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FEATURED Q&A

What Does Obama's Second Term Hold for U.S.-Cuba Relations?

Q John Kerry is expected to be confirmed soon as U.S. secretary of state. During his tenure in the Senate, Kerry has criticized U.S. programs aimed at fostering democracy in Cuba and proposed opening up U.S. travel to the island. Would having Kerry as secretary of state affect U.S. relations with Cuba? Will President Barack Obama's first-term moves to ease some travel and remittance restrictions for Cuban-Americans lead to additional relaxed restrictions in his second term? To what extent would looser restrictions toward Cuba present business opportunities for U.S. firms? Which industries could benefit?

A Matthew Aho, consultant in the corporate practice group of Akerman Senterfitt in New York: "While John Kerry's views on U.S.-Cuba relations have favored engagement over isolation, ultimate authority rests with a White House that proceeded cautiously on Cuba during President Obama's first term. Aside from easing some travel restrictions, there have been only two emergent themes on Cuba policy: support for private-sector efforts to increase the flow of information to the Cuban people and support for private economic activity on the island. Cuba policy changes still require expenditures of political capital disproportionate to the island's strategic and economic importance. Barring game-changing developments—such as release of USAID subcontractor Alan Gross—executive action during Obama's second term will likely focus on furthering goals laid out during his first. Here, however, Kerry's leadership could prove vital and create new opportunities for U.S. business. In 2009, the White House directed the Treasury and Commerce departments—in consultation with the State Department—to authorize U.S. telecommunications firms to negotiate international roaming agreements with Cuba. This would allow U.S. travelers to

Continued on page 3

Chávez Recovering in Good Spirits: Venezuelan Officials

Venezuelan President Hugo Chávez is recovering and in good spirits a month and a half after undergoing cancer surgery in Cuba, officials said Tuesday. Chávez had battled a respiratory infection since the surgery, but is now said to be on the mend. See story on page 2.

File Photo: Venezuelan Government.

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NEWS BRIEFS

Guatemalan Judge Starts Hearings in Case of Former Dictator

A Guatemalan judge has started pre-trial hearings to determine whether a genocide case against former dictator Efraín Rios Montt, 85, has enough evidence to proceed, the Associated Press reported. Rios Montt, who ruled from 1982 to 1983, stands accused of overseeing hundreds of killings during the country's civil war. Lawyers for Rios Montt, a former president of the country's Congress, have argued that an amnesty law protects him from being tried. Relatives of civil war massacre victims also attended the hearing. Some 200,000 people were killed during the 36-year war, which ended in 1996.

Haiti's Martelly Shuffles Cabinet for Third Time

Haitian President Michel Martelly will shake-up his cabinet for the second time in five months and the third time of his presidency, *The Miami Herald* reported Wednesday. In the presidential decree, there was no mention of a secretary of state for foreign affairs or communications, which were seemingly eliminated. There have been frequent protests since August over corruption allegations and increasing food costs.

Flash Floods in Chile Result in Water Shortages

Flooding muddied Chile's Maipo River, forcing the closure of water processing plants and a halt in water supplies to Santiago, BBC News reported Tuesday. According to officials, drinking water is being restored and supplies should be back to normal by today. More than 2 million people were affected and many businesses were forced to close.

Political News

Chávez Said to Be Recovering in Good Spirits: Officials

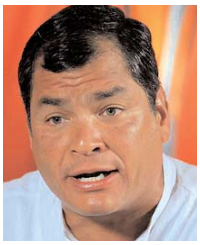
Venezuelan President Hugo Chávez is recovering and in good spirits a month and a half after undergoing his fourth cancer surgery in Cuba, Venezuela's information minister said Tuesday, the Associated Press reported. Ernesto Villegas said Jorge Arreaza, Chávez's son-in-law and science minister, gave the government a "very encouraging" report on the health of the 58-year-old leader. No date has been set yet for Chávez's return to Venezuela, said Villegas, who added that Chávez is displaying strength during a "hard, complex" struggle. "He's attentive to the development of events in Venezuela," said Villegas, according to the AP. Villegas added that Chávez was in "very good spirits" when Foreign Minister Elías Jaua met with him Monday in Havana. Vice President Nicolás Maduro said in a televised address Tuesday that there were "important advancements in the post-operative recovery process of President Chávez, which motivates us, which fills us with happiness." Addressing the president as if he were watching the speech, Maduro said, "You, commander Chávez, stay disciplined and calm. There's no rush. Calm. What's important is that you recover with quality." Maduro spoke at a factory that manufactures government-provided computers to low-income children. During Chávez's absence from Venezuela, the government will continue his socialist agenda that was outlined before the president's re-election in October, said Maduro. Bolivian President Evo Morales told Bolivian lawmakers Tuesday that Chávez "is now receiving physical therapy" in order to return to Venezuela. Morales added that he expects his ally to soon start attending "international events," though he did not specify which events.

> "He's attentive to the development of events in Venezuela."
>
> *— Ernesto Villegas*

Economic News

Profit of Ecuador's Private Banks Fall Amid Tighter Government Controls

The combined profit of Ecuador's private banks slumped 21 percent in 2012 as the government of President Rafael Correa tightened controls on the sector, Dow Jones reported Tuesday. Twenty-five private banks plus government-run **Banco del Pacífico Ecuador** reported $312 million in net profit for the year, as compared to $395 million in 2011. The banks earning the largest profits last year were **Banco del Pichincha**, with $66 million in profits; Banco del Pacífico, with $48 million; **Produbanco**, with $41 million; and **Banco de Guayaquil**, with $35 million, according to the Bank Superintendency of Ecuador. The four banks reported 67 percent of the sector's income and control 63 percent of the country's banking assets. If Correa wins re-election Feb. 17, he is likely to tighten regulations on private banks, according to analysts. Those moves could curb the banks' loan growth, threatening the country's financial system and leading to economic slowdown, the analysts add. Since becoming president in 2007, Correa has increased government control of banks, setting interest rates and mandating that they provide more services for free. Last May, Correa won legislative approval of a measure to regulate car loans and mortgages. The law limits borrowers' liability if they fail to repay loans. The government also forced Ecuadorean banks to divest their holdings in pension administrators as well as brokerages and insurance companies. Additionally, the central bank boosted banks' requirement to keep assets



Correa

File Photo: Ecuadorean Government.

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in Ecuador to 60 percent from 45 percent. Also, beginning this month, a new tax hike to fund a welfare program takes effect.

Company News

Brazil's Oi Fires Chief Executive Officer After 16 Months

Brazil's **Oi** announced Tuesday that it replaced its chief executive officer, Francisco Valim, just 16 months after he was named to the post, *The Wall Street Journal* reported. The telecommunications firm replaced Valim with its chairman, José Mauro Mettrau Carneiro da Cunha. A person familiar with the matter said Cunha will serve as CEO on an interim basis as the company searches for a permanent replacement. Cunha also stepped in as interim chief executive officer in mid-2011 before Valim took the helm. Oi did not give a reason for the change in leadership. However, like many telecommunications carriers, Oi has been struggling to replace its falling fixed-line revenue with increases in other areas, such as Internet and mobile. Last year, the company gained the highest number of new post-paid subscribers, with 2.3 million new lines, José Felipe Otero, president of **Signals Telecom Consulting**, told *The Wall Street Journal*. The company also looked for ways to reduce costs, such as through an agreement to share high-speed mobile networks with **TIM Participações**, he added. However, in publishing preliminary 2012 results on Tuesday, Oi said its consolidated net revenue was 27.5 billion reais ($13.45 billion) for the year, short of its goal of 28.9 billion reais.

Oi said Tuesday that its consolidated net revenue for 2012 fell short of its goal.

Featured Q&A

Continued from page 1

use their cell phones on the island and presumably increase communications flows with Cuba. It would also generate some new revenue for U.S. firms. Three years later, there's still no agreement—partly because federal agencies haven't clearly communicated how they will handle industry proposals to establish one. This issue may seem insignificant, but in the context of U.S.–Cuba relations it would be an historic first. Kerry could sit down with industry to revisit this issue to help finally get an agreement signed. He could also encourage the president to make other common-sense, executive-branch changes within the scope of current policy, such as allowing U.S. travelers to access basic financial services and purchase insurance products to ensure their safety and well-being while in Cuba or remove regulatory impediments to U.S. farm exports. Despite constraints to major change, Kerry will have ample opportunity to move the needle forward. The question is whether the new secretary of state will stick to his past convictions on Cuba."

A Ray Walser, senior policy analyst at the Heritage Foundation: "As a senator, John Kerry made clear he favors deepening U.S. engagement with Cuba. A Vietnam War veteran, Kerry appears to view communist Cuba and the Castro regime through the prism of the post-Vietnam War experience, finding U.S. policy toward Cuba and the embargo anachronisms inconsistent with U.S. global policy toward other communist regimes, such as China and Vietnam, and detrimental to relations in the Western Hemisphere. As chair of the Senate Foreign Relations Committee, Kerry was lukewarm on democracy assistance in Cuba and questioned the effectiveness of Radio and Television Martí. Like the nominee for secretary of defense, Chuck Hagel, Kerry appears inclined to minimize Cuba's status as a security threat and sees the Castro regime as a 'toothless dinosaur.' While business opportunities may exist in a Cuban economy undergoing modest economic reforms, major hurdles remain. These include a lack of rule of law, confiscated property claims, a terrible international credit rating, the absence of a consumer market and a lack of worker protections. Tourism, real estate investments, agriculture and pharmaceuticals might offer some promise for foreign U.S. investments, but the United States must compete with the Brazilians, Canadians, Chinese, Spaniards and others who have already invested extensively in Cuba. Tossing economic lifelines to an aging, oppressive dictatorship run by unelected octogenarians will not sit well with others in Congress. Further complicating U.S.-Cuba relations at the moment are the case of USAID worker Alan Gross, unjustly held in a Havana prison for more than three years. The Castro regime wants to swap the American for its 'Miami Five' of convicted Cuban intelligence agents. The United States so far has said 'no deal.' Given Venezuelan President Hugo Chavez's highly uncertain health status, the current relationship between Cuba and Venezuela is also problematic. I do not predict a rapid change in U.S. policy toward Cuba should Sen. Kerry win his expected confirmation."

> "Tossing economic lifelines to an aging, oppressive dictatorship run by unelected octogenarians will not sit well with others in Congress."
>
> *— Ray Walser*

A Stephen Wilkinson, chairman of the International Institute for the Study of Cuba: "Kerry's nomination as secretary of state has set hearts fluttering in Miami

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Featured Q&A

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because of fears this might induce a further relaxation of the travel restrictions on Americans visiting Cuba. Kerry is a longtime supporter of unrestricted travel, including tourist travel, to the island. However, hopes (or fears) that Kerry would use his high office to bring about his stated intentions should be tempered by the long-established tradition of politicians finding that the pressures of office prevent them from being able to make good on the rhetorical stances they adopted before obtaining power. In addition, one should note that Kerry is extremely vulnerable to attack from the right. For example, within weeks of taking office as a senator in 1985 he went on a 'fact-finding mission' to Nicaragua, then governed by the Sandinistas in the full flush of their revolutionary fervor. He was publicly castigated when—just days after meeting with Daniel Ortega and other Nicaraguan leaders—the Sandinistas climbed aboard a plane to Moscow to cement ties with the Soviet Union. Then-Secretary of State George Shultz declared that Kerry had been 'used' by the Nicaraguans, and he ridiculed him for his naïveté in 'dealing with the communists.' Kerry was called 'silly' in the Boston press. Will Kerry and Obama be able to face down the cries of 'soft on Castro' in order to bring about the feared and hoped-for changes to U.S. policy on the island? Post-Newtown, with the president taking on the gun lobby and facing the political minefield that entails, the bets are most likely off."

Dan Hellinger, professor of political science at Webster University in St. Louis: "Assuming John Kerry is confirmed as secretary of state, prospects improve for progress in relations between the United States and Cuba, but we should not expect fast-track change. There are too many legal obstacles embedded in laws promoted and/or defended by intransigent legislators, including Sen. Robert Menendez, who succeeds Kerry as chairman of the Senate Foreign Relations Committee. Also, a Republican-controlled House of Representatives is unlikely to cooperate with any initiative requiring legislation. But there are two actions that the administration could take immediately to improve relations: Lift the absurd designation of Cuba as a state that promotes terrorism and grant clemency for the 'Cuban Five' serving terms for questionable convictions for conspiracy to commit espionage. Cuba has signaled a will to resolve issues once the matter of the Five, now more than 12 years into their sentences, is resolved. Prospects for the release of jailed U.S. contractor Alan Gross are better if Cuban reciprocation is not sought in public diplomacy as quid pro quo. Kerry's appointment and the nomination of Hagel for Defense indicate recognition by the Obama administration that both Cuba and the Latin American region are changing along with broader shifts in the global system. Like any other country, including the United States, Cuba is subject to criticism on important human rights and democratic conditions. But the prospect for a more open and democratic Cuba is likely to improve once Washington's failed policies of the last 50 years are abandoned. Kerry might be the one to finally act on that premise."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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