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## FEATURED Q&A

# Where Are Europe's Ties With Cuba Headed Next?



Cuban Foreign Minister Bruno Rodríguez met last week in Havana with the European Union's foreign policy chief, Federica Mogherini. // Photo: European Union.

**Q The European Union is committed to its ties with Cuba, E.U. foreign policy chief Federica Mogherini said during a three-day trip to Havana earlier this month. Her visit came as the United States is stepping up efforts to pressure the Cuban government, including by enforcing a provision that allows U.S. citizens to file suit against companies deemed to be profiting from areas nationalized during the Cuban revolution, a move that numerous European firms oppose. What came out of Mogherini's trip to Havana? What benefits would strengthened ties with the European Union bring for Cuba, and would they offset the consequences of tougher U.S. policies toward the island's government? Is Cuba likely to become a bigger point of contention in European-U.S. relations?**

**A Paul W. Hare, senior lecturer at Boston University's Pardee School of Global Studies and former British ambassador to Cuba:** "With the exception of the last period of the Obama administration, the United States and the European Union have differed sharply on Cuba policy. The European Union has previously sanctioned Cuba over political prisoners. But, unlike Trump, it has never called for regime change as a condition for relations. Mogherini said that the European Union is now the leading investor and had tripled cooperation funding in Cuba since Trump took office. Together with E.U. tourism, that suggests progress. But on Venezuela, the European Union and Cuba are on different sides. Most of the European Union—alongside Trump—supports Guaidó. That concerns Cuba. With John Bolton's departure as national security advisor, Trump may soften his Venezuela demands so he

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#### Lawmakers in Austria Reject Mercosur Pact

Representatives from four out of five of the main parties in the Austrian parliament's crucial European Union subcommittee voted against the trade deal.

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#### Argentina Raises Fuel Prices, Passes Food Aid Bill

Argentina's government said it would increase fuel prices by 4 percent to account for volatility in the international oil markets, modifying a 90-day fuel price freeze as the country struggles to contain soaring inflation.

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#### Mexico Says Next Renewable Auction Is Back on Track

Mexican Energy Minister Norma Rocío Nahle García on Wednesday announced that a renewable energy auction that was widely believed to have been canceled in January has actually only been delayed and is on track.

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Nahle // File Photo: Mexican Government.

## POLITICAL NEWS

## Austrian Lawmakers First to Reject E.U. Mercosur Trade Pact

Austrian lawmakers in a key committee have rejected the European Union's trade pact with Mercosur, the bloc of South American economies, Deutsche Welle reported Wednesday. Representatives from four out of five of the main parties in the Austrian parliament's crucial European Union subcommittee voted against the trade deal, putting the fate of the pact, which had been under negotiation for more than a decade, into doubt. "In times of the climate crisis, having more products cross the sea that we can produce here in Europe is the absolutely wrong path," Jörg Leichtfried of



Leichtfried // File Photo: BMVIT / Johannes Zinner.

the Social Democratic Party posted on social media before the vote. France, Luxembourg and Ireland have already warned they will reject the deal if Brazil does not do more to curb fires in the Amazon rain forest. Austria's federation of industry, however, has backed the Mercosur deal, warning against "populist scaremongering and free-trade myths" and insisting that the deal includes a commitment to the Paris Climate Agreement, BBC News reported. Austrian lawmakers may be trying to curry favor with the public ahead of upcoming elections, according to the report. A recent survey by Krone Zeitung showed that 78 percent of Austrians rejected the Mercosur trade pact. Brazilians have said some countries in Europe are more concerned about protecting their agricultural sectors from competition than the global environment. The trade pact requires the backing of every parliament in the European Union in order to

move ahead. Mercosur is comprised of Brazil, Argentina, Paraguay and Uruguay.

## ECONOMIC NEWS

## Brazilian Central Bank Cuts Interest Rate to Record Low

The Brazilian central bank's monetary policy committee, known as COPOM, on Wednesday cut its benchmark interest rate by a half percentage point, to 5.5 percent, a record low, state-run Agência Brasil reported. The decision to cut the Selic rate by 50 basis points was in line with analysts' expectations. The rate-setting committee said the cut was appropriate given the economy's rate of inflation. In the 12 months through August, consumer prices in Brazil rose 3.43 percent, well below the central bank's target of 4.25 percent, Reuters reported. The economy has also experienced weak growth and high unemployment. COPOM indicated that it is likely to cut interest rates again this year, bringing the benchmark rate to 5 percent by year's end. On Monday, the Brazilian central bank's weekly survey of economists showed that the outlook for interest rates and inflation is at all-time lows. On average, economists in the survey said they expected inflation to end the year at 3.43 percent. [Editor's note: See related [Q&A](#) in the July 24 issue of the Advisor.]

## Argentina Increases Fuel Prices, Raises Interest Rates

Argentina's government said Wednesday it would increase fuel prices by 4 percent to account for volatility in the international oil markets, Reuters reported. The country's Energy Secretariat also said the government would raise the price per barrel of oil by 5.58 percent. The announcement comes as a modification to the 90-day fuel price freeze announced by

## NEWS BRIEFS

## Venezuela's Rival Factions to Attend United Nations

Representatives of Venezuelan President Nicolás Maduro and opposition leader Juan Guaidó are set to appear before a gathering of world leaders at the United Nations in New York next week as the political stalemate continues in the Andean nation, Reuters reported. Dozens of countries including the United States recognize Guaidó as Venezuela's legitimate interim president, but the 193-member U.N. General Assembly still recognizes Maduro, whom Russia and China also support.

## Colombia to Offer 59 Oil Blocks in Next Bid Round

Colombia will offer 59 blocks in the next round of oil bidding, with the aim of "ensuring self-sufficiency in Colombia, increasing reserves and generating critical resources and fiscal trade balances," the national hydrocarbons agency, or ANH, said Wednesday, Reuters reported. Five of the blocks are offshore, while 27 of them are areas that pre-qualified firms have already requested. Thirteen of the new areas have gas production potential. A list of qualified bidders will be announced on Oct. 21.

## China in Talks With Chile Over Use of Its Port for Antarctic Expeditions

Beijing is in talks with Chile over use of the Punta Arenas port in order to explore for natural resources in Antarctica, the South China Morning Post reported Wednesday. China would use Chile's port for "the realization of projects at their bases located in the Antarctic continent," according to a Chilean foreign ministry statement. To date, China has been limited to launching its Antarctic expeditions from Hobart, capital of the Australian island state of Tasmania, and the Asian country is seeking to diversify its options for accessing the region, according to the report.

President Mauricio Macri in August in an effort to shield consumers after the peso currency plunged sharply following his primary election defeat to opposition candidate Alberto Fernández. In related news, the Argentine Senate on Wednesday unanimously approved a food emergency law that will increase financial support destined for food and nutrition programs by at least 50 percent until December 2022, Aljazeera reported. Argentina's central bank on Wednesday raised a floor in its benchmark interest rate to 78 percent from 58 percent for the rest of September, Bloomberg News reported. Argentina has had the world's highest interest rates for more than a year as it battles inflation triggered by political uncertainty.

## BUSINESS NEWS

# Mexico Says Next Renewable Energy Auction Is on Track

Mexican Energy Minister Norma Rocío Nahle García on Wednesday announced that a renewable energy auction that was widely believed to have been canceled in January has actually only been delayed and is on track, PV Magazine reported. In a statement, Nahle said that an inability of power lines to cope with new generation capacity was behind the delay, which was announced shortly after President Andrés Manuel López Obrador took office. "The federal government recalls the commitment of President López Obrador to reactivate the process of the fourth long term auction (SLP) in which, once again, renewable energies would be the protagonists." Nahle did not cite a date for the new tender round, saying that a review of the country's first renewable energy auction, which took place under the previous administration of President Enrique Peña Nieto, is currently underway. That auction, in 2017, managed to achieve wind and solar prices that were among the lowest in the world, according to Brian Gaylord, an analyst with Wood Mackenzie, Greentech Media reported. Nahle also said she is considering expanding nuclear capacity.

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can claim a win. But Trump's political base would never allow an alignment with the European Union on Cuba. Cuba sees Russia and China as more important strategic allies than the European Union. These countries are vital to propping up Maduro. For the European Union, Cuba continues to be an issue on which the member states can distance themselves from the coercive American approach to the region and on issues such as the Iran nuclear deal and climate change. Now the European Union is resisting U.S. pressure for more sanctions on Venezuela and instead is calling for more talks brokered by Norway. The 'troika of tyranny,' which Bolton called Venezuela, Cuba and Nicaragua, has been the hallmark of Trump's diplomacy. But little attempt has been made to provide cogent arguments to persuade Europe to follow the U.S. diplomatic lead, and Trump's prospects of success look increasingly shaky."

**A** **Julio M. Shiling, director of Patria de Martí:** "The European Union, under the stewardship of Federica Mogherini, is charting a course with Cuba that undermines democracy and human rights. Cuba has a nondemocratic, single-party regime with a Leninist state, a communist ideology and the monopolistic control of the relevant factors of production and media communications. It suppresses free speech and has no rule of law. The European Union's position, as evidenced by Mogherini's visit, is that of engagement focusing on economic development on the island and defense of European commercial interests. There is a resemblance to the détente/engagement principle rationale that the European Union is displaying toward Cuba and the U.S. focus on China that began in the 1970s. China, no doubt, has fared well economically, but democracy is nowhere in sight. Yet, that same underlying premise sustains the European Union's position toward Cuba. Economic development, part of the modernization theory

supported by political sociologists such as Seymour Martin Lipset, has not worked in regimes such as those in China and Vietnam. Why would the European Union expect Cuba to be an anomaly? If the goals were to foster a coherent policy that recognizes the need for a democratization process to begin in Cuba, then the European Union would prioritize the respect for human rights and espouse a basic standard of conduct for the Cuban regime to follow with its people. The European Union has not done this. Quite the contrary. Its policy will only solidify dictatorial rule and enrich a few politically connected families. Cubans deserve better."

**A** **Emily Mendrala, executive director of the Center for Democracy in the Americas:** "Countries around the world view U.S.

policy toward Cuba with skepticism. At worst, Cuba is a pawn in U.S. domestic politics. At best, policy toward the island is contradictory, standing in direct contrast with other foreign policy matters such as in North Korea. For the European Union, U.S. policy toward Cuba is not just merely objectionable; it is harmful for its member nations. Upon enactment of Title III, E.U. and Canadian officials released a joint statement calling the move 'regrettable,' noting it will have an 'important impact on legitimate E.U. and Canadian economic operators in Cuba,' and asserting, 'the E.U. and Canada consider the extraterritorial application of unilateral Cuba-related measures contrary to international law.' In fact, Title III lawsuits have already ensnared companies in the European Union, such as Spanish hotel chain Meliá, for example. While the United States tightens sanctions, the European Union is capitalizing on the United States' absence to gain market share (the European Union is Cuba's largest trading partner) and influence (the European Union is investing in Cuba's modernization and development in fields such as agriculture and food security). Over the last two years, E.U. officials have made

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several trips to Cuba for high-level meetings and dialogues, and, according to Mogherini, tripled levels of cooperation. U.S. policy-makers should take note that the European Union is meeting with Cuba on the subject of human rights and engaging with Cuban officials about its role in Venezuela, knowing from experience that, through engagement and dialogue, the European Union can play a constructive role.”

**A Luis Carlos Battista, Cuban-American lawyer and co-host of the Nuestra América podcast:** “Mogherini’s trip was focused on economic cooperation, trade and the extraterritorial application of the U.S. Libertad Act, including its Title III, implemented by the Trump administration for the first time since 1996. Title III allows U.S. citizens to file lawsuits, even if their claims haven’t been certified by the U.S. Foreign Claims Settlement Commission. However, we should not rule out a discussion on human rights. The European Union, through political dialogue and economic cooperation, has brought Cuba to the table to discuss difficult topics the island is adamant to if not treated as equal—something an aggressive U.S. approach has proven unable to achieve. Moreover, it’s not a surprise that European authorities discussed the Venezuelan crisis with their Cuban counterparts. Cuba might have some influence in Caracas, and the European Union and Canada have duly noted this. The U.S. embargo, widely rejected by the international community, affects the Cuban government, but it affects ordinary citizens even more, which adds a humanitarian cost to the U.S. foreign policy. Consequently, Cuba has turned to the tourism industry as a source of revenue, with Europe providing tourists, know-how and investment partners. However, given the economic reach of the United States, the embargo’s impact is omnipresent, as third-country companies with U.S. capital cannot invest in the island. Finally, even if the United States and the

European Union differ fundamentally in their approach to Cuba, which could cause some stir, it won’t cause a disruption in transatlantic relations more than Iran or some tweets from the president could.”

**A Bartłomiej Znojek, Latin America analyst at the Polish Institute of International Affairs:** “The E.U. High Representative’s latest visit to Havana confirms that the European Union wants to engage with Cuba and play a greater role in its development. The main driver is commercial interests. The European Union is Cuba’s top trade and investment partner. It has been financing projects in areas such as agriculture and the food sector, renewable energy and institutional reforms. While human rights are part of the dialogue, the European Union doesn’t apply preconditions (such as progress in democratization) to develop cooperation. In broader terms, Europe is seeking to strengthen its position in Latin America as a partner that promotes dialogue and peaceful resolution of conflicts, as it has been in the cases of Colombia and Venezuela. For Cuba, the European Union has become an important partner in diversifying commercial ties and mitigating adverse effects of U.S. restrictions and the evolving crisis in Venezuela. However, it also appears to be a useful political ally. The European Union has been critical of the U.S. embargo toward the island. Moreover, it has long considered illegal the extraterritorial laws applied to third parties, such as the Helms-Burton Act, which the United States activated earlier this year. Since 1996, the European Union has had in place the so-called Blockade Statute, designed to counteract and nullify effects of laws concerning E.U. business. With Spaniard Josep Borrell as the next head of E.U. diplomacy, tensions may rise. Spain was at the forefront of criticism of the U.S. measures and has gained the greatest commercial presence in Cuba among E.U. members.”

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