



**The Future of Cuba**  
Roundtable Discussion Summary  
*October 13, 2006*

**Introduction**

In light of Fidel Castro's transfer of power – claimed to be temporary – to his brother, Raúl Castro, on July 31, the Americas Society and Council of the Americas convened a roundtable discussion in New York City to look at events inside the island and the future role of the private sector. "The Future of Cuba" examined a variety of themes relevant to the country's present day and future socio-economic climate including: the current and expected business environment on the island; the political atmosphere and future prospects; and Cuban society both on and off the island. The roundtable's speakers were: Brian Latell, Senior Research Associate, Institute of Cuban and Cuban American Studies (ICCAS); Mark Entwistle, Consultant, Cabesterre LLC, and former Ambassador of Canada to Cuba; Andy Gómez, Senior Fellow, ICCAS, University of Miami and Assistant Provost, University of Miami; and Jorge Piñón, Senior Research Associate, ICCAS, and former President, Amoco Latin America. This summary provides an overview of the main points from the discussion.

**Background**

The temporary transfer of power from Fidel to Raúl Castro has been relatively smooth and uneventful. First designated his successor in 1959, Raúl is the next in line in succession in Cuba, post Fidel, and, at least in the short-term, with Fidel's blessing remains the designated successor. But after nearly three months, the failure of Fidel Castro to reassume power has led to speculation and debate over whether the island has finally entered the post-Fidel era.

**Summary**

Speakers agreed that Cuba under Raúl Castro is unlikely to undergo any immediate dramatic political or economic transitions. However, in time, the future liberalization of Cuba may lead to better relations with the U.S. and opportunities for limited foreign direct investment (FDI). Speakers emphasized that any socio-economic or political openings by Raúl Castro would be gradual and highly regulated, similar to the China Model. Dependent on the substantial aid received from Venezuela and a few others countries, Cuba's future development would benefit from greater diversity in its foreign relationships.

***Business Sector Climate and Future Prospects***

Cuba's economy, despite the U.S. embargo and other factors, is stable and may actually be expanding. Jorge Piñón presented data highlighting the economic revitalization over the past three years. Among its revenue sources, tourism generated \$2 billion annually, Venezuelan oil subsidies added \$1.4 billion in 2005, and increased global prices for nickel and sugar benefited the export industry. Agreeing with Piñón, Mark Entwistle added that continued FDI and the provision of medical services to foreigners also contribute to slow, but measurable, growth.

Additionally, he observed that the cash and oil subsidies from Venezuelan President Hugo Chávez strengthen national economic health, but interestingly, do not lead to increased ideological solidarity.

In the event of a permanent ascension to power by Raúl Castro, Entwistle believes that foreign investors should expect an economically nationalist government with tight control over foreign investment. American corporations would have a role but it would be restricted and closely monitored. Although the state would maintain control over critical industries, including aviation and power, Brian Latell highlighted that at least the Cuban military understands the basics of capitalism. In fact, retired military officers run the tourism industry.

New levels of investment would require more advanced financial infrastructure and legal stability. For Piñón, Cuba's main challenges include resolution of outstanding property claims and establishment of free market economic enablers such as legal, monetary and judiciary systems.

Looking at opportunities for U.S. firms, Gómez sees strong prospects for success due to the island's untapped human capital. The population is well educated and the younger generation retains an entrepreneurial spirit. While all sectors may likely prosper, Piñón believes that consumer goods and maquiladora operations will be the first to develop, followed by high technology fields such as pharmaceuticals, biotechnology, and information technology. Entwistle sees manufacturing industries eventually giving way to high technology, high capital industries.

Despite slow business climate improvements, many challenges still exist to creating a welcome investment environment. For Entwistle, infrastructure development still lags significantly behind needed capacity despite the government recently investing \$1 billion in a gas-powered generator to reduce the routine blackouts. Rebuilding Havana's dilapidated infrastructure would cost \$8 billion, including replacement of a sewage system built in 1913.

### ***Political Climate and Future Prospects***

Panelists agreed that although Raúl and Fidel Castro are distinct in personality and background, a Raúl-led Cuba would strongly resemble the political environment under the Fidel government. Latell described Fidel Castro as a charismatic ruler, who is extremely disorganized and capricious. Over the years, Raúl provided critical support to his brother in areas of organization and efficiency. But Raúl has never managed a crisis, making the first major problem a critical test of his leadership.

Although the political direction is unlikely to change in the near future, leadership differences between Raúl and Fidel will soon become evident. Raúl Castro is not well-liked by Cubans, a sentiment dating back to his ruthless military rule in the revolution's early years, and a factor that will inhibit his ability to unilaterally make decisions. Since Raúl does not share similar levels of popularity, Latell believes that he will operate in the background, depending more on his cabinet. Yet, Raúl does rule with institutional support, and his survival depends on addressing the peoples' basic needs such as public safety, food, housing, education, employment, and

healthcare.

According to Gómez, there will be no quick democratic transition. Entwistle is a bit more optimistic in his belief that Raúl may consider some rapprochement with the U.S., while others voiced skepticism that he would challenge current policies. However, Chávez could use his oil subsidies to scuttle any attempts at mending the relationship. If Piñón is correct, change in U.S.-Cuba relations would originate in Washington, not Havana.

### ***Cuban Society***

The culture of fear in Cuba pervades everyday life, which is compounded by isolation and Cubans' disconnect with the outside world. The youth only care about escaping from the island and building a better life, according to Gómez.

Statistically, Cuba and its Diaspora are polarized both in social and economic terms. Noting that 62 percent of the population is Afro-Cuban, but that 86 percent of Cuban exiles are Caucasian, Gómez suggested that the majority of remittance benefits are concentrated among a minority of the population. Such inequality leads to poor wealth distribution. Sixty percent of Cuban exiles are U.S. citizens with minimal concern about Cuban affairs, but a strong identity with the island. A social disconnect exists between those on and off the island, which could produce friction in any transition.

---

*This summary is published by the Americas Society/Council of the Americas, non-partisan organizations founded to promote better understanding and dialogue in the Western Hemisphere, working in collaboration to advance their respective missions. The Americas Society is a public charity described in I.R.C. Section 501(c)(3), and Council of the Americas, a business league under I.R.C. Section 501(c)(6). The positions and opinions expressed in this publication are those of the authors or guest commentators and speakers and do not represent those of the Americas Society/Council of the Americas or its members or the Boards of Directors of either organization. No part of this publication may be reproduced in any form without permission in writing from the Americas Society/Council of the Americas.*