in recent years has significantly changed: the vessels of third countries stopping in Cuban ports for several years now have not been subject to reprisals (prohibitions on stopping in US ports), and the affiliates of a series of American firms which are located in other countries are permitted to sell their products to Cuba, and so on. In essence, the economic blockade is being reduced more and more to the absence of economic ties between the two countries, the restoration of which will practically signify [the blockade's] final elimination.

In this way, the normalization of relations between the US and Cuba is, without a doubt, mutually beneficial, but the evolution of this process will still require a certain period and will have its limits.

In any case, before the next presidential elections in the US, no new essential positive movement should be expected in this regard, all the more because a series of public opinion surveys on the given problem have shown that on average about a half of American voters oppose the diplomatic recognition of Cuba.

Aside from the factors mentioned above, the said limits are determined by Cuba's interest in increasing the scope of economic and scientific-technical cooperation with countries of the socialist commonwealth and in developing and deepening the country's participation in the system of the international socialist division of labor.

The latter is explained mainly by the conditions on which the given cooperation takes place (credits, prices, coordination of plans, etc.).

The restoration of economic relations with the US will not lead to a fundamental reorientation of Cuba in the markets of the other developed capitalist countries, especially considering its great indebtedness to them, which cannot be excluded from consideration when drawing up plans and working out prognoses of the prospective economic development of the country.

The establishment of relations with the US in the non-economic sphere without Cuba's all-around preliminary preparation could present it with serious problems in the ideological sphere.

[1] 20,000 visits were made to Cuba from January to March of 1979, and about 100,000 were made over the course of the year.

[2] Payments for hotels and food, regardless of their use, consisting of \$45-\$50 a day per person, the purchase of consumer goods at commercial prices in stores specially set up for this purpose, including durable goods for relatives in Cuba and money transfers.