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FEATURED Q&A

What is the Significance of Warmer Cuba-EU Economic Relations?

Q Cuba and the European Union signed a cooperation agreement on October 23, putting an end to frosty relations that had existed since 2003, when the EU imposed sanctions on Cuba over the imprisonment of more than 70 dissidents. What will warmer relations mean for Cuba and the EU? Could the agreement lead to an economic opening in Cuba?

A **Guest Comment: Dan Erikson:** "The recent agreement between Havana and Brussels demonstrates that Spain has largely succeeded in its quest to convince the European Union to 'kiss and make up' with the Castro government. Cuba has long enjoyed a 'love-hate' relationship with the EU, which has frequently stumbled in its efforts to fashion a foreign policy towards the island that combines strong levels of trade and foreign investment with protests over human rights concerns. Cuba's relations with Europe appeared to be warming up when the European Commission opened its first delegation in Havana in March 2003, but only weeks later, Cuba orchestrated a massive crackdown on Cuban dissidents that placed a chill on the relationship when 75 leading opposition figures were arrested and sentenced to long prison terms. In response, the European Union introduced a series of diplomatic measures (often referred to as 'sanctions' in the press) that called for freezing diplomatic contact with Havana while allowing

trade and investment to continue. In 2005, the EU suspended these sanctions but relations remained icy as Cuba demanded that the sanctions be lifted permanently. A split soon emerged between the Spanish government of Prime Minister Zapatero, which favored normalizing ties with Cuba, and the post-communist countries of Eastern Europe, such as the Czech Republic, Hungary, and Poland which favored a tougher approach to Havana and professed solidarity with the island's beleaguered dissidents. A major breakthrough

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Bolivian President Halts US DEA Operations Indefinitely

President Evo Morales (R) on Saturday ordered the US to halt anti-drug operations in Bolivia, accusing DEA agents of conspiring with opposition leaders. See story on page 2.

Photo: ABL.

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NEWS BRIEFS

Top Mexican Police Chief Resigns in Drug Investigation

A top officer of Mexico's federal police has resigned after one of his aides came under investigation in a drug probe, Reuters reported. Mexico's security ministry on Saturday said Gerardo Garay resigned after authorities began investigating one of his main lieutenants for allegedly agreeing to provide protection to members of Mexico's Sinaloa drug cartel.

Analyst: Jamaica Could Suffer if US Lifts Cuba Embargo

Jamaica's tourism industry would suffer if the US lifts its embargo against Cuba, an analyst told the *Jamaica Gleaner* last week. John Rapley, the president of the Caribbean Policy Research Institute at the University of the West Indies, told the *Gleaner* that "Jamaica is one of the countries that is going to suffer the most." Tourism accounts for ten percent of Jamaica's GDP and indirectly employs 180,000 people.

Chavez Threatens to Expropriate Company Connected to Scandal

Venezuelan President Hugo Chavez on Saturday threatened to expropriate **Industrias Venoco**, a Venezuelan company connected to a scandal involving a suitcase that was found stuffed with approximately \$800,000 in cash, the Associated Press reported. One of the owners, Franklin Duran, is on trial in Miami. Authorities seized the money-filled suitcase in Argentina last year. Prosecutors allege it was a campaign contribution from Chavez to Argentine President Cristina Fernandez, which both presidents have denied.

Political News**Morales Halts US Anti-Drug Operations in Bolivia**

In the latest rift between Bolivia and the US, Bolivian President Evo Morales on Saturday halted US anti-drug operations in his country. Morales suspended US Drug Enforcement Administration efforts, accusing the agency of conspiring against his government, the Associated Press reported. "There were DEA agents who worked to conduct political espionage and

“We reject the accusation that DEA or any other part of the U.S. government ... conspired against the Bolivian government.”

— *State Department Spokesman Karl Duckworth*

to fund criminal groups so they could launch attacks on the lives of authorities, if not the president," said Morales. This year, Bolivia has destroyed more than the 12,300 acres of illegal coca required to be eradicated under a 1988 Bolivian law, which lawmakers approved under pressure from the US. In Washington, DEA spokesman Garrison Courtney said the suspension is "an unfortunate situation." Still, he said, "We will find other ways to make sure we keep abreast of the drug-trafficking situation through there." The US State Department dismissed Morales' claim that DEA is connected to efforts to destabilize his government. "We reject the accusation that DEA or any other part of the U.S. government supported the opposition or conspired against the Bolivian government," said State Department spokesman Karl Duckworth. "These accusations are false and absurd, and we deny them." Duckworth said the DEA has worked "effectively and professionally with our Bolivian partners" for 35 years. Morales, who rose to prominence in his country as a coca-growers union leader, in recent months limited DEA agents' activities and also expelled the US ambassador. The administration of US President George W. Bush then proposed suspending Bolivia from a trade agreement, a move Bolivia says will cost it 20,000 jobs.

Brazil Suggests Meeting With Iranian President

Brazilian President Luiz Inacio Lula da Silva is proposing a meeting with Iranian President Mahmoud Ahmadinejad, the Associated Press reported over the weekend. In Tehran Saturday, Brazilian Foreign Minister Celso Amorim handed Ahmadinejad a letter from Lula suggesting the Iranian leader visit Brazil next year. "The letter is not a formal invitation," but rather the beginning of dialogue for a visit, said an official in the Brazilian Foreign Ministry, who declined to be

named because she did not have permission to talk about the topic. The official added the visit would be aimed at strengthening relations between the two countries. In September, Brazil rejected Iran's offer to become a member of the Organization of Petroleum Exporting Countries (OPEC). Iran has also made overtures for stronger relations with Venezuela and Bolivia. The US has no diplomatic relations with Iran and accuses the Middle Eastern country of working to develop nuclear weapons. Iran says its nuclear ambitions are peaceful.

Economic News**Leader of Argentina State-Owned Bank Denies Any Default Risk**

The head of Argentina's state-owned **Banco de la Nacion** says the country faces no risk of default, the *Financial Times* reported on Friday. Mercedes Marco del Pont said recently that the country is not heading toward a devaluation of its peso. Critics believe Argentine President Cristina Fernandez's move earlier this month to nationalize approximately \$26 billion in private pension fund assets is aimed at injecting cash into government coffers ahead of \$21 billion in debt servic-

ing coming due next year. Fernandez has rejected that argument, as has Marco del Pont. Marco del Pont also expressed dismay over the drop in Argentine bonds, whose value plummeted 65 percent last month. "What worries me is the myopia of the markets. There are no objective reasons for bonds and country risk to be at the levels they are. There is zero risk of default," said Marco del Pont. The peso has been pushed to lows not seen for five years as Argentines have sold pesos and bought dollars as memories linger over their country's \$95 billion debt default in 2001 and the subsequent deposits freeze and peso devaluation. On Friday, **Standard & Poor's** downgraded Argentina's debt rating to B-, bringing it to the same level as countries such as Lebanon and Bolivia, reported Bloomberg News. After Fernandez announced the nationalization plan, Argentina ordered pension funds to begin unloading assets held in foreign countries, beginning with Brazil. That led to a state judge in New York freezing Argentine pension fund assets held in the US.

Brazilian Real Posts Third Straight Monthly Drop

Brazil's currency posted its third straight monthly decline in October, reported Bloomberg News on Friday. On the last day of October, the real fell 2.5 percent to 2.16 reais per US dollar. Overall in October, the real declined 12 percent against the dollar. Brazil's Bovespa stock index lost a quarter of its value in October and commodities, which are two thirds of the country's exports, also turned in their worst performance since 1956, reported Bloomberg News. "All the countries that were growing and were to some extent based on commodities will face a significant slowdown next year," said Pedro Tuesta, an economist at New York research firm 4Cast Inc.

Company News

Report Blames Lack of Training in Deadly Pemex Accident

An independent report released Friday

Featured Q&A

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came in June 2008, when the members of the European Union unanimously called for the sanctions to be removed. Now that the EU has entered into a cooperation agreement with Cuba, the next test

“The next test will be to see whether the EU-Cuba dialogue will consist of more than just pillow talk.”

— Dan Erikson

will be to see whether the EU-Cuba dialogue will consist of more than just pillow talk and also help to initiate a dialogue on democracy."

A **Guest Comment: Paul Hare:** "The EU's policy aims in Cuba have been consistent for over a decade. Engagement with Cuba has made the EU one of the island's main trade and investment partners and sources of tourism. The EU has also crit-

blamed a lack of proper training for the deaths of 22 Pemex production platform employees who were killed in an accident a year ago in the Gulf of Mexico. The report also says better weather forecasts are needed in order to avoid tragedies similar to the incident, which happened during a storm on October 23, 2007. The day of the accident, 86 workers of the state oil company were on the platform when 81-mile-per-hour winds and waves of up to 26 feet rocked the platform, Bloomberg News reported. "The weather bulletins lacked the details necessary to develop the risk model, which was equivalent to a Category 1 hurricane," the report said. Mario Molina, the chemist who led the report, said the incident was marked by disorder and panic as workers attempted to evacuate the Usumacinta platform, 47 miles out to sea from Ciudad del Carmen in the state of

Campeche. "We can't place the blame with anyone in particular," said Molina, a Nobel laureate. "It was a failure of the system, of the way the protocols were written." The report called for better emergency training for employees. "All of the personnel in the Bay of Campeche must be trained immediately to survive at sea," the report said. A government report also faulted Pemex for allowing employees to work offshore without the proper permits. Pemex also released a report on Friday acknowledging shortcomings in training. "The workers were not properly trained," Pemex's chief executive officer Jesus Reyes Heróles said.

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Reyes Heróles

Photo: Mexican Gov't.

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Cubans will participate, then the EU will have more to offer. Economic opening in Cuba is a matter for the Cuban people. Major reforms are needed and they would require a dismantling of many features of Cuba's totalitarian socialism. EU companies already have done much to promote economic efficiency in Cuba, for example through their training programs, introduction of incentives and hiring practices."

A Guest Comment: Jaime Suchlicki: "The belief that Cuba's economic crisis may lead to major political and economic changes in Cuba continues to permeate European, as well as American, thinking about the island. However, despite growing difficulties, the Castro brothers have not budged, they are not likely to budge with economic incentives. As Cuba stands now, the most anti-reformists, hard-line leaders surround General Raul Castro and are in the succession line after Raul. The younger brother is willing to introduce minor economic reforms and to correct some of the glaring irritants in Cuban society—for example, allowing Cubans access to hotels. Yet, he is unwilling to move much beyond. General Castro is no Gorbachev and no Deng Xiaoping. His emphasis has been on discipline, productivity and efficiency, particularly in the agricultural sector. Raul is also slowing the pace of reforms. The Cuban leadership has seen the reaction of the Cubans and fear possible instability. The changes have unleashed the Cubans' long suppressed expectations and desires. Dissidents have been emboldened and are pushing for reforms, particularly political ones. The population at large is not satisfied with the limited changes and is asking for more. Divisions between the haves and have-nots have increased, as well as between the whites and blacks that do not have family abroad and have little access to foreign currency. The most likely scenario, therefore, in the short run is a muddling through economic policy, a

halt to further reforms, and an increase in repression. There is another reason why European or American engagement will not work. The Castros have cast their lot with radical, anti-American regimes—Venezuela, Iran, Russia and China. These regimes are providing Cuba with free petroleum and with extensive credits for Cuba to purchase most of its needs. This largesse comes without conditions. None of these countries are concerned with Cuba's political system, human rights or a return to democracy. Why would a Raul Castro regime offer significant concessions to

“The Castros have cast their lot with radical, anti-American regimes.”

— Jaime Suchlicki

the European Union while it enjoys the fruits of a close relationship with the above countries? Even at the height of uncertainty, following the collapse of communism, Fidel Castro insisted that he would offer no concessions or change Cuba's system. The Castro brothers prefer to sacrifice the economic well-being of the Cubans rather than cave in to demands for a free Cuba politically and economically. Neither economic incentives nor punishment have worked with the Castros' in the past. They are not likely to work in the future."

Dan Erikson is Senior Associate for US policy at the *Inter-American Dialogue*.

Paul Hare served as Great Britain's Ambassador to Cuba from 2001 to 2004.

Jaime Suchlicki is a Professor and Director of Institute for Cuban and Cuban American Studies at the University of Miami.

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Erik Brand,
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta,
Editor
gkuleta@thedialogue.org

Matthew Schewel,
Reporter, Assistant Editor
mschewel@thedialogue.org

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

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Subscription Inquiries are welcomed at fretrial@thedialogue.org

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