

# **“Todos somos americanos”: President Obama and President Castro rediscover common sense**

☒ US President Obama and his Cuban counterpart Raul Castro have put an end to a 53-year old crisis. In so doing, the White House has conceded that the embargo against Cuba has failed and that it was ruinous for both parties – as embargos often are. The first step of the emerging USA-Cuban détente will be a mambo of steps, the first of which will be the resumption of mutual diplomatic relations to be emphasized later through measures that dismantle the system of economic sanctions. Obama announced the shift in a speech that concluded with the phrase “Todos somos americanos” (we are all Americans); this will surely be remembered as a historic pronouncement in the same spirit of other momentous shifts from J.F.K’s “Ich bin ein Berliner” to Ronald Reagan’s “Mr. Gorbachev, tear down this wall!” It was the Kennedy White House that suspended diplomatic relations with Havana in 1961 following Fidel Castro’s revolution and, more significantly, his alliance with the Soviet Union.

The reopening of the US Embassy will happen shortly and there are, in fact, already US diplomats on the ground in Havana, given that a small US interests office has been operating for decades. From a more commercial standpoint, the closer diplomatic ties will allow for the rise of travel and tourism, surely to be followed by business, communications, credit cards, the Internet and of course remittances. A deeper discussion on Human rights will be possible after the political trappings of the embargo are brought down. Cuba itself is still governed by one of the very last surviving communist regimes; a phenomenon that has defied the odds,

given the end, in 1992, of the Soviet support that sustained it and the continuing US embargo. Yet, the fact that two or three players defect every time the Cuban national soccer team plays a World Cup qualifying match abroad, serves as a reminder that it is still very much a Communist dictatorship. Yet, Cuba is slowly creeping away from a long period of political staleness and changes could be in store for the Island nation. These changes are being encouraged by some important political events in its neighbors.

Obama announced the new Cuban policy through a rather pragmatic observation: the embargo has failed; it has created immense hardships in Cuba and still "half a century later the Communists Castro are still in power." In contrast, the embargo has also reduced the United States' capacity to influence Cuba – and other countries in Latin America, virtually isolating itself from major parts of the Western Hemisphere. Moreover, the Embargo provided Castro a global podium from where to spread his propaganda. Along with these general considerations, which should be applied to Washington's other international disputes from Iran to Russia and North Korea, President Obama stressed the immediate need for frontline investment in telecom, which would vastly increase Internet availability to an island where only 5% of the population browse online – in expectation that American companies will bring their digital infrastructure and technologies to Havana. The pretext for this sensational shift in policy has come thanks to Havana's release of American businessman Alan Gross, who was detained in 2009; he was exchanged with three Cubans accused of espionage in the United States. Perhaps, the democrats' midterm electoral defeat has helped release Obama from trying to score political points to pursuing greater matters with deeper meaning and more progressive content than his previous six years. Foreign policy is one of the few territories where the president enjoys almost exclusive power and leadership, and Obama is determined to use this to gain his place in history.

We can presume that opening to Iran is next – perhaps, he is also freer to allow Putin to save face.

Speaking about the Cuban embargo, Obama spoke of the now distant failed Bay of Pigs invasion (as well as, the Missile Crisis and the tensions of the Cold War) and of the absurdity of clinging to a distant past. While, the struggle to promote human rights and freedom in Cuba, and everywhere, is a noble one, the embargo method has proved to be wrong, citing China, Vietnam, other countries (several in the Middle East for example) where human rights are trampled and yet Washington has chosen to engage in full diplomatic relationships. On his side, Obama and the Democrats have a new generation of Cuban-Americans, who do not share their parents' anti-Castro approach and this could play into the hands of the next Democratic presidential candidate in 2016 – especially if Jeb Bush, governor of Florida, should decide to run. The first major political and international venue where Cuba and the United States will have an opportunity to consummate their new relationship will be at the Summit of the Americas in Panama, where he will also discuss human rights, next April.

Secret negotiations between the Cubans and American parties started over a year in Canada and at the Vatican. The US administration has said that Pope Francis has played a direct role in the crucial turning point has sent letters to both Obama and Castro during the summer, making explicit appeal to a resumption of bilateral relations between the two countries. The rapprochement process will take some time, but President Obama wants to the end of the embargo against Cuba to end before the end of his term in 2016. The shift toward Havana will also help improve Washington's relations with other Latin American countries and Venezuela in particular, perhaps helping to divert Caracas's highly ideologically driven course toward a more pragmatic and business friendly one (even if that openness will likely be in favor of selective partners such as Brazil and Argentina – first). Moreover, in strictly

business terms, it will be far easier for US and Western companies to work in Cuba; until recently, all western companies have been subjected to US risks when conducting business in Cuba.

I was reminded by fellow InvestorIntel contributors Christopher Ecclestone and Jack Lifton that Ian Delaney, former CEO and current chairman of Canada's Sherritt International Corporation, knows a thing or two about this. Under his direction, Sherritt invested successfully in Cuba's nickel and oil deposits in the 1990's becoming its main independent energy producer. Sherritt started dealing with Cuba in a key period, which fell between Cuba's loss of USSR support and before the 1996 Helms-Burton Act that barred domestic and foreign companies from dealing in former U.S. property in the island. Mr. Delaney has been barred from entering in the United States because of his dealings with Cuba. The former CEO and current Chairman of Sherritt's strategy in Cuba, which showed that Cuba can be good for business, could be vindicated shortly. Ultimately, Obama's shift in Cuba policy is part of a wider strategy to boost the influence of the United States in Latin America, a region that has seen considerable economic growth and political progress in the past decade.

Fidel Castro's uncertain health, Raul Castro's own advancing age and his decision to limit his presidency of the Cuban government to two five-year terms have raised speculation in to what post-Castro Cuba will look like. There are a few dynastic propositions, including Alejandro Castro, Raul's son, and a few other younger relatives, though family and communist legacy aside, the Cold War mentality of the Castro brothers (less so Raul) will be replaced. A Chinese version of Cuba, marked by economic openness and political repression, might follow. The United States might appreciate this line as it would ensure security, control the borders and prevent the island from falling prey to the Central American drug trade.

If the current conditions will persist it is very likely that the U.S. will not disrupt their embargo against Cuba and that thanks to their pressure the island will remain excluded from regional and international institutions such as the Organization of American States and the International Monetary Fund.

Twenty years after the end of the Cold War, Cuba remains an obsession for Washington even as the embargo has not capitulated the Communist government, which has sought friends in China and Venezuela. Cuba has faced a more uncertain political position since the end of the Cold War and is ready to begin a new chapter in its history. Cuba will retain a strong nationalist fiber but its economy will necessarily require foreign investment and expertise. Had President Obama not acted now, it would have left it open to other Latin American nations, Brazil in particular. Paradoxically, even China has complained about the slow pace of reform in Cuba even as Chinese cooperation has targeted the creation of industrial and entrepreneurial capacity in Havana. In Cuba then, Beijing and Washington have congruent goals. China could increase imports of sugar and nickel from Cuba, while helping to raise its oil production output at the refinery in Cienfuegos. Should Cuba opt to liberalize the economy more than its politics, the United States would still be able to craft a policy to manage closer ties just as it has for China. Oh, lest we forget, the US and Cuba have military ties though the presence of a US military base at Guantanamo, the object of a rather shameful report about CIA torture abuses.