



FSAE Foundation Think Tank September 7-8, 2007

The Issues, Impact, Opportunities and Challenges for Florida of a Post-Embargo Cuba

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As the United States, and especially Floridians, prepare for a changing of the guard in Cuba, the Florida Society of Association Executives and the FSAE Foundation recognized the importance of examining Cuba's current situation, its plans for the transition (insofar as can be gleaned from intelligence sources), and the anticipated repercussions of a post-Fidel era. This multi-faceted topic provided the structure and focus for the September 2007 FSAE Foundation Think Tank.

FSAE designed the Think Tank so that senior-level association executive participants would focus on:

- ❖ Identifying key business and professional issues in Cuba and their eventual impact on Florida and the U.S.
- ❖ Defining the steps that FSAE and its members' associations should take now in order to make maximum use of future opportunities, once it is again legal for US companies and organizations to conduct business with Cuba
- ❖ Developing strategic plans in relation to these opportunities
- ❖ Finding the right person(s) as resources in developing the plans and then assigning responsibilities for the job

FSAE Think Tank participants would neither adopt nor promote specific policy positions or solutions regarding the Cuban situation. The Think Tank mandate was to provide accurate information to FSAE members to help them develop an effective Cuba-Florida strategy and plan for their respective constituencies.

The facilitator and expert presenters provided the framework in which Think Tank participants learned to approach the political and economic realities of Cuban issues in a knowledgeable way. Ultimately, the Think Tank's objective is to help FSAE and its members prepare for future opportunities and challenges in a post-embargo Cuba.

The Think Tank Agenda & Design

To ensure that the 25 association executive Think Tank participants would have available the most current and valid information on Cuba, the FSAE Foundation secured subject matter experts to present cutting-edge research related to the situation in Cuba today, economic challenges and opportunities of a post-embargo Cuba, key characteristics and viewpoints of Cuban Americans regarding Cuba, strategic needs, and recommendations. Electronic versions of the presentations used are available at www.fsaefoundation.org.

Aida Levitan, Ph.D., APR, one of the most nationally recognized Hispanic marketing communication leaders in the U.S, served as facilitator for the event and authored this White Paper. Levitan is president and CEO of Levitan & Palencia, LLC, a Miami-based agency that provides advertising, public relations and marketing services to U.S. and Spanish clients. In 2004-2005, she served as vice chair of Bromley Communications, the number one Hispanic advertising agency in the nation. from 2001 to 2004, she was Chair and CEO of Publicis Sanchez & Levitan, the number eight agency in the U.S. She has received the PRSA Royal Palm Award, the U.S. Department of Commerce MBE Legend in Communication and the Hispanic Magazine national *Adelante Award*, among many other recognitions. She served as 2004 president of the Association of Hispanic Advertising Agencies.

Jorge Piñón, former president of Amoco Oil de México and president of Amoco Oil Latin America, was one of two expert resources for the Think Tank. Piñón had served as the top BP executive running its Western European supply and logistics operation until his retirement in 2003. Piñón is currently an international energy consultant and a senior research associate and director of the Cuba Business Roundtable at the University of Miami's Institute for Cuban and Cuban-American Studies. He focuses on energy, ethanol, microeconomics, and infrastructure reconstruction. He is also a frequent guest energy analyst on CNN En Español, CNN International, Bloomberg Financial News Services, and other news outlets.

Carlos Saladrigas, Co-Chairman of the Cuba Study Group, chairs Premier American Bank, headquartered in Miami, and is a member of the Board of Directors of Progress Energy and Advance Auto Parts. He was co-founder and CEO of The Vincam Group, listed in 1998 as the largest Hispanic-owned company in the U.S., later (2000) acquired by ADP. Saladrigas is a member of the Hispanic Advisory Board for PepsiCo. He holds an MBA with honors from Harvard University and a BBA, *cum laude*, from the University of Miami.

Executive Summary

Key Findings

One of the roles of the FSAE Foundation is to serve as a resource on relevant topics and to stimulate discussion among FSAE members and outward to FSAE members' members. The agreed-upon purpose of the Think Tank and White Paper is to provide information and resources to those associations and their members that have (or may consider) an interest in doing business or creating strategic partnerships in Cuba. Following several days of lively discussion on issues and possibilities, Think Tank participants developed key findings for associations in general and for respective member organizations whose industries have a particular stake in doing business with Cuba:

1. Eventually, there will be significant business and professional opportunities in Cuba for the United States and especially for Florida-based associations and non-profit organizations. However, **no business activity can be initiated until changes in U.S. law make it legal to conduct business in Cuba.**
2. Given the possible window of opportunity that may arise after Fidel Castro dies, there is a sense of urgency for those organizations that already know they will want to do business with Cuba. These groups need to examine the situation and prepare a strategic plan that responds to different transition scenarios. Each scenario has different risks, consequences, and rewards and needs that must be examined – with the clear understanding that there is no certainty about Cuba's future. **It is crucial that companies and organizations become aware of these scenarios and plan for each one.**
3. **Associations need to become well informed about Cuba and possible future developments.** They should educate their membership about the challenges and opportunities that may arise in a post-embargo Cuba.
4. Florida associations should recognize that **other states and other countries are ahead of Florida with respect to being prepared for potential business opportunities in Cuba.** Where relevant, each association/industry needs to be prepared to discuss these issues and then to develop its own strategic road map.
5. Because it serves such a broad cross-section of industries and professions in Florida, **FSAE should be prepared to serve as a conduit for information and education about key opportunities in Cuba,** especially the legal potential for associations and their members to enter into joint ventures with their Cuban counterparts.
6. **FSAE members should prepare to take on a mentoring and leadership role for their respective professions/industries** once it becomes legal to do business with Cuba.
7. While they are focusing on the outcome of doing business in Cuba, **Florida associations and industries must be aware that there are serious political ramifications and sensitivities to be considered as long as there is a “Castro” in power in Cuba.**
8. **FSAE associations should seize the opportunity to network, collaborate, and exchange with professionals and associations in Cuba to the extent US law currently allows.** As an example, professional societies could assist in validating the credentials of counterpart professionals in Cuba and provide education and training to help prepare the Cuban workforce for an open environment.

The Current Landscape

The analysis and opinions included in this report were provided by each of the three expert presenters during the course of the Think Tank. Other individual and group sources for particular data are noted in the text.

Creating a new strategy regarding a Cuba-US relationship begins with a review of Cuba's present landscape and Cuba's relationship to Cuban-Americans, particularly those in Florida.

An analysis of Cuba begins with a side-by-side comparison of Cuba and Florida starting with the size of the populations and geographic proximity (Key West is 90 miles away from Cuba). Until 1959, the link was strong. Forty percent of all cargo being routed through Miami's customs district was transported to Cuba and 85 percent of Cuba's exports were transported to the United States through Florida. Cuba has been under a dictatorial regime for the last 48 years. The embargo has been in effect since 1961, considerably changing the relationship between Florida and Cuba.

Florida has received and accepted hundreds of thousands of Cubans in different immigration waves. This migration to Florida has had a tremendous impact on the economic growth of the state and has also presented special challenges and opportunities for the past five decades.

Travel restrictions imposed since 2004 have further isolated Cuba from Florida and the U.S. Because Florida is home to the greatest number of Cuban-Americans and has a long history of relationships with Cuba, the state is most likely to be significantly involved in meeting new challenges and opportunities once it becomes legal for American entities to do business with Cuba.

To create a portrait of Cuba today, organizations and governments will need to analyze the island's current political and economic situation, current economic conditions, short-term economic outlook, and the principal economic and political challenges that lie ahead.

Possible Reactions to Fidel Castro's Death

Many experts agree that a violent uprising is unlikely after Castro dies. U.S. and Florida government agencies are preparing for the possibility of a mass exodus following his death. The US Coast Guard and other law enforcement agencies have increased efforts to apprehend Cuban migrants before they set foot on American soil. Nearly 20,000 Cubans have arrived in the United States since October 2006 by air, land or sea -- an increase over the previous year. The Coast Guard, state, and local authorities are making plans to deal with an influx of refugees that might exceed the 125,000 who came to Florida in 1980 as part of the Mariel boatlift.

Source: National Public Radio, Gregg Allen, August 13, 2007

Violent opposition to the Castro brothers is not a likely scenario, according to most experts. The Castro regime has extremely strong and efficient control over all aspects of Cuban life and people. Sociologist Juan Clark has noted, "Cubans have grown weary of keeping a rebellious attitude inside."

The Cuban people seem to have lost hope, according to Cuban exile writer and political leader Carlos Alberto Montaner, who lives in Miami and Spain. He states that hopelessness and skepticism are the characteristics of the Cuban psyche today. The lesson learned: "Tomorrow will not be better." Montaner anticipates that what may happen post-Castro may be similar to what Eastern Europe experienced -- a "post-totalitarian pessimism". His position is that changes in attitudes can only come if these conditions are met:

- Marked improvement in the living situation of Cubans
- Freedom to elect their leaders
- The eradication of fear of betrayal by others and repression
- Freedom of speech
- A good (not corrupt) performance by their newly elected leaders.

Source: As reported in Diario Las Américas, August 2007.

Some experts believe that positive developments after Castro dies may include:

- Movement from a one-man regime to a collective leadership system
- A growing dislike and distrust of Hugo Chavez within Cuba's military
- Strong debate about the future course for Cuba
- Younger members of the elite ascending and demanding change
- Raúl Castro's own understanding that every repressive regime needs legitimacy. To gain it, he may bring about reforms.
- Raúl Castro's need to produce economic results for the people and a change in the system that will make it possible for Cuban people to put food on their table
- Less effectiveness (on the part of Raúl Castro) in confronting the U.S.
- Friendliness of Cubans towards the American people in spite of decades of hostilities between the two governments
- Young, internationally educated savvy elite Cubans who will impact the transition effectively and positively.

Regarding Floridian reaction to a post-Fidel Cuba, a 2005 survey of business leaders (in which 65 percent identified themselves as Anglo, 24 percent were Hispanic, and most of the remainder black), found that:

- A majority (64 percent) of South Florida business leaders would seriously consider expanding their business and investing significant resources in Cuba once Fidel Castro is out of power and a democratic government is in place.
- A substantial majority (79 percent) believe a democratic Cuba would have an overall positive impact on South Florida, while 61 percent said it would impact their particular business or industry positively.
- A large number of respondents believe the new market in an open Cuba would create business and moneymaking opportunities as well as cut costs for their business.

Source: South Florida CEO Magazine, October 2005

The Cuban Power Structure

Cuba experts believe that there are currently various power groups in Cuba: Raúl Castro and the military (the strongest group); the Communist Party (weak compared to the first); The "Talibanes," a young cadre of people close to Fidel Castro who run a parallel government, playing roles similar to those of the White House staff. In examining the "power", it is important to note that Raúl Castro does not have Fidel's charisma and does not like to give speeches or travel.

There could be various scenarios to institutionalize succession from Fidel to Raúl, or from Fidel to Raúl and a few others who would be placed in various spheres of power. The ruling elite is divided between "Los Históricos" (the historic group), which has nowhere to go and no desire for change and the younger generation whose members seek "elegant solutions." According to some experts, this younger group, well educated, savvy in Western ways, and ambitious, wants stability and progress. They seek long-term solutions and do not want to place all their eggs in the Hugo Chavez basket.

Possibilities for Reforms in a Post-Fidel Castro Cuba

The Commission for Assistance to a Free Cuba published a report to the President of the United States in July 2006. The report included a recognition that, with the death of Castro, comes a new challenge for the Cuban regime: "...the Cuban Transition Government will face daunting challenges as it begins to address the basic human needs of the Cuban people. The Cuban people will expect rapid and effective action by this new government." The report points out that "Quick and visible economic progress will give important legitimacy to the Cuban Transition Government."

The U.S. government, according to the report, "...stands ready to help the Cuban Transition Government begin to address the immediate water, sanitation, health, food, shelter and education needs of the Cuban people. Helping the Cuban Transition Government meet these basic needs is essential to a rapid and successful transition period, the establishment of the new government's credibility, and timely democratic elections."

Source: *The Commission for Assistance to a Free Cuba, Report to the President of the United States, Condoleezza Rice, U.S. Secretary of State and Commission Chair, and Carlos Gutierrez, U.S. Secretary Of Commerce, July 2006. (www.Cafc.gov)*

During Fidel Castro's recent illness, his chosen successor, Raúl Castro, offered an "olive branch" on July 26, 2007. He had also done so during 2006 on August 18 and December 2. Raúl is being portrayed as "pragmatic" and "open to reforms." On the other hand, Raúl has ignored desires of dissidents and abuses against them have increased, as reported by many dissidents.

Some possible gradual, economic reforms may include:

- Handing out idle state land to independent farmers
- Giving greater autonomy to managers of state-run businesses
- Allowing greater freedom for Cubans to open their own small businesses.

Source: *"Signs of Change in Cuba," St. Petersburg Times, By DAVID ADAMS, Times Latin America Correspondent, August 6, 2007*

Mariela Castro Espín, daughter of Raúl Castro, has hinted at reforms. "Even though Cuban society is prepared for the debate regarding the changes needed by the country, not all the leaders of the Revolution are as prepared to face this process...Cuba is a country that needs permanent debate because there is a high cultural and educational level and people need to participate."

She claims her father Raúl is a "practical" man and a "strategist" who is preparing the "necessary condition" before presenting his proposals. She adds: "...Cuban society is prepared for a process of the necessary transformations in order to sustain the revolutionary process, with or without Fidel."

The question everyone is asking is: "Will Fidel Castro die soon?" He was absent from public activities from July 31 to mid-September 2007. He recently appeared, somewhat recovered, in a photograph with the president of Angola. Raúl Castro has hinted that Fidel will appear in public soon. Most experts agree that there will be very few changes made while Fidel Castro is alive. Jorge Larrazabac, a Cuban interviewed by a journalist in Cuba, sums up the situation in this way: "Raúl is driving, but it's Fidel's car."

Source: *St. Petersburg Times, by David Adams.*

In spite of so many expert opinions and studies, no one really knows what is going on in Cuba. Although Cubans have been under the strong influence of Fidel Castro, as “fidelistas,” they are not believers in his philosophy or in his political model. When the physical “persona” is gone, there will probably be a process of change.

Most agree that nothing will change until Fidel dies. As dissident Hector Palacios said in Cuba: “Cuba is a nation halted in time...Neither has Fidel gone nor has Raúl arrived. This has created a black hole that has absorbed the dreams of the new generations...the day Fidel Castro dies, 80 percent of the regime's potential will die...and transformations will come.”

Which Reforms Will Come First?

There is a major debate among experts on Cuba. Should the political model or should the economic model change first? Some experts believe that the economic model must change first in order to stabilize the country. Once Fidel is out of the picture, there will probably be social pressures in Cuba as well as pressures applied from the U.S. As of January 2009, there will also be a new U.S. president. All of these factors may cause real change in Cuba. However, most experts anticipate that the transition period will probably last from three to five years rather than being accomplished by violent, radical change. For example, there may be a transition from a centralized to a market model and from a dictatorial to a more democratic model. Lech Walesa once noted, “Communism is not reformable. Once you begin to reform it, it falls apart.”

The model of what happened in Vietnam could actually be closer to a possible model for Cuba than the China model. A Cuban economic model may emerge that is particular to Cuba and there is no template for this model at this time.

Jaime Suchlicki, Professor of History at the University of Miami, is a highly regarded consultant in the public and private sectors on Cuban and Latin American affairs. He has stated, “General [Raúl] Castro may offer more consumer goods and food to tranquilize the Cuban population, but no major structural reforms that would open the Cuban economy...Any major move to reject Fidel's ‘teachings’ would create uncertainty among Cuba's ruling elites-- party and military...the uncertainties of uncorking the genie's bottle in Cuba are greater than keeping the lid on and moving cautiously.”

Suchlicki notes that Raúl's public statements “are politically motivated and directed at audiences in Cuba, the U.S. and Europe. Raúl is unwilling to renounce the support and the close collaboration of countries like Venezuela, China, Iran and Russia in exchange for an uncertain relationship with the United States.”

Cuban Economy Today

Experts agree that Cuba's economy and infrastructure are in a disastrous state despite the \$5 billion annual subsidy from Venezuela's Hugo Chavez. While an opening of the economy is not imminent, the economy of the Cuban State itself has strengthened in the last two years.

There has been considerable Improvement of the State economy from 2005 through 2007. Some statistics that support this include:

- Tourism revenues of \$2 billion +
- Venezuela's oil subsidies in excess of \$3+ billion in 2006
- New credit lines available from Venezuela, China, Iran, and Russia
- High commodity prices for Nickel
- Remittances & social services fees

Next to Venezuela, China has become Cuba's largest trading partner. Three Beijing delegations have visited Havana during 2007. Companies from China, India, Spain and Norway have lined up to explore Cuba's oil deposits off its northwestern shores. Canada's Len Edwards, Deputy Minister of Foreign Affairs, is exploring closer relationships with Cuba. Japan and Singapore have both dispatched senior officials to Havana. Mexico's new conservative President Felipe Calderón has made friendly overtures to Cuba. The Secretary General of the Organization of American States, José Miguel Insulza, has said he wants to begin a dialogue with Cuba, even though Cuba has been suspended from the OAS since 1962.

The Cuban people continue to suffer enormous economic deprivation. There is a division and friction among the races. It is more likely for white Cubans to receive economic support from Cuban-Americans in Miami than black Cubans. Millions of the population are lacking in the most basic materials goods and have to struggle, on a daily basis, to put food on the table.

Challenges and Opportunities Posed by the Transition

Many believe that there will be a tremendous economic impact on Florida once it is legal for American organizations to do business with Cuba because:

- Cuba has 11.2 million consumers hungry for material goods.
- Cuba has a wealth of underutilized natural and human resources—something that enhances its value as a trading partner
- Florida businesses would have great opportunities to rebuild the Cuban infrastructure.

The U.S.-Cuba Business Council has estimated initial Cuban infrastructure needs totaling:

- \$500 million investment in telecommunications
- \$500 million in mass transit
- \$575 million in airports
- \$540 million in railroads.

Post-Castro economic challenges will include:

- US Trade and Economic Policies
- The Role of Cuban Military in the Economy
- Resolution of Outstanding Property Claims
- Creation of Free Market Economic Enablers: Legal, Monetary, Tax, Labor, Judicial
- Capitalization of State Enterprises
- Society's Fears-Ethics-Values-Attitudes

During the post-embargo economic process, opportunities can be categorized as follows:

1- Business Opportunities for Large Multi-Nationals

Capital Intensive – High Risk 3-5 Years

If a company is spending multi-million dollar capital, then the enablers must be in place and the recovery rate is key.

2- Distribution & Marketing of Goods and Services

Low-Medium Capital Intensive – Medium Risk 1 Year

As an example, paint companies have a transition plan and are ready to go into business. The risk in these cases is limited to inventory.

3- Entrepreneurial Startups

Small and Medium Size Enterprises – Low Risk 1 Year

A small Florida business might get a \$100,000 loan to open a small business in Cuba. It is likely that this type of business will work well in Cuba and will provide a bridge between Cubans and Cuban-Americans.

Infrastructure Needs and Opportunities

The Report to the President states:

All sectors of Cuba's physical infrastructure (transportation, energy, water, housing, communications, and the environment) need significant overhaul...Ports, roads, and bridges suffer from a serious lack of investment, as do many of the supporting components of a healthy transportation and distribution system...Cuban airports badly need safety upgrades to both their physical facilities and air traffic control systems...Power generation plants are antiquated and will eventually need complete replacement. In fact, the current operational capacity is less than 40 percent of the estimated total generation capacity.

Source: The Commission for Assistance to a Free Cuba, Report to the President of the United States

Infrastructure opportunities exist within the following categories:

- Water & Sewer
- Highways & Bridges
- Ports
- Power Generation
- Environmental
- Telecommunications
- Warehousing
- Public Transportation
- Railroads

Water Supply and Sanitation

According to the Report to the President:

Cuba today faces daunting water supply and sanitation issues, including inoperative sewage treatment plants. In the entire country, there are only five municipal wastewater plants, and only four percent of the sewage effluent has some degree of treatment. Water and sewer pipeline networks are in shambles. Havana's population of over two million people uses a sewer system designed for a population of 600,000. Havana's wastewater flow receives primary treatment only, and excess flow is discharged with minimal, if any, treatment...Water distribution lines are from pre-revolutionary Cuba, are much deteriorated, and are in need of replacement. Distribution facilities are inadequate, especially in regions away from major metropolitan areas. The same is true for the existing Cuban sewage system.

Source: The Commission for Assistance to a Free Cuba, Report to the President of the United States

Housing

Cuba's housing situation is quite desperate. The population lives in overcrowded, poorly maintained houses in a terrible state of disrepair. It is estimated that there is a need for 1.6 million units.

Source: *The Commission for Assistance to a Free Cuba, Report to the President of the United States*

Nicolas Quintana, assistant professor at the School of Architecture of Florida International University, estimates that Havana alone will need \$1 billion or more for housing repairs.

Source: *South Florida CEO* magazine, October 2005.

The President's Report envisions that, if the Cuban government requests it, Florida businesses and professional leaders can help in the following areas:

- Provide safe, adequate, habitable, and hazard-resistant shelter; basic, shelter-related services (e.g., water, sanitation, drainage); and garbage and/or solid-waste collection and disposal services;
- Work with communities in designing and implementing locally-developed interventions providing for shelter;
- Ensure all shelter and settlement interventions reflect hazard-mitigation measures; and
- Evaluate logistics-supply systems to ensure sufficient building supplies are available for the timely construction of shelters, and are equitably disbursed throughout the country.

Source: *The Commission for Assistance to a Free Cuba, Report to the President of the United States*

Information Technology and Communication -- Human Capital

In the area of information technology and communication -- human capital, one finds the following areas of opportunity:

1. Back Office Support
2. Engineering Design Services
3. Technical Support Services

Cuba lacks an extensive communications infrastructure. When "coupled with the worldwide industry's continuing technological breakthroughs, [this] may offer Cuba some real alternatives to wholesale physical replacement of existing wired telephone infrastructure."

Source: *The Commission for Assistance to a Free Cuba, Report to the President of the United States*

Technology experts anticipate that telecommunications work will require an investment of \$1.6 billion. Americans will have to compete with other groups from other countries for a piece of this business. Italians own 23% of the Cuban telephone company and Mexicans are already involved in Cuban telecommunications.

Source: *South Florida CEO* magazine, October 2005

Transportation

According to a study conducted jointly by Cambridge University (U.K.) and Loughborough University (U.K.), Cuba has nearly 61,000 km of roads, compared to 194,000+ km [116,400 miles] in Florida. The study provides the following comparisons:

- 85% of Florida's public roads are paved. In Cuba, it is about 60% paved and 54% are in urgent

- need of repair.
- In 2001, the Cuban vehicle fleet was estimated at 362,000 vehicles made up of 173,000 cars, 160,000 trucks, and 29,000 buses.
- Cuba has 180,000 motorcycles and 115,000 tractors
- Florida counts 13,031,700 vehicles (12,452,200 cars, 513,200 trucks, and 66,300 buses. In addition, Florida has close to 300,000 motorcycles and 217,000 recreation vehicles
- In terms of vehicles owned per resident, Florida's 2001 figures show 779 vehicles per 1,000 population. In Cuba, 31 vehicles per 1,000 people is roughly the same as it was in 1957

Source: *Mobility, Energy and Emissions in Cuba and Florida*, James P. Warren, *The Centre for Technology Strategy, Faculty of Technology, The Open University, Cambridge, UK.* and Marcus P. Enoch, *Transport Studies Group, Department of Civil Engineering, Loughborough University, Leicestershire,, UK.*

Health Needs

Opportunities in the categories of healthcare and biotechnology will include:

- ❖ Hospitals & Assisted Living Facilities
- ❖ Pharmaceutical Development
- ❖ Production

Although Cuba has claimed great success in the area of health, the majority of the population does not have access to the high-quality health care that is available to the ruling elite and to foreigners. The Report to the President anticipates the following needs, which could be met by the U.S. Government and by Florida businesses and professionals:

- Evaluate the quality and safety of basic health care, including hospitals, health-care providers, elderly and nursing home care, maternal, child health, referral networks, logistics, essential drug-supply systems, and emergency transportation
- Help Cuban health-care providers in assisting the Transition
- Government to review health-related laws, regulations and policies to determine changes necessary for sustaining and/or improving quality of health care to maintain social protection, and, the proper monitoring and control of infectious diseases.

Source: *The Commission for Assistance to a Free Cuba, Report to the President of the United States*

FSAE, its member organizations and other Florida groups could provide healthcare assistance, for example, by providing trained Spanish-speaking doctors and nurses, especially those experienced in disaster relief. Certification standards will be important. Some Cuban health professionals may have "book knowledge" but not practical experience with state-of-the-art equipment. Preventive care medicine has been in place at Cuba's 14,000 family/primary health care centers but episodic health care leaves much to be desired.

The Report to the President also recommends that Cubans abroad "train in detection of acute health problems that require medical assistance and to deliver preventive health messages to vulnerable groups."

Agriculture

Experts see opportunities in the following sectors:

- Sugar/Ethanol
- Vegetables

- Fruit & Citrus
- Cattle
- Processed Foods
- Farm Equipment
- Fertilizers

Cuba imports \$5 billion in food products. This will benefit Florida during the first five years of development, once it becomes legal to do business with Cuba. Eventually Cuba will grow many of these products on the island. In three to five years, Cuba could become an exporting threat to the U.S. in the categories of fruits and winter vegetables.

The citrus industry, in which Israel has already invested in Cuba, is actually an opportunity—providing a constant fruit supply for companies such as Tropicana.

Commodities Trading

A University of Florida study has identified potential commodities and groups of commodities that would be likely candidates for trade or investment once commercial relations between the two countries are resumed. The five groups identified include:

- sugar
- citrus--grapefruit, lemon, lime, orange and tangerine
- vegetables--cabbage, *calabaza* (pumpkin), cucumber, garlic, lettuce, onion, pepper, plantain and tomato; roots and tubers--*boniato* (sweet potato), *malanga* (taro), potato and *yucca* (cassava)
- tropical fruits--avocado, coconut, guava, mango, papaya and pineapple
- fisheries and aquaculture.

In a post-embargo Cuba, new opportunities for collaboration could arise. In fact, the University study indicates:

For almost four decades, conventional wisdom has anticipated strong opposition from U.S. producers to Cuban sugar imports when that moment comes. ...There are alternative options for addressing the problem...new avenues for mutual benefit also can be opened. Economic (and non-political) analyses suggest that the sugar industries of Florida and Cuba could become partners in several areas.

Source: University of Florida Study, Competition and Complementarity in Agriculture between Cuba and Florida: The Case of Sugar, by José Alvarez and Lazaro Peña Castellanos.

Consumer & Business Products and Services

Disposable income among Cubans is very limited at this time but will grow after several years of economic development. Some examples of areas of opportunities include:

- Publication of a "Yellow Pages," which does not exist in Cuba.
- Imports (at the beginning) vs. local manufacturing later on

Professional Services

Attorneys will have new business derived from international trade, trademarks and patents, reclamation of lost properties, and the establishment of new business, among others. Reclamation of physical assets confiscated by the Cuban government could also be a major future source of legal activity. Another growth area will be contract law.

Accountants will have new business opportunities as new businesses of every size are established in a post-embargo Cuba.

Source: South Florida CEO, October 2005

Other professionals, such as advertising, public relations and other marketing experts will likely find new business opportunities as American and Cuban-American companies move into Cuba to market their products to more than 11 million consumers who are hungry for materials goods and services. Senior public relations experts anticipate that many U.S. based Cuban-American and global advertising and public relations agencies based in Florida and other areas will expand and open offices in Havana to serve their current and future clients once it is again legal for U.S. firms to do business in Cuba.

Financial Service Companies

To offer services to other foreign investors in Cuba, most U.S. banks and insurers will have to compete with similar firms from Europe and Canada. There may be joint ventures between U.S. financial institutions and Cuban-based firms, but opportunities are expected to be limited because of overseas competition and the small size of the Cuban economy. However, Seno Bril, former president of the Miami-based Florida International Bankers Association, expects South Florida banks to be active in financing business ventures in Cuba.

Sources: 2004 study by Florida International University Professor of Economics, Jorge Salazar-Carrillo, and doctorate student David R. Ebro, and the South Florida CEO article, October 2005

The Report to the President also envisions Cuban-Americans and other Cubans abroad "helping to establish new financial institutions or assisting U.S.-based financial institutions to establish new branches or connections in Cuba."

Source: The Commission for Assistance to a Free Cuba, Report to the President of the United States

Building Materials

Considering the need to rebuild the infrastructure of Cuba and the demand for new housing in a post-embargo Cuba, Florida companies that sell building materials will experience considerable demand.

Jose "Pepe" Cancio, CEO of Miami-based Central Concrete Supermix Inc., expects that Florida will ship 75% of the concrete needed for construction projects in Cuba. He also sees Cuba as a grand exporter of raw building materials in the future, generating between \$20 million and \$30 million a year in sales.

Source: South Florida CEO, October 2005

Opportunities for Builders

Housing and real estate development opportunities will emerge in three categories: Single & Multi-Family Residential, Office & Commercial, Vacation and Resort Development.

A study in progress at Florida International University, "Havana and Its Landscapes," indicates that Cuba needs to build approximately 1.5 million homes. Sergio Pino, CEO of Century Homebuilders LLC in Miami, expects 70% of Havana's badly deteriorated structures to be rebuilt. Pino envisions a

plan to relocate residents to temporary housing outside of the city while their actual homes are repaired or rebuilt. According to some experts, demand for new homes may come from foreign investors looking for second homes rather than from Cubans themselves. Demand from Cuban-Americans for second homes in Cuba is likely to be great.

Anthony Seijas, Miami-Dade County division president of Lennar Homes, a subsidiary of Miami-based Lennar Corporation, projects that the market for workforce housing will be greater than that for luxury homes. He is confident that his company has the resources to step into this market immediately after a free-market transition.

Source: South Florida CEO, October 2005

Tourism and Hospitality

Opportunities in tourism will be in:

- Hotels
- Food Services
- Car Rentals
- Cruise Ship Services
- Resort Facilities Products & Services
- Landscaping

In 2006, there were 2.2 million visitors to Cuba (vs. 3.7 million who traveled to Puerto Rico). This included 900,000 Europeans (primarily from the UK, Spain, and Italy); 600,000 Canadians; and 36,000 from Miami. Fewer than 7% of visitors to Cuba return for a follow-up visit. There are 43,000 hotel rooms in 400 hotels. One hundred hotels have “star” rating category and could be upgraded to U.S. standards. There are only two golf courses (one in Havana and one in Varadero). Cruise line super ships do not currently have the special harbor facilities they need in order to add Cuba as one of their stops. Cruise companies also report that tourist experiences in Cuba are not up to the standards of the cruise industry.

Salazar-Carrillo’s study (Florida International University) notes an increase of 90% in the demand for the number of hotel rooms within four years of a democratic transition and an additional jump of 100% or more four years after that. U.S. investors will have to partner with companies already established in Cuba. For example, Spanish hotel giant Sol Melia Hotels & Resorts currently operates 24 hotels in Cuba. However, there will probably be enough business, with pent-up demand, for both U.S. and European companies, as well as others.

When considering the effect on Florida of increased tourism to Cuba, Bill Talbert, President and CEO of the Greater Miami Convention & Visitors Bureau, comments, “In terms of competition for Miami in particular, I think for a while, the kind of tourist Miami currently attracts to high-end hotels is not going to Cuba, because they don’t have high-end hotels.”

Source: South Florida CEO, October 2005

Skilled Workforce

Enrollment figures for 2005-06 indicate that there are 658,000 students in Cuba’s universities, most in medical and educational fields; 37,000 in engineering; 3,000 in biology and mathematics. Because of these numbers, Cuba has the potential to become a mini-India or a mini-Costa Rica. Long-term, however, the Cuban labor force will not be as inexpensive as it is in other nations.

Machinery imports are expected to reach approximately \$154 million annually and transportation

equipment imports should reach up to \$55 million a year, according to the cited FIU study.

The Post-Castro Economic Process and Business Opportunities

Challenges

Investments will occur slowly and the amounts may be limited to between \$200 million and \$300 million in the first few years after a democratic transition because of “bottlenecks” in the system. Businesses will face a number of obstacles:

- Lack of generally accepted accounting practices in Cuba
- Potential for rapid inflation
- Degraded transportation and storage infrastructure
- Inability of existing energy and telecommunications facilities to meet expected demand.

Salazar Carrillo adds: “I think most firms will lose money for a few years and they’ll have to expect that they won’t recoup those investments for years... The stream of profits after that will be rather substantial. It’s an investment for middle and long run, 20 to 30 years.”

Source: South Florida CEO, October 2005

Presenters urged that the legal staff of FSAE members’ associations must familiarize the membership with the U.S. Foreign Corrupt Practices Act in order to conduct business effectively in a post-embargo Cuba. The important factors that require constant emphasis include:

- U.S. government policies on trade must change before American companies and organizations can legally do business with Cuba.
- The role of the Cuban military in the economy must be taken into account; the military currently controls all the state enterprises.
- Managerial skills will mostly be obtained from military leaders.
- The University of Havana is increasingly enrolling students in its business school.
- The Port of Havana, repaired by Cuban Army logistics personnel, is now working much more effectively than before.
- Critical thinking capabilities will be a major challenge while technical skills are probably more developed. A centralized economy does not favor critical thinking.
- According to some experts, the Cuban military has been highly efficient. Raúl Castro will try to make the armed forces even more efficient.
- Resolution of outstanding property claims, especially business properties, may present a problem to new investors.
 - o Assets are so old and/or deteriorated that they may not be at all worth buying
 - o Land is valuable.
 - o The issue of claims on agricultural lands may be the most problematic.
 - o Most civilized countries have had an agrarian reform, and Cuba will not go back.

Free Market Economic Enablers

The creation of Free Market economic enablers will be very important. As stated above, Cuba does not have in place the legal-monetary-tax-labor-judiciary system that facilitates free market development.

- Capitalization of State enterprises:
 - o It is uncertain if Cuba will privatize State enterprises.
 - o Current enterprises have little value due to outdated technologies, deterioration, etc.
 - o It will probably be better to bring top-of-the-line technology into Cuba and to open new businesses rather than to buy existing enterprises.
- Society's fears – ethics, values, attitudes
 - o It is important to understand the people who will work for future investors.
 - o Some are afraid of change and of losing the little that they have.
 - o Some steal because they have to steal as the only way to survive.
 - o It is crucial for them to begin to gain values, including responsibility. Cubans have to learn the consequence for their actions.
 - o Training will not change them; consequences will change them.
- The experience of the Cuban military and the resources and experience of Cuban-Americans will be important enablers.

A survey conducted by *South Florida CEO* magazine revealed that:

- Cuban-Americans talk of a sense of duty as a major reason for planning to invest personal assets in a post-Castro Cuba. One said, "I will do whatever I can to promote Cuba as a place to go for business and pleasure."
- Many interviewees express interest, but with the caveat: "While I would invest heavily in a free Cuba, I would not send one penny there while Castro is still in power."

Source: *South Florida CEO*, October 2005

The Opinions of Cuban-Americans regarding Cuba

The Cuban-American community is not monolithic. It must be understood based on the various waves of migration from Cuba to the United States.

Political attitudes are defined by waves. Exiles are transitioning in terms of their political ideas and views about Cuba. The 1960s generation has been characterized by the "politics of passion" according to Professor Damián Pérez, Florida International University. These Cuban-Americans have no links in Cuba in terms of family and friends. Their hate of Fidel Castro and what he has done to Cuba are their most important drivers.

First wave -- 1895-1898 to Tampa, Key West, New York, and New Orleans

Second wave -- 1959-1962 (250,000 Cubans) included the white upper class, upper middle classes, and middle classes

Third Wave – 1965-1972 Freedom Flights (300,000 Cubans)

- Younger Cubans, children and elderly were over-represented

- Lower middle class

Fourth Wave -- The Mariel Influx -- 1980 (130,000 Cubans)

- Had an earthquake effect on American politics
- Uprising in Arkansas jail affected the then-governor Bill Clinton
- More Afro-Cubans than ever before
- Lower socio-economic classes arrived
- 10% were criminal and/or antisocial (included in the boats as a condition to Cubans who wanted to bring their relatives to the U.S.)
- Damaging to Cuban-American reputation

Post-Mariel Arrivals -- since 1980

- The rafters (63,000 have arrived by raft or boat. 16,000 have perished in the effort)
- Third-country arrivals
- Visa arrivals through 2005 total 200,000
- Most who have made it to the US since 1980 were born in Cuba after the Revolution
- Younger, well-educated and not nostalgic

The “politics of affection” characterize Cubans who arrived in 1980 or thereafter. They left behind friends and family and are not willing to subjugate these relationships to politics. They consistently send remittances to their relatives. They are the ones who want to travel to Cuba in most cases.

The “politics of reason” characterize U.S.-born and/or Cubans educated in the U.S. They are passionate but are also reasonable in their attitudes about Cuba. According to some experts, many increasingly believe that what has been done about Cuba for 50 years has not worked so it is now time to look at possible policy changes.

Carlos Pascual, vice president and director of foreign policy studies at The Brookings Institution, comments that most studies report that the views of Cuban-Americans about Cuba have been changing over the years. The Cuba Study Group web page notes: “People are seeing and recognizing the need to take a new path.”

Source: www.cubastudygroup.org

It is important to examine thoroughly the Cuban-American community in Florida, including its demographics and psychographics, its accomplishments, views on U.S. policy on Cuba, key organizations that deal with Cuba issues and relationship with Florida political and business leaders. The Cuba Study Group, for example, is addressing the challenge of achieving freedom in Cuba and is working with the Cuban-American community in Florida, planning to meet the challenges and opportunities of a free Cuba.

As of 2004, there were two sets of figures being presented regarding the number of Cubans in the U.S. Synovate’s U.S. Hispanic market study reports 1.675 million Cubans in the U.S. (3.8% of the total U.S. Hispanic population) and the U.S. Census count is 1.3 million. One third of all Cuban-Americans are older than 50 years of age. 75% were born in Cuba and less than one third are 1960 arrivals. It is estimated that 96% of Cuban adults were born in Cuba. Today, 57% of Cuban-Americans are U.S. citizens.

Sources: *U.S. Census 2004 and Synovate’s U.S. Hispanic Market Report, 2004.*

In 2006, The Miami Herald surveyed 600 Cuban Americans (67% of whom were registered to vote). The results show several important developments in the views of Cuban Americans (Also see summary in Appendix A to this White Paper).

- Approximately 74% of the Cubans in Miami believe that Fidel Castro will not return to power.
- 55% believe that Cuba will return to democracy, but agree it will take time.
- 77% say it is important that the transition to democracy in Cuba be gradual, without violence.
- A majority of Cubans approves of President Bush's handling of Cuba policy. Nevertheless, most who came after 1980 want the U.S. to lift restrictions on travel and remittances.
- 53% believe that the embargo should continue; 36% believe it should not.
- 67% believe that residential and dwelling properties in Cuba should belong to those who live in them now.
- 72% believe that the U.S. government should negotiate if a new Cuban government shows interest in negotiations.
- 80% will stay and live in the United States even after democracy is restored in Cuba. 13% state that they will return to live and work in Cuba.

Source: Survey of Cuban and Cuban American Resident Adults in Miami-Dade and Broward, The Miami Herald, 2006.

On the other hand, U.S. Representative Lincoln Diaz-Balart (R FL-21) cites different results from a poll he commissioned involving 400 Cuban-American registered voters in his Miami district.

- 80% of the respondents arrived before the 1980 Mariel boatlift.
- 89.7% of the Cuban Americans in his district support retaining the U.S. restriction on tourism and 85.2% back the current policy that prohibits Cuban nationals from visiting the island more than once every three years.
- Among those registered to vote, 88.5 percent support the economic embargo against Cuba.
- Those younger than 34 are less inclined to back the economic embargo.
- The time of their arrival in the U.S. did not make a significant difference in attitudes toward those policies, according to the Diaz-Balart poll.

Source: Poll commissioned by Congressman Lincoln Diaz-Balart, conducted by analyst Dario Moreno.

A 2007 Survey of 1,000 Cuban Americans, conducted by the Institute for Public Opinion Research and the Cuban Research Institute of Florida International University illuminates Cuban-American attitudes regarding Cuba. According to this poll:

- Approximately 65% of respondents signal that they would support a dialogue with the Cuban government (in 2004, polls showed 55.4% in Miami-Dade and 60.9% in Broward).
- Although only 23.6% feel that the embargo has worked well, 57.5% of the Cuban-American population expressed support for its continuation (down from 2004 -- 66.4% in Miami-Dade and 62.5% in Broward).
- Approximately 57.2% support establishing diplomatic relations with the island.

- Echoing the results of previous surveys, the Cuban-American community is willing to lend support to human rights groups working inside Cuba. More than 97% of the respondents support lending a hand to such groups.

Source: 2007 Survey conducted by the Institute for Public Opinion Research and the Cuban Research Institute, FIU

The Role of Cuban-Americans in the Rebuilding of Cuba

Today, there are more than one million Cuban-Americans in Florida. This presents the opportunity for Cuban-Americans within FSAE associations to become significantly involved in developing the strategic plans to meet the challenges and opportunities of a post-embargo Cuba.

The Report to the President recommends that Cubans abroad should play a major role in the rebuilding of a post-Castro Cuba since they “can provide much needed resources in the form of information, research and know-how, as well as material support, remittances, loans and investment capital. Reconciling and reuniting the Cuban family in freedom will also be essential to the successful, rapid return of sovereignty to the Cuban people.”

The Report to the President goes on to state:

Cubans living abroad may be able to help with contributions from trained economists and finance specialists to support the Cuban Transition Government as it seeks to implement market-based macro-economic policies. They too will likely be a source of much needed capital. Continued or increased remittances will likely be a crucial source of foreign exchange and social support for many households as well as key to revitalizing a liberalized Cuban economy during the transition.

The Report recommends that U.S. and Florida Cubans could also provide “support for new Cuban entrepreneurs during the transition.” In the area of infrastructure, for example, “Cubans are justly proud of their architectural heritage. Both Cubans on the island and abroad could work in partnership with NGOs and relevant U.S. Government agencies, such as the Department of the Interior, to preserve and restore Cuba’s historic heritage, much of which has tragically been neglected under Castro’s rule.”

Source: The Commission for Assistance to a Free Cuba, Report to the President of the United States

An Analysis of Current U.S. Policy towards Cuba

Castro has kept the Cuban people poor as a way to keep them compliant. But, the Castro regime made the error of educating people. Cuba now has the lowest rate of return on human capital investment in the world. It has a highly educated population, including many who are college educated, and yet many of these Cubans are under-employed or unemployed. This education level may actually be the undoing of the dictatorial system.

Some regard the current U.S. policy towards Cuba as “The Big Bang Theory of Transitions”. The analogy is to a pressure cooker that has three key elements: confrontation, sanctions and isolation. Some Cuba experts believe U.S. policy has not produced any significant results. They believe the current U.S. approach actually increases the risk of social explosion with attendant consequences, presents major ethical dilemmas, promotes illegal behavior, affects ability to govern, and presents a major security risk to the U.S.

The present U.S. administration only equates changing the policy to a regime change within Cuba. According to some Cuba experts, there are pitfalls in the current U.S. policy for a variety of reasons. It does not address how change is to occur nor does it adequately address consequences. The policy is perceived to place too much emphasis on politics and, as noted above, contemplates only one scenario for change--the least likely one. These experts believe that the current policy isolates

Cubans from each other and does not promote reconciliation, thereby leaving very little flexibility for the U.S. President to act as needed.

Some who study Cuba closely believe that U.S. policy risks kindling the “tinder box” and is inconsistent with other policy approaches. They believe current policy constitutes a major obstacle to a multilateral policy consensus on Cuba. They suggest that it is a major irritant and detractor in hemispheric policy and in broader international relations.

This rather critical report card on U.S. policy is countered by Professor Suchlicki, who states:

A normalization of relations with a military dictatorship in Cuba with General Raúl Castro or any successor will send the wrong message to the rest of the Hemisphere: that militarism is welcomed again in the region and that populist regimes that rig elections and perpetuate themselves in power will also be welcomed. Supporting regimes and dictators that violate human rights and abuse their population is an ill-advised policy that rewards and encourages further abuses, whether in Cuba, Latin America or any other region of the world.

Source: “When Should the U.S. Change Policy toward Cuba,” by Jason Poblete and Jaime Suchlicki, Information and Analysis from the Institute for Cuban and Cuban-American Studies, University of Miami, August 13, 2007.

Implications of Fidel Castro's Death for U.S. Policy

The ethical question remains: Should the U.S. negotiate with a Cuba that does not allow political freedom? Suchlicki recommends that the U.S. should stay the course on Cuba:

If anything, the easing of economic sanctions on Cuba without major concessions from the Cuban government would send the wrong message ‘to the enemies of the United States’ in the Hemisphere and elsewhere: that a foreign leader can seize U.S. properties without compensation; allow the use of his territory for the introduction of nuclear missiles aimed at the United States; espouse terrorism and anti-U.S. causes throughout the world; and eventually the United States will ‘forget and forgive,’ and reward him with tourism, investments and economic aid.

There are other Cuba experts, however, who believe that the current policies have not worked and that is time for a change. They argue that easing travel restrictions to Cuba and ending the embargo will facilitate people-to-people contact and be a catalyst for change. Suchlicki believes that, due to the limited contact that American tourists will have with Cubans, and the control exerted by the efficient security apparatus, not much change will result. He adds that, “There is no persuasive, much less credible evidence to support the notion that engagement with a totalitarian state will bring about its demise.” Since the tourism industry is controlled by the military and by the Castro brothers, the revenues would flow to the rulers and not to the people. Suchlicki concludes that:

The travel ban and the embargo should be lifted as a result of negotiations between the U.S. and a Cuban government willing to provide meaningful political and economic concessions or when there is a democratic government in place in the island...The U.S. should start by reminding the Cubans that one key, non-negotiable point, at least according to U.S. law since the 1990s, is that a transition government cannot include either of the Castro brothers.

Source: “When Should the U.S. Change Policy toward Cuba,” by Jason Poblete and Jaime Suchlicki, Information and Analysis from the Institute for Cuban and Cuban-American Studies, University of Miami, August 13, 2007.

How to Effect Change in Cuba

Some experts anticipate that the “stay-the-course” policy will not bring about reforms. It is a “pay later” scenario and will take Cuba farther into a third world economic status. Most accept that there are five possible scenarios for the future of Cuba:

1. Gradual reforms, starting with economic reforms
2. The “Big Bang” — a violent uprising (the worst for Florida)
3. Stay the course -- no significant reforms
4. Significant political and economic reforms adopted by the Cuban ruling elite — not likely
5. A military coup — not likely

Some suggest a different approach to help accelerate a transition:

- Promote fissures in the elites--embolden reformers.
- Promote and welcome reforms.
- Engage as reforms are made. Reward reforms--ask for more. (Conditional engagement.).
- Create mechanisms for change to occur. Look for facilitators of change.
- Lower the cost of change and increase the rewards.
- Support dissidents and strengthen civil society.
- Discard isolation as an element of policy. Allow free travel to Cuba.
- Engage the people. Promote people-to-people activities.
- Allow a greater flow of information and resources.
- Promote non-violence and reconciliation.
- Increase the urgency for change. Make it costly not to change.
- Counter regime key success factors.
- Build an international coalition along new policy initiatives.
- Deny legitimacy to the post-Fidel regime. Keep pressures on Cuba for human rights violations.
- Maintain targeted sanctions.
- Change the rhetoric of confrontation to reconciliation.

Prior to effecting change in Cuba, questions need to be asked and answered about how to make changes possible in Cuba.

- Who has power to change the system in Cuba?
- Are they willing to change? (Most likely, there is a low willingness to change at this time.)
- Who has power to change in Miami?
- Who is prepared for change? Cubans in Cuba? The Cuban government?

In order to effect change, values must move from low to high. Those interested in accomplishing change must find ways to increase the willingness of the Cuban ruling elite to change. The equation for change, according to some experts, is as follows:

**Willingness to change increases
if and when the rewards and urgency exceed the cost of change.**

The Cuban ruling elite knows the current system does not work and that they must pay the piper. There is a significant debate going on now among Cuban leaders as to what action to take in the immediate future. They are considering what the cost will be if they pay now vs. if they pay later. There is a small window of opportunity to encourage the Cuban ruling elite to change and some experts believe that it is important for the U.S. to take advantage of this window now. The strategy of the U.S., according to these experts, should be to bring down the cost of paying now.

FSAE participants discussed the successes of the current U.S. policy and challenged any immediate changes in policy considering that Fidel is gravely ill. Some presenters responded that supporters of the current Bush administration policy do not have a roadmap or an action plan to facilitate the transition. No one has a monopoly on the truth regarding the right policy toward Cuba or what will happen in the future in Cuba. (Additional material on this discussion point may be found in the Appendix to this White Paper)

According to one presenter, the U.S. might also consider a calibrated response with a “jump-start”:

- Initiate, unilaterally and immediately, measures that help the Cuban people directly (e.g., family travel and remittances) and measures that aid the development of civil society (e.g., travel and information flow).
- Calibrate taking measures that might provide benefits to the Cuban government, a tit for tat, based on reforms enacted by the Cuban government, especially the release of all political prisoners. (This is described as Conditional Engagement).
- Seek broader multilateral support for a consensus Cuba policy and include Cuba in the context of a broader hemispheric policy approach. Lower the U.S. profile by working through international organizations and coalitions.
- Promote processes of reconciliation among Cubans. Distance the U.S. from more extreme elements of Cuban *Diaspora* who are transitional obstacles. Strengthen those who seek reconciliation and become transitional assets.
- Strengthen the civic movement.
- Stop isolating Cuba.

Some experts who are familiar with current conditions suggest that Cuban-Americans and U.S. policy makers should be empowering the Cuban people to press for change. There is now a very small temporary window of opportunity. The objective is to avoid chaos and violence in Cuba—the worst-case scenario for Cuba and Florida—and to open up opportunity for change. Transitions occur when expectations for change begin to rise.

According to some, the embargo has provided the Castro regime with a convenient scapegoat, blaming every problem on the U.S. embargo. The embargo has also given international legitimacy to Fidel Castro because it positioned the Revolution as heroic and attacked by the U.S. The Castro regime has also used the embargo to encourage fear of change. Cuban-Americans are positioned as the “barbarians at the gate.” The view of some experts is that U.S. policy of isolation has fostered an internal dependency on the regime and has enabled the government to use poverty as a tool for control. Immigration has been the escape valve.

It is important for the U.S. and Cuban-Americans to engage early and to participate in each stage of the transition. It is also important to study the pre-transition U.S. policies that were successful with other Communist dictatorships. For example, the U.S. conducted business with Poland and East Germany even before the fall of the Communist regimes in those countries. Isolation was never used as a U.S. policy element in the case of countries that successfully transitioned to a democracy. The less violent the transition, the more it succeeded. Some believe that ending isolation can facilitate the strengthening of a civil society in Cuba.

In Suchlicki's opinion, however, “there has to be a willingness on the part of the Cuban leadership to offer real concessions in the area of human rights and political and economic openings as well as cooperation on anti-terrorism and drug interdiction [to convince] the United States to change its policies. No country gives away major policies without a substantial *quid pro quo*.”

Source: "When Should the U.S. Change Policy toward Cuba," by Jason Poblete and Jaime Suchlicki, Information and Analysis from the Institute for Cuban and Cuban-American Studies, University of Miami, August 13, 2007.

How Other Business and Official Entities are Planning for Cuba

For quite some time, various organizations and businesses have been preparing for the day they can do business with Cuba. An Associated Press article published in *USA Today* during 2007 quoted the Houston (TX) Port Authority Chairman: "Port of Houston hopes to become the number one departure point for American ocean travel to Cuba when U.S. restrictions on travel to the communist-run island end." He and Cuban officials signed a memorandum of understanding. Its objective is to increase the use of the Houston port to ship American farm goods being sold to Cuba under an exception to the four-decade-old trade embargo.

The 2006 U.S.- Cuba Energy Summit was well-attended and included presentations from interested parties including representatives from the Port of Corpus Christi, Louisiana Department of Economic Development, U.S.- Cuba Trade Association, Crowley Maritime Services, Caterpillar, Lafayette Economic Development Authority, Tiger Machinery, Alabama, Port of South Louisiana, Corpus Christi Hispanic Chamber of Commerce, Valero Energy Company, HIS Energy Company (Houston), Lewis Energy Group (San Antonio), Corpus Christi Regional Economic Development Authority, ExxonMobil Exploration Company, Port of Houston, Houston, CSV Holdings, Inc. (San Antonio), Texas, among others.

A recent Internet article mentions that The Port of Corpus Christi is planning ahead for the day when the United States embargo on Cuba is lifted. The article reported that port officials were in Mexico City during February 2007 to discuss potential business opportunities with Cuba.

Source: Port Of Corpus Christi Officials Work to Increase Cuban Trade Opportunities, Alice Donahue Real Estate Home Page.

Critical Thinking to Address Key Issues

FSAE participants took a serious look at several key issues that members and their own association members will need to address. The group reached consensus on a variety of points. In summary, FSAE and its members should work now to consider the following options and strategies.

- It is now time to work towards a better understanding the various scenarios of Cuban transition.
- It may be beneficial for Florida companies and professionals to partner with foreign national companies that are already in Cuba (once the embargo is lifted).
- Strategic planning needs to start now because the longer we wait, the farther we lag behind others who have taken the initiative.
- U.S. organizations and companies need a better understanding of Cuban-American points of view regarding the embargo, based on their arrival in different immigration waves.

- Be prepared to identify strategic opportunities even if Cuba's political system does not change.
- Gather the latest demographic information on Cuba so appropriate planning can take place based on up-to-date facts. This should include marketing, industry specific, association and attitudinal data as well as business and operational intelligence.
- Tradition is still important to Cuban culture, e.g., *caudillismo*.
- Define education equivalency (for graduates of Cuban colleges and universities) and deciding what will be needed to verify qualifications/license/etc. in anticipation of a workforce migration to the U.S.
- Begin to identify opportunities and challenges for the association, profession, and industry.
- Decide what resources to put in place even before the embargo is lifted.
- Articulate the plans of FSAE members (and their respective memberships) regarding Cuba.
- Acknowledge the importance of sharing information with and educating members.
- Commission specific studies relevant to specific associations.
- Acknowledge that transition changes will be slow and there will be a great need to educate political and other leaders (both in Cuba and in the U.S.) once a democratic society is achieved.
- Better understand various transition scenarios and prepare plans that will respond to each one.
- Compile information on sectors that will offer the most opportunities
- Learn more about what Cuba is really like today.
- Identify what FSAE members/associations can do legally vs. what they may want to do.
- Train in order to be prepared to deal with an anticipated slow-moving process.
- Prepare educated Cubans in various professions for eventual positions at home and in the U.S.
- Determine what Cubans need to learn in order to work with their U.S. counterparts.
- Identify the key players.
- Prepare to communicate in both Spanish and English.
- Assemble marine and ocean information for future industry use.
- Associations need to begin to determine the perceptions and reactions of their own members to any actions taken regarding a Cuba strategy.

How A Post-Embargo Cuba Affects Florida

Finally, FSAE participants discussed the questions that need to be asked and answered now if the

anticipation is that the Cuban government will implement major reforms and that it will become legal for U.S. entities to do business with Cuba.

The key questions for any organization planning a new relationship in Cuba include:

- How will association members of Cuban origin react?
- Will promoting free market policy create political freedom?
- How can FSAE and its members be helpful to Cubans in the rebuilding process?
- How can FSAE and its members provide information and training?
- What will be the economic value for FSAE and its members to be active participants in the future of Cuba once it is legal to do business?

Key Considerations - Summary

- Political changes may occur after economic & social reforms have taken place.
- There is a likelihood of longer-term, peaceful transition rather than a quick and violent change.
- Any change will have a far-reaching economic and political impact.
- There is a tremendous economic potential for Floridians in a post-embargo Cuba.
- Americans cannot ignore the impact of Venezuela and China on Cuba.
- Less expensive labor in Cuba may have an impact on the U.S. workforce with the possibility of outsourcing various industry sectors to Cuba.
- Eventually, Cuba will have a huge agricultural impact and become a major competitor.
- Cuban migration to Florida will be significant but Florida will not experience a mass exodus of Cuban-Americans to a post-embargo Cuba.
- The challenge for Florida (and the U.S. in general) will be to find ways to deal with the transitional socialist government.
- Florida's proximity to Cuba enables it to more easily effect interaction association-to-association and business-to-business.

Opportunities for Florida - Summary

- Factors to consider include the highly educated Cuban population contrasted with their dependency on Fidel and lack of entrepreneurship.
- Specific opportunities will emerge for Florida businesses in a post-embargo Cuba:
 - o Manufacturing
 - o Homebuilding
 - o Tourism
 - o Marine Industry
 - o Agriculture and Cattle

- There will be opportunities for associations to share their knowledge and expertise of associations and expand associations internationally
- FSAE associations could play a major role in a post-embargo Cuba by sharing professional certification requirements with Cubans and by providing training and services in Cuba in the future.
- The highly educated Cubans provide a unique opportunity to import a skilled workforce especially in the areas of healthcare, architecture, and other technical and professional areas

Challenges for Florida - Summary

- The “BIG BANG” approach to transition is dangerous. A slow transition will be more beneficial in the long run.
- Medical care will be one of the challenges faced by some of FSAE member associations because episodic care of quality has not been available to the general Cuban population and the healthcare system has significantly deteriorated.
- The extent to which other states may pre-empt Florida with reference to Cuba due to their advanced strategic planning.
- The Cuban-American political elite oftentimes have different opinions than the mass of Cubans who arrived after 1980, regarding a variety of issues affecting policy toward Cuba.
- American corporate businesses may file claims on buildings and business from pre-Castro Cuba.

Insights about Cubans and Cuban-Americans - Summary

- The opinions of the Cuban-American community are not uniform and depend especially on when/how the individuals arrived in the U.S.
- Cuban-American views are changing towards moderation and, overall, Cuban-Americans are now more diverse in their opinions on policy toward Cuba.
- Some Cuban-Americans would leave the U.S. for Cuba but the majority would not.
- Religious institutions are not strong in Cuba.
- Cuba's high literacy rate and strong education system has produced a highly educated and under-employed population
- The State economy is strong despite widespread economic suffering within the Cuban population.

The Florida Society of Association Executives and the FSAE Foundation extend their thanks and appreciation to the three expert presenters who have stimulated this discussion and made this White Paper possible.

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Resources Available to Organizations and Businesses in Florida

FSAE and its members should take every opportunity to utilize existing resources available through organizations such as:

- o The University of Miami Cuban Business Roundtable
- o The Institute of Cuban and Cuban-American Studies of the University of Miami
- o The Cuban Study Group
- o The Cuban-American National Foundation
- o The Cuban-American National Council
- o The Florida International University Cuban Research Institute

Other resources and publications that should also be studied include:

- o **The Commission For Assistance To A Free Cuba Report to the President of the United States**, Condoleezza Rice, Secretary Of State, who served as Chair and Carlos Gutierrez, U.S. Secretary Of Commerce, July 2006.
- o **The Cuban-American Experience**, a book by Guarioné Diaz, Reedy Press, 2007.
- o **Cuban Affairs**, a quarterly, peer reviewed, electronic journal published by the Institute for Cuban and Cuban-American Studies, University of Miami.
- o **Consenso Cubano** – An 18-point document that summarizes the elements that are common ground to many Cuban organizations that participated in this process.
www.consesocubano.org

Appendix A

The following text is a partial summary from the Commission for Assistance to a Free Cuba, Report to the President of the United States

How to help Cuba rebuild infrastructure:

Should the Cuban Transition Government request United States assistance with essential infrastructure in its economic transition, the U.S. Government can:

- Conduct assessments by relevant agencies of the critical infrastructure, as outlined above, with an immediate focus on the short-term need to provide humanitarian and technical assistance;
- Assist in forming a Friends of a Free Cuba group of donors at the beginning of the transition period to address immediate infrastructure issues;
- Conduct an immediate assessment of the adequacy of electric power supply to meet critical needs and the adequacy and condition of the electricity transmission and distribution network;
- Provide short-term assistance designed to ensure that the Cuban electrical system remains viable in advance of more extensive, privately financed overhaul and modernization;
- Provide technical assistance to Cuba's air transportation system to increase air safety between the United States and Cuba, to ensure Cuba's ability to adequately handle short-term emergency assistance, to determine Cuba's needs for upgrading its air traffic system to handle an anticipated increase in passenger traffic, and to ensure that Cuban airports comply with international security standards;
- Provide technical assistance to promote the maintenance and upgrade of Cuba's critical maritime, road and railway systems needs, with an initial emphasis focused on distributing critical food and medical assistance to rural areas, in an effort to ensure that the needs of non-urban Cubans are adequately met;
- Assess, with the Cuban Transition Government, the prospects for using intra-island barges to relieve Cuba's inefficient land-based transport system for the movement of humanitarian relief to rural parts of the island;
- Assess the feasibility of creating a regular scheduled ferry service between Florida and Cuba in order to accommodate the anticipated increase in transport activity, thus providing an economical means to move people and supplies for humanitarian purposes;
- Similar attention should be paid to improving distribution of agricultural produce from agricultural/rural areas to markets and/or processors in a timely manner so as to allay spoilage of domestically grown produce;
- Conduct an immediate assessment of fuel needs, refinery capability, and adequacy and condition of crude oil and product pipelines, and natural gas pipelines and distribution network;
- Following an initial assessment of existing oil and gas inventory and facilities in Cuba, helping to ensure that emergency fuel needs are, at a minimum, sufficient to allow for the distribution of humanitarian assistance throughout the island;

- With respect to communications, there will be an immediate increase in the demand for international calls, particularly to the United States. U.S. Government agencies and the U.S. private sector could provide technical assistance to enhance information flows, including access to computers and the Internet for lower income Cubans;
- Encourage U.S. and foreign firms to invest in infrastructure development and mobilize private sector technical assistance (in the energy, housing, urban planning, and transportation sectors) through key trade and professional associations;
- Provide advice on legal, regulatory and financial reform aimed at attracting private investment in infrastructure;
- In conjunction with the U.S. private sector, provide both emergency restoration and adequate maintenance to ensure that the existing housing stock is at least adequate in the short run and that Cubans without access to sufficient housing have at least temporary shelter until a growing Cuban economy can accommodate new construction; and
- Offer to provide environmental and urban planning assistance, especially at the local level, both to promote citizen involvement in planning, and also to ensure that the most critical infrastructure needs are identified and met at the earliest possible opportunity.

To help with the transition, the Report to the President recommends:

- Direct the Department of Commerce to establish a private-sector advisory committee composed of experts on Cuba from around the country to ensure the best available advice is available to the U.S. Government as it prepares to support a Cuban Transition Government;
- Take full opportunity to work with existing groups and individuals in and out of Cuba committed to a Cuban-led transition, and support efforts to identify skilled Cubans living abroad and other Spanish-speaking persons interested in supporting a Cuban-led transition process. Encourage these individuals and groups to be prepared to help with coordinated assistance efforts.

Source: The Commission for Assistance to a Free Cuba, Report to the President of the United States

PowerPoint Presentations used during the Think Tank are available by request to FSAE or online at www.fsae.org .